Cassa Centrale Group

Annual financial report 2020 Financial Year

GRUPPO CASSA CENTRALE
CREDITO COOPERATIVO ITALIANO

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Cassa Centrale Banca Credito Cooperativo Italiano
Cooperative Banking Group

Annual financial report 2020 Financial Year

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Cassa Centrale Banca list of shareholders

Ordinary shareholders

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BANCA ADRIA COLLI EUGANEI CREDITO COOPERATIVO - Cooperative Company
BANCA ALTO VICENTINO - CREDITO COOPERATIVO DI SCHIO, PEDEMONTE E ROANA - Cooperative Company
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - Cooperative Company
BANCA CENTRO LAZIO CREDITO COOPERATIVO - Cooperative Company
BANCA DEL GRAN SASSO D'ITALIA, BANCA DI CREDITO COOPERATIVO - Cooperative Company
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - Cooperative Company
BANCA DEL VENETO CENTRALE CREDITO COOPERATIVO - Cooperative Company
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - Cooperative Company
BANCA DI BOLOGNA CREDITO COOPERATIVO - Cooperative Company
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DEL VELINO - COMUNE DI POSTA PROVINCIA DI RIETI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - Cooperative Company
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO E SAMMICHELE DI BARI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI ANAGNI - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI AQUARA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI BARLASSINA (MILAN) - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI BRESCIA - Cooperative Company
BANCA DI CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CHERASCO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI CONVERSANO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI FLUMERI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI MONOPOLI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SARSINA - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI SPELLO E BETTONA - Cooperative Company

BANCA DI CREDITO COOPERATIVO DI TURRIACO - Cooperative Company

BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - Cooperative Company

BANCA DI CREDITO COOPERATIVO LAUDENSE - LODI - Cooperative Company

BANCA DI CREDITO COOPERATIVO SANGRO TEATINA DI ATESSA - Cooperative Company

BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - Cooperative Company

BANCA LAZIO NORD CREDITO COOPERATIVO - Cooperative Company

BANCA MALATESTIANA - CREDITO COOPERATIVO - Cooperative Company

BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - Cooperative Company

BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - Cooperative Company

BANCA SICANA CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - Cooperative Company

BANCATER CREDITO COOPERATIVO FVG - Cooperative Company

BANCO MARCHIGIANO Credito Cooperativo - Cooperative Company

BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - Cooperative Company

BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - Cooperative Company

CASSA DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA PADANA BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Cooperative Company

CASSA RURALE ALTA VALLAGARINA - LIZZANA BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ALTO GARDA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE DI ROVERETO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE DOLOMITI - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - Cooperative Company

CASSA RURALE ED ARTIGIANA DI VESTENANOVA - CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE RENON - RAIFFEISENKASSE RITTEN - Cooperative Company

CASSA RURALE ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

CAVIT - Cantina Viticoltori Consorzio Cantine Sociali del Trentino - Cooperative Company

CON.SOLIDA - Social Cooperative Company

CONSORZIO LAVORO AMBIENTE - Cooperative Company

CONSORZIO MELINDA - Agricultural Cooperative Company

CORTINABANCA - CREDITO COOPERATIVO - Cooperative Company

CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - Cooperative Company

CREDITO COOPERATIVO CENTRO CALABRIA - Cooperative Company

CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - Cooperative Company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

FEDERAZIONE DEL NORD EST CREDITO COOPERATIVO ITALIANO - Cooperative Company

FEDERAZIONE DELLE BCC DEL FRIULI VENEZIA GIULIA - Cooperative Company

FEDERAZIONE TRENTINA DELLA COOPERAZIONE - Cooperative Company

FONDO COMUNE DELLE CASSE RURALI TRENTINE - Cooperative Company

FRIULOVEST BANCA - CREDITO COOPERATIVO - Cooperative Company

LA CASSA RURALE - CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - Cooperative Company

PRIMACASSA - CREDITO COOPERATIVO FVG - Cooperative Company

PROMOCOOP TRENTINA S.p.A.

ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - Cooperative Company

SAIT CONSORZIO DELLE COOPERATIVE DI CONSUMO TRENTINE - Cooperative Company

TRENTINGRANA CONSORZIO DEI CASEIFICI SOCIALI E DEI PRODUTTORI LATTE TRENTINI - Agricultural Cooperative Company

ZKB ZADRUŽNA KRAŠKA BANKA TRST GORICA ZADRUGA ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - Cooperative Company

Preference shareholders

BANCA IFIS - S.p.A.

BANCA POPOLARE ETICA - Cooperative Company

CHAMBER OF COMMERCE INDUSTRY AGRICULTURE AND CRAFTS - TRENTO

CASSA RAIFFEISEN BASSA VENOSTA - Cooperative Company

CASSA RAIFFEISEN DELLA VAL PASSIRIA - Cooperative Company

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - Cooperative Company

COOPERATIVA PROVINCIALE GARANZIA FIDI - Cooperative Company

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

MEDIOCREDITO TRENTINO-ALTO ADIGE - S.p.A.

PROMOCOOP TRENTINA - S.p.A.

AUTONOMOUS PROVINCE OF TRENTO

Corporate officers and independent auditors

Board of Directors

Giorgio Fracalossi	CHAIRPERSON
Mario Sartori	CHIEF EXECUTIVE OFFICER
Carlo Antiga	ACTING DEPUTY CHAIRPERSON
Giuseppe Spagnuolo	DEPUTY CHAIRPERSON
Paola Brighi	DIRECTOR
Enrica Cavalli	DIRECTOR
Maria Luisa Di Battista	DIRECTOR
Giuseppe Graffi Brunoro	DIRECTOR
Amelio Lulli	DIRECTOR
Enrico Macrì	DIRECTOR
Giuseppe D'Orazio	DIRECTOR *
Giorgio Pasolini	DIRECTOR
Claudio Ramsperger	DIRECTOR
Livio Tomatis	DIRECTOR
Paola Vezzani	DIRECTOR

* died on 30/07/2020

Board of Statutory Auditors

Elisabetta Caldirola	CHAIRPERSON
Mariella Rutigliano	STANDING AUDITOR
Claudio Stefenelli	STANDING AUDITOR
Clara Carbone	ALTERNATE AUDITOR
Maurizio Giuseppe Grosso	ALTERNATE AUDITOR

General Management

Mario Sartori	CHIEF EXECUTIVE OFFICER - GENERAL MANAGER
Enrico Salvetta	ACTING DEPUTY GENERAL MANAGER
Sandro Bolognesi	DEPUTY GENERAL MANAGER

Independent Auditors

KPMG S.p.A.

Executive Committee

Mario Sartori	CHAIRPERSON
Enrica Cavalli	MEMBER
Amelio Lulli	MEMBER
Claudio Ramsperger	MEMBER

Risks Committee

Maria Luisa Di Battista	CHAIRPERSON
Paola Brighi	MEMBER
Giuseppe Graffi Brunoro	MEMBER
Giorgio Pasolini	MEMBER
Paola Vezzani	MEMBER

Appointments Committee

Enrico Macrì	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Giuseppe Graffi Brunoro	MEMBER

Remuneration Committee

Paola Vezzani	CHAIRPERSON
Enrico Macrì	MEMBER
Livio Tomatis	MEMBER

Independent Directors Committee

Paola Brighi	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Enrico Macrì	MEMBER

Sustainability and Identity Committee

Enrica Cavalli	CHAIRPERSON
Paola Brighi	MEMBER
Giuseppe Graffi Brunoro	MEMBER
Giuseppe Spagnuolo	MEMBER
Livio Tomatis	MEMBER
Paola Vezzani	MEMBER

Report and Consolidated Financial Statements of the Cassa Centrale Group

Letter to the Shareholders

Dear Shareholders,

We are here today to take stock of the year that has just ended, which was difficult to complete, as we had to deal with the effects of a pandemic that affected all sectors indiscriminately from a health, social and economic perspective.

The context we are facing will bring about an epochal change in perspectives, expectations, lifestyles and human relations. The impact of the lockdown on the global, European and Italian economic system is difficult to predict today.

There are many analyses, studies, but as yet we do not know for sure what the normality of the future will look like. We believe that flexibility and resilience will be key to maintaining a medium- to long-term perspective.

Specifically, the banking sector will have to deal with new dynamics linked to changes in customer behaviour, such as the increase in the use of home banking and digital payments, as well as the emergence and strengthening of new competitors. This will require the industry to firmly consider the business model of the future. Further decisive evolution will be driven by the strong consolidation of operators in search of better profitability and greater economies of scale, the continuing decline in the dynamics of financial rates and technological evolution.

It is therefore our responsibility to face change with the necessary clarity and rationality and to rethink the Banking Group's medium- to long-term strategic vision and business model.

In the first months of the health emergency, work began on the preparation of the Group Strategic Plan. The Group has put in place a series of activities, including through the use of new communication and working tools, aimed at enabling the Affiliated Banks to participate in the definition of the objectives of the Strategic Plan and the review of the 2021 budget. It was therefore possible to share and discuss the objectives of the Plan, which are mainly based on the development of technology and the enhancement of human resources. In consideration of the changing economic context in which the effects of the health emergency have not yet fully manifested themselves and in the face of the market and regulatory context in continuous evolution, the Group has decided to adopt, in the strategic planning process, a so-called rolling logic that provides for a revision of the Plan on an annual basis.

In 2020, we demonstrated our ability to react and ended the year with a very positive consolidated result. The Group companies also showed great responsiveness by confirming positive and even significant financial statements.

The Group closed the year with a consolidated net profit of EUR 245 million, and total assets of almost EUR 87 billion.

Being able to present a higher dividend today than in 2019 gives us particular satisfaction.

Capital remains solid with a CET1 ratio at consolidated level of 21.46%, confirming the solidity that distinguishes our Banks and the Group. Added to this is an improved quality of credit thanks to the progress of the operational plan to reduce impaired loans, which at the end of 2020 fell by around EUR 850 million, bringing us to levels in line with the major market players. In fact, the credit quality indices show a gross NPL Ratio that fell from 9.3% at the end of 2019 to 6.8% at the end of 2020. The coverage levels of impaired loans rose from 55% to 64%. These figures consolidate the added value resulting from a shared management with the Parent Company of assets and impaired exposures through securitisation transactions and important partnerships with leading operators.

In order to mitigate the economic effects of the lockdown, the Italian government passed important legislation to support households and businesses. The support measures put in place have required the active participation of the banking system, which has become one of the key players in the implementation of actions to support the territory, businesses and families.

The Cassa Centrale Group promptly implemented all actions to support its customers. As at 31 December 2020, the Group granted a total of moratoria on 121,465 contracts, for a residual debt subject to suspension of nearly EUR 14 billion, of which around EUR 9 billion to businesses and around EUR 5 billion to households.

For the Cooperative Banking Group, 2020 was an even more intense year than for other players in the banking market as we underwent the Comprehensive Assessment exercise. The results have not yet been announced, but we are convinced that in the end the outcome will be positive. We believe that the very fact of having tackled this exercise during a pandemic phase demonstrated strong management skills and expertise on the part of the entire structure of the Group and its Affiliated Banks. This was for two reasons: the organisational difficulties caused by the emergency restrictions and the economic forecasting scenarios that had to be considered, which were completely uncertain and unusual.

The emergency and urgent conditions introduced to reduce infections had a significant impact on the operations and internal processes of the banks, which maintained their business continuity and guaranteed the availability of services to their customers throughout the lockdown period.

The Parent Company promptly activated an operating unit for the management of the emergency at Group level, coordinating the measures to contain the infection risk common to all the Affiliated Banks and managing at a centralised level the relations with the Institutions, the Supervisory Authorities and the trade unions. Specific procedures have been identified to ensure the operational continuity of critical processes and the safeguarding and protection of the health of workers, customers and suppliers.

Thanks to a prompt and careful implementation of internal processes and measures, Cassa Centrale Banca obtained the "Safe Guard" certification (issued by Bureau Veritas, a rating company in the assessment and analysis of risks related to the quality of environment, health, safety and social responsibility), demonstrating that it managed the specific risks related to the Covid-19 emergency in accordance with the regulatory provisions issued by the Authorities.

The Group's results are very positive and strengthen our relationship with the territory, our closeness to our shareholders and customers, giving even more meaning to the founding values of cooperative credit.

We do not want to leave room for pessimism because it is in the most difficult times that cooperative credit has shown resilience and fortitude in helping to support the economies and communities of reference.

We would like to conclude with a simple but important THANK YOU to the staff of BCC-CR-RAIKA, Cassa Centrale Banca and the other Group companies for facing this particular year with positivity and tenacity.

Report on the consolidated operations of the Cassa Centrale Group

2020 Financial Year

Composition of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group

Reform of Cooperative Credit

On 2 August 2018, the Bank of Italy accepted the request of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. (hereinafter also "Cassa Centrale Banca", "CCB", the "Parent Company" or the "Bank") to establish the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as "Gruppo Cassa Centrale", the "Group", "Cooperative Banking Group" or "GBC") and by resolution of the Directorate of 18 December 2018, the Supervisory Authority ordered the registration of the Cooperative Banking Group in the Register of Banking Groups, with effect from 1 January 2019.

The reform of cooperative credit was born from the Italian legislator's desire to strengthen the cooperative credit sector without distorting the local role and mutualistic purpose of the individual BCC-CR-RAIKAs, safeguarding the paradigm that distinguishes them.

In accordance with the new regulatory framework of reference, the Cooperative Banking Group is composed of:

- the Parent Company, i.e. a joint-stock company authorised to carry out banking activities, which is responsible for the strategic and operational management of the Group and for interacting with the Supervisory Authorities;
- the Affiliated Banks, i.e. those BCC-CR-RAIKAs that adhere to the CBG through their adherence to the Cohesion Contract;
- other banks, financial and instrumental companies controlled directly and/or indirectly by the Parent Company.

With respect to that initially defined with the reform, the legislator intervened at a later date with a further Law Decree (Law Decree no. 91 of 25 July 2018, converted into Law no. 108 of 21 September 2018) with which it aimed to further enhance the territorial and mutualistic outlook of the BCC-CR-RAIKAs. Pursuant to the above law, Art. 37-bis of the TUB has been amended to require the Parent Company to ensure the active participation of the Affiliated Banks in the management of the Cooperative Banking Group through local shareholders' meetings of the banks themselves, as well as the potential establishment of special committees, with an advisory and proposing role, in particular in the following areas:

- preparation of guidelines on the main areas of business activity;
- analysis of commercial performance trends and formulation of proposals for improvement actions to be taken;
- identification of budget objectives;
- evaluation of the effectiveness of the catalogue of products and services offered by the Parent Company;

- identification of strategic initiatives at Group level;
- pursuit of mutualistic aims.

Local Shareholders' Meetings have the objective of allowing for maximum participation, collaboration and shared responsibility on the part of all the Affiliated Banks, through constant dialogue with the Parent Company, leveraging the common purpose, the responsibility and effective and widespread communication, as well as the integrated development of the Group's culture and strategies. The relationship based on ongoing dialogue and the active involvement of its stakeholders is an expression of the responsibility that the Cooperative Banking Group feels towards the territory in which it operates.

Other major changes made by the Decree to Article 37-bis of the TUB include the following:

- the provision that at least 60% of the share capital of the Parent Company of the Cooperative Banking Group is held by the cooperative credit banks belonging to the same Cooperative Banking Group;
- the definition of the number of members of the Board of Directors of the Parent Company (i.e. the number of members of the Board of Directors representing the Affiliated Banks are equal to half plus two of the total number of Directors);
- the recognition of areas of autonomy in strategic planning and commercial policies for banks in the best risk classes.

In the first two years of activity, the Cooperative Banking Group has actually operated within the framework of the new regulations with the aim of achieving progressive industrial efficiency and strengthening the cooperative spirit.

The Cohesion Contract

The basis for the establishment of the Cassa Centrale Group is a contractual relationship between the Parent Company and the individual Affiliated Banks, namely the Cohesion Contract.

By means of the Cohesion Contract (Art. 37-bis of the TUB), the Affiliated Banks and the Parent Company regulate their mutual duties, responsibilities, rights and joint and several guarantees deriving from membership and affiliation with the Cooperative Banking Group, in compliance with the mutualistic aims that characterise cooperative credit banks and in application of the principle of proportionality exercised according to the health status of the banks themselves (risk-based approach).

The Parent Company ensures compliance with the mutualistic aims and guides the Group towards business models consistent with cooperative principles. The Affiliated Banks, for their part, ensure the operational control of their territory by exploiting the knowledge of the economic and social dynamics of their shareholders/customers in line with the Group's strategic guidelines. The Parent Company's duty is to safeguard the stability of the Group and of each of its individual members, in compliance with the principles of sound and prudent management, by supporting the Affiliated Banks in pursuing the objectives set out in their Articles of Association, as well as by promoting the cooperative spirit and the mutualistic function of the same and of the Group.

The spirit of cooperation, in fact, is the foundation of the Cohesion Contract which finds its maximum expression through the drive for social, moral and economic development of local communities, the progress of cooperation and education in savings, pension planning and risk insurance, as well as social cohesion and the responsible and sustainable growth of the territories in which the Affiliated Banks operate.

As a result of the signing of the Cohesion Contract, the Affiliated Banks are subject to management and coordination by the Parent Company, while the Parent Company assumes the duties and responsibilities associated with its role as strategic and operational management of the Group.

The Cohesion Contract deploys the respective and reciprocal rights and duties of the members of the Group and also acknowledges all the management and coordination powers attributed to the Parent Company. These powers are exercised, in particular, in matters and areas such as corporate governance, strategic planning, risk management, internal control systems, information systems and joint and several guarantees.

The Guarantee Agreement

The Cohesion Contract provides, as a necessary and further fundamental and constitutive element of the Group, for the joint and several guarantee of the obligations assumed by the Parent Company and the Affiliated Banks, in compliance with the prudential rules applicable to banking groups and individual member banks; this guarantee forms an integral part of the Cohesion Contract. Participation in the agreement is, in fact, an essential condition for adherence to the Cohesion Contract and therefore to the Cooperative Banking Group.

The guarantee between the Parent Company and the Affiliated Banks is reciprocal (cross-guarantee) and contractually regulated so as to have the effect of qualifying the liabilities of the Parent Company and the Affiliated Banks as joint and several obligations of all the parties to the agreement; in other words, all the Affiliated Banks and the Parent Company are obligated - both internally and externally - for all the obligations contracted by the Parent Company or any Affiliated Bank.

The Guarantee Agreement also provides for intra-group financial support mechanisms by which the members of the scheme provide each other with financial support to ensure solvency and liquidity; in particular, to comply with the prudential requirements and the requests of the Supervisory Authority, as well as to avoid, where necessary, being subject to the resolution procedures set out in Legislative Decree no. 180/2015 or the compulsory administrative liquidation procedure referred to in Articles 80 et seq. of the TUB.

In particular, each party to the Guarantee Agreement, in order to ensure a prompt availability of the funds and the financial means necessary to carry out the guarantee interventions, constitutes the so-called "readily available financial funds" within the Parent Company, represented by a pre-established portion (the ex ante portion) and a portion that can be called up by the Parent Company if needed (the ex post portion), through the execution of contributions with the technical forms envisaged by the Guarantee Agreement. The Parent Company periodically checks the ex ante and ex post quotas and the related capacity through stress tests.

If there is a need for intra-group financial support, the Parent Company may decide to activate the guarantee. The support initiatives for the Affiliated Banks, both capital and liquidity, necessary to ensure the solvency and liquidity of the individual members of the scheme, are carried out only by the Parent Company, using the financial resources made available by the members in execution of the Guarantee Agreement.

Support initiatives may consist of:

- capital initiatives, such as the subscription of financing shares eligible as CET1 or additional equity instruments eligible as AT1 and Tier2 of the Affiliated Bank;
- liquidity initiatives, such as the subscription of ordinary bond loans issued by the Affiliated Banks and/or through the subscription of term deposits;
- initiatives in any other technical form deemed appropriate by the Parent Company.

For further details on the guarantee scheme, please refer to the "Report on the guarantee scheme" attached to the separate financial statements of Cassa Centrale Banca in the yearly financial statement dossier.

The organisational structure of the Group

The Cooperative Credit reform has further strengthened the proximity banking role typical of Cooperative Credit Banks. The Parent Company's coordination role made it possible to resolve certain cases of weakness in terms of capital or business model that arose well before the Group's operational start-up. The new organisational set-up has undoubtedly contributed to the immediate and positive response that the Affiliated Banks have provided to the economic fabric of reference in the particular context linked to the Covid-19 health crisis.

The corporate governance system of the Parent Company Cassa Centrale Banca is based on the central role of the Board of Directors, which is responsible for defining the Group's strategic guidelines, the transparency and collegiality of management decisions, the effectiveness of the internal control system and the strict governance of potential conflicts of interest.

The Board of Directors consists of 15 directors, of which 10 are members of the Cooperative Credit Banks, 4 independent and one non-member of the

Italian Cooperative Credit.

With reference to the regulation of potential conflicts of interest, specific documents and processes have been introduced (regulations, Group policy, line controls, second level controls, etc.) in order to monitor the various types of risks underlying this case, the scope of which is particularly broad due to the particular structure of the Cooperative Banking Group where the Affiliated Banks, controlled by virtue of the Cohesion Contract, are at the same time shareholders of the Parent Company.

The Group structure

As at 31 December 2020, the Cassa Centrale Group consisted of:

- the Parent Company, Cassa Centrale Banca;
- the Affiliated Banks that have adhered to the Cohesion Contract and the companies controlled by them, directly or indirectly;
- financial and instrumental companies directly and/or indirectly controlled by the Parent Company.

The updated list of the companies included in the scope of consolidation of the Cassa Centrale Group is provided in the Explanatory Notes (Part A - Accounting policies, Section 3).

Corporate governance

The Cassa Centrale Group, in line with legal and supervisory regulations and in order to ensure an appropriate balance of powers and a precise distinction between the functions of strategic supervision, management and control, has adopted a "traditional" system of governance, based on the distinction between the Board of Directors, which has a guidance and strategic supervision function, and the Board of Statutory Auditors, which has a control function.

Below is an overview of the main corporate bodies with guidance and governance functions. Details of the powers reserved for the control bodies are provided in the chapter dealing with "Risk management and internal control system" in this Report.

Shareholders' Meeting

The Shareholders' Meeting is a deliberative and collective body designed to express the Bank's wishes and to resolve, in line with the dictates of Art. 2364 of the Italian Civil Code and Art. 13 of the Articles of Association, on the following matters:

- appointment of the members of the Board of Directors, the Board of Statutory Auditors and determination of their compensation and responsibilities;
- approval of the financial statements and resolution on the allocation and distribution of profits;
- upon a reasoned but non-binding proposal by the Board of Statutory Auditors, the appointment of the company responsible for externally auditing the accounts;
- resolving on the approval of remuneration and incentive Policies for the Bank's Directors, Board of Statutory Auditors and staff, approving any plans based on financial instruments and the criteria for determining the compensation of any Directors and relevant staff in the event of early termination of employment or office;
- approval and amendment of any meeting regulations and resolving on other matters assigned to its competence by the regulations in force at the time or by the Articles of Association.

The Board of Directors

The Board of Directors (hereinafter also referred to as the "BoD") is the body responsible for the strategic supervision and management of the company. The Board of Directors of Cassa Centrale Banca consists of 15 members, including 4 Directors who meet the independence requirements, the Chairperson and one or two Deputy Chairpersons (one of whom is an Acting Deputy Chairman). The directors are chosen, in a number not exceeding 10, from among persons who are members of the Affiliated Banks, i.e. who hold, or who have held in the 2 years prior to taking office, positions in the administrative and control bodies or top management of the Affiliated Banks, or of companies and entities in which they have a stake, operating in the cooperative credit sector. The Articles of Association, in addition to assigning the strategic supervision function, delegate the management function to the Board of Directors, the Executive Committee and the Chief Executive Officer.

Chairperson of the Board of Directors

In accordance with the provisions of Bank of Italy Circular no. 285/2013 and subsequent updates, the Chairperson of the Board of Directors (hereinafter also the "Chairperson"), who may not have an executive role or perform management functions, is assigned a coordination and guarantee role for the regular functioning of the Board of Directors and the Shareholders' Meeting. This promotes internal dialectics and ensures the balance of powers, in line with the tasks relating to the organisation of the work of the Board of Directors and the circulation of information assigned to it by the Italian Civil Code. The Chairperson is also assigned by the Articles of Association to represent the Company before third parties and in court, as well as to sign on behalf of the Company. They shall promote the effective functioning of the corporate governance system, guaranteeing the balance of powers between the Bank's decision-making bodies and act as an interlocutor with the controlling body and the internal committees.

Executive Committee

The Executive Committee consists of the Chief Executive Officer and 4 Directors appointed by the Board of Directors. Within the scope of the powers that the law and the Articles of Association do not reserve for the collective competence of the Board of Directors, the following matters are delegated to the Executive Committee, on which it resolves, as a rule, through proposals made by the Chief Executive Officer:

- loans;
- real estate investments;
- write-offs.

Chief Executive Officer

The Board of Directors appoints a Chief Executive Officer from among its members, to whom it entrusts the day-to-day management of the Parent Company in compliance with the general planning and strategic guidelines established by the Board of Directors.

Board committees

The Board of Directors shall establish from among its members a Risks Committee, an Appointments Committee, a Remuneration Committee and an Independent Directors Committee.

At the end of 2020, given the cooperative nature of the Group, the Board of Directors decided to create an additional Internal Board Committee called the Sustainability and Planning Committee.

The following tasks are assigned to the Internal Board Committees:

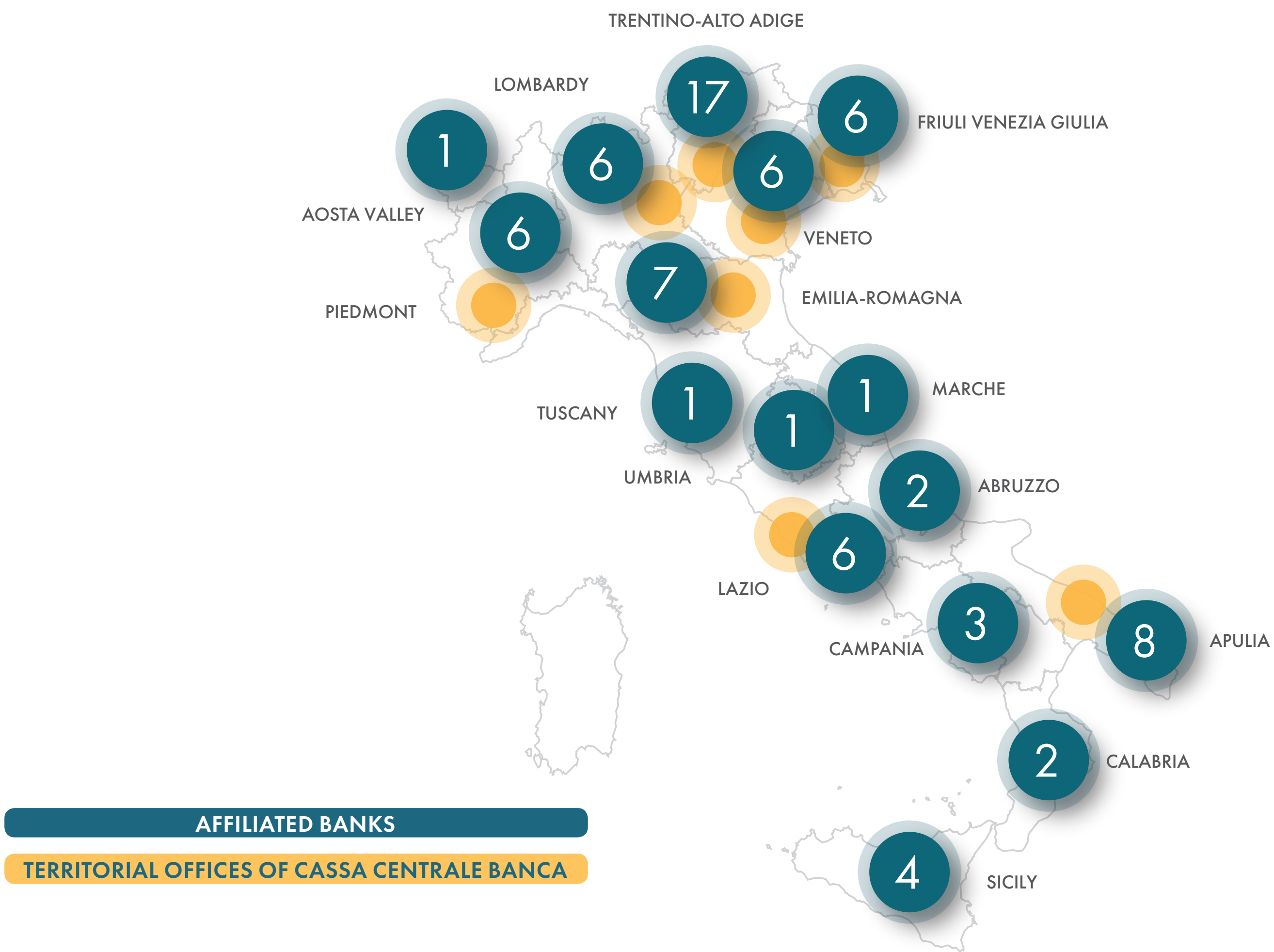
- the Risks Committee performs support functions for the Parent Company's corporate bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;
- the Appointments Committee performs investigative and advisory functions in support of the Board of Directors with regard to the appointment of members and the composition of the Board of Directors of the Parent Company and, where applicable, of the Affiliated Banks when such appointment is the responsibility of the Board itself;
- the Remuneration Committee has propositional and advisory functions with regard to the remuneration and incentive systems to be adopted by the Parent Company and, where applicable, by the Affiliated Banks;
- the Independent Directors Committee, consisting of three independent directors chosen from among the members of the Board of Directors, intervenes in the negotiation and preliminary phases of transactions with associated parties, formulating reasoned and binding opinions;
- the Sustainability and Identity Committee, composed of six directors, four of whom are chosen from among the members of the Board of Directors representing the affiliated BCCs and two independent directors. The Committee carries out preliminary, propositional and advisory functions in assessments and decisions relating to sustainability and cooperative identity.

For further information and a detailed description of the corporate governance system, please refer to the "Corporate Governance Project" available on the Cassa Centrale Banca website at - www.cassacentrale.it, in the "Governance" section.

Presence on the territory

Cassa Centrale Banca, even before taking on the role of Parent Company, has since its establishment represented a reference partner for Cooperative Credit and a number of small and medium-sized banks not belonging to banking groups, sharing their values, culture, strategies and reference model.

Acting as a second-level bank, it has provided support and impetus to the activities of the BCC-CR-RAIKAs, its members and customers, with an offer that they themselves recognised as innovative, competitive and of quality. The role of provider of high added value advisory services in sectors such as wealth management, structured finance, public treasury management, etc. was also significant.



The presence of the Cooperative Banking Group, with the consequent transition from a network integration to a group approach, allows the Affiliated Banks to further strengthen their role as local banks at the service of the territory and communities. The current Covid-19 health crisis with the related economic impacts represented a test of the validity of the new organisation. In fact, the Affiliates were able, precisely because they are part of a solid and organised

Group, to demonstrate resilience and reactivity. The group's organisation is based on a business model that provides for a widespread presence in the territory characterised by a strong attention to the relationship with the customer (typically families and small economic operators), the territory and local institutions.

The geographical distribution of the Group as at 31 December 2020 is characterised by the presence of 77 Affiliated Banks with 1,500 branches spread throughout Italy and 10 territorial offices of the Parent Company. The rationalisation process of the Affiliated Banks also continued in 2020, through the definition of extraordinary mergers. This dynamic must be observed in light of the aggregation process, within the BCC-CR-RAIKA category, aimed at pursuing objectives of stability, efficiency and competitiveness.

PRESENCE ON THE TERRITORY	31/12/2020					Total 31/12/2020	Total 31/12/2019	Change
	Trentino-Alto Adige	North East	North West	Central	South and Islands			
REGISTERED OFFICES								
Parent Company	3	2	2	2	1	**10**	**10**	**0**
Affiliated Banks	17	12	13	18	17	**77**	**80**	**-3**
BRANCHES								
Parent Company	1	0	0	0	0	**1**	**1**	**0**
Affiliated Banks	307	336	361	324	172	**1,500**	**1,499**	**+1**

The special legal regulations, in relation to the mutualistic aims pursued, and the business model that characterises the BCC-CR-RAIKAs, are at the basis of the high number of members in the corporate structure. Cooperative shareholders play a key role as they are a crucial resource for preserving the value of cooperative credit banks. They are in fact the first customers, suppliers of their own equity, witnesses of the vitality of the company, as well as the creators of projects within the social and economic fabric.

As can be seen from the table below, the number of shareholders at 31 December 2020 was approximately 449,000, mostly concentrated in the centre-north area of the Country and up by 2,719 compared to December 2019.

AREA	31/12/2020					Total 31/12/2020	Total 31/12/2019	Change
	Trentino-Alto Adige	North East	North West	Central	South and Islands			
No. of Shareholders	130,870	91,668	100,228	95,572	31,085	**449,423**	**446,704**	**2,719**
% of total	29.12%	20.40%	22.30%	21.27%	6.92%	**100.00%**		

Mission, values and business model of the Affiliated Banks and the group

The BCC-CR-RAIKAs are local banks which are an expression of the communities, established in the form of cooperative companies with prevalent mutuality. Consistent with the principles and values that inspired their birth and accompanied their growth, they have always made a concrete contribution to the economic, social and cultural development of local communities. As stated in the Articles of Association, they have *"the purpose of favouring cooperative shareholders and members of local communities in banking operations and services, pursuing the improvement of their moral, cultural and economic conditions and promoting the development of cooperation and education in savings and pension planning as well as social cohesion and the responsible and sustainable growth of the territory in which they operate"*.

The sharing of the values that characterise the social function of cooperation provides a peculiar characteristic to the modus operandi of the Affiliated Banks and at the same time represents a concrete wealth for the territorial communities in which they operate.

The commitment to the territory is implemented both in the active presence in the economic system through reinvestment in the areas of competence of savings collected, and in the support of initiatives in favour of bodies and associations that make the non-profit sector their objective. Of particular importance are the conferences and round tables with trade associations to promote discussion of the most important issues in the economic sectors in which the Group operates.

The social and service function of the Affiliated Banks is characterised by a qualified, updated and dedicated offer in which the services provided by the individual entities are flanked by the services and consulting provided by the Parent Company and the Group Companies, which are designed to meet the organisational, business and compliance needs of the Affiliated Banks and to understand the needs of shareholders and customers.

The activity of the Affiliated Banks is strongly oriented towards the provision of credit through traditional forms, such as mortgages and commercial loans, in order to better meet the financial needs of customers. Direct funding also consists of traditional offerings such as deposit accounts, repos, current accounts, savings accounts and bonds. Indirect funding and assets under management mainly consist of products and services designed to ensure profitability while minimising risks.

Affiliated Banks are therefore the main interlocutors in the support and development of the real economy of the territories in which they operate, thanks to a specific offer of banking products and services that over the years has made it possible to maintain the stability of savings and to allow for constant access to credit, also by enhancing the value of proximity information that is a peculiarity that only local banks possess.

Also worthy of note is the commitment to offering and placing ethical and environmentally relevant investment products. With reference, in particular, to the offer of banking and credit products linked to eco-sustainable initiatives, of note are the initiatives aimed at spreading the culture of energy saving and the responsible use of resources with actions that directly involve the Affiliated Banks and, indirectly, customers, through products with low environmental impact, financing dedicated to businesses and households for the installation of systems for the production of electricity or heat from renewable sources and the implementation of interventions aimed at improving the energy efficiency of buildings.

Economic background

International scenario and Italian context

The international economic cycle underwent a profound contraction in 2020 following the outbreak of the Covid-19 pandemic. The estimates of the International Monetary Fund (hereinafter "IMF") envisage a drop in Gross Domestic Product (hereinafter also "GDP") of -3.5%, with an estimated recovery for 2021 at 5.5%. The improvement compared to the October estimates (-4.4%) is attributable to the approval of numerous vaccines by the control bodies and to the launch of the vaccination campaign in some countries in December.

For the Eurozone, the IMF forecasts for January 2021 envisage a contraction in GDP of -7.2%, (up compared to the previous figure of -8.3% in October). However, the stimulus measures implemented by the European Central Bank (hereinafter also referred to as 'ECB') and governments (including the approval of the 750 billion Next Generation EU plan) have, on the one hand, kept ample liquidity in the system and, on the other hand, prevented the consequences in the labour market from being even more severe. Also in the United States, the pandemic caused a severe reduction in economic activity, with a forecast for 2020 GDP of a drop of -3.4% (revised upwards compared to the estimate of -4.3% in October).

The contraction in output had an impact on inflation, with the IMF forecasts for 2020 standing at 0.8% for the G8 economies. The employment trend suffered a severe setback in 2020, with an unemployment rate for the Eurozone at 8.9%, compared to 7.6% in 2019, with similar values in the United States, up significantly compared to 3.7% in 2019.

As regards the Italian economy, Istat recorded a preliminary drop in GDP of -8.9% compared to the previous year, while industrial production recorded an annual decrease of -11.4%: the second worst result after 2009.

Inflation, measured by the annual change in the national consumer price index, recorded a decline of -0.2% (compared to +0.6% in 2019), mainly due to the fall in energy prices (i.e. -8.4%), net of which inflation remains positive at +0.7%, and slightly up compared to the 2019 figure (+0.6%).

Financial and currency markets

In 2020, the global spread of Covid-19 generated an exceptional macroeconomic shock. In response to the crisis, the main Central Banks have adopted a wide range of measures aimed at supporting the flow of credit to the real economy and ensuring the functioning and stability of the financial markets.

At its meeting of 12 March 2020, the Governing Council of the ECB introduced a new set of temporary longer-term refinancing operations (the so-called "LTRO") in order to provide immediate liquidity support to the banking sector and safeguard the functioning of the money markets. The transactions, conducted on a weekly basis and through fixed-rate auctions with full allotment of the required amounts, expired in June 2020, at the same time as the settlement of the fourth auction of the third series of targeted longer-term refinancing operations (so-called "TLTRO-III"), to which the counterparties were able to transfer the refinancing obtained. At the same time, the Council made the conditions applied to the TLTRO-III more convenient, increasing the total amount of funds that the counterparties can obtain and reducing the cost. At the same meeting, the ECB temporarily relaxed the eligibility criteria applicable to the assets that banks use as collateral in transactions with the Eurosystem and announced the strengthening of the expanded programme for the purchase of financial assets (so-called "APP") for an amount of EUR 120 billion until the end of 2020.

Given the rapid spread of the epidemic and the onset of significant turbulence on the financial markets, on 18 March 2020 the Governing Council of the ECB, during an extraordinary meeting, introduced a new programme for the purchase of public and private securities for the pandemic emergency (so-called "PEPP") for a total amount of EUR 750 billion. The purchases, conducted in a flexible manner over time between the different types of activities and countries, were initially expected to last until the end of 2020 or in any case until the emergency linked to the epidemic was over.

At the meeting of 30 April 2020, the Governing Council of the ECB further strengthened the measures aimed at supporting the inflow of credit to households and businesses. The terms and conditions of TLTRO-III were again improved and the ECB also announced a new series of seven longer-term refinancing operations for the pandemic emergency (so-called "PELTRO"), aimed at ensuring relaxed liquidity conditions in the Eurozone money market. The transactions - beginning in May and expiring in the third quarter of 2021 - are carried out with full allotment of the required amounts.

At its meeting on 4 June 2020, the Governing Council made the monetary policy stance even more accommodating, to deal with the worsening of inflation prospects in the medium term. It has therefore been decided to strengthen the PEPP, increasing its endowment by 600 billion to 1,350 billion, and extending its duration by six months, at least until the end of June 2021, and in any case until the Governing Council itself considers the crisis phase to be over, also announcing that the principal repaid on maturing securities will be reinvested at least until the end of 2022.

The prolongation of the economic consequences of the pandemic in a more lasting manner than previously assumed prompted the Governing Council to further recalibrate the monetary policy instruments in an expansive sense at the meeting of 10 December 2020. In particular, the total amount of the PEPP was increased by a further 500 billion to 1,850 billion, extending the time horizon. At the same time, for the TLTRO-III, more convenient cost conditions were applied, three auctions were added (between June and December of 2021) and the total amount of funds that the counterparties will be able to obtain on loan was further increased. In 2021, four additional PELTROs will also be offered. Also at the same meeting, the ECB extended until June 2022 the temporary relaxation of the eligibility criteria applicable to assets that can be used as collateral in transactions with the Eurosystem, so that counterparties can make full use of all the transactions needed to obtain liquidity.

With regard to the United States, in the two meetings of March 2020 (one ordinary and one extraordinary), the Federal Reserve (hereinafter also referred to as "FED") reduced the target range of interest rates on Federal Funds by a total of 150 basis points, bringing it to 0.00% - 0.25%. The FED also increased the liquidity available to intermediaries, launched a new programme of purchases of public securities and mortgage-backed securities (without defining restrictions on their amount) and activated a series of instruments to support credit to businesses, consumers and local administrations. Also in subsequent meetings, the FED reiterated the need to extend its expansionary monetary stance, announcing at the September 2020 meeting that it did not expect interest rate increases until the end of 2023.

In 2020, the shock deriving from the Covid-19 pandemic, and the consequent monetary policy interventions by the ECB and the FED, contributed to considerably increasing the volatility in the prices of the Euro and Dollar on the currency markets. Overall, the EUR/USD cross rate increased from 1.1230 to 1.2270 (+9.23%) in the twelve months of 2020, after reaching a low of just above 1.0700 in March 2020.

The same factors that contributed to accentuating exchange rate volatility heavily influenced the performance of the stock and bond markets. In the first half of the year, the spread of the epidemic caused a strong aversion to risk among investors. With regard to government bonds, the ten-year German bond posted new all-time lows in returns (-0.86%), while negative expectations for Italy in terms of economic performance and public accounts led to an increase in BTP returns, with the ten-year bond reaching 2.40% at the end of March and a spread against the Bund at 279 basis points. A negative performance was also recorded for the corporate segment, which suffered from lower profits resulting from the slowdown in the global economy: in just a few weeks, the main benchmark indexes for European high return bonds fell by more than 20%. On the other hand, the decline in investment grade bond indices was more limited - in the order of 7/8%. The reaction of the stock markets was equally significant: the main US indices closed the first quarter with losses of around 30% compared to the beginning of the year, while the decline in European indices was more severe, where the losses reached almost 40%.

In the summer months, significant progress was made regarding the prospect of a European response to the crisis with the launch of the Recovery Fund and the Next Generation EU programme. These last two actions in particular triggered a rally on the European bond market characterised by the over-performance of peripheral securities compared to the same core maturities.

In the second half of 2020, various geopolitical events - from the Brexit agreement to the victory of Joe Biden in the US presidential elections - as well as new lockdowns and the approval of the first vaccines led to temporary phases of volatility in the returns of government and corporate bonds without however altering the underlying trend downwards. As regards the former, it was mainly the bonds of peripheral countries that benefited from the situation, with purchases more concentrated on longer maturities: for the first time, the return of 5-year BTPs fell into negative territory. The Italian ten-year bond updated its all-time low to 0.52%, while the spread against the Bund fell to 110 basis points, also at historic lows.

Expectations for a normalisation of the economic scenario thanks to the approval of the first vaccines favoured the positive performance of both high return and investment grade corporate bonds in Euro - positive 2020 performance for both segments in the order of 2.5% and 2% - but also the recovery of share indices: thanks to the performance of technology stocks, the US indices recorded a significant advance in 2020. In Europe, the only index to end the year in progress is the main German index, while the Italian stock market ends the year with a moderate decline in prices.

Italian banking system

The health crisis that exploded in the early months of 2020 was reflected in an accentuation of the dynamics of the banking system aggregates. If on the one hand the worsening of the economic context led to an increased need for loans in order to mainly cover the liquidity requirements of companies, on the other hand the uncertainty linked to the crisis has tended to lead to an increase in the propensity to save with an accumulation of liquid and non-risky assets.

After the rebound in the third quarter, with growth that in Italy was higher than expected, the worsening of the pandemic led to a downward revision of the economic recovery prospects, with a consequent slight tightening of the policies of supply of consumer credit and of the mortgages. Conversely, the growth trend in loans to non-financial companies remained constant between August and December, also as a result of the extensive use by companies of loans covered by public guarantees.

On the basis of data published by ABI[1], loans to residents in Italy (which includes the private sector and public administrations) reached EUR 1,709.9 billion in December 2020, marking a positive annual change of 4.2%[2]. Specifically, loans to the private sector recorded an annual increase of 4.8%, while the trend in loans to non-financial companies showed a positive change of 8.5%.

An analysis of the distribution of credit shows that during 2020, manufacturing, mining and services accounted for about 58.4% of total loans (the share of manufacturing alone is 27.4%). This is followed by trade and accommodation and catering activities with around 22.2% (sectors among the most affected by the crisis), the construction sector with 9.7%, and the agricultural sector with 5.3% and, lastly, residual activities with approximately 4.4%.

Looking at the risk profile, despite the economic impact of the health crisis, the credit quality of the banking system improved, also due to the planned

[1] ABI Monthly Outlook Economy and Financial-Credit Markets - January and February 2021.

[2] Calculated by including securitised loans subject to derecognition in bank financial statements.

disposal of impaired loans and the benefits deriving from the initiatives introduced by government measures to support households and businesses. In fact, non-performing loans decreased considerably during the year (net of write-downs and provisions made), falling to EUR 20.7 billion in December 2020 (-23.4% on an annual basis), with a ratio of net non-performing loans to total loans of 1.19% (1.58% in December 2019).

Total funding from customers of banks in Italy (resident customer deposits and bonds net of those repurchased by banks) rose to EUR 1,958.5 billion in December 2020, with an increase of 8% on an annual basis. More specifically, deposits (EUR 1,739.8 billion) recorded an annual growth of 10.5%; on the other hand, bonds decreased to EUR 218.7 billion, down 8.3% compared to December 2019.

With reference to the trend in interest rates, in relation to the segment of households and non-financial companies, the average rate of bank funding from customers calculated by the ABI (figure which includes the return on deposits, bonds and repurchase agreements in euro) fell to 0.49% in December 2020 (0.58% in December 2019). In the same month, the weighted average rate on loans was 2.28% (2.48% in December 2019), after hitting an all-time low of 2.27% at the end of October.

Significant events during the year

The main events of the year ended 31 December 2020 are provided below.

Main regulatory and legislative actions resulting from the Covid-19 pandemic

The emergence and spread of the global Covid-19 pandemic has led to the gradual issuing of emergency regulations, both at European and national level, with significant impacts also on the bank-customer relationship. In this context, the Parent Company first of all carried out a continuous monitoring of the regulatory measures issued from time to time, providing information and indications to the Affiliated Banks, for the definition and implementation of the consequent adaptation measures and providing advice in relation to the same.

At the European level, we note the approval by the European Parliament of Regulation (EU) 2020/873 of 24 June 2020, amending Regulations (EU) no. 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the Covid-19 pandemic. This regulation was approved with the intention of facilitating the disbursement of bank credit to businesses and households in the context of the pandemic.

Also in the context of the response to the Coronavirus pandemic, the European Banking Authority released on 2 April 2020 the guidelines on Covid-19 moratoria (EBA/GL/2020/02), subsequently updated on 25 June 2020 (with the release of the EBA/GL/2020/08 guidelines) and 2 December 2020 (EBA/GL/2020/15 guidelines) with the extension of the relative deadlines until 31 March 2021. These guidelines define temporary measures implemented by the Supervisory Authority in order to regulate the cases in which the credit moratoria granted by the financial institutions as part of the pandemic do not result in a forbearance classification of the exposures subject to them.

With a view to providing recommendations on an adequate management of the pandemic in the context of credit risk, note the letters sent to the European banking system by the Chairperson of the Supervisory Board, Andrea Enria, listed below:

- "IFRS 9 in the context of the coronavirus pandemic (Covid-19)" of 01.04.2020;
- "Operational capacity for the management of debtors in difficulty in the context of the coronavirus pandemic (Covid-19)" of 28.07.2020;
- "Identification and measurement of credit risk in the context of the coronavirus pandemic (Covid-19)" of 04.12.2020.

The following are the national regulatory measures with the greatest impact for the banking sector:

- Law Decree no. 18 of 17 March 2020 (So-called "Cura Italia" Decree, converted with amendments by Law no. 27 of 24 April 2020) which introduced specific financial support measures to micro, small and medium-sized enterprises that have suffered economic damage as a result of the Covid-19 epidemic, providing for them the possibility of obtaining from banks the suspension of the payment of instalments (or of the principal amounts) on loans and the irrevocability of revocable credit lines until 30.09.2020 (term subsequently extended to 31.01.2021); the Decree also introduced support measures for first-time home buyers, through the extension to self-employed people and freelancers as potential beneficiaries of the so-called "Fondo Gasparrini";
- Law Decree no. 23 of 8 April 2020 (So-called "Liquidità" Decree, converted with amendments by Law no. 40 of 5 June 2020) which introduced multiple measures to support the liquidity of businesses (for example, the 100% public guarantee for loans to small and medium-sized enterprises up to EUR 30,000), simplified procedures for the signing of bank contracts to limit the physical contact between bank operators and customers, as well as the suspension of terms of expiry of credit instruments (in particular cheques);
- Law Decree no. 34 of 19 May 2020 (So-called "Rilancio" Decree, converted with amendments by Law no. 77 of 17 July 2020), which extended financial support measures to small and medium-sized

enterprises, introduced provisions for simplified underwriting of financial and insurance contracts; additional tax concessions were also provided for the execution of construction works (known as Superbonus 110%) and for the use of summer holidays (so-called Bonus holidays), with the possibility of transferring related tax credits to banks;

- Law Decree no. 104 of 14 August 2020 (So-called "Agosto" Decree, converted with amendments by Law no. 126 of 13 October 2020), which extended the effectiveness of the financial support measures for small and medium-sized enterprises, as well as the provisions for the simplified subscription of financial and insurance contracts and those relating to the suspension of the terms of expiry of credit instruments (in particular cheques);

- Law no. 178 of 30 December 2020 (2021 Budget Law), which extended until 30 June 2021 some terms related to the measures due to the state of epidemiological emergency, and in particular the rules on the guarantees provided to companies by SACE and the SME Guarantee Fund in support of the liquidity envisaged by the so-called Liquidità Decree and the rules on the moratorium on mortgages and leases envisaged for small and medium-sized enterprises by the so-called Cura Italia Decree.

In this context, the Bank of Italy, through the communications reported below, gave instructions to intermediaries to encourage the effectiveness of the aforementioned emergency regulatory measures. In particular:

- Communication of 23 March 2020 with the subject matter of "Cura Italia Law Decree (Law Decree no. 18 of 17 March 2020) - Clarifications on reporting to the Central Credit Register", in which the Bank of Italy indicated to banks the need to take into account the provisions of the Cura Italia Decree for the purposes of reporting to the Central Credit Register, not reducing the reported credit line for revocable credit lines and not reporting delays in instalments subject to suspension for loans repayable in instalments;

- Communication of 6 April 2020 with the subject "Covid-19 pandemic emergency. Initial indications on customer relations", with which the Bank of Italy invited banks to encourage customers to use remote access tools (including for consulting transparency documentation) and to consider with particular caution the adoption of unilateral changes in conditions that are unfavourable to customers;

- Communication of 10 April 2020 containing "Recommendation of the Bank of Italy on issues relating to the economic support measures prepared by the Government for the Covid-19 emergency", by means of which the Supervisory Authority intended to highlight a number of reports received from customers in relation to difficulties in accessing banking services and the absence of suitable information, providing intermediaries with specific indications aimed at protecting customers (e.g. preparation of a website page completely dedicated to government measures taken to deal with the health emergency);

- Communication of 14 May 2020 with the subject "Calculation of the days past due and overrun with respect to the credit lines benefiting from the support measures provided for Covid-19 - Clarifications on the reports to the Central Credit Register", in which the Bank of Italy has specified that for the credit lines that benefit from the financial support measures (so-called "moratoria") envisaged by Art. 56 of the so-called Cura Italia Decree, it is necessary to interrupt the calculation of the days of persistence of any defaults already in place for the purposes of calculating the variable "status of the relationship";

- Communication of 19 June 2020 regarding the "Clarifications on the reports to the Central Credit Register - Covid-19 Guarantees - Settlement and write-off agreements", in which the Bank of Italy intended to specify the cases in which the guarantees provided in favour of the customers to deal with the economic consequences of the epidemic must not be reported to the Central Credit Register, as well as the criteria to be followed for reporting clearance and settlement agreements;

- Communication of 14 October 2020 with the subject "Extraordinary measures of financial support for the Covid-19 emergency: answers to questions on the methods of detecting the average global effective rates (tassi effettivi globali medi - TEGM) (Law 108/96 - Anti-usury)", with which the Bank of Italy provided some clarifications regarding the detection, pursuant to the Anti-usury Law, of the average global effective rates (TEGM) for loans introduced by the so-called "Liquidità" Decree and for loans subject to moratorium pursuant to Art. 56 of the so-called "Cura Italia" Decree;

- Communication of 15 December 2020 with the subject matter "Communication of 15 December 2020 - Additions to the provisions of Circular no. 262 "Bank financial statements: layouts and rules" regarding the impacts of Covid-19 and measures to support the economy and amendments to IAS/IFRS", through which the Bank of Italy intended to provide clarifications in relation to the methods of application of IAS/IFRS in the context of the epidemiological emergency (in particular, IFRS 9).

The Parent Company, with reference to the communications of the Supervisory Authority reported above, prepared specific information to the Affiliated Banks, interfacing with the IT outsourcer for the definition of the procedural support necessary for the actual implementation of the instructions of the Bank of Italy.

The operating context following the Covid-19 pandemic in the Cassa Centrale Group

The serious crisis induced by the Covid-19 pandemic, which broke out in the early months of 2020, had significant impacts on the entire banking system. The so-called "Cura Italia", "Liquidità" and "Rilancio" law decrees, put in place by the Government to deal with the resulting economic and financial emergency, have also significantly involved the banking system, which has become one of the key actors in the implementation of the support for the community, households and businesses. This had significant repercussions with reference to the operations and processes that the Banks, and therefore also the Cooperative Banking Group, had to carry out in emergency and urgent conditions.

The main activities carried out by the Cooperative Banking Group as part of the reaction to the pandemic phase that has been taking shape since the end of February 2020 are illustrated below.

Business continuity, security and internal and external communication

The health emergency and the consequent restrictive measures chosen by the Government to protect public health had a significant impact on the management of the Cooperative Banking Group. Through the establishment of an emergency management operating unit, the Parent Company immediately activated measures to contain the risk of contagion, identifying specific procedures to ensure the operational continuity of critical processes and the safeguarding and protection of the health of workers, customers and suppliers, providing for guidance and coordination mechanisms for the Group.

In order to ensure homogeneous and coordinated interventions and measures at Group level, Cassa Centrale Banca sent guidance, guidelines, communications and circulars, both informational and dispositive, to the Group Banks and Companies, in compliance with the restrictions and government provisions gradually issued. Periodic and constant information flows were provided to the corporate bodies, also maintaining a dialogue with the CODISE, internal body of the Bank of Italy dedicated to the management of the emergency, and with the Joint Supervisory Group (GVC). Since the beginning of the state of emergency, Cassa Centrale Banca has envisaged numerous initiatives to implement the government DPCMs and the protocols shared with the social partners. The main measures concerned:

- widespread information on the Covid-19 emergency, on risks and prevention measures through the issue of circulars to employees, infographics and posters at the workplace;
- implementing provisions on risk mitigation with disclosure to all employees;
- preparation of an appropriate Biological Risk Assessment Document relating to Covid-19;
- massive activation of smart working methods for workers, with appropriate information on the risks of agile work and on security in terms of IT risk (for more details, refer to the chapter "Human Resources");
- regulation of entry into the company for workers and external personnel, access to company common areas, adoption of specific company hygiene and sanitation protocols, distribution of certified masks as personal protective equipment and disinfectant gel;
- regulation of the procedures for opening branches and related access by customers, providing for the appointment to carry out transactions that cannot be carried out remotely and that are of an urgent nature, in line with government measures;

- dialogue with the company doctor for the continuity of health surveillance and the identification of fragile subjects to be observed in particular, also providing dedicated insurance coverage for employees;
- establishment in the company, with the company's union representative (hereinafter also "RSA" - Rappresentanza Sindacale Aziendale) and with the workers' representatives for safety (hereinafter also "RLS" - Rappresentanti dei Lavoratori per la Sicurezza) of a committee for the application and verification of the regulatory protocols;
- preparation of a specific company Regulation for the methods of return of workers, with particular attention to the measures relating to physical distancing in the offices and the numerical monitoring of personnel returning from smart working based on pre-established parameters. This regulation was constantly adapted and updated in line with the government measures gradually issued and with the external context in relation to the level of spread of the virus.

In addition, with the aim of ensuring the services provided by branches, which had to be accessible to customers in any case, in compliance with government measures, which in some cases also affected the way in which relationships are managed, which cannot always be expressed through traditional physical presence, a solution was developed to allow Group banks to have existing retail customers subscribe to the Inbank product remotely, consistent with the constraints and related regulatory provisions. This intervention represents the first fully dematerialised and digitalised service for remote selling offered by the Cassa Centrale Group, through the use of the digital signature tool on both the bank and the customer side and the identification of the customer through video recognition.

In the initial phase of the Covid-19 epidemic, the Operations Department of the Parent Company defined the supplies necessary to overcome the difficulties encountered by the Banks in the procurement of products and materials necessary for the protection of employees and customers and for disinfection.

Moreover, as a result of the prolonged Covid-19 emergency and with the primary objective of protecting the health of personnel, the Operations Department, together with Allitude, deemed it appropriate to review the migration calendar of the Banks that use the Gesbank information system, defining a new model for the migration of the information system based on a minimum monitoring on site to respond to the current health emergency and the limitations imposed by this in terms of mobility and proximity allowed between people. This defined operating method allowed for the regular performance of the activities and the completion of the planned migrations during 2020.

In continuity with the control and protection actions linked to the spread of the Covid-19 epidemic, Cassa Centrale Banca also deemed it appropriate to verify its prevention plan through a voluntary and independent assessment process, commissioning Bureau Veritas for this purpose, a global leader in the assessment and analysis of risks related to quality, environment, health, safety and social responsibility.

With this initiative, undertaken on a voluntary basis, Cassa Centrale Banca underwent an external audit, demonstrating that it implemented the security and contagion prevention protocols through adequate regulation and the definition of specific procedures for the safeguarding and protection of the health of workers, customers, suppliers and all those who interact within the organisation.

Following the audits, Cassa Centrale Banca obtained the "Safe Guard" certification, demonstrating that it had managed the specific risks linked to the Covid-19 emergency in compliance with the regulatory provisions issued by the Authorities.

Initiatives in favour of businesses, households and the community

In the difficult context of the Covid-19 emergency, while the strict containment measures adopted were effective in slowing the spread of the infection, they caused a real shock to the country's economy, affecting both the supply of and demand for goods and services. Closure of activities, interruption of the supply channels of raw materials or intermediate goods, fall in consumption, reduction in income, postponement of investment plans and drop in exports are just some of the symptoms exposed by the current recession. Our country was among the first to be affected by the epidemic, but the contagion quickly and progressively spread to many other countries with negative repercussions on production activities, consumption and demand on a global scale.

To counter the negative effects of the crisis, the Central Banks intervened repeatedly with extraordinary measures to support demand and injected massive amounts of liquidity into the economic system. At the same time, many governments approved fiscal stimulus packages to support household and business income and credit to the economy, with significant repercussions on public accounts. The awareness that the impacts would have affected all the participating countries led to the need to activate EU instruments to support national budget policies in the European Union. The agreement reached on 9 April 2020 within the Eurogroup provides for the allocation of resources of EUR 540 billion to deal with the health emergency, support employment and encourage loans to businesses through the issue of EUR 200 billion guarantees from the European Investment Bank (EIB).

In order to mitigate the effects due to the closure of economic activities during the lockdown period, the Italian Government has also passed important legislative measures (as previously mentioned) and the Cassa Centrale Group has promptly taken all actions to favour the concession. The benefits provided by these measures to its customers in addition to adhering to specific conventions or agreements including the Addendum to the 2019 Credit Agreement promoted by the Italian Banking Association (Associazione Bancaria Italiana - ABI).

The economic support measures and agreements based on moratoria and new state-guaranteed financing were initially designed for a limited duration in 2020, i.e. 30.09.2020.

While during the summer, partly thanks to expectations of the imminent launch of vaccination plans at national and European level, the health emergency seemed to be gradually easing, during the autumn there was a resurgence of infections, resulting in a new worsening of the figures in relation to both hospital admissions and the percentage of deaths. From the economic point of view, this flare-up of the pandemic did not lead to periods of complete interruption of economic activities, but to geographically variable slowdowns, with restrictive measures applied in a diversified and alternating manner on a regional basis.

In consequence of these developments, the measures for suspending payments contained in the main legislative intervention to support economic activities (Law Decree no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020) were extended for the first time until 31 January 2021 by Law Decree no. 104 of 14 August 2020, converted into Law no. 126 of 13 October 2020, and then until 30 June 2021 by the 2021 Budget Law (Law no. 178 of 30 December 2020).

The measures aimed at ensuring new liquidity to companies through access to loans guaranteed by the State (Law Decree no. 23 of 8 April 2020, converted into Law no. 40 of 5 June 2020) after an initial period of validity limited to 2020 for the same reasons extended until 30.06.2021.

MORATORIA GRANTED AS AT 31/12/2020	Quantity	Amount (figures in millions of EUR)
BY CUSTOMER TYPE:		
Companies	61,554	9,339
Households	59,911	4,569
BY REFERENCE SOURCE:		
Law Decree 18/2020	47,007	7,902
ABI agreements	1,561	345
Group initiatives	72,897	5,662
Total moratoria	**121,465**	**13,908**

In relation to Law Decree no. 18 of 17 March 2020 (known as the "Cura Italia" Decree), as at 31 December 2020, the Group granted a total of 47,007 moratoria for a residual debt subject to suspension of EUR 7,902 million[3].

All other types of moratoria, based on ABI agreements or on support initiatives promoted by the Group, had a total of 74,458 beneficiary relationships at the end of 2020, for a residual debt of EUR 6,007 million.

Therefore, overall, in 2020 the Cassa Centrale Group granted moratoria on 121,465 contracts, for a residual debt subject to suspension of EUR 13,908 million. Of these, EUR 9,339 million relate to debts contracted by companies, while the remaining EUR 4,569 million refer to mortgages with households.

LOANS GRANTED WITH THE STATE GUARANTEE AS AT 31/12/2020	Quantity	Amount (figures in millions of EUR)
GUARANTOR:		
Guarantee fund 100%	46,743	1,178
Guarantee fund 80-90%	9,519	2,133
SACE	15	29
Total loans	**56,277**	**3,340**

With regard to new loans guaranteed by the State to varying degrees, but on average higher than 80%, as at 31 December 2020 the Cassa Centrale Group granted loans to micro-enterprises, SMEs and small caps for EUR 3,311 million, of which EUR 1,178 million referring to mortgages up to EUR 30 thousand guaranteed 100% by the Guarantee Fund managed by Microcredito Centrale. In addition to these new disbursements, there are 15 larger additional subsidised transactions for larger companies, supported by the SACE guarantee, for a further amount of EUR 29 million.

In addition to the initiatives coordinated by the Parent Company, there have been specific loans proposed by many Affiliated Banks, with dedicated ceilings on preferential terms, direct donations, fundraising activities and other initiatives, generating a number of interventions that represent the Group's contribution to the requirements that have arisen in the area.

Monitoring of risk profiles

In order to monitor the impact of the Covid-19 crisis on the Group's risk profiles, the Risk Management Department has undertaken initiatives aimed at ensuring adequate monitoring of both the impacts deriving from the evolution of the scenario (from a current and future perspective), as well as the evolution of all risks relevant to the Group. In particular, the main initiatives adopted in this area concerned:

- **updating of the impacts of the macroeconomic scenario**: with the aim of constantly monitoring the possible effects of the pandemic on the macroeconomic and banking landscape, the Group periodically monitors the evolution of the reference scenarios, in order to acknowledge and

[3] All the figures relating to the moratoria granted are taken from the weekly survey for the Bank of Italy regarding the implementation of government measures to support credit and the liquidity of businesses and households. These figures also include the measures envisaged by Art. 56, paragraph 2, letter a) of Law Decree 18/2020, applicable to revocable credit facilities and loans granted against advances on receivables.

assess the evolutionary effects of the economic-operating context following the outbreak of the Covid-19 health emergency. The scenario analysis focuses not only on the typically most significant variables (such as exchange rates, national GDP and those of the EMU and the US, the BTP-BUND spread, the unemployment rate, the propensity to consume and the most relevant banking variables, such as, for example, short- and medium/long-term loans and deposits), but also on the effects of the pandemic on credit quality by means of forecasts with decay rates for the main economic sectors. The results of the information described above are reported in the Group's integrated risk reporting, so as to submit to the management body the data relating to the impacts on the evolution of the scenarios;

- **monitoring of risk profiles**: together with monitoring the evolution of the scenario, the Group constantly monitors the evolution of the risk profile in the context of the pandemic. Monitoring takes place both as part of the ordinary integrated reporting of risks (with the aim of providing a complete representation of the monitoring activities carried out at consolidated and individual level), and through reports dedicated to the evolution of the loan portfolio (with particular focus on the Covid-19 moratoria, and on the results of the "AQR" checks carried out by the Parent Company, aimed at the overall assessment of the status of the loan portfolio).

Comprehensive Assessment

The Comprehensive Assessment (hereinafter also "CA") represents an in-depth assessment, pursuant to the Regulation on the Single Supervisory Mechanism (Regulation (EU) no. 1024 of the Council of 15 October 2013), aimed at ensuring that banks are adequately capitalised and can adequately withstand macroeconomic and financial shocks. In conducting this exercise, the objectives stated by the ECB were as follows:

- transparency, i.e. providing correct information on the real situation of European banks;
- correction, i.e. the application of measures to fill any gaps emerging from the financial statements;
- confidence building (resulting from the sum of the two previous objectives), i.e. assuring all banking stakeholders that institutions are fundamentally sound and reliable.

This assessment consists mainly of the following elements:

- an Asset Quality Review (hereinafter also referred to as "AQR") aimed at improving the transparency of bank exposures through an analysis of the quality of banks' assets;
- a stress test to verify the stability of bank financial statements in ordinary and adverse scenarios (Comprehensive Assessment Stress Test, hereinafter also "CAST").

Since 2018, the Parent Company, in agreement with its Affiliated Banks, has carried out a series of preparatory activities for Comprehensive Assessment, strengthening data quality processes and implementing control tools useful for monitoring and overseeing both the Asset Quality Review process and the Stress Test based on the methodology of the European Banking Authority ("EBA").

At the beginning of 2020, the European Central Bank officially launched the CA exercise, referring to the starting situation of 31 December 2019, consisting of both AQR and CAST components.

However, due to the health emergency linked to the spread of the Covid-19 epidemic, the activities related to the AQR were interrupted by the European Supervisory Authority.

With regard to the CAST, at the beginning of February 2020 a complete planning was defined and communicated by the European Supervisory Authority, from the Advance Data Collection ("ADC", consisting in the representation of final data relating to the GBC) up to the delivery of the different versions of the three-year projections in ordinary and adverse scenario (the so-called Full Data Collection, "FDC"). However, due to the health emergency triggered by the Covid-19 pandemic, the GBC was initially only able to complete the first phase, with the submission of the ADC on 9 March 2020, as the exercise was then suspended by the Supervisory Authority just days before the conclusion of the second phase, i.e. the submission of the first FDC projections, the deadline for which had originally been set for 31 March 2020.

During the month of August, the European Central Bank provided an indication of the imminent restart of the entire Comprehensive Assessment exercise by communicating, for both the Asset Quality Review (AQR) and the Stress Test, the new timelines that saw the conclusion of the related activities in December 2020.

Rating

On 23 January last, the rating agency Moody's granted Cassa Centrale Banca an outlook equal to stable in the long and short term, and a rating equal to Ba1, following developments linked to the Group's operational start-up and to the new role of Parent Company of the Affiliated Banks.

In October 2020, at the end of the observation period and following the deterioration in the economic environment resulting from the spread of Covid-19, Moody's placed the rating or evaluations of certain credit institutions under observation. The Moody's rating agency has updated its rating assessments of Cassa Centrale Banca, raising its long-term deposit rating from Baa3 to Baa1, confirming its long-term issuer rating at Ba1 and upgrading its long-term outlook from under observation to negative. In January 2021, Moody's declared the rating review completed.

Reduction in impaired assets and Buonconsiglio 3 transactions

In the course of 2020, despite the ongoing health emergency, the Cassa Centrale Group continued the Operational Plan to reduce impaired loans. Specifically, the stock of impaired loans of the Group decreased by approximately EUR 850 million, from EUR 4.2 billion in December 2019 to EUR 3.3 billion as at 31 December 2020. The reduction in the stock of impaired loans made it possible to significantly improve the gross NPL ratio, which fell from 9.3% at the end of 2019 to 6.8% at the end of 2020.

The plan to reduce impaired loans is part of an overall strategy aimed at improving asset quality, which was also implemented through extraordinary transactions for the sale of impaired loans. In particular, during the month of December 2020, an important multi-originator securitisation transaction with GACS, the so-called Buonconsiglio 3 took place, which allowed for the sale of approximately EUR 430 million of gross non-performing loans on the balance sheets of the Group's Affiliated Banks.

Further reductions in the stock of impaired loans resulted from the recovery activities carried out by the structures dedicated to the management of non-performing loans of the individual Affiliated Banks and, in particular, from the collections item, which was affected by the negative impacts of the ongoing health emergency to a lesser extent than initially expected.

Provisions on impaired assets

At the end of the 2020 financial year, through guidance and coordination by the Parent Company, the Affiliated Banks adopted prudent policies for determining the provisions aimed at reflecting the likely negative repercussions on the real economy deriving from the ongoing health emergency. In the first place, this activity made it possible to adjust provisions on exposures classified as impaired prior to 31 March 2018 to the minimum coverage required by the Supervisory Authority as part of the SREP dialogue (50% on secured positions and 60% on unsecured positions). Secondly, to adopt criteria of absolute prudence in the analytical assessment of individual exposures aimed at:

- taking into account possible reductions in value of assets as collateral for impaired loans, deriving from the persistence of the ongoing health emergency, which may not yet be fully incorporated in the expert updates;
- applying more conservative valuation approaches to positions classified as unlikely to pay, for which the conditions for classification as non-performing are not currently met, but which could suffer further deterioration in the future as a result of the persistence of the health emergency.

The combined effect of the provisioning policies described above made it possible to significantly increase the coverage ratio of impaired loans, which rose from 55% at the end of 2019 to 64% at the end of 2020 (+ 900 Bp), and to achieve a significant reduction in the net NPL ratio, which fell from 4.4% to 2.6%.

Tax effects of the Buonconsiglio 3 transaction

Art. 55 of Law Decree no. 18 of 2020 (known as Cura Italia), by amending Art. 44 bis of Law Decree no. 34 of 2019, introduced a support measure that allows companies that have disposed of impaired commercial or financial receivables by 31 December 2020, to transform deferred tax assets (DTAs) into tax credits, even if not recognised in the financial statements, relating to:

- tax losses not yet calculated as a decrease in taxable income at the date of sale;
- ACE surpluses that, at the date of the assignment of the receivables, have not yet been used or deducted from taxable income.

For the purposes of DTA conversion, it is permitted to assume the ACE losses and surpluses within the limits of 20% of the nominal value of the receivables transferred, with a maximum ceiling of EUR 2 billion (referring to the total disposals of all group companies).

For the Cassa Centrale Group, the impact on the consolidated income statement deriving from this concessionary provision amounted to EUR 25.6 million, of which EUR 20.3 million referable to the Buonconsiglio 3 securitisation.

Business combinations between Affiliated Banks

During the 2020 year, 3 business combinations between Affiliated Banks took effect. At the end of 2020, the number of Affiliated Banks was 77 compared to the 80 Affiliated Banks at the end of 2019.

Details of the business combinations carried out in 2020 are as follows:

- Cassa Rurale di Trento and Cassa Rurale di Lavis - Mezzocorona - Valle di Cembra: new name Cassa di Trento, Lavis, Mezzocorona and Valle di Cembra - Banca di Credito Cooperativo - Soc. Coop., effective from 1 January 2020, Trentino-Alto Adige region;
- Cassa Rurale Giudicarie Valsabbia Paganella and Cassa Rurale Adamello: new name La Cassa Rurale - Credito Cooperativo Adamello Giudicarie Valsabbia Paganella - Società Cooperativa, effective from 1 October 2020, Trentino-Alto Adige region;
- Centroveneto Bassano Banca and Rovigo Banca: new name Banca del Veneto Centrale Credito Cooperativo Soc. Coop., Effective 1 November 2020, Veneto Region.

These business combinations are part of the process of rationalisation of the territorial coverage outlined in the Group Strategic Plan 2020-2022, aimed at pursuing competitiveness and efficiency objectives. These have no impact on the consolidated financial position as they are mergers between entities under common control. During the reporting year, four further combination processes were activated which may lead to the completion of the authorisation process and the approval by the extraordinary shareholders' meetings of the Affiliated Banks involved in further rationalising the territorial presence of the Cooperative Banking Group.

Industrial reorganisation of IT and banking services

During 2020, the industrial transformation process involving the Group's IT and banking services area was completed, which saw the formation of Allitude S.p.A. (hereinafter also "Allitude") in January 2020. This has led to the creation of a single reference IT and banking services company in order to guarantee efficiency and involvement, as well as to develop operational synergies and build specialist centres, including territorial centres, always at the service of the business development of the Affiliated Banks and the Group as a whole. The aim of this process was to enhance the best practices in the Group and make them a common factor. Effective 1 July 2020, the second phase of the industrial transformation was duly completed, as planned, with the incorporation into Allitude of the last two IT companies of the Cassa Centrale Group, namely Bologna Servizi Bancari S.r.l. (hereinafter also "BSB") and CESVE S.p.A. (hereinafter also referred to as "CESVE"). The second phase of the transaction generated a significant impact on the Allitude Services Department in terms of operational and organisational integration, in particular with reference to the company CESVE composed of approximately 80 people specialised mainly in administrative and banking services, while for the Company BSB, which had already seen a preventive industrial reorganisation in the Service Desk area, the impact on the ICT structure of Allitude was more negligible.

In light of the broader industrial vision of the Group, the completion of this path is a further step forward for Allitude, towards the objective of expanding its management of back office activities to support the Group's Banks, but also of third parties, adopting flexible and innovative tools that allow Banks to focus their activities on the business with their customers.

2020-2022 Strategic Plan

On 30 June 2020, the Board of Directors of Cassa Centrale Banca approved the first Group Strategic Plan with a 2020-2022 time period. The definition of the Plan took place precisely in the months in which the impact of the health emergency was hardest. The Group has put in place a series of activities aimed at enabling its Affiliated Banks to participate in the definition of the Plan's objectives, also by enabling the use of new communication and working tools. It was thus possible to carry out a series of Regional Meetings, as well as video calls with each of the Affiliated Banks, in order to make the objectives of the Plan known, shared and therefore achievable.

The Plan includes a series of strategic development initiatives that can be traced back to three macro-themes:

- commercial development based on the service model of the local bank;
- increasing the efficiency of the business model;
- management of capital and risk profiles.

The process aimed at achieving the Plan initiatives is based on the enhancement of the enabling factors necessary for its implementation: human resources and technology.

The economic-financial and equity projections define an evolution, in the reference period of the Plan, which sees the Group's ability to achieve revenues, pursue a containment of operating costs and adopt prudent provisioning policies in the face of the uncertainties deriving from the impact that the health emergency will have on the real economy.

The Group has adopted a rolling logic in the strategic planning process, which envisages an annual review of the Plan. This logic was adopted taking into account that the Group has only been operating for two years and operates in a market and regulatory context that is constantly and rapidly evolving; even more so in an economic environment in which the effects of the ongoing health emergency have not yet fully manifested themselves.

During 2021, the Group will therefore update the Strategic Plan, which will be rescheduled for the period 2021-2024 with the direct involvement of all the Group's legal entities.

Banca Carige S.p.A. Cassa di Risparmio di Genova e Imperia transaction

Following the closure of the receivership, on 31 January 2020, the Ordinary Shareholders' Meeting of Banca Carige S.p.A. Cassa di Risparmio di Genova e Imperia (hereinafter also referred to as "Carige") reconstituted the corporate bodies, appointing for the three-year period 2020-2022, expiring at the Shareholders' Meeting to be called to approve the financial statements as at 31 December 2022, the new Board of Directors, composed of 10 members, as well as the Chairperson and the Deputy Chairperson. From the list presented by Cassa Centrale Banca, as minority shareholder and in accordance with the provisions of the TUF and Carige's Articles of Association, Leopoldo Scarpa was appointed as director.

The Shareholders' Meeting also appointed the Board of Statutory Auditors for the three-year period 2020 - 2022 with Alberto Giussani as Chairperson of the Board of Statutory Auditors and Vincenzo Miceli as Alternate Auditor elected from the minority list submitted by Cassa Centrale Banca.

During the year, Cassa Centrale Banca started the process of assessing the exercise of the call option pursuant to the contract signed on 9 August 2019. With this contract, the Interbank Deposit Protection Fund (the "FITD" - Fondo Interbancario di Tutela dei Depositi) and the Voluntary Intervention Scheme (the "SVI" - Schema Volontario di Intervento) granted Cassa Centrale Banca an irrevocable call option on the shares of Carige held by the former following the execution of the capital increase resolved by the shareholders' meeting of 20 September 2019.

The assessment process was decisively conditioned by the health emergency, which delayed its start and slowed down its continuation, to the point that only on 7 August 2020 did Carige announce the opening of a data room with CCB, FITD and SVI, informing the market through a press release. The analysis and evaluation of the potential business combination and the due diligence work could only intensify after the publication, on 29 September 2020, of Carige's results relating to the receivership and ordinary management as at 30 June 2020.

Given the need to complete the necessary investigations in certain areas, the BoD of Cassa Centrale Banca, on 7 December 2020, resolved not to exercise the call option in the period from 2 to 12 January 2021, without prejudice to the additional exercise periods provided for in the option contract.

Complaints and disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the asserted hyper-dilutive nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders' meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) is based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and a determination of the issue price of the new shares in breach of the criteria set out in the company's regulations.

Two further disputes were brought against the same defendants, including Cassa Centrale Banca, by the partner Vittorio Malacalza and 42 other Carige shareholders, with a claim for a further total of approximately EUR 11.4 million, plus revaluation and interest, based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The proceedings were joined and are currently pending before the Court of Genoa. Cassa Centrale Banca, like the other defendants, filed a statement of appearance and response aimed at ascertaining and declaring the lack of standing of Cassa Centrale Banca, as well as having all the claims formulated by the plaintiffs rejected.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and charges.

Other significant regulatory events during the year

The reference regulatory context in which the Group operates, also following its recognition as a significant supervised entity, is broad and articulated and has led, over time, to a process of organisational and procedural adjustment. During 2020, the regulatory context was strongly characterised by the emergency due to the Covid-19 epidemic (see dedicated paragraph for legislative and regulatory aspects), but in the period there were also several other regulations with a significant impact for the banking sector.

The main measures implemented by the Group with reference to the most important regulatory changes are set out below.

Transparency

With reference to the Bank of Italy's communication of 4 December 2019 on the subject of early repayment of loans by consumers (CCD mortgages), the Parent Company directed the adaptation actions of the Affiliated Banks, identifying the main impacts of the new guidelines on the processes of early extinction and curtailment of the relationships concerned (CCD mortgages) as well as the repayment and accounting criteria to be adopted while awaiting the IT implementations requested by the Parent Company from the IT outsourcer for the automated management of repayments.

As from 1 January 2020, the provisions on payment accounts offered to consumers were applied, in implementation of Directive 2014/92/EU (so-called PAD). The Parent Company and the IT services outsourcer completed the process of adapting to the new provisions, defining and performing the procedural implementations aimed at guaranteeing the production of the new "Expenses disclosure document" (so-called "SoF") for payment accounts offered to consumers.

Finally, starting from 1 October 2020, the new provisions on out-of-court dispute resolution systems were applied, which also affected the deadline for response by banks to complaints received from customers, which was changed from 30 to 60 days if the complaint does not concern payment services (in the latter case, the deadline has been reduced to 15 working days, extendable to 35 working days if the response cannot be provided within 15 days for exceptional reasons).

Product governance for retail banking products (POG)

On 1 January 2020, the provisions on Product Oversight Governance (POG) for retail banking products (under Title VI of the TUB) also came into force for the Affiliated Banks. Under these provisions, banks, as manufacturers and distributors of third-party products, are required to have internal policies and procedures for the development, monitoring, review and distribution of new products that take into account the interests, objectives and characteristics of their customers (so-called Target Market).

The Parent Company, following the availability of the "Group Regulation on new products" at the end of 2019 to the Affiliated Banks, provided them with the "Group method for identifying the target market" which defines the criteria and logic of identification of the positive target market, through the classification of products and the profiling of customers through the use of certain elements that can only be changed by the Parent Company.

The IT implementations were also completed to ensure customer profiling and product classification in compliance with the aforementioned methodology, functional to the identification of the target market.

Granting and monitoring of credit

On 29 May 2020, the European Banking Authority (EBA) issued the "Guidelines on the granting and monitoring of loans", which report the indications and expectations of the EBA regarding the behaviours and practices that banks must adopt when granting loans and monitoring credit, in order to ensure that they have solid and prudent standards for the assumption, management and monitoring of credit risk and that newly established loans also maintain good credit quality levels in subsequent life phases.

The Guidelines will be applied progressively starting from 30 June 2021. The Parent Company has commenced analysis of the need for compliance with regulatory indications.

Anti-Money Laundering

The regulatory framework on anti-money laundering and countering the financing of terrorism has been supplemented by the Bank of Italy Provisions on the storage and provision of documents of 24 March 2020, which became effective on 1 January 2021, and by the FIU Provision on sending Aggregated Anti-Money Laundering Reports of 25 August 2020 (applicable starting from the reports referring to transactions relating to January 2021). Following the closure of the public consultation on the draft Decree implementing the provisions on the register of actual ownership of companies with legal personality, private legal persons, trusts and similar legal entities and institutions, the publication of a final regulatory document is still pending. In order to ensure compliance with the reference regulations, with particular regard to the Banks affiliated to the Cooperative Banking Group, the Parent Company coordinated the preparatory activities for the release of the dedicated IT interventions and oversaw the updating of the relevant internal regulations in view of the evolution of the reference regulatory context and the plan of defined interventions.

Investment services

In the regulatory context outlined by Directive (EU) 2014/65 (known as MiFID 2) and by the related implementing regulations, and aimed at ensuring the protection of investors and the integrity of the markets, the provisions regarding the protection of financial instruments and cash and cash equivalents of customers assume particular importance.

In order to implement these provisions at national level, on 5 December 2019, the Bank of Italy issued the Regulation implementing Articles 4 - undecies and 6, paragraph 1, letters b) and c-bis) of the TUF.

The Regulation redefined the rules previously contained in the Joint Bank of Italy-Consob Regulation of 29 October 2007, regulating the obligation for banks, in relation to the provision of investment and ancillary services, to identify, apply and maintain organisational solutions and procedures adequate to safeguard the financial instruments and sums of money of customers received in deposit for any reason.

During the reporting period, Cassa Centrale Banca undertook a project aimed at defining a process of adjustment at Group level to the provisions of the Bank of Italy Regulation with the aim of:

- analysing and verifying, taking into account the type and method of offering the services provided, the organisational solutions and controls adopted by the Affiliated Banks, as well as identifying the activities falling within the scope of the provisions of the Regulation;
- formalising these processes through specific documentation, in which to illustrate the safeguards and controls adopted by the Affiliated Banks;
- allowing the parties appointed to audit the accounts of Cassa Centrale Banca and the Banks to prepare and send to the Bank of Italy their annual report that illustrates the controls adopted to ensure compliance with the Regulation.

In order to dictate a regulation for the distribution of insurance investment products (so-called IBIPs) consistent with the rules established by the MiFID II and IDD Directives and related implementing legislation in Italy, Consob, with Resolution no. 21466 of 29 July 2020, fully replaced Book IX of the Intermediaries Regulation containing "Information obligations and rules of conduct for the distribution of insurance investment products".

The measures set forth in the new Book IX enter into force on 31 March 2021. The Parent Company has launched specific analysis activities to assess any changes to be made to the Group model for the distribution of IBIPs.

IDD - Insurance Distribution Directive

On 17 March 2020, IVASS and the Bank of Italy sent a joint letter to the market regarding policies combined with loans.

With this communication, the Supervisory Authorities provided indications on the elements of particular interest that banks, as insurance intermediaries, must consider in the distribution of insurance policies offered in combination with loans (so-called PPI policies).

In particular, specific indications were provided on:

- qualification of the policy as mandatory or optional;
- placement, in combination with the loan, of policies that have no functional connection with the loan itself (so-called uncorrelated policies);
- control of distribution networks and monitoring of mis-selling phenomena;
- conflicts of interest and level of costs;
- correct management of requests for early repayment (even partial) of loans and consequent initiatives on combined policies.

The Parent Company has consistently commenced the verification activities required by the Communication in order to check the compliance with the new supervisory indications of the offer policies and the placement methods of the policies combined with the loans put in place by the Affiliated Banks.

To complete the implementation of the IDD Directive, which regulates the insurance distribution activities carried out by insurance distributors at European level, with Measure no. 97 of 4 August 2020 and with Regulation no. 45 of 4 August 2020, IVASS has respectively:

- amended the implementing regulations on insurance distribution with specific rules regarding the distribution of IBIPs;
- provided specific requirements regarding the governance and control of insurance products.

The new regulatory provisions enter into force on 31 March 2021. The Parent Company started the analysis and adjustment of the Group model for the distribution of insurance contracts.

Usury

On 20 May 2020, the Bank of Italy put out for consultation the amendments to the Instructions for the recognition of TEGMs pursuant to the law on usury. The consultation ended on 20 July, but the definitive legislation has not yet been issued. The Supervisory Authority intends to submit these amendments to consultation in consideration of the interpreted doubts that have emerged and of the evolution of the market, with the aim of increasing the clarity of the Instructions and guaranteeing uniform conduct by the reporting parties.

Pending the release of the definitive regulation by the Bank of Italy, an analysis was carried out on the impacts of the regulation under consultation to identify the main aspects of adjustment. As soon as the definitive regulation is issued, the adjustment activities will be carried out.

New default definition

On 28 December 2020, the Bank of Italy published a press release on its website regarding the new definition of default and the consequences for bank customers.

In this press release, the Bank of Italy, emphasizing that from 1 January 2021, the new definition of default envisaged by Art. 178 of the European Regulation on prudential requirements for credit institutions and investment firms (known as CRR), on the basis of the specifications provided by the EBA with the EBA/GL/2016/07 Guidelines, reports that it has invited banks to make every effort to ensure full awareness by customers on the entry into force of the new rules and on the consequences that may affect the dynamics of contractual relations. In addition to this communication, the Authority also published at the same time three documents, respectively containing: clarifications regarding the entry into force of the new definition of default, questions and answers ("Q&A") regarding the new definition of default, clarifications on the impacts on the Central Credit Register.

In view of the entry into force of the new regulatory provisions (1 January 2021), Cassa Centrale Banca carried out an analysis of the main impacts deriving from the new definition of default, in particular with reference to the need to ensure that the default of a customer is identified in a uniform manner within the banking Group, guiding the necessary IT implementations by the outsourcer of IT services and providing the Banks with the training material necessary to understand the effects of the new legislation. With specific reference to the invitation, formulated by the Bank of Italy, to adequately inform customers about the new mechanisms that determine the default of a debtor, Cassa Centrale Banca has prepared and made available to the Banks specific information, sent to customers and published on the websites of the Banks, functional to facilitate the understanding of the new rules on the part of the customers.

Please refer to the section "Risk management and internal control system" for further details.

Sustainable growth

With a view to fostering the transition to a low environmental impact economy, in the wake of the path traced by the European Union with the "European Green Deal", which aims to make Europe the first climate-neutral continent, the following recent publications, among others, should be noted in the context of the various legislative initiatives following the European Commission's communication on the "Action Plan to finance sustainable growth" of 8 March 2018:

- the consultation document on public disclosure on ESG factors published jointly by ESMA, EBA, EIOPA and the Joint Committee of the European Supervisory Authorities of 22 April 2020;
- the EBA consultation document on the management and supervision of ESG risks for credit institutions and investment firms of 30 October 2020;
- the ECB guide on environmental and climate risks of 27 November 2020.

With reference to the specific area of sustainable finance, the EU Regulation 2019/2088 (so-called SFDR), EU Regulation 2019/2089 and EU Regulation 2020/852 came into force in 2020, which aim to encourage the investment, through the banking channel, of customers' capital in economic activities consistent with the objective of ensuring sustainable development of the planet.

Corporate governance

On 30 December 2020, Decree no. 169 of the Ministry of Economy and Finance of 23 November 2020, "Regulation on the requirements and eligibility criteria for corporate officers of banks, financial intermediaries, Confidi, electronic money institutions, payment institutions and depositor guarantee schemes" came into force.

The Decree, which implements the provisions of Art. 26 of the TUB, regulates the requirements of professionalism, integrity and independence as well as the criteria of correctness and competence of the company representatives and the managers of the main company functions and also contains provisions relating to the time to be dedicated to the office.

In view of these changes, Cassa Centrale Banca carried out the analysis of the provisions aimed at identifying the adaptation measures, both as regards the regulation of the requirements of the representatives of the Affiliated Banks, and with regard to the representatives of the Parent Company.

Administrative liability of entities

On 30 July 2020, Legislative Decree no. 75 of 14 July 2020 on rules "implementing Directive (EU) 2017/1371 on the fight against fraud affecting the financial interests of the Union by means of criminal law" entered into force. This Decree made numerous changes to the system of administrative liability of entities, both through the introduction of new offences in the "catalogue" of so-called predicate offenses (pursuant to Legislative Decree no. 231 of 8 June 2001), and through the amendment of existing offences.

Consequently, Cassa Centrale Banca commenced the assessment of the impacts of the new regulations through the performance of the risk assessment, aimed at identifying the activities within which the offences may be committed as well as determining the relative level of exposure to the risk of committing the same.

The completion of the adjustment activities by Cassa Centrale Banca is expected in the first quarter of 2021. Subsequently, the documentation templates will be issued to the Affiliated Banks to be customised in relation to the specificity of the operating context of each, to support the updating activities.

34th update of Circular no. 285 - Implementation of the EBA Guidelines on outsourcing

On 23 September 2020, the 34th update of Bank of Italy Circular 285 was published. In particular, Sections I, IV, V and IX of Chapter 3 and Section VI of Chapter 4 were amended to implement the Guidelines on outsourcing, which aim to establish a harmonised framework for outsourcing agreements in light of the growing recourse to outsourcing by intermediaries and the resulting risks. Implementation takes place through a full reference to the Guidelines. In the provisions, references to the EBA Recommendation on outsourcing to cloud service providers, repealed and incorporated in the Guidelines, were removed. The new rules on outsourcing introduce specific obligations for intermediaries, including the maintenance of an updated register of outsourced activities; assessment of the concentration risk relating to service providers in all phases of outsourcing; the inclusion in outsourcing contracts of detailed clauses on access and audit rights, data security and integrity, exit strategies and business continuity.

Moreover, in addition to the obligation of prior notification to the Supervisory Authority before commencing the outsourcing of essential or important functions, the new regulations introduce an obligation of notification even when an already outsourced activity is reclassified by the intermediary as an essential or important function.

Cassa Centrale Banca initiated the adjustment activities that will be completed in 2021.

Privacy

In relation to the health emergency caused by the pandemic linked to the spread of Covid-19, the Data Protection Service provided support to both the Parent Company and the Banks that had adopted measures to reduce the spread of the virus, in order to ensure the compliance of the actions taken with privacy regulations.

Specific information was therefore provided to manage cases in which the bank collected data regarding the state of health of the employee or customers and specific support was provided in drafting the impact assessments relating to specific projects, at the initiative of the bank, which envisaged the processing of particular data.

Operating performance of the Cassa Centrale Group

Performance indicators of the group

The main performance indicators for the year ended 31 December 2020 are shown below:

CONTENTS	31/12/2020	31/12/2019	% change
STRUCTURAL RATIOS			
Loans to customers * / Total assets	50.3%	56.6%	(11.2%)
Direct funding / Total assets	69.6%	77.8%	(10.6%)
Equity / Total assets	7.7%	8.9%	(13.0%)
Net loans / Direct funding from customers	72.2%	72.8%	(0.8%)
PROFITABILITY RATIOS			
Net profit / Equity (ROE)	3.6%	3.5%	5.0%
Net profit / Total assets (ROA)	0.3%	0.3%	(8.7%)
Cost / Income **	60.8%	68.6%	(11.2%)
Interest margin / Net interest and other banking income	55.0%	58.9%	(6.5%)
Net commissions / Net interest and other banking income	29.0%	32.2%	(9.7%)
Net interest and other banking income / Total assets	2.6%	2.8%	(5.2%)
OPERATIONAL EFFECTIVENESS INDEXES			
Operating costs / Traded volumes ***	1.0%	1.1%	(7.0%)
Traded volumes per employee (mln) ****	11.9	10.9	9.2%

* Loans to customers include loans and advances to customers at amortised cost and fair value, thus differing from the exposures to customers shown in the financial statements;

** Indicator calculated as the ratio of operating costs to net interest and other banking income;

*** The traded volumes are calculated considering the gross non-impaired loans to customers and the total funding excluding the repos component with Cassa di Compensazione e Garanzia;

**** Figures calculated taking into account the number of employees of the Group as at the reference date.

The results of the indicators set out above allow for an in-depth analysis of some of the operating dynamics relating to the Cassa Centrale Group as at 31 December 2020.

With regard to structure ratios, loans to customers represent 50.3% of the total consolidated assets of the Cassa Centrale Group, confirming the main activities of the Affiliated Banks aimed at financing the households and small economic operators as part of their business activities in their respective territories of operations. The decrease in the index, compared to what was recorded in December 2019, reflects the new management strategy of the proprietary portfolio, implemented by the Group in 2020 with a consequent significant expansion of the balance sheet assets.

Direct funding from customers is confirmed as the main source of funding for the Group, with an incidence on total assets of 69.6%. The trend in direct funding, which rose sharply in 2020, reflects the high capacity of the Cassa Centrale Group, through the Affiliated Banks, to attract customer deposits in a context where the behaviour of depositing households was strongly affected by the uncertainty linked to the health emergency.

In light of the trend in lending activities, the ratio of net loans to direct funding from customers at the end of 2020 stood at 72.2%, in line with the 2019 figure, confirming the high degree of liquidity of the Cassa Centrale Group.

With reference to the profitability ratios, the ROE, calculated as the ratio of net income to shareholders' equity, was 3.6%, in line with the 2019 financial year, while the ROA[4], determined as the ratio of net income to total assets, remained at 0.3%.

Productivity, measured through the index of traded volumes per employee, grew to 11.9 million over the year 2020, confirming the path undertaken by the Cooperative Banking Group aimed at progressively increasing industrial efficiency, while the incidence of operating costs on volumes traded amounted to 1%, slightly down compared to December 2019.

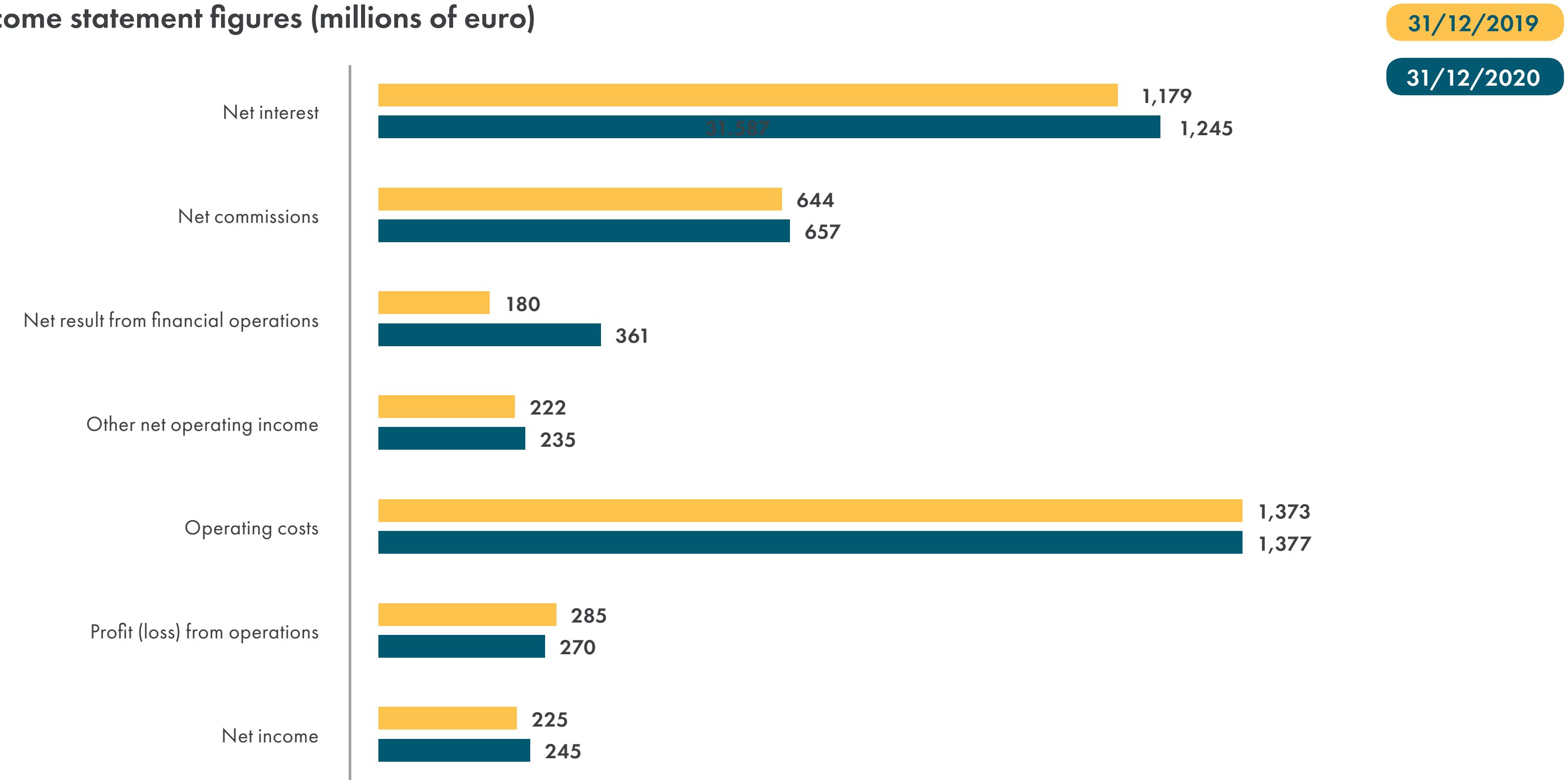
The following paragraphs provide a brief description of the Group's main economic, financial and balance sheet aggregates, together with additional management evidence commenting on the indicators shown above.

Summary of results

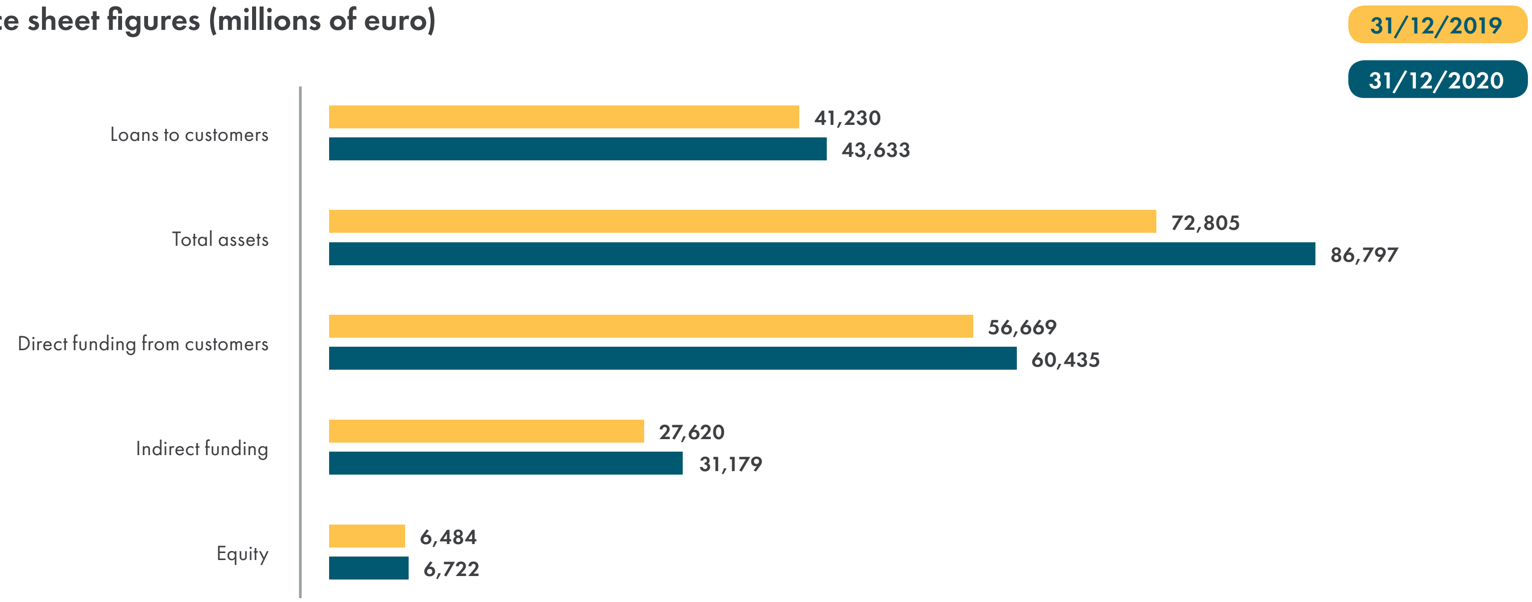
Just below is a graphical representation of the results of the main items in the income statement and balance sheet. Please refer to the specific sections for details of individual items.

[4] The ROA is calculated in accordance with Directive (EU) no. 36/2013 (the so-called CRD IV).

Income statement figures (millions of euro)



Balance sheet figures (millions of euro)



Economic results

Reclassified income statement[5]

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Interest margin	**1,245**	**1,179**	**66**	**5.6%**
Net commissions	657	644	13	2.0%
Dividends	2	3	(1)	(33.3%)
Net trading revenues	359	177	182	102.8%
Net interest and other banking income	**2,263**	**2,003**	**260**	**13.0%**
Net value adjustments/write-backs	(616)	(313)	(303)	96.8%
Income from financial activities	**1,647**	**1,690**	**(43)**	**(2.5%)**
Operating charges*	(1,556)	(1,575)	19	(1.2%)
Loan loss provisions	(56)	(20)	(36)	n.s.
Other income (charges)	235	222	13	5.9%
Value adjustments to goodwill and other intangible assets	-	(27)	27	(100.0%)
Profit (loss) from disposal of investments and equity investments	-	(5)	5	(100.0%)
Gross current result	**270**	**285**	**(15)**	**(5.3%)**
Income tax	(25)	(60)	35	(58.3%)
Profit (loss) for the year for minority interests	-	(4)	4	(100.0%)
Net income of the Parent Company	**245**	**221**	**24**	**10.9%**

* This item includes personnel costs, other administrative expenses and operating amortisation/depreciation.

As at 31 December 2020, the net interest and other banking income of the Cassa Centrale Group stood at 2.26 billion, up by 260 million compared to the previous year. The Group's margins are mainly attributable to the interest margin, up by 66 million, reflecting the prevailing traditional banking activity, largely characterising the Affiliated Banks, and the development of the new strategy on the owned portfolio.

Net commissions rose to 657 million, albeit in a context strongly affected by the pandemic, and represents 29% of the net interest and other banking income, confirming the growing focus of the Cassa Centrale Group on the development of the service margin.

Net trading revenues rose sharply to 359 million and mainly reflect higher capital gains on the portfolio of own securities compared to 2019.

In line with the recommendations received from the European Supervisory Authority on the careful assessment, classification and measurement of credit risk

[5] In order to provide a better management representation of the results, the reclassified income statement figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 6th update.

related to the progress of the Covid-19 pandemic, net value adjustments of the Cassa Centrale Group stood at 616 million, a marked increase compared to the 2019 figure. The extraordinary policy of provisions made it possible to maintain a high degree of monitoring of the credit risk with total value adjustments on impaired loans amounting to 64%, in an economic context characterised by strong uncertainty.

The pre-tax result, as at December 2020, amounted to 270 million, slightly down compared to the 2019 figure. However, the higher tax credits, related to the sale of impaired loans and the extraordinary expenses related to the pandemic in progress, resulted in a net profit pertaining to the Parent Company of 245 million, up by 24 million compared to the previous year.

Interest margin

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Financial assets measured at amortised cost not comprising loans	204	149	55	36.9%
Other financial assets and liabilities measured at FVTPL	3	3	-	0.0%
Other financial assets measured at FVOCI	35	44	(9)	(20.5%)
Financial instruments	**242**	**196**	**46**	**23.5%**
Net interest to customers (loans)	984	1,029	(45)	(4.4%)
Debt securities in issue	(63)	(87)	24	(27.6%)
Customer relations	**921**	**942**	**(21)**	**(2.2%)**
Net interest to banks	**15**	**13**	**2**	**15.4%**
Change in hedging derivatives	**(7)**	**(5)**	**(2)**	**40.0%**
Other net interest	**74**	**33**	**41**	**124.2%**
Total net interest margin	**1,245**	**1,179**	**66**	**5.6%**

Net interest margin income for 2020 amounted to 1,245 million, recording an annual growth of 5.6%, equal to 66 million, compared to 2019. The trend reflects a number of contrasting phenomena. Analysing the composition of the net interest margin referring to credit intermediation with customers, an overall decrease of 21 million was recorded compared to December 2019.

With reference to direct funding, the decrease in the average cost of direct funding at Group level was offset by the strong growth in volumes, reflecting the uncertainty linked to the economic health situation. In terms of the composition of direct funding, the decline in funding at maturity continues, in terms of volumes and interest, according to a trend that has been underway since the establishment of the Cassa Centrale Group.

With regard to the lending activity, while operations with customers benefited from the increase in volumes disbursed, partly as a result of government measures following the Covid-19 emergency, they also suffered from a contraction in average unit return, as a result of the new conditions linked to state-guaranteed loans and persistent competitive pressure on reference markets.

The contribution to the Group's comprehensive income from the own securities portfolio increased, with financial assets valued at amortised cost and not consisting of loans, up by 55 million compared to the comparison period. In response to the exceptional circumstances following the Covid-19 emergency, the Cassa Centrale Group promptly and proactively updated its proprietary portfolio management strategy through an increasing use of refinancing operations with the Eurosystem, a greater diversification of the debt securities portfolio and an increase in the incidence of financial assets allocated to the Hold to Collect business model in order to support the contribution to the net interest margin.

The item other net interest, which shows an annual positive increase of approximately 41 million, mainly includes interest income accrued on funding transactions at negative rates with institutional counterparties and TLTRO-III refinancing transactions. TLTRO-II and PELTRO.

Net commissions

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Commission income	**744**	**737**	**7**	**0.9 %**
Management, trading and consulting services	244	241	3	1.2%
Collection and payment services	196	193	3	1.6%
Current account maintenance and management	254	251	3	1.2%
Guarantees issued	15	15	-	0.0%
Other banking services	35	37	(2)	(5.4%)
Commission expenses	**(87)**	**(93)**	**6**	**(6.5%)**
Management and trading services	(16)	(18)	2	(11.1%)
Collection and payment services	(44)	(43)	(1)	2.3%
Other banking services	(27)	(32)	5	(15.6%)
Total net commissions	**657**	**644**	**13**	**2.0%**

Net commissions, as at 31 December 2020, stood at 657 million, up by 2% compared to the previous year, albeit in a context strongly affected by the Covid-19 pandemic and the consequent restrictive measures that affected the volumes of activities and limitations on the access to branches, in particular during the national and local lockdown. The comparison with 2019 shows a positive trend in the components of collection and payment services, holding and management of current accounts and management, brokerage and advisory services, which together represent 93% of commission income. For the latter component, the growing contribution from the asset management and bancassurance segment should be noted. The reduction in commission expenses, amounting to approximately 6 million, reflects the changed contribution of the various commission segments.

Net result from financial operations

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Financial assets and liabilities held for trading	1	14	(13)	(92.9%)
- Equities	-	2	(2)	(100.0%)
- Debt securities	-	1	(1)	(100.0%)
- UCITS units	-	5	(5)	(100.0%)
- Derivative instruments	(5)	2	(7)	n.s.
- Other	6	4	2	50.0%
Net result from the sale of financial assets and liabilities	357	146	211	144.5%
Net result from hedging activities	(1)	(2)	1	(50.0%)
Dividends and similar income	2	3	(1)	(33.3%)
Net change in value of other financial assets and liabilities	2	19	(17)	(89.5%)
Total net result from financial operations	**361**	**180**	**181**	**100.6%**

Net profit (loss) from financial operations as at December 2020 amounted to 361 million, up sharply compared to the previous year. This change is mainly due to the sale of financial assets and the consequent realisation of capital gains on government securities held in the financial portfolio.

Operating costs

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Administrative expenses	(1,439)	(1,454)	15	(1.0%)
- personnel costs	(870)	(849)	(21)	2.5%
- other administrative expenses	(569)	(605)	36	(6.0%)
Operating amortisation/depreciation	(117)	(121)	4	(3.3%)
Other provisions (excluding credit risk adjustments)	(56)	(20)	(36)	n.s.
- of which on commitments and guarantees	(20)	(7)	(13)	n.s.
Other operating charges/income	235	222	13	5.9%
Total operating costs	**(1,377)**	**(1,373)**	**(4)**	**0.3%**

Operating costs for the year 2020 amounted to 1,377 million, up on an annual basis by approximately 4 million.

Personnel costs, totalling 870 million, reflect some extraordinary items related to the leaving incentives component (26 million) and extraordinary expenses related to the bonus pool as a result of an alignment of the accounting method with the previous year (7 million).

Although, the Covid-19 emergency also had an impact on the costs of managing the healthcare emergency for Cassa Centrale Group during 2020, the Group recorded a significant reduction in other administrative expenses. As of December 2020, these amounted to 569 million, down by 36 million compared to 2019, and shows an annual change mainly due to the lower contributions (18 million) paid to the DGS (Deposit Guarantee Schemes) and SRF (Single Resolution Fund) funds and the benefits obtained from the greater use in 2020 by the Affiliated Banks of the services offered by the companies of the Industrial Group compared to the services purchased externally.

The amortisation/depreciation component, amounting to 117 million, is in line with the previous year, while other operating expenses and income, which amounted to 235 million, up 5.9% on an annual basis, mainly reflect the revenues of instrumental companies from parties outside the Cassa Centrale Group and the items of tax recovery and expenses referring to the ordinary operations of the Affiliated Banks.

The higher provisions recorded in December 2020, up compared to the previous year, mainly refer to the portions prudently set aside and referring to the DGS funds not paid during the year, in addition to extraordinary provisions in application of the Delta Expected Credit Loss model on off-balance sheet items.

At 31 December 2020, the Group's cost income, calculated as the ratio of operating costs to net interest and other banking income, stood at 60.8%, although reflecting the aforementioned extraordinary cost dynamics, a clear improvement compared to 68.5% in December 2019

Net value adjustments/write-backs to financial assets

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Loans to customers	(607)	(317)	(290)	91.3%
- of which write-offs	*(30)*	(55)	25	(45.5%)
Loans to banks	(2)	(2)	-	0.0%
OCI debt securities	(2)	9	(11)	n.s.
Contractual changes without derecognitions	(5)	(3)	(2)	66.7%
(Net value adjustments)/write-backs	**(616)**	**(313)**	**(303)**	**96.6%**

In measuring the impairment of receivables, the IFRS 9 accounting standard requires consideration of not only historical and current information, but also forecast information capable of influencing the recoverability of credit exposures. The update of the macroeconomic scenarios, a direct consequence of the Covid-19 pandemic, together with the changes in the degree of risk of the exposures subject to valuation, led to a significant increase in loan provisions[6] compared to the figures reported in December 2019. For the year 2020, adjustments to loans to customers totalling 607 million were made, a figure that rose sharply compared to the 2019 figure. Total adjustments to loans came to 616 million.

[6] In this regard, please refer to that specified in the Explanatory notes (Part A - Accounting policies, section 5), in the paragraph "Classification and measurement of loans to customers on the basis of the general impairment model IFRS 9".

Financial position aggregates

Reclassified statement of financial position [7]

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
ASSETS				
Cash and cash equivalents	614	555	59	10.6%
Exposures to banks	2,671	1,166	1,505	129.1%
Exposures to customers	43,633	41,230	2,403	5.8%
of which at fair value	*288*	286	2	0.7%
Financial assets	36,813	26,689	10,124	37.9%
Equity investments	75	89	(14)	(15.7%)
Tangible and intangible assets	1,352	1,353	(1)	(0.1%)
Tax assets	849	872	(23)	(2.6%)
Other asset items	790	851	(61)	(7.2%)
Total assets	**86,797**	**72,805**	**13,992**	**19.2%**
LIABILITIES				
Due to banks	17,438	7,474	9,964	133.3%
Direct funding	60,435	56,669	3,766	6.6 %
- Due to customers	*55,447*	50,055	5,392	10.8%
- Debt securities in issue	*4,988*	6,614	(1,626)	(24.6%)
Other financial liabilities	81	101	(20)	(19.8%)
Provisions (Risks, charges and personnel)	469	386	83	21.5%
Tax liabilities	81	80	1	1.3%
Other liability items	1,572	1,611	(39)	(2.4%)
Total liabilities	**80,076**	**66,321**	**13,755**	**20.7%**
Minority interests	1	4	(3)	(75.0%)
Group equity	6,721	6,480	241	3.7%
Consolidated equity	**6,722**	**6,484**	**238**	**3.7%**
Total liabilities and equity	**86,797**	**72,805**	**13,992**	**19.2%**

[7] In order to provide a better management representation of the results, the reclassified income statement figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 6th update.

As at 31 December 2020, the assets of the Cassa Centrale Group amounted to 86.8 billion (+19.2% compared to 72.8 billion in December 2019) and mainly consisted of exposures to customers, which include loans measured at amortised cost and fair value, totalling 43.6 billion and accounting for approximately 50% of total assets. Financial assets were up compared to the end of 2019, with loans to banks amounting to 2.7 billion to exploit the benefit of tiering and the portfolio of own securities amounting to 36.8 billion, equal to 42% of the total assets. The expansion of the securities sector reflects the strategy of the Cassa Centrale Group on the owned portfolio, in support of the interest margin, with a growing use of refinancing operations envisaged in response to the extraordinary circumstances following the crisis triggered by the Covid-19 pandemic.

Liabilities were mainly made up of direct funding from customers, which amounted to 60.4 billion in December 2020 (+6.6% compared to 56.7 billion in December 2019), details of which are shown in the table below, amounts due to banks of 17.4 billion (compared to 7.5 billion at the end of the previous year) and Group equity, including the profit realised in the period, of approximately 6.7 billion (+3.7% compared to December 2019).

Total customer funding

(Figures in millions of euro)	31/12/2020	% impact	31/12/2019	Change	% change
Current accounts and deposits on demand	51,602	85%	44,472	7,130	16.0%
Fixed-term deposits	2,582	4%	3,301	(719)	(21.8%)
Repos and securities lending	506	1%	1,695	(1,189)	(70.1%)
Bonds	1,952	3%	3,258	(1,306)	(40.1%)
Other funding	3,793	6%	3,943	(150)	(3.8%)
Direct funding	**60,435**	**100%**	**56,669**	**3,766**	**6.6%**

The high uncertainty linked to the Covid-19 pandemic crisis led, in 2020, to an increase in households' propensity to save, to a postponement of investment expenses by companies and to an accumulation of liquid assets on the technical forms of deposits and current accounts.

The total amount of direct funding from customers of the Cassa Centrale Group came to 60.4 billion, up by +6.6% (+3.8 billion) compared to the previous year. As mentioned, this development is driven by the trend in short-term funding from customers, and in particular from current accounts (85% of direct funding) which amounted to 51.6 billion, up by 7.1 billion compared to December 2019.

Fixed-term funding, in the form of deposits, repurchase agreements and bonds, amounted to 5 billion, or 8% of total direct funding volumes, down 3.2 billion from the previous year. Repurchase agreements, as of December 2020, include transactions carried out by the Parent Company with the counterparty Cassa di Compensazione e Garanzia for a total of 0.3 billion (compared to 1.5 billion in December 2019).

(Figures in millions of euro)	31/12/2020	% impact	31/12/2019	Change	% change
Assets under management	**19,210**	**61%**	**16,391**	**2,819**	**17%**
Mutual funds and SICAVs	6,242	20%	5,534	708	13%
Asset management	6,554	21%	5,492	1,062	19%
Banking-insurance products	6,414	20%	5,365	1,049	20%
Assets under administration	**12,093**	**39%**	**11,229**	**864**	**8%**
Bonds	9,460	30%	8,688	772	9%
Shares	2,633	8%	2,540	93	4%
Indirect funding*	**31,303**	**100%**	**27,620**	**3,683**	**13%**

* Indirect funding is expressed at market values; the item 'Shares' includes the ETF financial products and the figures as at 31 December 2019 are restated on a like-for-like basis.

Indirect funding of the Cassa Centrale Group in December 2020, valued on the market, amounted to a total of 31.3 billion (+13% compared to the end of December 2019). Assets under management, amounting to approximately 19.2 billion (+17% compared to the comparison period), represent 61% of indirect funding and show a marked evolutionary trend driven by the performance of asset management and banking-insurance products with growth respectively of 19% and 20%. The assets under custody amounted to 12.1 billion, marking an annual increase of 8% deriving in particular from the significant contribution of the bond segment, which recorded growth of 9% compared to December 2019. From the point of view of composition, although the greatest weight is represented by assets under management, aggregate indirect deposits reflect a balanced composition between the individual forms of assets under administration and managed assets, the result of the policies of adequate and prudent diversification of investments implemented with customers.

Group funding, consisting of overall traded volumes on behalf of customers, amounted to 91.7 billion as at 31 December 2020 and consisted of 66% from direct funding and the remaining 34% from indirect funding with the component of managed funding accounting for 21% of total volumes.

Percentage composition of funding

PERCENTAGE COMPOSITION OF FUNDING	31/12/2020	31/12/2019
Direct funding	65.9%	67.2%
Indirect funding	34.1%	32.8%

Net loans to customers

(Figures in millions of euro)	31/12/2020	% impact	31/12/2019	Change	% change
Loans at amortised cost	**43,345**	**99.3%**	**40,944**	**2,401**	**5.9%**
Mortgage loans	33,992	77.9%	29,429	4,563	15.5%
Current accounts	3,440	7.9%	4,707	(1,267)	(26.9%)
Other loans	3,400	7.8%	3,578	(178)	(5.0%)
Finance leases	605	1.4%	586	19	3.2%
Credit cards, personal loans and CQS	707	1.6%	759	(52)	(6.9%)
Impaired assets	1,201	2.8%	1,885	(684)	(36.3%)
Loans at fair value	**288**	**0.7%**	**286**	**2**	**0.7%**
Total net loans to customers	**43,633**	**100.0%**	**41,230**	**2,403**	**5.8%**

The advent of the Covid-19 pandemic has profoundly changed the macroeconomic scenario, causing a generalised shock to production activities that simultaneously involved supply (closure of activities and interruption of value chains) and demand (contraction in consumption and reduction of income). In order to deal with the economic crisis resulting from the spread of the pandemic, the Cassa Centrale Group promptly implemented all actions to favour the granting of benefits to its customers provided for by government measures, in order to offer economic support to the production system, to households and to support social stability in the territories. The initiatives that were coordinated by the Parent Company were also accompanied by specific loans proposed by many Banks of the Group, with dedicated loan pools at favourable conditions.

As at 31 December 2020, net loans to customers of the Group amounted to 43.6 billion, almost all loans at amortised cost, equal to 43.3 billion, which recorded an annual positive trend of 5.9% (+2.4 billion). The aggregate is mainly composed of mortgages for approximately 34 billion, which represent 78% of total loans to customers, and active current accounts for 3.4 billion, equal to approximately 8% of the total. The trend shows, on the one hand, a positive annual change in loans to maturity represented by mortgages (+15.5%) and on the other hand a decrease in short-term loans. This change is related to the measures provided for in the government's economic support decrees issued in response to the Covid-19 crisis and the consequent reshaping of on-demand exposures to government-guaranteed forms of financing, as well as the effects of loan suspensions that interrupted pre-established amortisation plans.

Credit quality

The Group adopts an extremely rigorous policy in the valuation of impaired loans. Part E of the Explanatory Notes, to which explicit reference is made, provides details of all quantitative and qualitative information on risks and the related hedging policies. Loans granted to customers are the main sources of credit risk for the Group and require precise control and monitoring. A summary by degree of risk relating to loans to customers is provided below.

Customer loans

(Figures in millions of euro)	31/12/2020			
	Gross exposure	Total value adjustments	Net exposure	Coverage
Impaired loans	**3,337**	**(2,136)**	**1,201**	**64.0 %**
Non-performing	1,365	(1,043)	322	76.4%
Unlikely to pay	1,925	(1,083)	842	56.3%
Overdue/past due	47	(10)	37	21.3 %
- of which forborne	*1,506*	*(901)*	*605*	*59.8%*
Non-impaired exposures	**42,868**	**(436)**	**42,432**	**1.0%**
- of which forborne	*927*	*(75)*	*852*	*8.1%*
Total customer loans	**46,205**	**(2,572)**	**43,633**	**5.6%**

(Figures in millions of euro)	31/12/2019			
	Gross exposure	Total value adjustments	Net exposure	Coverage
Impaired loans	**4,191**	**(2,305)**	**1,886**	**55.0%**
Non-performing	1,960	(1,351)	609	68.9%
Unlikely to pay	2,144	(942)	1,202	43.9%
Overdue/past due	87	(12)	75	13.8%
- of which forborne	*1,536*	*(718)*	*818*	*46.7%*
Non-impaired exposures	**39,656**	**(312)**	**39,344**	**0.8%**
- of which forborne	*889*	*(55)*	*834*	*6.2%*
Total customer loans	**43,847**	**(2,617)**	**41,230**	**6.0%**

As at 31 December 2020, the Group had net loans to customers of 43.6 billion, compared to gross exposure of 46.2 billion, and adjustment provisions totalling 2.6 billion, allowing it to maintain an average portfolio coverage of 5.6%.

Net performing loans, as at December 2020, amounted to 42.4 billion (39.3 billion as at December 2019) and represented 97.2% of total loans, while net impaired loans, amounting to approximately 1.2 billion (1.9 billion at the end of 2019), fell to 2.8%. These ratios confirm the Cassa Centrale Group's attention to the management of impaired loans despite the highly uncertain economic situation.

The portfolio of impaired loans, in terms of net exposure, showed in December 2020 non-performing positions amounting to 322 million with write-downs totalling 1.0 billion and probable defaults amounting to 842 million with write-downs of 1.1 billion. Within impaired exposures, across risk grades, 605 million forborne exposures are highlighted, representing 1% of total loans and with a contraction of 213 million compared to December 2019.

Performing loans, as at December 2020, showed value adjustments of 436 million, which represent a level of coverage on performing loans of 1% (against a coverage of 0.8% in December 2019). The item includes forborne positions whose net value is 852 million (2.0% of net loans) with a coverage ratio of 8.1% (6.2% in December 2019).

The provisions for performing loans, together with the significant coverage of non-performing and unlikely to pay positions, which amount to 76.4% and 56.3% respectively (compared to 68.9% and 43.9% in December 2019), allow the Group to provide significant protection against credit risk in a highly uncertain economic context.

The table below shows the main credit[8] risk management indicators.

RISK MANAGEMENT RATIOS	31/12/2020	31/12/2019	% change
NPL ratio	***6.8%***	*9.3%*	*(2.5%)*
NPL coverage	***64%***	*55.0%*	*9%*
Texas ratio	***38%***	*47.5%*	*(10%)*
Cost of risk (Bp)	***140***	*76*	+64 Bp

The NPL ratio as at 31 December 2020 stood at 6.8%, down sharply compared to the previous year's figure of 9.3%. The performance of the indicator shows that the Cassa Centrale Group is continuing its path of improving asset quality, with a gradual reduction in the stock of non-performing loans, in line with the guidelines issued by the Supervisory Authority.

The constant attention to the valuation of NPLs is also reflected in the level of coverage of impaired loans with a level of NPL coverage that rises up to 64%, up by 9 Bp compared to December 2019.

The active management of impaired loans and its progressive reduction are reflected in the Group's Texas ratio, which stood at 38% in December 2020, while the cost of risk of the loan portfolio amounted to 140 Bp (+64 Bp compared to the comparison period) in line with a prudent approach given the current economic context.

[8] The calculation of the indices - NPL ratio, NPL Coverage and Texas ratio (which as its numerator considers gross impaired loans) - was carried out on the basis of the EBA data model (EBA methodological guidance on risk indicators, last updated in April 2020). The Cost of Risk ratio, on the other hand, is determined as the ratio of net credit risk adjustments and write-backs to net customer loans.

(Figures in millions of euro)

ECONOMIC SECTOR	31/12/2020		
	Gross exposure	Value adjustments	Net exposure
Public Administrations	192	(1)	191
Financial and insurance companies	1,116	(20)	1,095
Non-financial companies	22,395	(1,730)	20,665
Consumer households and other unclassifiable enterprises	22,503	(820)	21,682
TOTAL	**46,205**	**(2,572)**	**43,663**

(Figures in millions of euro)

ECONOMIC SECTOR	31/12/2019		
	Gross exposure	Value adjustments	Net exposure
Public Administrations	209	(1)	208
Financial and insurance companies	1,140	(25)	1,115
Non-financial companies	20,845	(1,785)	19,060
Consumer households and other unclassifiable enterprises	21,653	(806)	20,847
TOTAL	**43,847**	**(2,617)**	**41,230**

In representing the loan portfolio by sector of economic activity, it is clear that the Cassa Centrale Group, reflecting the nature of its Affiliated Banks, has a prevalent allocation of loans to customers with counterparties represented by consumer households and non-financial companies, to which about 50% and 47% of net exposures to customers are attributable respectively, with a confirmation of the evolutionary dynamics of the two sectors compared to December 2019.

Composition of financial instruments

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	312	309	3	1.0%
Financial liabilities	(15)	(51)	36	(70.6%)
Banking book assets (FVOCI)	9,440	7,548	1,892	25.1%
Financial fixed assets excluding loans (CA)	27,051	18,822	8,229	43.7%
Total securities portfolio	**36,788**	**26,628**	**10,160**	**38.2%**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	7	7	-	0.0%
Trading liabilities (FVTPL)	(9)	(7)	(2)	28.6%
Total derivatives portfolio	**(2)**	**-**	**(2)**	**n.s.**
TOTAL FINANCIAL INSTRUMENTS	**36,786**	**26,628**	**10,158**	**38.1%**

The portfolio owned by the Group, as at 31 December 2020, amounted to 36.8 billion (+10.2 billion compared to December 2019). In the course of 2020, given the significant change in the macroeconomic and financial context deriving from the Covid-19 pandemic, a review of the strategic guidelines for the management of the owned portfolio took place. In March, a new sizing target was defined, the gradual increase to 75% of the total portfolio value in financial instruments attributed to the Hold to Collect business model (70% in 2019) and the maintenance of the objective of increasing the degree of diversification.

OTC derivative activities are mainly aimed at hedging the interest rate risk of the Group's banking book and, residually, at brokerage in relation to these types of instruments in favour of client banks, an activity carried out by the Parent Company.

Financial assets

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Debt securities	**36,271**	**26,151**	**10,120**	**38.7%**
- Mandatorily measured at fair value (FVTPL)	17	64	(47)	(73.4%)
- Measured at fair value through other comprehensive income (FVOCI)	9,203	7,265	1,938	26.7%
- Measured at amortised cost (AC)	27,051	18,822	8,229	43.7%
Equities	**263**	**301**	**(38)**	**(12.6%)**
- Mandatorily measured at fair value (FVTPL)	26	18	8	44.4%
- Measured at fair value through other comprehensive income (FVOCI)	237	283	(46)	(16.3%)
UCITS units	**269**	**227**	**42**	**18.5%**
- Mandatorily measured at fair value (FVTPL)	269	227	42	18.5%
Total financial assets	**36,803**	**26,679**	**10,124**	**37.9%**

As at 31 December 2020 the composition of financial assets was almost entirely debt securities (99%). The latter are mainly government bonds of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Loans to central banks	2,089	455	1,634	359.1%
Loans to other banks	583	711	(128)	n.s.
Current accounts and deposits on demand	*209*	*337*	*(128)*	*(38.0%)*
Fixed-term deposits	*186*	*281*	*(95)*	*(33.8%)*
Other loans	*188*	*93*	*95*	*102.2%*
Total loans (A)	**2,672**	**1,166**	**1,506**	**129.2%**
Due to central banks	(16,617)	(4,803)	(11,814)	n.s.
Due to other banks	(821)	(2,671)	1,850	(69.3%)
Current accounts and deposits on demand	*(490)*	*(293)*	*(197)*	*67.2%*
Fixed-term deposits	*(43)*	*(144)*	*101*	*(70.1%)*
Repos	*(10)*	*(469)*	*459*	*(97.9%)*
Other loans	*(278)*	*(1,765)*	*1,487*	*(84.3%)*
Total payables (B)	**(17,438)**	**(7,474)**	**(9,964)**	**133.3%**
NET FINANCIAL POSITION (A-B)	**(14,766)**	**(6,308)**	**(8,458)**	**134.1%**

As at 31 December 2020, total loans to banks amounted to 2.7 billion (+1.5 billion compared to 31 December 2019) and mainly reflects the cash held with the ECB, amounting to 2.1 billion, to exploit the tiering benefit. Interbank funding, amounting to 17.4 billion, shows the growth in refinancing transactions with the ECB in line with the implementation of the new management strategy of the Group's own portfolio.

Refinancing operations through the Eurosystem amounted to 16.6 billion as at December 2020 and refer to TLTRO-III (12.7 billion), PELTRO (3.2 billion) and TLTRO-II (0.9 billion) operations.

Non-current assets

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Equity investments	75	89	(14)	(15.7%)
Goodwill	28	28	-	0.0%
Tangible	1,270	1,272	(2)	(0.2%)
Intangible	54	53	1	1.9%
Total non-current assets	**1,427**	**1,442**	**(15)**	**(1.0%)**

Non-current assets as at 31 December 2020 amounted to 1.4 billion (-1% compared to December 2019) and mainly include operating properties. Other intangible assets are mainly represented by user licenses and software, while goodwill refers to assets with an indefinite useful life included in intangible assets, as detailed in part B of the Notes to the consolidated financial statements. The year-on-year decrease in the aggregate of equity investments (-14 million) is explained, to a large extent, by the liquidation of several of them or the extraordinary merger transactions that also involved Group companies (industrial reorganisation of IT services) previously consolidated at equity and now removed from the scope of equity investments.

Consolidated equity

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Share capital	1,274	1,276	(2)	(0.2%)
Own shares (-)	(866)	(869)	3	(0.4%)
Share premium	75	75	-	0.0%
Reserves	5,915	5,716	199	3.5%
Valuation reserves	72	55	17	30.9%
Equity instruments	6	6	-	0.0%
Profit (loss) for the year	245	221	24	10.9%
Group equity	**6,721**	**6,480**	**241**	**3.7%**
Third party minority interests	1	4	(3)	(75.0%)
Consolidated equity	**6,722**	**6,484**	**238**	**3.7%**

As at December 2020, the Group's consolidated equity amounted to approximately 6.7 billion, driven by the change in reserves and the contribution of profit for the period. Own shares represent the capital of the Parent Company held by the Affiliated Banks participating in the accounting consolidation of the Group in accordance with Art. 1072 of Law no. 145/2018.

Reconciliation between the Parent Company's equity and profit for the year and the consolidated equity and profit for the year

(Figures in millions of euro)	Equity	Result for the period
Accounting balances of the Parent Company	1,134	36
Effect of the consolidation of subsidiaries	5,468	250
Effect of the measurement of associates using the equity method	74	(1)
Reversal of write-downs of equity investments and recognition of goodwill impairment	(26)	6
Elimination of dividends received from subsidiaries and associates		(47)
Other consolidation adjustments	71	1
BALANCES AS PER THE CONSOLIDATED FINANCIAL STATEMENTS	**6,721**	**245**

Own funds and capital adequacy

Own funds and capital ratios

(Figures in millions of euro)	31/12/2020	31/12/2019
Common Equity Tier 1 capital - CET 1	7,031	6,742
Tier 1 capital - TIER 1	7,037	6,747
Total own funds - Total Capital	7,046	6,771
Total risk-weighted assets	32,769	34,193
CET1 Capital ratio (Common equity Tier 1 capital / Total risk-weighted assets)	*21.46%*	*19.72%*
Tier 1 Capital ratio (Tier 1 capital / Total risk-weighted assets)	*21.47%*	*19.73%*
Total Capital ratio (Total own funds/Total risk-weighted assets)	*21.50%*	*19.80%*

Risk Weighted Assets

(Figures in millions of euro)	31/12/2020	31/12/2019	Change	% change
Credit and counterparty risk	28,679	30,101	(1,422)	(4.7%)
Credit valuation adjustment risk	25	39	(14)	(35.9%)
Market risk	106	122	(16)	(13.1%)
Operating risk	3,959	3,768	191	5.1%
Other prudential requirements	-	163	(163)	(100.0%)
Total RWA	**32,769**	**34,193**	**(1,424)**	**(4.2%)**

Own funds on a prudential consolidation perimeter are calculated on the basis of the capital and economic result determined in accordance with IAS/IFRS and the accounting policies adopted, and taking into account the prudential rules in force at the time.

In accordance with the above provisions, own funds derive from the sum of positive and negative components, based on their capital quality; the positive components are fully available to the Bank allowing them to be used in full to cover the overall regulatory capital requirements pertaining to risks.

As of December 2020, the Group's Common Equity Tier 1 (CET1) capital, determined in application of the aforementioned rules and references, amounted to EUR 7,031 million, Tier 1 capital amounted to EUR 7,037 million and Total Capital amounted to EUR 7,046 million. The CET1 capital ratio stood at 21.46% (19.72% in December 2019), the Tier 1 capital ratio was 21.47% (19.73% in December 2019) and the Total capital ratio was equal to 21.50% (19.80% in December 2019). Excluding the effects of the transitional regime, in view of the full application of the prudential provisions at the same reference date, the fully operational primary tier 1 capital (CET 1 fully loaded) amounted to EUR 6,523 million and the related fully loaded CET1 capital ratio was 20.07%; the fully operational tier 1 capital (Tier 1 fully loaded) amounted to EUR 6,529 million and the related fully loaded Tier 1 capital ratio was 20.09%; and finally, the total capital fully loaded amounts to EUR 6,538 million and the related fully loaded total capital ratio is 20.11%.

Main strategic business areas of the Cassa Centrale Group

The Cassa Centrale Group has developed its business and service model through an organisational structure divided into two main areas:

- the Affiliated Banks, which represent the Group's core business through the management of banking activities in the territory;
- the Industrial Group, including the Parent Company and the companies that offer services to Affiliated Banks in finance, credit, insurance, ICT, NPLs and asset management.

*the Industrial Group refers to a management representation of the main strategic areas of the Group that contribute to the economic and financial results commented on below.

The definition of strategic business areas is consistent with the methods adopted by the governance function for making operational and strategic decisions and is based on internal management reporting.

Affiliated Banks

The Affiliated Banks represent the most important part of the Cooperative Banking Group's consolidated assets and the strength of the Group's current and future development. The Affiliated Banks traditionally operate with the aim of fostering the development of communities and the local economy. The principles of mutuality, which characterise Cooperative Credit, allow Banks to play a fundamental role in the national banking industry and be an important reference point for households and small and medium-sized enterprises (hereinafter also "SMEs").

The Group's Strategic Plan aims to develop relationships with households and SMEs by making the most of the territorial network and exploiting synergies, the expansion of the commercial offer and economies of scale resulting from belonging to a Group of national importance.

In general, the structure of cooperative credit banks reflects the nature of local banks, characterised by a high level of funding from customers deriving from the historical link with the territory to which they belong, by a prevalence of loans to counterparties represented by households and small companies, by a limited loan-to-deposit ratio which, from the point of view of liquidity, reflects the structural solidity of the Group and by the investment of excess liquidity mainly in government securities.

Below is a summary representation of the main income statement and statement of financial position aggregates of the Affiliated Banks, with a focus on the individual territorial areas in which the Group operates.

(Figures in millions of euro)

LOANS TO CUSTOMERS	31/12/2020					Total 31/12/2020	Total 31/12/2019	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Gross customer loans	10,448	9,780	9,923	10,045	4,529	**44,725**	42,553	2,172	5.1%
of which performing	*9,597*	*9,186*	*9,213*	*9,306*	*4,188*	***41,490***	*38,487*	*3,003*	*7.8%*
of which non-performing	*851*	*595*	*711*	*739*	*341*	***3,236***	*4,066*	*(830)*	*(20.4%)*
Value adjustments	632	504	542	540	255	**2,474**	2,520	(46)	(1.8%)
Net customer loans	9,816	9,276	9,382	9,505	4,274	**42,252**	40,033	2,219	5.5%

The total gross loans of the Affiliated Banks amounted, as at 31 December 2020, to EUR 44.7 billion, up sharply compared to the end of 2019 (+5.1%). The marked evolution of loans to customers is conditioned, at least in part, by extraordinary government and local measures, in support of an economic context strongly impacted by the Covid-19 health emergency. The growth recorded in 2020, albeit affected by non-recurring factors, confirms and strengthens the evolutionary trend underway since the establishment of the Cassa Centrale Group.

The territorial analysis of the credit disbursed confirms that the operations of the Affiliated Banks are mainly concentrated in the North of Italy, in line with the territorial distribution of the Cassa Centrale Group's branches. A detailed analysis of the various geographical areas into which the Cassa Centrale Group is divided shows a homogeneous allocation to four of the five areas, with the exception of the South and Islands area which, despite having a large number of Affiliated Banks, has a lower incidence on total loans disbursed due to the smaller average size of the banks in that area.

In 2020, the growth in performing loans of the Affiliated Banks totalled 3 billion (+7.8% compared to December 2019), with marked growth in all territorial areas according to a range that varies from +5% for the Trentino A.A. area to +17% for the South and Islands area.

At the counterparty level, the significant exposure of total credit disbursed by the Affiliated Banks to households and local small and medium-sized enterprises was confirmed, confirming the central role of the Affiliated Banks in supporting the growth of the territory and supporting an economic context strongly affected by the Covid-19 health emergency.

In line with the strategy of the Cassa Centrale Group, the active management of impaired loans continued in 2020, which allowed a further marked reduction in non-performing assets on an annual basis (-20%) with particular attention to the management of bad loans (i.e. down by 600 million). Overall, impaired loans as a percentage of gross loans to customers stood at 7.2%, reflecting a territorial trend that varied from 6.1% in the North-East to 8.1% in Trentino-Alto Adige.

Confirming a strategy of the Cassa Centrale Group that is particularly attentive to credit risk management, and in the presence of a decrease in the total stock of impaired loans, provisions on non-performing loans of the Affiliated Banks are on average up and stood at 64%. The average levels of coverage of the Affiliated Banks are confirmed as one of the highest in the national banking system.

(Figures in millions of euro)

FUNDING	31/12/2020					Total 31/12/2020	Total 31/12/2019	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Overall funding	21,160	18,069	19,927	17,340	7,436	**83,932**	77,513	6,419	8.3%
Direct funding	14,347	12,474	13,467	12,263	6,661	**59,212**	54,517	4,695	8.6%
Indirect funding*	6,813	5,595	6,460	5,077	775	**24,720**	22,996	1,724	7.5%
of which administrated	*1,906*	*1,480*	*2,545*	*1,569*	*428*	***7,928***	*8,470*	*(542)*	*(6.4%)*
of which managed	*4,907*	*4,115*	*3,915*	*3,508*	*347*	***16,792***	*14,526*	*2,266*	*15.6%*

* Indirect funding is expressed at market values

The total funding of the Affiliated Banks amounted to 83.9 billion (+6.4 billion compared to December 2019), confirming the important ability of the Affiliated Banks to attract depositor customers.

Direct funding amounted to 59.2 billion, up by 4.7 billion compared to the end of 2019 (equal to +8.6%), a figure that reflects at least in part the growing share of savings held by households as a result of the economic uncertainty linked to the health emergency.

The distribution of direct deposits among the territorial areas proportionally respects the trend described above for the volumes of credit, showing generalised growth in all territorial areas in 2020 with a more marked trend in the South and Islands (+16%) and North East (+10%).

The various territorial areas show a structural surplus of resources in the ratio of lending to funding, resulting in a high degree of liquidity for the Affiliated Banks and the Cassa Centrale Group. The prudent approach to the investment of resources collected by depositors has historically characterised the operations of the BCC-CR-RAIKAs.

Total indirect funding of the Affiliated Banks amounted to 24.7 billion[9], up by 1.7 billion compared to December 2019. The incidence of indirect funding on total funding is confirmed at 29%, in line with the 2019 figure, proof of the growing ability to shift funding to indirect funding according to the guidelines of the Cassa Centrale Group, albeit in a context of strong prudence of the depositing customers. At the level of the Affiliated Banks, the incidence of indirect funding on total funding is homogeneous between the various territorial areas, with the exception of the South and Islands, where this ratio does not exceed 10%.

An analysis of the composition of indirect funding confirms the growth, in absolute and relative terms, of the incidence of asset management and insurance products, which rises to 68% of total indirect funding.

The dynamics of the Affiliated Banks' indirect funding saw growth in both the bancassurance segment (+20% compared to December 2019) and the Asset Management and Funds segment (+10%), against a partial contraction in funding under administration, which fell to 7.9 billion (-6% compared to the end of 2019). Nonetheless, indirect funding under administration saw a partial migration of a number of positions from the Affiliated Banks to the Parent Company.

The strong boost in assets under management achieved in 2020 is part of the significant growth margins available to the Affiliated Banks compared to the rest of the banking industry, having historically favoured the placement of direct funding products. Growth has been driven and accompanied by significant investment in specialist training for the staff of the Affiliated Banks in order to increase their ability to offer shareholders and customers a high level of advisory support. These investments, supported by the careful research of the Industrial Group's companies for products suitable for BCC-CR-RAIKAs' shareholders and customers, are enabling the gap with the system to be progressively closed, while maintaining a high level of attention to the quality of the overall service offered to savers.

(Figures in millions of euro)

MARGINS AND COMMISSIONS	31/12/2020					Total 31/12/2020	Total 31/12/2019	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Interest margin	283	249	234	271	156	**1,193**	1,136	57	5.1%
Net commissions	114	126	133	129	56	**557**	547	11	2.0%
Net interest and other banking income	471	438	489	459	252	**2,109**	1,832	277	15.1%

The economic contribution deriving from the net interest income for the Affiliated Banks amounted to 1,193 million, equal to 57% of the net interest and other banking income. Despite a context characterised by interest rates at historic lows and high commercial pressure, the interest margin was up compared to 2019 (+5.1%), thanks to the growing volumes of lending and the growth of the portfolio of own securities as an effect of the new Group strategy, which has seen an increasing use of ECB refinancing operations.

The contribution of net interest income to comprehensive income is therefore confirmed as high, in line with the predominantly traditional banking operations that characterise the Affiliated Banks and therefore the Group as a whole. The main source of income remains the traditional activity of collection of savings and lending in the territories where the Affiliated Banks are located.

[9] Indirect funding is expressed at market values.

The net commissions of the Affiliated Banks totalled 557 million, up by 2% compared to December 2019, albeit in a context strongly affected by the ongoing health emergency that had a negative impact, especially in the months of the lockdown.

The commission margin of the Affiliated Banks shows an average contribution to the net interest and other banking income of around 26%, with a geographical impact that falls from 29% in the North East to 22% in the South and Islands, also in line with the lower volumes of indirect funding located in this geographical area.

An analysis of the primary revenues of the Affiliated Banks shows that the ability to offer members and customers services that complete the commercial offer and increase margins is becoming increasingly decisive. This development is carried out with a strong focus on the protection of shareholders and customers and in accordance with the cooperative principles that underpin the operations of the Affiliated Banks.

The growth in net interest and other banking income in 2020 (+15.1% compared to the end of 2019) reflects the important contribution deriving from the trading activity of the securities portfolio owned by the Affiliated Banks.

Industrial group

The Industrial Group is represented by the Parent Company and the subsidiaries and associates that operate in different areas of activity, namely:

- ICT and back office services, with the subsidiary Allitude S.p.A. (hereinafter also referred to as “Allitude”). Effective as of 1 July 2020, the last step in streamlining the ICT and back office offer was completed with the merger of Cesve S.p.A. and Bologna Servizi Bancari S.r.l. (hereinafter also “CESVE” and “BSB”) into Allitude;
- leasing services, with the subsidiary Claris Leasing S.p.A. (hereinafter also referred to as “Claris Leasing” or “Claris”);
- insurance services, with the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also referred to as “Assicura Agenzia” and “Assicura Broker”);
- collective asset management services, with the subsidiary Nord Est Asset Management S.A. (hereinafter also “NEAM”);
- other ancillary services, with the subsidiaries Centrale Credit Solutions S.r.l., Centrale Soluzioni Immobiliari S.r.l., Centrale Casa S.r.l., Claris Rent S.p.a. and the associate Centrale Trading S.r.l.

The main income statement and balance sheet aggregates referring to the Industrial Group as at 31 December 2020 are shown below.

(Figures in millions of euro)

LOANS TO CUSTOMERS*	31/12/2020	31/12/2019	Change	% change
Gross customer loans	**1,479**	1,294	185	14.3%
of which performing	***1,378***	*1,169*	*209*	*17.9%*
of which non-performing	***101***	*125*	*(24)*	*(19.2%)*
Value adjustments	**98**	97	1	0.0%
Net customer loans	**1,381**	1,197	184	15.3%

* Management data including all intra-group eliminations.

With regard to the Industrial Group, loans disbursed to customers mainly refer to brokerage activities carried out by the Parent Company and by the subsidiary Claris Leasing.

The contribution of the Industrial Group to the results of the Cassa Centrale Group, in terms of gross loans, amounted to a total of 1.5 billion, net of 0.6 billion referring to intercompany transactions between the various entities of the Cassa Centrale Group, an upward trend compared to the figures at the end of 2019 (+14.3%).

Compared to the end of the previous year, there was an increase in performing loans of 209 million (+17.9%), with a total volume of 1.4 billion, mainly as a result of the growth in the Parent Company's loan portfolio. The downtrend of the impaired loan portfolio continued, which, thanks to careful and prudent management, decreased by a total of 24 million (-19.2%).

Provisions on total gross loans to customers amounted to 98 million, guaranteeing high average coverage on impaired positions, which stood at around 74%.

(Figures in millions of euro)

FUNDING*	31/12/2020	31/12/2019	Change	% change
Overall funding	**7,802**	6,776	954	14.1%
Direct funding	**1,219**	2,152	(933)	(43.4%)
Indirect funding**	**6,583**	4,623	1,960	42.4%
of which administrated	***4,165***	*2,757*	*1,408*	*51.1%*
of which managed	***2,418***	*1,866*	*552*	*29.6%*

* Management data including all intra-group eliminations.

** Indirect funding is expressed at market values; as at 31 December 2020, the ETF financial products are included in the administered segment and the figures as at 31 December 2019 are restated on a like-for-like basis.

Total funding of the Industrial Group amounted to 7.8 billion and is mainly attributable to the Parent Company's operations. Total funding consists of 1.2 billion in direct funding, a figure that is down compared to the end of 2019 as a result of fewer funding transactions, at the end of 2020, with the counterparty Cassa di Compensazione e Garanzia.

Indirect funding[10] amounted to 6.6 billion, up by approximately 2 billion compared to the end of 2019. Assets under management and insurance represent 37% of total indirect funding, with operations mainly attributable to products linked to asset management. Indirect funding under administration amounted to 4.2 billion and represents 63% of total volumes, with operations mainly focused on the bond market (69% of funding under administration). The growth in funding under administration, compared to 2019, is partly due to the centralisation of some positions of the Affiliated Banks with the Parent Company.

[10] The indirect funding represented refers to the component placed by Cassa Centrale Banca directly with customers and does not include the component placed through Banks.

(Figures in millions of euro)

MARGINS AND COMMISSIONS*	31/12/2020	31/12/2019	Change	% change
Interest margin	**52**	43	9	21.5%
Net commissions	**100**	97	3	3.1%
Net interest and other banking income	**154**	169	-15	(8.8%)

* Operating figures that include all intragroup eliminations and residual economic results of fully consolidated entities other than the cohesion contract.

The breakdown of revenues highlights the nature of the Industrial Group, with a prevailing orientation towards the provision of services. Net fee and commission income amounted to 100 million, with an incidence of 65% in the breakdown of net interest and other banking income, while the net interest income stood at 52 million.

Compared to the same period of the previous year, the net interest income increased by a total of 9 million, while the margin for services was substantially stable (+3.1%). Overall, net interest and other banking income decreased due to the lower contribution deriving from the trading/valuation of the own securities portfolio of the Parent Company and the higher eliminations related to intercompany transactions between the various entities of the Cassa Centrale Group.

Below is a brief review of the Industrial Group, with particular focus on the activities carried out by the Parent Company and the service companies supporting the Affiliated Banks.

1. Parent Company

The establishment of the Group has led to an enrichment of the system of offering financial products and services and to the strengthening of financial risk controls for the entire Group. The range of services offered by Cassa Centrale Banca is divided into the following areas:

- Finance;
- Loans;
- Consumer credit;
- Payment systems;
- Governance and support.

Finance

In the finance sector, Cassa Centrale Banca offers its Affiliated Banks and other client Banks a complete range of services and products for access to financial markets and for offering depositing customers multiple investment solutions.

Cassa Centrale Banca offers services to access the main bond, equity and derivatives markets both for retail customers and for the management of the owned portfolio: during 2020, Cassa Centrale Banca carried out transactions on bond markets for a countervalue of approximately EUR 50 billion (up by approximately 47% compared to 2019) and on stock markets for approximately EUR 3 billion (unchanged compared to 2019).

With regard to operations in the interbank sector, intermediation of refinancing operations with the ECB and securitised financing operations of Affiliated Banks and customers as part of the "Collateral Account" service increased significantly, reaching EUR 15.3 billion at the end of 2020 compared to EUR 2.6 billion at the end of 2019. The trend was mainly driven by the centralisation of access to the TLTRO-III programme at Cassa Centrale Banca. At the level of the Cassa Centrale Group, recourse to refinancing through the Eurosystem amounted to EUR 16.7 billion at the end of 2020 and was entirely represented by participation in the TLTRO-II, TLTRO-III and PELTRO transactions.

OTC derivative activities are mainly aimed at hedging the interest rate risk of the Group's banking book and, residually, at brokerage in relation to these types of instruments in favour of other client Banks. During the year, OTC derivatives were traded for a total original notional amount of EUR 54 million. The types of OTC derivatives in the portfolio are configured into interest rate swaps (IRS) and interest rate options.

A further activity that is carried out within the Treasury support services of Affiliated Banks and customers is foreign currency trading. In 2020, the volume of spot and forward trading in foreign currencies (amounting to EUR 2.8 billion) recorded a slight decrease compared to 2019 (-4.9%), indicating a stabilisation after the significant increase following the creation of the Group (an event that entailed the activation of the service to several Affiliated Banks previously operating with other intermediaries).

The Finance Department has always offered services aimed at managing the relationship with savings customers, which over time have become an element of excellence in the overall commercial offer of Cassa Centrale Banca.

Among these, the main products and services offered are:

- **Asset Management:** Cassa Centrale Banca's Asset Management closed 2020 with EUR 9 billion[11] in assets under management. During the year, funding was very positive, with net contributions of over EUR 1.1 billion. At the beginning of the second half of the year, the evolution of the Private Asset Management offer became operational, through the restructuring of the proposals on the basis of the amount invested with three new types of management: the Private Silver (from EUR 250 to EUR 500 thousand), Private Gold (from EUR 500 thousand to EUR 1.25 million) and Private Platinum (from EUR 1.25 million). As the amount invested increases, there is an increase in the instruments that can be used and in the possibilities for personalisation of management. The Programmed Investment Plans (PIP) - introduced in 2016 - are now widely used by banks: there are currently 18 thousand active plans. This is an instrument that has proved to be very defensive and useful in managing the phases of greater market volatility, reducing the risk on the timing of entry and offering the possibility for customers to gradually enter the market or take advantage without exiting the investment. In this context, in December, a new initiative called PIP Cash - Double Opportunity was presented to the banks, which provides for the remuneration of the liquidity present in the management account - and not yet invested through the PIP - at a rate of 1% for the duration of the plan. An available ceiling of EUR 550 million was assigned to the initiative. With regard to the performance of the portfolios, after the strong tensions experienced on the markets in the first part of the year, the recovery achieved starting from the second quarter allowed most of the investment lines to return not only near the values at the beginning of the year, but to close 2020 with a positive performance. In the face of the virus containment measures and the need to support the placing banks in a very volatile market environment, the Finance Department has found alternative ways of supporting the banks' commercial and customer advisory activities. To this end - with the collaboration of the Commercial, Finance and Bancassurance Service - the "CCB#LIVE format" was introduced using the Teams digital platform. This is a container in which market dynamics, strategies on management lines, market views by Cassa Centrale Banca managers and NEF partner managers, analysis of funds and bancassurance products/services are addressed. The appointment

[11] The amount refers to Assets placed directly by Cassa Centrale Banca for about EUR 2.4 billion, Assets placed through banks for about EUR 5.1 billion, Institutional Asset Management for EUR 800 million and pension funds, for which Cassa Centrale Banca has delegated management powers, for EUR 750 million.

is fortnightly and involves over 800 advisors from the Group Banks.

- **Funds Partner:** the Funds Partner platform for the placement of third-party funds is made available to Affiliated Banks and client Banks outside the Group perimeter. This is a useful tool for advisors, who can access a universe of around 3,000 funds available through a platform on which Cassa Centrale Banca has activated a process of definition and maintenance of the list of funds that can be placed (funds with capitalisation of less than EUR 100 million and a track record of less than 3 years are excluded). The platform offers numerous tools provided by Morningstar, the reporting provided by the 12 investment houses and the "example portfolios" compliant with the MiFID risk profile. For these houses, Cassa Centrale Banca also carries out the service of entity appointed to perform payments. The volumes traded in December 2020 exceeded EUR 2.3 billion.
- **Advanced Advisory services:** the advanced advisory service is provided to customers of 22 Banks. Cassa Centrale Banca supports these Banks as advisor in identifying the best investment strategies. The assets monitored by the service at the end of 2020 exceeded EUR 170 million.

Loans

The Credit Department of Cassa Centrale Banca provides support to the Affiliated Banks and Group Companies in lending and, with reference to these aspects, guides the direction and coordination of the Cooperative Banking Group. In the Credit area, the Group defined its own credit policy guidelines for 2020 in a context prior to the spread of the Covid-19 epidemic. These guidelines were drawn up in view of a limited growth in world trade and in particular considering a modest increase in Italy's GDP. The main objectives of the Group's lending activities, which can be inferred from the guidelines, can be summarised as follows: (i) optimisation of the portfolio asset allocation in qualitative and quantitative terms; (ii) strengthening of the sales network and repositioning of its credit operations; (iii) prevention of the deterioration of credit quality, in the medium term, in particular on the major risk groups.

The health emergency profoundly changed the macroeconomic scenario, causing a generalised shock to production activities that simultaneously involved supply (closure of activities and interruption of value chains) and demand (contraction in consumption and reduction of income). This scenario also affected banking activities, which began to record the first significant impacts of the emergency in March 2020, with a marked downsizing of commercial operations. The radical change in the operating context and in the outlook for the future required a revision of the Group's credit portfolio management guidelines. During the second half of the year, a specific project was launched on the loan portfolio, aimed at assessing the future sustainability of debt by companies, taking into account:

- scenario analysis and assessment of deterioration and decay rates in the various sectors;
- assessments of the impacts deriving from the support measures ex-lege or granted by the initiative;
- application of the 2020/21 sector estimates on the 2018/19 financial statements of individual companies with the aim of making a projection of expected cash flows and therefore of assessing the relative sustainability of the debt.

Among the loan portfolio management objectives, a strategy was identified aimed at ensuring adequate support to businesses through the granting of new loans under the government measures envisaged by the so-called 'Liquidità' Decree, and encouraging the use of State guarantees in order to optimise portfolio risk. The creditworthiness analysis, in particular, focused on verifying the medium-term sustainability of the debt service through the prudentially reduced projections of expected cash flows compared to the figures of previous years in relation to the continuation of the Covid emergency.

When granting new loans, the utmost attention is still paid to credit quality, product, geographical and, above all, dimensional diversification. In fact, the dimensional aspect is considered of fundamental importance and represents the backbone of the Group's credit supply strategy. The logic of spreading risk over a multitude of small borrowers, which has always been the main component of the Affiliated Banks' approach to credit, has been reinforced with the introduction of risk thresholds and with an operational practice pursued in the day-to-day relations between the Group's corporate structures and the Credit Departments of the individual

Affiliated Banks. More space was also given to distributed products (leasing, factoring, personal loans and salary-backed loans) due to the lower risk profile assumed with respect to similar banking transactions. With regard to the development of specific lending activities (moratoria and new loans) under the "Cura Italia" and "Liquidità" decrees, in relation to the impact of the Covid-19 emergency, please refer to the chapter on the operating environment following Covid-19 in the Cassa Centrale Group (in particular the paragraph on initiatives in favour of businesses, households and the local area).

The Cassa Centrale Banca Group confirmed its participation in the various initiatives promoted by the Italian Banking Association in favour of both private individuals ("Fondo di Solidarietà mutui" ("Mortgage Solidarity Fund") and "Fondo di Garanzia per la Prima Casa" ("First Home Guarantee Fund")) and businesses (Accordo per il credito 2019 - Imprese in ripresa 2.0 ("Credit Agreement 2019 - Businesses in Recovery 2.0")). With regard to activities in the field of concessionary/subsidised loans, cooperation continued with the main national (e.g. Medio Credito Centrale, MISE per la Sabatini, ISMEA and SACE), territorial, regional references in the sector, trade associations and the various credit guarantee consortia present throughout the country.

More specifically, in 2020 a number of conventions were signed, in addition to those relating to the Covid-19 emergency already mentioned in another paragraph, of which the most significant are listed:

- Veneto Sviluppo S.p.A. - agreement pursuant to DGR (Veneto) no. 618 of 19 May 2020 (self-participation and on behalf of Banks operating in Veneto);
- Veneto Sviluppo S.p.A. - agreement on the intervention of the anti-crisis rotation fund for production activities (self-participation and on behalf of the Banks operating in Veneto and Claris Leasing S.p.A);
- Finpiemonte S.p.A. - measurement data sheets Regional Law 07/2018 Art. 22 and Regional Law 17/2018 (self-participation and on behalf of the Banks operating in Piedmont);
- Agreement for the suspension of the payment of the principal portion of the mortgage instalments, maturing in 2020, disbursed in favour of local authorities (participation of Cassa Centrale Banca - the Affiliated Banks participated directly in the measure);
- Agreement with Puglia Sviluppo S.p.A. - request for activation as Lender for the management of Title II, Chapter 3 applications on the Puglia Semplice platform;
- Finpiemonte S.p.A. - INNOMETRO tender (instructions and indications to Banks operating in Piedmont for direct participation);
- ABI-Consumer Associations Agreement for the suspension of the principal portion of loans to households following the Covid-19 epidemiological event (self-participation and on behalf of the Affiliated Banks);
- Agreement for the suspension of payment of the principal portion of the mortgage instalments, maturing in 2020, disbursed in favour of local authorities (CCB membership - the Affiliated Banks participated directly in the measure);
- Agreement with SACE for Garanzia Italia (Covid emergency); a very important step because in addition to the possibility of accessing an additional system of Guarantees, it allowed us to open relations with SACE in favour of the Banks of the Group and their business customers.

We participated several times in meetings with Regions or financial institutions of the Regions (Friuli Venezia Giulia, Veneto, Piedmont, Autonomous Province of Trento, Liguria) to collaborate with the institutions for the launch of new measures or implementation of existing ones for the Covid crisis.

Consumer credit

During 2020, Cassa Centrale Banca, through the activities of its specialised Business Area, continued to develop activities aimed at directly monitoring the consumer credit market segment in a context strongly affected by the spread of the Covid-19 pandemic.

The adoption by the Government of generalised lockdown measures aimed at containing the risk of spreading the infection almost paralysed production activities between the first and second quarters of the year and slowed down the economic recovery expected in the following quarters due to the persistence of the health emergency.

During the year, the uncertainty of the pandemic scenario led to a marked reduction in the propensity to use credit to support consumption and spending projects by consumer households, with significant repercussions on the consumer credit market and on lending activities in particular.

In order to cope with this context and the serious socio-economic repercussions caused by the pandemic, the activities of the specialised business area strengthened their commitment to supporting the Affiliated Banks by immediately guaranteeing operational continuity during lockdown periods thanks to the immediate use of smart working and the timely introduction of measures to support customer households in difficulty.

The Consumer Credit Department took steps to activate moratorium measures on the instalments of Prestipay personal loans, anticipating what was subsequently introduced by the specific Assofin memorandum of understanding. Processes were also defined for the management of remote customer loan applications in accordance with the provisions of the "Liquidità" Decree (Law Decree 23/2020).

The agility of the business model and the ability to react promptly to the relaxation of restrictive measures during the third quarter of the year allowed the Consumer Credit Department to record a better trend in the disbursement of personal loans compared to that of the reference market.

In terms of overall results for 2020, the disbursements of personal loans to the Prestipay brand amounted to EUR 167 million, down by around 22% compared to the previous year, against a decidedly more marked decline recorded by the market in the personal loans segment (-33.8%).

Finally, with regard to internal projects, the specialised business area, despite the prolonged lockdown periods, successfully completed all the preparatory activities for the start-up of Prestipay S.p.A. - New.Co., specialised in the consumer credit segment controlled by Cassa Centrale Banca - whose commencement of operations was therefore confirmed for January 2021.

In particular, the most significant activities concerned the identification, contractualisation and definition of operational aspects with specialised suppliers, the design of process workflows, the creation and testing of proprietary scorecards, the preparation of the overall ICT architecture, the creation of device websites, with the definition of Business Requirements, the parameterisation of environments, the performance of System Integration Testing and User Acceptance Testing, the training of internal resources on ICT applications and the deployment of the environment in production.

Payment systems

The payment systems market is going through a period of strong renewal and high competitiveness. There is a growing spread of digital payments on channels made available by banks or innovative solutions offered by new operators entering the markets. In this very dynamic context, the Payment Systems for the Cassa Centrale Group represent a service and support structure of the Group's BCCs and operate on five different areas of activity, i.e. (i) Regulations, (ii) Foreign, (iii) Centralised services, (iv) Treasury, (v) E-money in order to develop new services, making them available to the Banks affiliated to the Group, to allow them to be competitive and retain their customers.

During the emergency period following the spread of the Covid-19 pandemic, the Payment Systems ensured the operational continuity of the services offered by optimally modulating the management of resources (with remote and on-site operations) in order to guarantee monitoring of all transactions, in particular those that require physical presence at the company (processing of bills, checks, foreign documents, etc.).

The individual areas of activity and services offered are specified below.

Settlements

With regard to regulations, the Covid-19 emergency led to a reorganisation of many activities in order to guarantee the operational continuity of the services provided. Very complex interventions were launched, specifically to guarantee the payment of pensions, incentives and subsidies recognised by the State (and related bodies) in favour of citizens and businesses and for cash management. With reference to the latter aspect, the activities carried out during the lockdown to guarantee the supply of the ATMs and keep the service constantly operational was particularly complex. In addition, the new applications for managing subsidy payments, which INPS began to disburse in April 2020, were implemented very quickly, and the settlement service also ensured the continuous monitoring of procedures relating to transfers, commercial collections, sepa direct debits and check image truncation.

The Service actively participated in the national work group set up within the ABI for the adaptation of the CIT, CAI and Effects procedures following the numerous moratoria introduced by the various regulatory measures resulting from the Covid emergency.

In April 2020, the "SCT Instant" service was also launched, which allows for the execution of instant transfers in Euro between customers whose accounts are located within the SEPA area. The service is provided on a continuous basis and the time limit for the execution of a transaction is 20 seconds. Instant payments will mark an important step for payment systems and help users streamline processes for the digital transition.

Foreign

During the lockdown, the foreign service ensured the regular operation of settlements and payments in the international sphere and was one of the services required to have a greater operational presence at headquarters, due to the exclusively paper-based processing of cheques, foreign bills and, above all, the management of practices relating to import and export documentary credit operations. As part of the foreign service, numerous international transactions were handled relating to the procurement of medical devices during the period of greatest Covid-19 emergency.

Centralised Services

The centralised services handled the activation in the CBG of a new interbank procedure "Spunta Banca DLT" for the automatic check of reciprocal current accounts. The procedure, developed by SIA S.p.A. in collaboration with "ABI-Lab", allows banks to quickly identify misalignments in interbank transactions and is configured as an experiment that uses a technologically advanced infrastructure (so-called "AbiLabChain") in the future potentially available to other advanced services. Several non-Cooperative Banking Group banks that use the IT systems managed by Allitude also participated in the procedure.

Public bodies treasury

The Payment Systems Department also includes treasury activities carried out for several public bodies in Italy. As of 31 December 2020, the total number of bodies managed is 903, while there are 567 bodies with an IT mandate, confirming the ongoing commitment to introducing more modern ways of delivering the service. As part of the service, support was also provided to the Affiliated Banks for participation in 130 tenders for treasury services (113 of which were won). The new treasury application was released in September.

E-money

The activities related to E-money are mainly directed at supporting the banks that subscribed to the 'ABI Unico 3599' service (debit and credit) and that place the prepaid products of Cassa Centrale Banca.

The sector suffered the greatest negative impacts deriving from the Covid-19 emergency, especially during the lockdown period. Starting from the end of May, with the reduction of restrictions on the movement of persons and the resumption of production activities, there was a reversal of the trend and transactions also resumed a growth path. In the first five months of 2020, however, the decline in the volumes of transactions processed compared to the previous year was around 35% and the release of new payment instruments also decelerated, although continuing to be included in a positive trend. After a recovering summer, the epidemiological situation led to a new contraction in the volumes transacted, further aggravated by the impossibility of starting the winter ski season.

In December 2020, debit cards stood at around 1.46 million (compared to around 1.3 million in December 2019), prepaid cards at 380 thousand, credit cards at 366 thousand, POS at 70 thousand and ATMs at 2,434. As part of the e-money service, the project was activated that made it possible by the end of October 2020 to fulfill the obligations envisaged for "Strong Customer Authentication" in e-commerce transactions arranged with Prepaid Cards. Activities are also continuing for the release of new products planned for 2021 (International Debit Card and Bancomat Pay Business).

Governance and support

In 2020, the Governance and Support Functions of the Parent Company worked to strengthen the organisational controls and develop the activities of the Cassa Centrale Group.

The creation of the Group led to the structuring within the Planning Department of a department dedicated to ensuring the management of relations and communications with the Authorities, Community and national Supervisory Bodies and the financial community.

The Planning Department also manages the activities aimed at the orderly business development of the Group with a dedicated structure that has constantly transferred the operational and strategic guidelines of the Parent Company to the Affiliated Banks, ensuring their effective understanding and implementation.

Activities also continued aimed at:

- the development and sharing of the guidelines for the Group's operational plan;
- supporting activities relating to merger projects initiated and/or concluded during the financial year;
- development of an IT platform integrated with all Group companies and developed with the aim of ensuring consistency between the operational and strategic planning of each individual Affiliated Bank and that of the Group as a whole.

In 2020, activities continued to strengthen the structures responsible for Financial Statements, Supervisory and Tax Reporting, in order to further strengthen the controls aimed at ensuring the correct and timely representation of the Parent Company's individual and consolidated economic and financial results, as well as the fulfilment of the related accounting, supervisory and tax obligations. In this sense, the Parent Company has provided important support to the Affiliated Banks in the management of accounting, tax and reporting processes, as well as in the activities to improve efficiency and correct management of the Group's income statement and statement of financial position consolidation processes.

The Operations Department provided continuous support to the Group in numerous projects and activities oriented both to the evolution and innovation of products and services for the Affiliated Banks and for customers and to the adaptation to external regulations. In particular, during the Covid-19 emergency, the Operations Department coordinated the initiatives necessary to ensure the operational continuity of critical processes, supporting the implementation of measures and methods for containing the risk of infection. With a view to revising the Group's organisational model, the process of strengthening and consolidating the organisational structure of the Operations Department continued, through specific interventions in the areas of IT Governance and Security, Services Governance, Organisation and Cost Management & Procurement.

As a result of the Covid-19 emergency, in the IT Governance and Security area, various initiatives were undertaken to enable remote ICT operations and to strengthen the monitoring of ICT systems. A specific "change software" assessment committee was set up in order to minimise ICT and operational risks in the emergency phase. The role of overall coordination of the migration programme of the Gesbank Banks to the SIB2000 target system was then taken on, and the ICT 2020-2022 Strategic Plan and the Operational Plan of the ICT 2020 projects were formalised in a manner consistent with the Group business plan in collaboration with the Organisation. During the first half of the year, in the IT Governance and Security area, an internal reorganisation was carried out with the aim of strengthening data governance, ICT security and risks, ICT performance & cost management, ICT processes and methods, and ICT architectures.

The Service Governance area was characterised by an expansion of the structure that made it possible to coordinate various industrial transformation initiatives pertaining to the Operations area of the Cooperative Banking Group. In particular, as part of the project for the corporate integration of the Group's IT and banking services, the Services Management contributed to supporting the operational and organisational integration of the companies Bologna Servizi Bancari S.r.l. (BSB) and CESVE S.p.A. (CESVE) into Allitude S.p.A. (Allitude). It then promoted the reallocation of resources in the Allitude structures in line with the specialisation and transformation plan of the back office services hubs. With reference to the migration project of the Gesbank Banks, the Services Management dedicated a significant commitment to guaranteeing the continuity of the back office and administrative services required by the banks subject to migration.

The Organisation has consolidated a structure broken down into (i) Organisational Development, Demand Management and Project Portfolio Management; (ii) Processes, Internal Regulations and Business Continuity; (iii) Digital, dedicated to project support for digital and innovation initiatives. The Service continued its project support in many areas in line with the annual Operational Plan approved by the Board of Directors, also ensuring, in collaboration with the business departments of the Parent Company and Allitude, to further expand the scope in order to implement the necessary interventions provided in particular by so-called "Cura Italia", "Liquidità" and "Rilancio" decrees. During the period, the review of the process and methodology for managing the different types of requests from the business units and the IT itself was completed, through a structured operating mechanism of "demand management" in close collaboration with Allitude. A process was also launched to stabilise the integrated management of processes and internal regulations, to provide support to the Group's structures, and to monitor business continuity during the Covid-19 emergency.

In the Cost Management & Procurement service, activities continued aimed at the preparation and adoption of a technological platform that aims to standardise expense management processes for all Affiliated Banks and obtain supervision of the register of suppliers, supplies and expenditure; during the year, 23 banks began to use the platform. During the Covid-19 emergency, the supplies necessary to overcome the difficulties encountered by the Banks in the procurement of products and materials necessary for the protection of employees and customers, and for disinfection, were defined. With the aim of optimising the Group's supplies during the period, agreements negotiated by the Parent Company were made available to Group banks and companies for the supply of luncheon vouchers, electricity, natural gas, fixed-line telephones, cash in/cash out equipment, paper and stationery, and variable data postage; these agreements, in compliance with pre-existing contractual commitments and optional adhesion by the banks/companies, will ensure the Group financial savings over time, uniformity of supplies, contractual commitments and deadlines.

The Corporate Affairs and Shareholdings Department ensured operational and administrative support for the activities of the Board of Directors and the board committees. The activities of the corporate bodies were particularly intense in 2020, a year characterised, inter alia, by the definition and approval of the Group's Strategic Plan and by a series of extraordinary activities linked to the current health emergency framework. In the year under review, the Board of Directors met 29 times, the Risk Committee met 27 times, the Appointments Committee met 26 times, the Remuneration Committee met 17 times and the Independent Directors Committee met 8 times. The newly formed Sustainability and Identity Committee met for the first time on 14 January 2021.

Significant advice was also provided to the Affiliated Banks in the organisation of the Shareholders' Meetings, which for the first time were held using the figure of the appointed representative, an option permitted by Article 106 of Legislative Decree 18/2020, which extended this tool, typical of listed companies, to the Affiliated Banks in order to comply with the ban on assemblies imposed by the current emergency regulations. For 2021, it was considered appropriate to suggest to the Affiliates that they repeat this experience for the forthcoming meeting, since the context still advises against gatherings, at least until the proportion of the population vaccinated against Covid-19 has reached a more significant level.

Particularly intense and demanding was also the support provided in the analysis process conducted by the Affiliated Banks for the purposes of the self-assessment of the corporate bodies and the checks pursuant to Article 26 of the TUB regarding the requirements of the almost 500 corporate officers elected during the year, and in particular at the June - July 2020 meetings, support that can be summarised in three main situations: (i) advising the Affiliated Banks during the nomination, appointment and verification of the requirements of their corporate officers; (ii) preparation of the documentation necessary for the verification of the requirements of the corporate officers of the Affiliated Banks conducted by the Appointments Committee and the Board of Directors of the Parent Company; (iii) notification to the Supervisory Authorities of the documentation necessary for the purposes of verifying the requirements of the corporate officers of the Affiliated Banks and consequent response to requests for additions made by the Authorities themselves.

During the year, the Management also followed the development of the new Model for the optimal qualitative-quantitative definition of the bodies and of the Management of the Affiliated Banks, preparing a draft document based on the experience gained in 2019. The draft was put out for consultation with the Affiliates and was then revised on the basis of the comments made by them and the regulatory changes introduced with the issuance of Ministerial Decree 169/2020 before arriving at the approval of the final Model by the Board of Directors of the Parent Company. In the second half of 2020, it was deemed appropriate, given the significance of the issue, to devote particular attention to the governance of the process linked to transactions with related and associated parties, an issue that, given the particular structure of the Group, assumes a particular value. In particular, the structure was engaged, together with the Operations Department and Allitude, in completing a series of IT implementations on the Group Register and in activating workflows to facilitate the exchange of information flows between Group Companies and the Parent Company in cases of transactions with related parties. In addition, the registration forms were reviewed to facilitate and rationalise the collection of data relating to related and connected parties.

In parallel with these activities, the Corporate Affairs and Shareholdings Department was involved in coordinating the table for the release of the procedures within the Parent Company regarding related parties, outlining the activities envisaged by the regulations within each organisational structure and defining the first level controls.

The Legal Department has supported the Group Companies and the Affiliated Banks in all aspects related to contracts and the management of claims and ongoing lawsuits with targeted consulting activities. The Legal Department has also prepared the new Group Regulation for the handling of complaints, which will come into force in 2021, in order to promote consistent, integrated, timely and coordinated management of the process of handling complaints submitted to the Parent Company, the Affiliated Banks and the Companies falling within the Group's consolidated supervisory scope (e.g.: Prestipay). A fundamental role was also played by the Legal Department in the activities related to the so-called Carige transaction.

The new element constituted by the Cooperative Banking Group in the national economic scenario requires investments in communication and in the media and coordination of the activities relating to the Institutional Relations of the Affiliated Banks. In these respects, 2020 saw an intensification of the activities carried out by both the Affiliated Banks and the Parent Company, aimed in particular at:

- preparing an adequate process for the preparation of the Consolidated Non-Financial Statement, preparing the platform for data input and fully assigning roles and timelines to the banks. In particular, the process regulation was formalised, further implementing the stakeholder engagement process;
- organising these activities in full compliance with legislative and regulatory provisions, maintaining constructive relations with the relevant control bodies;
- accrediting the Group as entity with distinctive characteristics within the banking landscape, enhancing the sustainable development objectives and the principles and values of mutual credit cooperation. To this end, communication tools were created for the use of the Affiliated Banks, both paper and digital, with dedicated presentations at the Local Meetings. Specific interventions were carried out, such as the "Practice Community", which brings together the specialised functions of the banks and subsidiaries with the aim of pooling the experiences of the individual areas;
- to increase, according to a constant and gradual approach, the visibility of the Group to the outside world, including through social networks, coordinating the enhancement of the various initiatives activated by the Group;
- defining sustainability objectives at Group level, which are achievable and accountable.

In the second part of the year, various activities were structured to accredit and deepen the identity matrix of the Cassa Centrale Group, with specific reference to the cooperative connotation.

In this regard, in December 2020, the Board of Directors established the Sustainability and Identity Committee. The five-year collaboration was also promoted with Euricse, a research institute specialised in the issues of cooperation and social enterprise.

In-depth analyses were also launched to adapt to the various European laws and regulations, which as from 2021 will affect banking operations with reference to sustainability issues.

2. ICT and back office services

In 2020, a number of initiatives were promoted to further the transformation of Operations initiated by the Cooperative Banking Group, whose first milestone was the creation of Allitude S.p.A. (Allitude) on 1 January 2020, through the aggregation of the Services companies belonging to the Cooperative Banking Group and the consequent rebranding of Phoenix Informatica Bancaria S.p.A (Phoenix).

Phoenix was the protagonist in the project for the gradual operational and organisational integration that involved the IT and banking services area of the Group, through the merger by incorporation of the companies: Servizi Bancari Associati S.p.A., Centro Sistemi Direzionali S.r.l., Informatica Bancaria Trentina S.r.l., Informatica Bancaria Finanziaria S.p.A.. The newly established Allitude saw its definitive corporate configuration following the entry of Bologna Servizi Bancari S.r.l. and CESVE S.p.A. with legal effect from 1 July 2020.

In 2020, an organisational review process was launched for the company, which led to the definition of the new organisational chart, with the formalisation of new roles and responsibilities and the rationalisation of the staff lines.

The process of specialisation and transformation of the hubs of Allitude back-office services remained a priority topic that allowed for the revision of the operating service models to support the industrial development of the Group. Furthermore, the consolidation and expansion of the offer of banking and administrative services was promoted thanks to the redesign of the service catalogue and the definition of a plan for the acquisition of the Group's customers aimed at expanding the volumes served, with a view to achieving greater economies of scale and scope.

At the helm of the Group's fledgling operational machine, the Services Management has been involved in a continuous set-up of the governance structure with expansion and strengthening of staff.

The year 2020 was characterised by numerous activities in support of the implementation needs of the Group, both functional and technological. These requirements were formalised in the ICT 2020 Operating Plan document and approved by the competent decision-making bodies. In this area, in particular, solutions were developed that correspond to requirements deriving from the adoption of the operating requirements consistent with the qualification of the Group as a significant supervised entity.

In the face of the Covid-19 emergency, Allitude also needed to ensure the operational continuity of ICT and back office services for the Group in all its organisational units. This role was promptly carried out through multiple initiatives, including the enabling of the personnel of Cassa Centrale Banca and Allitude to work in smart working mode.

The development activities linked to the implementation requirements of the new policies, regulations and controls of the Parent Company were also important, including those pertaining to the ICT 20-22 strategic plan and the areas of management of ICT incidents, ICT changes, demand and the ICT operational plan, data governance and ICT security.

Operational and organisational support continued as part of the migration programme for Affiliated Banks operating on the Gesbank information system in relation to the SIB2000 information system, with four migration projects completed in 2020: BCC di Casalgrasso e Sant'Albano Stura, BCC Sangro Teatina, CRA di Boves and BCC del Velino.

At the same time, in-house development of new content on the Group's information systems continued and the best market solutions were selected and purchased to meet many of the new specialist needs that emerged.

Lastly, it should be noted that part of the activities carried out by Allitude are carried out not only with respect to the Group, but also with other banks not belonging to the Cassa Centrale Group, which use the services it provides.

3. Leasing services

The offer of leasing services, through specific agreements for the distribution of the products of the subsidiaries, represents an important aspect of the commercial strengthening of the Cooperative Banking Group. In a context dominated by the uncertainties resulting from the spread of the Covid-19 epidemic, which significantly affected the planned volume of lease contracts, Claris Leasing S.p.A. in 2020 signed 800 contracts for a total of EUR 137 million, also through the distribution network of the Group Affiliated Banks. Compared to 2019 figures, there was an increase of 3.2% in the volumes of the stipulated contracts; a growth trend explained by the fact that agreements for the distribution of products were signed in the first months of the previous year.

With regard to asset quality, the downward trend in non-performing exposures continued, in line with the objective of the Cassa Centrale Group. Net impaired exposures as a percentage of total leasing receivables in 2020 stood at 3%, down from 5.2% as at 31 December 2019. In line with the directives of the Parent Company, the coverage of bad loans was also around 90%.

As regards the granting of Covid-19 moratoria, during 2020, 835 contracts were suspended, for a total amount of EUR 168 million (28% of total receivables). 76.7% of these suspensions derive from the application of the "Cura Italia" Law Decree, while the remaining 23.2% is due to the application of the ABI moratorium or deriving from specific initiatives undertaken by Claris Leasing.

Overall, in 2020, Claris Leasing S.p.A. recorded a net profit of EUR 2 million.

Lastly, note that the company Claris Rent S.p.A. (established in December 2019 with the parent company Claris Leasing S.p.A. as sole shareholder) continued in 2020 in preparing for its operations, in implementation of the long-term rental development project, with the launch of the first campaign in favour of Cassa Centrale Group employees. In addition to this, operating leasing activities were carried out in favour of the Group banks, thus expanding the range of products marketed.

The offer of services in the leasing sector is supplemented by the cooperation agreement between the Parent Company and Fraer Leasing S.p.A., a member of the French Société Générale Group. During the year 2020, this agreement allowed the Cooperative Banking Group's distribution network to enter into 842 contracts for a total of approximately 135 million entered into.

4. Insurance services

The insurance services business is managed by the Assicura Group, which includes Assicura Agenzia S.r.l., 100% owned by the Cassa Centrale Group, and Assicura Broker S.r.l., in turn 100% owned by Assicura Agenzia S.r.l..

Assicura Agenzia and Assicura Broker, which presented the new brand, revised in the first few months of the year and aligned with the Parent Company's corporate identity, consolidated their role of reference company for the development of the insurance offer throughout the country, having activated a collaboration with 74 Affiliated Banks, in addition to a further 12 banks outside the scope of the Cassa Centrale Group.

Assicura Agenzia, after a first two months of strong growth and a significant contraction in the spring months due to the spread of the Covid-19 epidemic, achieved a 19% increase in new business compared to the previous year, thanks to the continued support and responsiveness of the banks, in contrast to the market downturn in all insurance sectors.

During the year, in fact, new business amounted to EUR 1.1 billion, with more than 170,000 new contracts, with growth across all lines of business, from basic policies (+7%) to third-party motor liability (+62%), from financial life (+19%) to supplementary pensions (+25%) and term life policies (+30%), with the sole exception of the slight decline (-4%) in CPI (Credit Protection Insurance), due to the drop in loans.

This result was possible thanks to the rationalisation and streamlining of operating procedures and the digitisation of archives, implemented in the last two years, together with the timely supply to all employees of PCs connected via VPN and mobile phones, which allowed for an efficient operational continuity and guaranteed constant assistance to banks and customers. At the same time, the provision of training courses as well as commercial support to banks continued, albeit remotely, essential to increase the skills and professionalism necessary for the development of adequate advice on insurance and pension matters. Important updates were also made to the product catalogue with the activation of interesting innovations, the inclusion of additional insurance guarantees on several solutions already present in the offer (such as catastrophe coverage in the home policy and the total revision of the multi-risk offer for companies) and the creation of new products (such as the hotel policy and the multi-segment product with Amissima Vita).

The ever-increasing recognition of the strategic value of bancassurance as a tool for customer loyalty and a source of revenues from services, together with the significant development opportunities represented by the low penetration of the offer, particularly accentuated in some areas, were the basis for sharing with the banks of challenging growth objectives during the commercial planning.

As a result of new business and high retention, the portfolio as at 31.12.2020 exceeded EUR 5.5 billion, of which EUR 4.7 billion relates to investment instruments, EUR 568 million to supplementary pensions and more than EUR 220 million in premiums are attributable to insurance coverage in the protection area.

Total commissions paid to banks amounted to EUR 44.6 million, an increase of 23% compared to 2019 with progressive growth in the recurring revenue component generated by collection and management fees.

The activity carried out generated net commissions for Assicura Agenzia that reached almost EUR 7.3 million and determined a profit for the year of EUR 3,044,702, with an increase of more than 67% compared to the result recorded in 2019.

During the first half of 2020, Assicura Broker not only ensured that its services were operational by quickly putting all its employees in a position to operate remotely, but also provided its customers with products with insurance cover to mitigate the risk arising from the Covid-19 epidemic, thus supporting the slowdown in business activities, which were carried out online where possible.

During the second half of the year, in line with the Group's legislative and regulatory provisions to protect against Covid risk, commercial activities were resumed in favour of the Group's companies and banks, with an increase in the number of customers. In addition, a new branch was opened in Bologna and a new branch is expected to be opened in Brescia at the start of the new year. Likewise, an insurance assessment was carried out on the policies underwritten by the Affiliated Banks, working to align the insurance coverage and raise the level of coverage in the Banks that showed no protection.

Overall, in 2020 there was an increase in brokered premiums and in fees collected. The latter amounted to EUR 2.9 million, equal to an increase of 16% on the previous year, bringing the gross profit to approximately EUR 1.01 million.

This increase, in addition to the commercial activity carried out, which led to the acquisition of new customers, also derives from the fact that the effects of the economic crisis created by the pandemic have not yet reached the point of affecting the amounts of insurance premiums. Premiums may be affected in the future by a decrease as a result of the reduction in turnover of the client companies and/or the closure of some of them, but, in the face of new hiring of personnel, it is expected to be able to compensate for any decline. These considerations, together with the investments in progress for the opening of new branches, led to the drafting of a budget that, for 2021, prudently assumes a gross profit of EUR 790 thousand.

5. Collective asset management services

NEAM is the Luxembourg-based asset management company wholly owned by Cassa Centrale Banca which manages the NEF Mutual Investment Fund, consisting of 18 different sub-funds.

The NEF Fund is placed by all Affiliated Banks and by numerous client banks (a total of 170 placement agents), which mainly use Cassa Centrale Banca as the entity appointed to perform payments, i.e. as an intermediary called upon to carry out activities in support of clients in the administrative, accounting settlement and tax phases.

Thanks to the good results of the BCC-CR-RAIKA commercial network and the favourable market conditions, assets under management reached a total amount of over EUR 4.6 billion at the end of 2020, with an increase of 20.42%, while the shares amounted to 314.7 million, with an increase of 21.33%.

Assets under management therefore increased by EUR 784,630,699, mainly as a result of net funding of EUR 638,933,831 and a positive market contribution of EUR 145,696,867.

In detail, the figures show significant growth in the four ethical segments compared to other products with a different investment strategy, both in terms of assets under management (+ EUR 310 million) and number of units (+ EUR 27 million). In particular, the NEF Ethical Balanced Dynamic segment recorded growth of 34.82%, while the NEF Ethical Global Trends SDG, launched at the end of 2019, reached EUR 165,632,779, recording growth of 53.99%. The NEF Euro Short Term Bond (+27.22%) and the NEF Global Bond segment (+32.02%) also recorded significant increases.

With regard to PACs (accumulation plans), we witnessed a net growth of 36,167 new entries during the year, for a total of 442 thousand units, equivalent to monthly deposits of approximately EUR 55 million. In the spring months, new entries slowed down due to the lockdown, and then started to grow again in the summer. However, in 2020, we also continued to benefit from the major commercial initiatives of 2019, which had brought an increase of around 90 thousand units on PACs.

6. Other services

Centrale Credit Solutions S.r.l. (hereinafter also referred to as “CCS”) mainly provides consultancy services for extraordinary financial transactions such as the sale of impaired loans, securitisations and project financing. CCS also ensures, through specialised companies in the sector, administrative support to other Group companies operating in the real estate sector.

During the 2020 financial year, the Company was mainly involved in the structuring, as advisor, of the first securitisation transaction of the Cassa Centrale Group assisted by the GACS state guarantee. This operation, called Buonconsiglio 3, involved a total of 38 Italian banks (32 belonging to the Group) and led to the sale of bad loans for a total of EUR 676.6 million in terms of gross book value.

For CCS, the financial statements as at 31 December 2020 recorded a profit of approximately EUR 622 thousand.

Centrale Soluzioni Immobiliari S.r.l. (hereinafter also referred to as “CSI”) was set up to allow for the purchase, sale, exchange of real estate assets, including the development or completion of the same with a view to their replacement on the market. This activity is carried out mainly as an ancillary activity to the activities of Cassa Centrale Banca, with the aim of safeguarding the creditworthiness of impaired loans secured by real guarantees.

During the year, CSI continued - through specialised companies - to create, complete and maintain the sites relating to real estate acquired through bankruptcy proceedings. In June 2020, the so-called “Former Dopolavoro Ferroviario” was purchased, a building located in Trento, Piazza Centa n. 3 and bordering on the headquarters building of Cassa Centrale Banca, with interesting prospects for development and expansion of office and meeting rooms. After deducting fixed costs (depreciation, condominium expenses, IMU/IMIS), and revenues from the sale of a residential apartment, several commercial spaces and car parks, and from the rental of hotels and offices, a profit of approximately EUR 39,000 was recorded.

The Group’s real estate brokerage activity is carried out through its subsidiary Centrale Casa S.r.l., which aims to support its Affiliated Banks in meeting the needs of customers intending to sell or purchase various types of real estate. The company therefore acts as a broker between supply and demand. This type of operations, which are carried out in compliance with the regulations in force, in a completely autonomous manner with respect to purely banking activities, allows the Group to implement policies of cross-selling services and products typically ancillary to the purchase/sale of a property.

The activity carried out in 2020 was negatively affected by the lockdown, with a significant reduction in turnover compared to the previous year, with a generalised reduction in activities related to regulatory restrictions on travel and in particular in inspections and visits to buildings. Intense “remote” activities were carried out, obtaining numerous specific requests (around 1,000) from customers interested in the property portfolio of Centrale Casa. There were approximately 1,800 new contacts, more than 100 visits to acquire sales orders, and 300 in-person visits to properties. The number of orders for the sale of real estate obtained was 63, with 20 sales, plus 12 sales related to purchase proposals contracted in 2020, but which will be completed in early 2021. Activities linked to leases, consultancy and appraisals are marginal.

Originally established to provide support and assistance to banks using the on-line trading service offered by Directa Sim, over the years Centrale Trading S.r.l. (hereinafter also referred to as “Centrale Trading” or “CT”) has entered into agreements with various companies which have enabled it to expand the range of services offered to the Group’s Affiliated Banks and to other third party banks. As at December 2020, there were 160 affiliated credit institutions distributed throughout the country. Over time, Centrale Trading has developed a series of complementary activities and has entered into agreements with various companies (Italpreziosi S.p.A., Six Financial Information, WebSim and MasterChart) in order to provide services able to meet the needs of its customers and enhance income flows. In the second half of the year, in collaboration with MasterChart, the Prenotabanca service was activated, which allows customers to book appointments with the BCC-CR-RAIKA representatives through dedicated apps.

Risk management and internal control system

The Cassa Centrale Group operates in a macroeconomic context that is permeated by a multitude of elements of discontinuity with the past, not only due to the still uncertain prospects of economic recovery after the outbreak of the health emergency, the persistence of negative interest rates, the continuous measures issued in Europe and Italy, but also with reference to the reform of Cooperative Credit itself.

The risk governance model, i.e. the set of corporate governance devices and management and control mechanisms aimed at facing the risks to which the Group is exposed, is part of the broader framework of the internal control system (so-called "SCI"), defined in accordance with the prudential supervisory provisions contained in Circular no. 285/2013 of the Bank of Italy. These provisions require the adoption of a series of detailed actions in relation to organisation, processes and internal devices of the company.

The Group attaches great importance to the management and control of risks, in order to ensure prudent and sound management of banking activities, in compliance with the Group's cooperative principles and mission. In particular, the Parent Company, in the exercise of management and coordination of the individual Group Companies, establishes and defines the duties and responsibilities of the control bodies and functions within the Group, the coordination procedures, the reports, information flows and related connections, in compliance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. In addition, it issues provisions for the execution of the instructions provided by the Supervisory Authority in the interest and for the stability of the Group.

The guiding principle of the company's choices is therefore based on two fundamental assumptions:

- the awareness that an effective system of controls is an essential condition for the pursuit of the company's objectives and that organisational structures and processes must constantly be fit for purpose to support the realisation of the company's interests while contributing to ensuring conditions of sound and prudent management and corporate stability;
- the strategic importance of the role of the cooperative credit network, thanks to which the Group can offer its customers a complete range of banking and financial services, consistent with the operational and regulatory framework of reference.

The Group pays particular attention to risk management and governance, in order to ensure the constant evolution of its organisational/procedural controls and methodological solutions. These functions are carried out with tools supporting an effective and efficient risk management, also in relation to the changes that have permeated the reference operational and regulatory environment. As required by the regulations on the reform of Cooperative Credit, the outsourcing of the corporate control functions of the Affiliated Banks to the Parent Company has been made operational and it is therefore the responsibility of the Parent Company to define the guidelines on risk measurement and management.

Cassa Centrale Banca, as the Parent Company, carries out management, coordination and control activities in order to guide the Group towards business objectives consistent with the distinctive features of the individual Affiliated Banks and in line with balanced risk management.

These objectives are intended to define:

- the organisational structures suitable for identifying and managing the risks to which the Group is exposed;
- the strategic guidelines aimed at safeguarding the Group's equity, economic and liquidity structure;
- the actions to be taken to safeguard the mutualistic purposes of the

Affiliated Banks, in compliance with the Cohesion Contract and the related Guarantee Agreement to which the Affiliated Banks and the Parent Company are mutually committed.

The methodological framework used is based on a precise management of the various types of risk to which the Group is exposed and is characterised by a single vision of business risks considering both the macroeconomic scenario and the individual risk profile. Moreover, it aims to stimulate the growth of the culture of risk control, strengthening a transparent and accurate representation of the same to the advantage of the immediate "governability" by the top management bodies.

The risk-taking strategies are summarised in the Risk Appetite Framework (so-called RAF), which represents the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the Strategic Plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to guarantee a risk assumption in line with shareholders' expectations in compliance with the overall regulatory and prudential reference framework, is defined in the light of the company's overall risk position and the economic/financial situation and consists of an integrated set of company regulations, operating processes, information flows supported by the company information system and periodic reporting systems.

The framework developed by the Parent Company is divided into the following main areas:

- **Organisational:** this includes the definition of the tasks and responsibilities of the corporate bodies involved in the RAF and in the exercise of guidance, coordination and control with respect to the Group Companies, in order to ensure uniformity in its management. Within this scope, in addition to the definition of information flows, the organisational and governance documents are updated with regard to the main risk profiles and the references for the management of the related interrelationships within a framework of overall consistency. This includes risk governance policies, the risk management process, internal processes for determining and assessing capital adequacy and liquidity risk (ICAAP and ILAAP), major operations, strategic and operational planning, and the system of internal controls;
- **Methodological**: by defining indicators, operational references for their evaluation and setting reference thresholds, as well as declining the objectives and indicators identified in the system of operational limits;
- **Application:** through the recognition of the areas of intervention on application supports for the management of risks and supervisory processes and the definition of functional requirements for the development of activities.

The framework defines the general principles in terms of risk appetite, the safeguards adopted with regard to the overall risk profile and the main specific risks.

The general principles guiding the Group's risk-taking strategy are as follows:

- the company's business model is focused on the traditional business of a commercial credit group, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite, capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control of the main specific risks to which the company is exposed, represent key elements on which the Group's entire operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The control of the overall risk profile is based on a structure of limits aimed at ensuring, even under stress conditions, compliance with the minimum required levels of solvency, liquidity and profitability and aims to maintain adequate levels of:

- **capitalisation**, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio, the Texas ratio and the financial leverage indicator;

- **liquidity**, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring of the Liquidity Coverage Ratio, the Net Stable Funding Ratio and the loans-to-funds gap;
- **profitability**, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks and the measures for assessing the adequacy of capital are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to the corporate bodies is defined, which aims to provide periodic summary information on the evolution of the Cooperative Banking Group's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a uniform representation of the risk profiles to which the Group is exposed.

The policies and regulations common within the Group issued by the Parent Company have been adopted to strengthen the overall risk management and governance system.

With reference to quantifiable risks, the elements of the RAF are based on the same risk measurement methodologies used in the internal process of self-assessment of capital adequacy and liquidity risk management and governance (ICAAP/ILAAP).

In the RAF adopted by the Group, the following thresholds were defined:

- risk appetite, i.e. the level of risk that the Group intends to assume in order to pursue its strategic objectives;
- alert, i.e. the risk threshold at which the threshold is approached or exceeded, the reporting at appropriate hierarchical levels and the activation of any corrective actions in order to avoid the achievement or exceeding of the "tolerance threshold";
- risk tolerance, i.e. the maximum deviation from the risk appetite allowed, set in such a way as to ensure sufficient margins to operate, even under stress conditions, within the maximum risk that can be assumed;
- risk capacity, i.e. the maximum risk that the Group is technically able to assume without violating regulatory requirements or other restrictions imposed by the Supervisory Authority.

As part of the overall system of governance and risk management, the Group has formalised its risk management process, i.e. the set of rules, procedures, resources (human, technological and organisational) and control activities aimed at identifying, measuring, assessing, monitoring, preventing, mitigating, as well as communicating to the appropriate hierarchical levels all the risks assumed or that can be assumed in the various segments and at business portfolio level, understanding, in an integrated logic, also the mutual interrelationships and the evolution of the external context.

Operational structures are primarily responsible for the risk management process: in the course of their daily operations, these structures must identify, measure or assess, monitor and mitigate risks arising from ordinary business activities in accordance with the risk management process; they must comply with the operational limits assigned to them consistently with the risk objectives and procedures in which the risk management process is articulated.

The definition of a risk management process consistent with the strategic choices adopted represents a prerequisite for the effective pursuit of the risk policies adopted by the competent corporate bodies, as it allows for direction of the operation of the risk-taking functions. It should also be noted that this risk management process, although it has repercussions on the methods of carrying out the company business, is kept separate, within the scope of internal regulations, from the devices that govern the related production/administrative processes (e.g. credit process, etc.).

The risk management process is broken down into the phases described below:

- **Identification**: activity of framing the risk, taking into account the definition and the specific provisions of the Supervisory Authority, in the business model including through the identification of internal and external sources from which the risk originates (so-called risk factors). In this context, depending on the activities assigned to them, the company functions involved in the overall risk management process are also relevant. The activities of collecting and classifying information and the related sources of information related to the risk and preparatory to the definition of a complete information base, the identification of the risk and the development of the subsequent stages of the process are also highlighted;

- **Measurement/Evaluation**: activities to determine, through specific methods approved by the Board of Directors, the capital absorption of internal capital, as well as additional summary risk measures and more detailed indicators used for management purposes and/or functional to the assessment of risks that are difficult to quantify and to the subsequent monitoring phase;
- **Prevention/Mitigation**: concerning the organisational controls and the identification of interventions aimed at risk prevention and/or mitigation, in line with the established risk appetite. In particular, the following controls are highlighted, that allow for:
  - from an ex-ante perspective to prevent risk-taking beyond the desired level;
  - with an ex-post perspective, reducing the assumed risk to the desired level, as well as managing any stress conditions.

This phase of the risk management process is integrated in the Risk Appetite Framework adopted by the Group, through two macro-activities:

- **monitoring**: collection and structured organisation of the results obtained from measurement and evaluation activities, as well as further quantitative and qualitative surveys that support the analysis of exposure to the risks under examination and the verification of compliance with the RAF indicators in their various forms, adopted in compliance with the RAF Regulations;
- **reporting and communication**: activities aimed at preparing the appropriate information to be transmitted to corporate bodies and other functions (including control functions) regarding the risks assumed or assumable in the different segments, also capturing, in an integrated logic, the interrelationships with each other and with the evolution of the external environment.

Following the establishment of the Cooperative Banking Group, the Risk Management Department of the Parent Company is responsible for the preparation and management of the RAF of the CBG and has the task of proposing the qualitative and quantitative parameters necessary for its definition.

Risk map

The mapping of significant risks, which constitutes the framework within which all risk measurement/assessment, monitoring and mitigation activities are developed, was carried out taking into consideration the specific characteristics of the Group, its current and future operations and the context in which it operates, as well as the provisions dictated by the regulators and the best market practices. To this end, the Group has identified the risks to which it is or could be exposed, i.e. those risks that could jeopardise its operations, the pursuit of its strategies and the achievement of its corporate objectives.

The risk mapping, conducted at Group level and determined at the time of the definition of the RAF (approved by the Board of Directors of the Parent Company), is the result of the activities aimed at drafting the 2020 ICAAP/ILAAP Report. These activities, preparatory to the review and updating of the map of significant risks of the Cooperative Banking Group, were launched in the last months of 2019 and were concluded during the first quarter of 2020.

The analysis was carried out by evaluating the Group's current and potential operating conditions, in order to identify any risk profiles already present in the current context or not adequately captured by the pre-existing mapped categories, or to anticipate types of risk historically not relevant for the Group, but likely to become such in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context as well as in the company's operations. This analysis also took into account the principle of proportionality.

The process of identifying significant risks for the Group was divided into three main phases:

- the identification of potentially significant risks, i.e. the verification of the relevance of company risks already subject to assessment, and the analysis, research and identification of new potentially significant risks not yet considered by the Group;

- the application of the criteria of relevance to potentially significant risks, through quali-quantitative analyses;
- the identification of significant risks, aimed at defining the "Short list" of significant risks for the Group on the basis of the results of the previous analyses.

On the basis of the analyses carried out, the Group has identified the following risks:

Credit risk
Risk of loss deriving from the insolvency or worsening of the creditworthiness of counterparties entrusted by the Group.

Counterparty risk
Risk that the counterparty to a transaction involving certain financial instruments defaults before the settlement of the transaction. Counterparty risk is borne by the following types of transactions: financial and credit derivatives traded over the counter; repos and reverse repos on securities or commodities, securities or commodities lending or borrowing transactions and margin loans (so-called Securities Financing Transactions); transactions with long-term settlement. This risk is a particular type of credit risk, which generates a loss if transactions with a given counterparty have a positive value at the time of insolvency.

Credit valuation adjustment (CVA) risk
Risk of adjustment of the interim market valuation of the portfolio of transactions with a counterparty. This adjustment reflects the current market value of the counterparty risk in relation to the institution, but does not reflect the current market value of the credit risk of the institution in relation to the counterparty.

Market risk
Risk of an unfavourable change in the value of an exposure in financial instruments, included in the trading book for supervisory purposes, due to adverse trends in interest rates, exchange rates, inflation rates, volatility, share prices, credit spreads, commodity prices (generic risk) and/or the situation of the issuer (specific risk).

Operating risk
Risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events. This includes, among other things, losses resulting from fraud, human error, interruptions in operations, unavailability of systems, breach of contract, natural disasters.

Liquidity risk
The risk of being unable to meet its payment obligations or disburse funds efficiently and without jeopardising its normal operations and financial equilibrium, due to an inability to raise funding or to raise it at above-market costs (funding liquidity risk) or due to the presence of limits on the disposal of assets (market liquidity risk), resulting in capital losses.

Credit concentration risk
Risk arising from exposures to counterparties, including central counterparties, groups of connected counterparties and counterparties operating in the same economic sector, geographic region, or engaged in the same activity or dealing in the same commodity, as well as from the application of credit risk mitigation techniques including, in particular, risks arising from indirect exposures, such as to individual collateral providers.

Country risk
The risk of losses caused by events occurring in a country other than Italy. It should be understood in a broader sense of sovereign risk as it relates to all exposures regardless of the nature of the counterparties, whether natural persons, corporations, banks or governments.

Transfer risk
The risk that the Group, exposed to a borrower financing in a currency other than the one in which it receives its main sources of income, will incur losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.

Basis risk
Risk arising from the impact of relative changes in interest rates on interest rate sensitive instruments, which are similar in terms of maturity, but different in terms of the interest rate indices used for pricing. The base risk derives from the imperfect correlation in the adjustment of the rates accrued and paid on various instruments sensitive to the interest rate with otherwise similar rate change characteristics.

Banking book interest rate risk

Current and future risk of changes in the Group's banking book following adverse changes in interest rates, which affect both the economic value and the interest margin.

Residual risk

The risk that recognised credit risk mitigation techniques used by the bank will be less effective than expected.

Securitisation risk

The risk that the economic substance of the securitisation transaction is not fully reflected in the risk assessment and risk management decisions.

Leverage risk

There is a risk that a particularly high level of indebtedness in relation to capital endowment will make the Group vulnerable, making it necessary to take corrective measures to its business plan, including the sale of assets with losses that could also lead to value adjustments on the remaining assets.

Strategic and business risk

Current or prospective risk of a decline in profits or capital resulting from changes in the operating environment or erroneous business decisions, inadequate implementation of decisions, poor responsiveness to changes in the competitive environment.

Real estate portfolio risk

Current or prospective risk deriving from changes in the value of owned properties due to changes in prices in the Italian real estate market.

Reputational risk

Current or prospective risk of a decline in profits or capital resulting from a negative perception of the Group's image by customers, counterparties, Group shareholders, investors or Supervisory Authorities.

Risk of non-compliance with standards

Risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations of mandatory rules (law or regulations) or self-regulation (e.g. Articles of Association, codes of conduct, corporate governance codes).

Risk of money laundering and terrorist financing

The risk arising from the violation of legal, regulatory and self-regulatory provisions functional to the prevention of the use of the financial system for the purposes of money laundering, terrorist financing or the financing of weapons of mass destruction development programmes as well as the risk of involvement in money laundering and terrorist financing or the financing of weapons of mass destruction development programmes.

Risk associated with the acquisition of equity investments

Risk of inadequate management of equity investments, in line with the provisions of Bank of Italy Circular no. 285/2013 and subsequent updates.

Risk of conflicts of interest with respect to related parties

Risk of distortions in the process of resource allocation, exposure of the institution to risks that are not adequately measured or monitored, and potential harm to depositors and shareholders due to the possible lack of objectivity and impartiality of decisions regarding the granting of loans and other transactions to persons close to the decision-making centres of the institution.

Risk related to the portion of restricted assets

Risk that the portion of restricted assets held is sufficient to limit the degree of liquidity of the entity's assets.

Main actions and Functions involved in the mitigation and control of risks to which the Group is subject

The risks identified within the risk map can be classified into two types:

- quantifiable risks in terms of internal capital, in relation to which the Group makes use of specific metrics for measuring capital absorption: credit and counterparty risk, credit valuation adjustment (CVA) risk, market risk, operational risk, concentration risk, interest rate risk, strategic risk and real estate risk;
- risks that cannot be quantified in terms of internal capital, for which, since robust and agreed-upon methodologies for determining the relative capital absorption have not yet been established, a capital buffer is not determined and for which, in accordance with the aforementioned Supervisory Provisions, adequate control and mitigation systems are put in place: liquidity risk, country

risk, transfer risk, basis risk, residual risk, securitisation risk, risk of excessive leverage, reputational risk, conflict of interest risk, risk of non-compliance with regulations, money laundering and terrorist financing risk, risk associated with the proportion of restricted assets, risk associated with the assumption of equity investments and risk of conflicts of interest with related parties.

In general, the criteria for assigning the degree of overall relevance of each risk are based on the joint analysis of the relevance for operations and exposure.

With reference to each of the relevant risks identified, the definition adopted by the Group and the main information related to the governance of the risk, the tools and methodologies for measuring/assessing and managing the risk and the structures responsible for the management are reported below.

Credit risk

The credit risk consists of the possibility of incurring losses deriving from the default or deterioration of the credit quality of the counterparty and mainly translates into the risk that a counterparty will not fully fulfill its obligations, not returning the object of the contract, in whole or in part.

This risk is therefore mainly found in traditional lending activities.

In light of the provisions on the internal control system (Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the framework addressed by the Parent Company. In addition to line controls (so-called first level controls), the functions outsourced to the Parent Company in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activities over credit risk management are carried out by the Risk Management Department, outsourced to the Parent Company, which makes operational use of its internal contacts at the Affiliated Banks.

The main areas of intervention aimed at strengthening the monitoring of risk with respect to regulatory requirements pertain to the degree of formalisation of the valuation policies of impaired loans, as well as the development and full effectiveness of second-level controls on individual exposures, particularly with regard to those that are impaired.

By virtue of the Cohesion Contract with the Affiliated Banks, the Parent Company defines common and standard rules and criteria for the performance of the activities relating to the entire process of granting credit and the management of the related risk. The rules and criteria defined by the Parent Company apply to risk measurement, preliminary investigation, disbursement, valuation of guarantees including real estate guarantees, performance control and monitoring of exposures, review of credit lines, classification of risk positions, intervention in the event of anomalies, classification criteria, provisioning policy, classification and valuation of credit exposures, and classification and management of impaired exposures.

The above rules and criteria are set out in the Group Credit Regulations, under which the Parent Company also defines the decision-making autonomy for the granting of credit, the maximum exposure thresholds for each individual customer or group of connected customers for each Affiliated Bank according to the Bank's riskiness. Within these thresholds, the decision-making levels for the disbursement of credit are defined by the individual Affiliated Bank, in compliance with the limits established in the Group's risk policies.

The Parent Company defines the strategy and the related management plan for impaired exposures at Group level, identifying binding short/medium/long-term objectives for each Affiliated Bank. In addition, it establishes criteria for the valuation of exposures and creates a common information base that allows all Affiliated Banks to understand the exposures of customers to the Group, as well as the valuations inherent in the exposures of borrowers.

With reference to transactions with related parties, the Group has adopted specific Regulations governing the identification, approval and execution of transactions with related parties, as well as organisational structures and a system of internal controls to guard against the risk that the proximity of certain parties to its decision-making centres may compromise the impartiality and objectivity of the relevant decisions.

In consideration of the operating methods that characterise the Group's lending activities, the credit process was structured in the phases of planning, granting of credit, credit management, classification of positions and management of impaired items.

As part of the Risk Appetite Framework process, the Risk Management Department defines the propensity to accept risk, which represents the maximum amount of capital that the Group is willing to put at risk in order to achieve its strategic-income objectives, depending on the business model and the strategic choices adopted; in particular, with regard to credit risk, the Risk Management Department, consistent with the provisions of prudential supervisory regulations, breaks down the risk objectives, identified in the RAF, into risk-limits and monitoring indicators.

The former have the objective of placing a limit on operations through a system of thresholds and escalation procedures, and credit risk policies are also prepared through the implementation of monitoring thresholds envisaged for the same. The latter are of a managerial nature, with the aim of encouraging adequate monitoring of the Group's exposure to credit risk, thus constituting a functional system of continuous monitoring of the economic and financial situation, representing support for the decisions taken by the corporate bodies. Therefore, they are an integral part of the RAF, making it possible to prevent the exceeding of critical thresholds that could compromise compliance with the appetite and monitoring thresholds defined in the RAS.

The Risk Management Department conducts controls aimed at monitoring credit exposures (both on and off-balance sheet) on a periodic basis. These controls consist of systematically monitoring the performance of credit exposures (particularly impaired exposures), assessing the consistency and accuracy of classifications, ascertaining the adequacy of provisions and controlling the adequacy of the credit exposure recovery process and the relative degree of uncollectability.

These controls are carried out with activities that include the monitoring of phenomena and precise process investigations, the results of which may or may not lead to the determination of findings.

The Risk Management Department also provides preventive judgments on the consistency of the most significant transactions with the RAF, by acquiring, based on the nature of the transaction, the judgment of the other Departments involved in the risk management process. For these purposes, it identifies the risks to which the Group may be exposed in undertaking the transaction; it quantifies and assesses, based on the data acquired by the competent company Departments, the impacts of the transaction on the risk objectives, on the alert and tolerance thresholds; it evaluates, based on the aforementioned impacts, the sustainability and consistency of the transactions with the risk appetite defined beforehand by the Board of Directors; it identifies the measures to be adopted to adjust the overall risk governance and management system, including therein the need to update the risk appetite and/or the system of operating limits.

The Credit Department is the company body delegated with the governance of the credit process (credit granting and auditing, monitoring, management of disputes) as well as the coordination and development of credit transactions and loans. The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles within the IT system.

The Group also uses credit risk mitigation (hereinafter also "CRM") techniques, to mitigate credit risk.

The Group considers as eligible credit risk mitigation techniques the forms of credit protection that comply with the general and specific requirements of Part 3, Title II, Chapter 4 of Regulation (EU) no. 575/2013.

In accordance with the relevant legislation, eligible credit risk mitigation techniques may be collateral or personal forms of credit protection, provided that the assets on which the protection is based meet the requirements of the legislation.

Given its operating characteristics, the Group has decided to use the following CRM tools for prudential purposes:

- financial real guarantees involving cash and financial instruments, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- residential and non-residential real estate mortgages;
- other forms of real protection, such as deposits in cash with third parties, financial instruments issued by monitored intermediaries, which the issuer has committed to buy back upon request of the

bearer party, and life insurance policies (meeting the requirements of European Regulation no. 575/2013);

- personal guarantees and counter-guarantees represented by sureties and given by supervised intermediaries within the scope of eligible authorities. These also include mutualistic guarantees of personal type provided by credit guarantee consortia ("Confidi") which meet the subjective and objective criteria for admissibility.

For the purposes of the benefits provided by CRM, the following are currently taken into consideration:

- personal guarantees issued by monitored intermediaries;
- personal guarantees issued by territorial entities and by the SME Guarantee Fund managed by Mediocredito Centrale;
- financial real guarantees pursuant to the provisions of Italian Legislative Decree no. 170 of 21 May 2004;
- financial real guarantees involving cash and financial instruments, and lent through repurchase agreements.

Finally, specific policies have been defined regarding the acquisition and management of the main forms of guarantee used or protection of credit exposures, in order to ensure that the legal, economic and organisational requirements for their recognition for prudential purposes are met.

In order to mitigate credit risk, the Group is continuing to reduce its NPL stock through:

- the sale of impaired loans;
- the process of recovering impaired exposures by centralising management with the Parent Company.

Counterparty risk

Counterparty risk is a particular type of credit risk and represents the risk that the counterparty of a transaction, concerning certain financial instruments specifically identified by the regulations, defaults before the settlement of the transaction.

The regulations specify the transactions that may determine counterparty risk, in particular:

- over-the-counter (OTC) credit and derivative financial instruments;
- repurchase and reverse repurchase agreements on securities or commodities, transactions involving the lending or borrowing of securities or commodities and margin lending (Securities Financing Transactions);
- transactions with long-term settlement (LST transactions - Long Settlement Transactions).

Counterparty risk management and control is part of the Group's broader risk management and control system, structured and formalised in specific internal regulations.

The Group is exposed to counterparty risk in relation to OTC derivative activities and repurchase agreements (SFT). Operations pertaining to OTC derivatives are almost entirely balanced; there are therefore sporadic operations for the hedging of assets or liabilities which refer to properties while operations of speculative nature are not implemented.

The Group estimates the additional requirement for Credit Valuation Adjustment (CVA) applicable to OTC derivatives transactions, based on the standardised methodology set out in Article 384 of the CRR. The capital absorption is calculated starting from the estimate of the credit equivalent determined for the purposes of the counterparty risk, taking into account the residual duration of the derivative contracts and the creditworthiness of the counterparty.

Market risks

Market risks concern the risks generated by operations on the markets regarding financial instruments, currencies and commodities. They are divided into:

- **Specific position risk of debt securities in the trading book for supervisory purposes**, which is the risk of losses caused by adverse changes in the price of such financial instruments due to factors related to the situation of the issuers.
- **Generic position risk on debt securities in the trading book for monitoring purposes**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with movements in market interest rates (risk factor affecting the current value of such

instruments).

- **Position risk of equity securities in the trading book for supervisory purposes**, which includes two components:

    - "Generic risk", i.e. the risk of incurring losses caused by adverse changes in market prices of most equities;
    - "Specific risk", or the risk of incurring losses caused by adverse changes in the price of a given equity security due to factors connected with the situation of the issuer.

- **Position risk for the UCITS units of the trading book for regulatory purposes**, which represents the risk of incurring losses caused by adverse changes in market prices.
- **Exchange rate risk**, i.e. the risk of incurring losses due to adverse changes in the prices of foreign currencies on all positions held by the Group regardless of the allocation portfolio on the entire financial statements.

Regulation risk

Configures the risk of losses arising from a counterparty's failure to settle past due transactions in securities, currencies and commodities, including those represented by derivative contracts and derivative contracts without exchange of principal, in both the banking and trading books for regulatory purposes. Repurchase agreements and the underwriting or granting of securities or goods on loan are excluded.

Concentration risk of the trading book

This is linked to the possibility that the insolvency of a single large borrower or of several borrowers related to each other could lead to losses that could compromise the stability of the lending bank. For this reason, the current supervisory provisions on "large exposures" prescribe a mandatory quantitative limit, expressed as a percentage of the eligible capital, for risk positions in relation to individual "customers" or "groups of connected customers". Any overdrafts with respect to this limit are permitted only if they refer to a position in the trading book for supervisory purposes and provided that specific additional capital requirements are met.

The Group complies with the observance of prudential rules with specific procedures and control systems aimed at ensuring sound and prudent management of market risks.

The policies relating to the management of the securities portfolio defined by the Board of Directors are based on the following main elements:

- definition of risk/return objectives;
- definition of the risk appetite (defined in terms of operating limits in the finance portfolios with reference to the various management, accounting and supervisory aspects). In particular, VaR limits, limits by issuer and type of instrument and exposure limits to concentration risk are established and measured;
- Restriction on tradable financial instruments in terms of the instruments admitted (or admitted in position but with specific exposure limits) and their nature;
- allocation of delegations.

In order to manage and monitor market risk exposures taken on in the trading book for supervisory purposes, the Group has defined in its Finance Regulation and in the underlying implementing provisions: the guiding principles, roles and responsibilities of the organisational functions involved. This is in order to ensure the regular and orderly execution of the activity on the financial markets, within the scope of the risk/return profile outlined by the Board of Directors or declared by the customers and to maintain a correct mix of instruments aimed at balancing liquidity flows.

In this regard, the Finance Department has the task of assessing the opportunities offered by the market and managing the portfolio of financial instruments in line with the strategic orientation and the risk management policy defined by the Board of Directors. To this end, it identifies the instruments to be traded and carries out the purchase/sale transaction in line with the strategy it wishes to carry out (investment or hedge) and in compliance with the limits and powers assigned. The Finance Department is also responsible for monitoring the price trend of financial instruments and verifying compliance with the operating limits and/or risk/return objectives defined, adjusting the structure and composition of the owned portfolio, if appropriate.

The Group has established systems and controls for the management of portfolios, defining a documented trading strategy by position or portfolio and adequate policies and procedures for active management of the positions. The system of operating limits and delegations on the trading book for supervisory purposes and on the banking book is compliant with supervisory provisions and consistent with the requirements deriving from international accounting standards.

Liquidity risk

Liquidity risk relates to the possibility of the Group not being able to fulfil its payment obligations due to an incapacity to obtain new funds (funding liquidity risk), its inability to sell its assets on the market (asset liquidity risk), or that it may be forced to liquidate its assets in unfavourable market conditions, incurring very high costs to meet these commitments (market liquidity risk).

The Board of Directors of the Parent Company has deliberated in favour of a document named 'Policy for the management of the liquidity risk and funding' which defines the policies, responsibilities, processes, operational limits and tools for managing liquidity risk, both during normal business operations as well as during potential liquidity crises, in line with current liquidity regulations. The policies include the strategies and organisational measures which serve to promptly contain liquidity risk; the ordinary and stress scenarios which the Group may encounter are defined. The sources of liquidity risk to which the Group is exposed can primarily be identified within the Finance/Treasury, Funding and Credit processes.

The Group has adopted a liquidity risk governance and management system that, in accordance with the provisions of the Supervisory Authorities, pursues the goal of financing the development of its activities at the best market conditions in normal operating circumstances and to guarantee the ability of meeting payment commitments even if a liquidity crisis situation emerges, without interrupting operational continuity or altering the Group's financial balance.

Regulation (EU) no. 575/2013 (CRR) prescribes that financial intermediaries shall use additional liquidity monitoring metrics (ALMM) to obtain a full picture of the liquidity risk profile. Specifically, the Implementing Regulation (EU) 2016/313 prescribes that the following six models must be set up as control information instruments:

- **Funding concentration by counterparty**: its purpose is to collect information about funding concentration by counterparty of the reporting entities, highlighting the first ten funding contributors;
- **Funding concentration by type of product**: its purpose is to collect information about funding concentration by type of product of the reporting entities, broken down by the following types of funding: retail funding and wholesale funding;
- **Prices for funding of various durations**: its purpose is to collect information about the average value of the transactions and the average prices paid by the entities for funding with duration ranging from overnight to 10 years;
- **Renewal of the funding**: its purpose is to collect information about the volume of funds due and on the new funding obtained, i.e. on the renewal of funding at the daily level over a one-month time horizon;
- **Concentration of the offsetting capacity by issuer/counterparty**: its purpose is to collect information about the concentration of the offsetting capacity of the reporting entities with reference to the ten main assets held or liquidity lines granted to the entity for that purpose.
- **Maturity Ladder**: used to represent assets and liabilities in maturity, divided into a series of time brackets; it is possible to determine any gaps for each time band and compare them with the Group's compensation capacity.

The monitoring of the Group's liquidity situation, based on the reports, on the scenario analyses and on the signals provided by the risk indicators, is carried out, according to their related competences and functions, by the Treasury Department, by the Risk Management Committee and by the Risk Management Department.

The Group measures and monitors its 30-day liquidity position through the quantification of the regulatory inter-monthly LCR indicator: it represents, from time to time, the ability of cash reserves to provide continuous coverage for 30-day net cash outflows periodically restated according to the rules of the prudential indicator.

With regard to monthly monitoring, the Group measures and monitors its exposure to operating liquidity risk at 30 days through the regulatory indicator called Liquidity Coverage Ratio (LCR). This is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario.

Banking book interest rate risk

The interest rate risk on the banking book consists of the possibility that a change in market interest rates has a negative impact on the financial situation of the Group, determining both a change in the economic value and in its interest margin. Exposure to this risk is measured with reference to the assets and liabilities included in the banking book.

The Group has activated appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of risk. These measures are codified in company regulations aimed at designing monitoring processes based on position limits and systems of attention thresholds proportional to own funds, beyond which appropriate corrective actions are triggered.

In particular, the following have been defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations;
- measurement of risk which generates warning levels and informational flows so as to allow for the prompt identification and initiative of suitable corrective actions.

From an organisational point of view, the Group has identified the Finance Departments of the Banks and the Risk Management Department as the structures responsible for overseeing the process of managing interest rate risk on the banking book. By means of the 20th update to Bank of Italy Circular no. 285/2013, the EBA guidelines on the management of interest rate risk in the banking book were acknowledged in national legislation.

In 2020, the Group adopted a risk measurement methodology compliant with the EBA guidelines, thanks to the support provided by the Ermas calculation engine of Prometeia, therefore abandoning the simplified methodology envisaged by Circular no. 285/2013 of the Bank of Italy. The stresses defined by the aforementioned guidelines were also performed.

Monitoring exposure to interest rate risk within the banking book is implemented on a quarterly basis, in compliance with regulations, as well as on a monthly basis on a managerial level and on the basis of internal regulations. In addition, specific simulations are carried out before transactions of a certain amount that lead to increases in capital absorption.

Operating risk

Operating risk is defined as the possibility of incurring losses resulting from inadequate or dysfunctional procedures, human resources and internal systems, or from exogenous events. This definition includes legal risk, but not reputational and strategic risk. This includes, among other things, losses resulting from fraud, human error, breach of contract, natural catastrophes, business interruptions and system downtime.

Among the operational risks, according to the specific aspects, the IT risk is also considered, i.e. the risk of incurring losses in connection with the use of Information and Communication Technology (ICT). This risk sub-category includes potential damages deriving from the unavailability of information systems, deterioration of service quality, violation of data confidentiality, compromise of data integrity, loss of data quality.

In addition to measuring with the method described above, the Group, for the purposes of managing and controlling operational risk, continuously verifies exposure to certain onset profiles through the analysis and monitoring of a set of indicators, an activity carried out by the Risk Management Area.

In addition to the corporate bodies, different organisational units are involved in the management and control of operational risks, each of which is assigned specific responsibilities consistent with the ownership of the activities of the processes in which the risk in question may occur. Among these, the Risk Management Department is responsible for the analysis and assessment of operational risks, ensuring an effective and timely assessment of the related event profiles, in compliance with the operating procedures under its responsibility.

The Internal Audit Department, in the broader sphere of its control activities, carries out specific and targeted periodic checks on operational risks. Lastly, with regard to organisational controls, the Compliance Function, which is responsible for monitoring and controlling compliance with the rules, provides support in preventing and managing the risk of incurring judicial or administrative sanctions, of incurring significant losses as a result of the violation of external (laws or regulations) or internal (articles of association, codes of conduct, codes of self-discipline) rules, as well as, for the areas of specific relevance, the work of the Anti-Money Laundering Area.

Considering the specific characteristics of the risk in question and its manner of manifestation, as well as the substantial inability of the regulatory method for calculating capital absorption (BIA method) to identify the areas of operation most exposed to operational risks, the Group deemed it appropriate to develop a more in-depth management approach, aimed at acquiring knowledge and better awareness of the actual level of exposure to risk.

With the support of a dedicated tool, a census, collection and storage of the most significant loss events found in the company's operations is carried out. To this end, a specific database has been set up in which the loss events identified are traced back to the types envisaged by the Basel Agreement (and to the related risk owners). The application adopted makes it possible to frame the entire operational risk management process (from the detection and census by the organisational units where the event was detected, to the "validation" of the event, up to the authorisation for the accounting of the economic impact) within a predefined workflow. The Group's objective is to identify the areas characterised by the greatest vulnerability, in order to prepare more effective control and mitigation systems. In this context, the application solution adopted makes it possible to manage the mitigation "tasks", i.e. the risk containment initiatives of the risk owners and activated by them.

Operational risks also include the risk profile associated with IT risk, i.e. the risk of incurring losses in connection with the use of Information and Communication Technology (ICT). This risk sub-category includes potential damages deriving from the unavailability of information systems, deterioration of service quality, violation of data confidentiality, compromise of data integrity, loss of data quality.

The Group has defined, in close connection with project references drawn up in the competent associations and in compliance with the principles and provisions of current legislation, the methodology for analysing IT risk and the related management process (including profiles relating to the provision of IT services through the outsourcing of ICT services to external suppliers). The implementation of the aforementioned methodology makes it possible to integrate the management of operating risks by also considering the risks connected to IT and business continuity profiles, and to document the evaluation of IT risk based on the continuous information flows established with the Service Centre(s). The adoption of these references is prior to the preparation of the process of verification, at least annually, of the evaluation of IT risk based on the results of the monitoring of the effectiveness of the measures to protect ICT resources.

With regard to the management of operational risks, the controls adopted in the context of compliance with the regulations introduced by the supervisory provisions on the internal control system are also relevant, which have defined a comprehensive framework of principles and rules to be followed in order to outsource corporate functions and required the activation of specific controls against the related risks, as well as the maintenance of the ability to control the work of the supplier and the skills necessary for the possible re-sourcing, if necessary, of outsourced activities.

That said, with regard to all existing outsourcing profiles, the Security Manager and the ICT Function Manager, in compliance and adherence to the references and guidelines produced in this regard by the Category, ascertain the correct performance of the activities by the supplier, on the basis of specific dedicated information flows. To ensure compliance with the requirements imposed by current regulations, the Legal Department defines specific outsourcing agreements. In this context and with reference to the outsourcing of important operational and control company functions, which entails more stringent obligations in terms of contractual obligations and specific requirements imposed on the supplier (relating, inter alia, to the definition of specific objective and measurable service levels and the relevant thresholds of relevance), the service levels ensured in the event of an emergency and the related continuity solutions are defined; contractual provisions cover, inter alia: (i) the right of access for the Supervisory Authority to the premises where the service provider operates; (ii) the presence of specific termination clauses to terminate the outsourcing agreement in the case of particular events preventing the provider from guaranteeing the service or in the event of failure to comply with the agreed service level.

The Group internally maintains the expertise required to effectively control the Important Operational Functions (IOF) and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

The adoption of a Business Continuity Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks. With this in mind, the operating procedures to be activated to deal with the crisis scenarios were established, assigning to this end the roles and responsibilities of the various players involved.

Although it is not necessary, in general, to change the underlying business continuity strategy, the references adopted have been reviewed and supplemented in light of the requirements set out in Chapter 5 of Title IV of Part One of Bank of Italy Circular 285/13, to support compliance with the reference provisions. In particular, the business continuity plan was updated with reference to the risk scenarios which, although generally compatible with those already described previously, are now more precautionary than those envisaged in the current provisions. Incident classification and rapid escalation procedures have also been introduced, as well as anticipating the necessary links with the IT security incident management procedure soon to be implemented in accordance with the relevant regulatory references in Chapter 4, Title IV, Part One of Circular 285/13.

Supervisory review and evaluation process and MREL requirement

As part of the prudential review and assessment process for 2020 (known as SREP), the Supervisory Authority has adopted a "pragmatic" approach in light of the health crisis triggered by the Covid-19 pandemic. In this context, by letter of 17 November 2020, the Banking Supervisory Board announced that it does not intend to adopt a SREP decision for the 2020 cycle, therefore confirming the requirements established as part of the "SREP 2019" process, the outcomes of which were communicated to the Group by letter dated 25 November 2019. These requirements, applicable from 1 January 2020, are still in force for the Group, as described in the following paragraphs.

The Group is required to meet, on a consolidated basis, a total SREP capital requirement (TSCR) of 10.25%, including an additional requirement with regard to Pillar 2 (P2R) own funds of 2.25%, to be held in the form of Common Equity Tier 1 (CET1) capital. In relation to this aspect, it should be noted that as part of the support measures issued by the Authorities in response to the health emergency, the ECB, with the press release of 12 March 2020 "ECB Banking Supervision provides temporary capital and operational relief in reaction to Coronavirus", specified that it is no longer required to fully cover this requirement with Common Equity Tier 1, but that this requirement can also be covered with Additional Tier 1 or Tier 2 instruments, respectively up to a maximum of 18.75% and 25% of P2R, anticipating by one year what is required by "CRD V".

The Supervisory Authority also expects the Group to meet the Pillar 2 (P2G) approach of 1% on a consolidated basis, which should consist entirely of Common Equity Tier 1 capital and held in addition to the total capital requirement.

With respect to the Covid-19 pandemic response measures, the Single Supervisory Mechanism (SSM) for significant banks on 12 March 2020 and the Bank of Italy for less significant banks on 20 March 2020 intervened by allowing intermediaries to temporarily operate below certain capital and liquidity buffers. More specifically, banks are allowed to fully utilise capital and liquidity buffers, operating below the Capital Conservation Buffer (CCB, 2.5% as of 1 January 2019), Pillar 2 Guidance (P2G) and Liquidity Coverage Ratio (LCR).

Finally, with reference to the Resolution regulatory framework, in application of the European Directive establishing a framework for the reorganisation and resolution of credit institutions and investment firms (the so-called BRRD), in the 2020 Resolution Cycle, discussions continued with the SRB (Single Resolution Board) in order to define the MREL (Minimum Requirement of Eligible Liabilities) target for the Group. These targets are defined in accordance with the regulatory changes introduced by the so-called "Banking Package", which came into force in December 2020, and therefore replace the previous decisions taken by the SRB on this matter.

The proposal to determine the MREL requirement was communicated to the Parent Company in February 2021. For details, please refer to the section "Significant events after the end of the year" in this Report.

Supervisory expectations regarding minimum coverage of losses on impaired exposures

In March 2018, the ECB published an Addendum to the Guidance on Impaired Credit Management on prudential provisioning (so-called "Calendar Provisioning"), which, in summary, provides for increasing provisioning levels depending on the date of classification as impaired.

On 25 April 2019, the European Parliament issued Regulation (EU) no. 630/2019 on minimum coverage of losses on impaired credit exposures, which, in summary, provides for increasing levels of provisions depending on the date of classification as impaired, taking account of the date of disbursement of the exposure.

On 22 August 2019 the ECB published the technical paper on supervisory expectations regarding provisions for non-performing exposure (hereinafter also 'NPEs'), adjustments and interactions between the ECB's Pillar 2 approach (hereinafter also 'ECB Addendum') and the prudential treatment of NPEs under Pillar 1 (EU Regulation). In other words, the technical document aims to align the requirements set out in the Addendum of March 2018 with Regulation (EU) no. 630/2019, in particular with reference to the quantitative table containing the prudential write-down percentages to be applied per vintage band.

It should be noted that the ECB Addendum applies to loans classified as impaired (impaired past due and/or overdue, 'unlikely to pay', non-performing exposures) as from 1 April 2018 with a disbursement date prior to 26 April 2019, while the EU Regulation applies to new loans disbursed from 26 April 2019 that have also deteriorated since 1 April 2018.

In addition to the two regulatory requirements described above, there are supervisory expectations for the NPE stocks (stock of NPL), i.e. exposures classified as impaired as at 31 March 2018, for which minimum levels of coverage are required from the end of 2020 as part of the Supervisory Review and Evaluation Process (SREP - Minimum coverage).

On 27 June 2020, EU Regulation 873/2020 entered into force, according to which exposures secured by government guarantees are permanently included in the same category as exposures secured by guarantees granted by an official export credit agency, with the resulting benefit of 100% supervisory coverage after 7 years of vintage from the date of classification.

The Group constantly carries out the activities necessary to implement the regulatory requirements described above, with monitoring and supervision of the potential impacts on the main statement of financial position and income statement ratios and on credit processes.

New default definition

The new definition of default falls within the regulatory scope defined by Article 178 of Regulation (EU) no. 575/2013, which specifies the criteria according to which a debtor may be considered in default. On 28 September 2016, the European Banking Authority (hereinafter also "EBA") published the final version of the Default Definition Guidelines (EBA/GL/2016/07). This document reports the key aspects related to the new default definition and aims to harmonise implementation among European Banks.

The new materiality thresholds (which will change the current relative threshold of 5%) have been set for "significant" entities by Regulation (EU) no. 1845/2018 of the ECB in accordance with Delegated Regulation (EU) no. 171/2018.

The draft version of Bank of Italy Circular no. 272/2008 and subsequent updates is added to the above European legislation, which transposes, at national level, the requirements of the EBA Guidelines and Delegated Regulation (EU) no. 171/2018 by modifying the classification methods for the three classes of impaired loans (impaired past due and/or overdue, unlikely to pay and non-performing exposures, in addition to the methods for assigning the attribute of forborne), as well as for returning to performing status.

Since 1 January 2021, these rules have been compulsorily applied by the entire banking system. The Group has substantially completed the developments and put in place the infrastructure to support the credit management activities in the different phases of the credit life cycle and implemented all the activities necessary to start the application of the "new rule" against the new definition of default. Consequently, the relevant applications and procedures were adjusted, in order to comply with the related regulatory obligations within the pre-established regulatory deadlines.

It should be noted that, net of the regulatory detail implemented in the systems and procedures, default classification has been adjusted at the

Banking Group level in accordance with regulatory instructions, i.e. it is no longer permitted for a customer to be classified as default at one Group company and not at another.

Finally, the Group has started to adjust its internal models for credit risk in the context of accounting application, in order to ensure the computation of collective impairment provisions according to IFRS 9 and in compliance with the new definition of default; these adjustments will be factored in the first quarterly reporting date of 2021.

ICAAP and ILAAP

The Group has adjusted its internal capital adequacy assessment process (so-called "ICAAP") and the internal liquidity adequacy assessment process (so-called "ILAAP") to the regulatory framework with specific reference to the prudential supervisory provisions (Basel III framework) and the provisions in relation to the internal control system, also in order to ensure consistency with the adopted Risk Appetite Framework. The corporate assessment processes of the capital adequacy and of the liquidity risk governance and management system and their structure are based on a management model consistent with the operations and complexity of the Group, according to the principle of proportionality.

The Parent Company, in the exercise of guidance, coordination and control over the Affiliated Banks and Group Companies, defines in detail the roles and responsibilities of the corporate bodies and structures involved in the management of the ICAAP/ILAAP process. In particular, in order to achieve an effective and efficient management and control system, the bodies define the strategic guidelines and governance policies of the ICAAP/ILAAP process and adopt an effective management process; they are also responsible for its implementation, supervise its actual functioning and verify its overall functionality and compliance with the requirements of the regulations.

Procedures have been defined in the ICAAP/ILAAP process for:

- the identification of all risks to which the Group is or could be exposed, in consideration of its specific operating conditions. This risk mapping process, defined by a specific policy, also merges with the Risk Appetite Framework and represents the starting point for all the Group's strategic processes. It is coordinated, at centralised level, by the Risk Management Department of the Parent Company, with the involvement of the company bodies and other Departments as far as their competence is concerned (in order to ensure alignment with the evolution and/or changes of the business model). The involvement of the other Group companies is also envisaged, if deemed necessary, in order to enhance their role in relation to the individual operating specificities. The analysis is carried out by evaluating both the current operating conditions of the Group and the potential conditions, in order to identify the risk profiles already present in the current context but not adequately captured by the pre-existing categories mapped, or to anticipate types of risk historically not relevant for the Group, but likely to become so in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in company operations. This analysis also takes into account the principle of proportionality;
- the measurement/assessment of risks from a current, future and stress situation perspective. In this context, the risk measurement methods with quantification of capital absorption are consistent with the indications provided by the reference regulations, while for non-quantifiable risks, suitable measurement, control and mitigation systems have been defined;
- the self-assessment of capital adequacy, taking into account the results of current, prospective and stressed risk and capital measurement, identifying areas for improvement and planning any necessary capital and organisational changes;
- the self-assessment of the adequacy of the liquidity and funding risk management process, taking into account the results obtained with reference to the measurement of liquidity risk from a current, prospective and stressed perspective, identifying the areas of the process that are susceptible to improvement and planning any anticipated interventions in the governance and management of liquidity and organisational risk.

Internal control system

The Cassa Centrale Group has created a structured system of internal controls which, on a daily basis and proportionally to the complexity of the activities carried out, involves the entire organisational structure and conforms to the legislation governing the 'Internal Control System', reported in Part One, Title IV, Chapter 3 of Bank of Italy Circular 285/2013 and subsequent updates.

The Cassa Centrale Group attributes strategic importance to the integrated management of controls and related risks as they constitute, among other things:

- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the corporate bodies of the internal control system to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

The Parent Company has adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance, organisation, technical situation and financial position of the individual Group Companies. This system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of risks within the limits indicated in the Risk Appetite Framework (RAF);
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of the company's operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

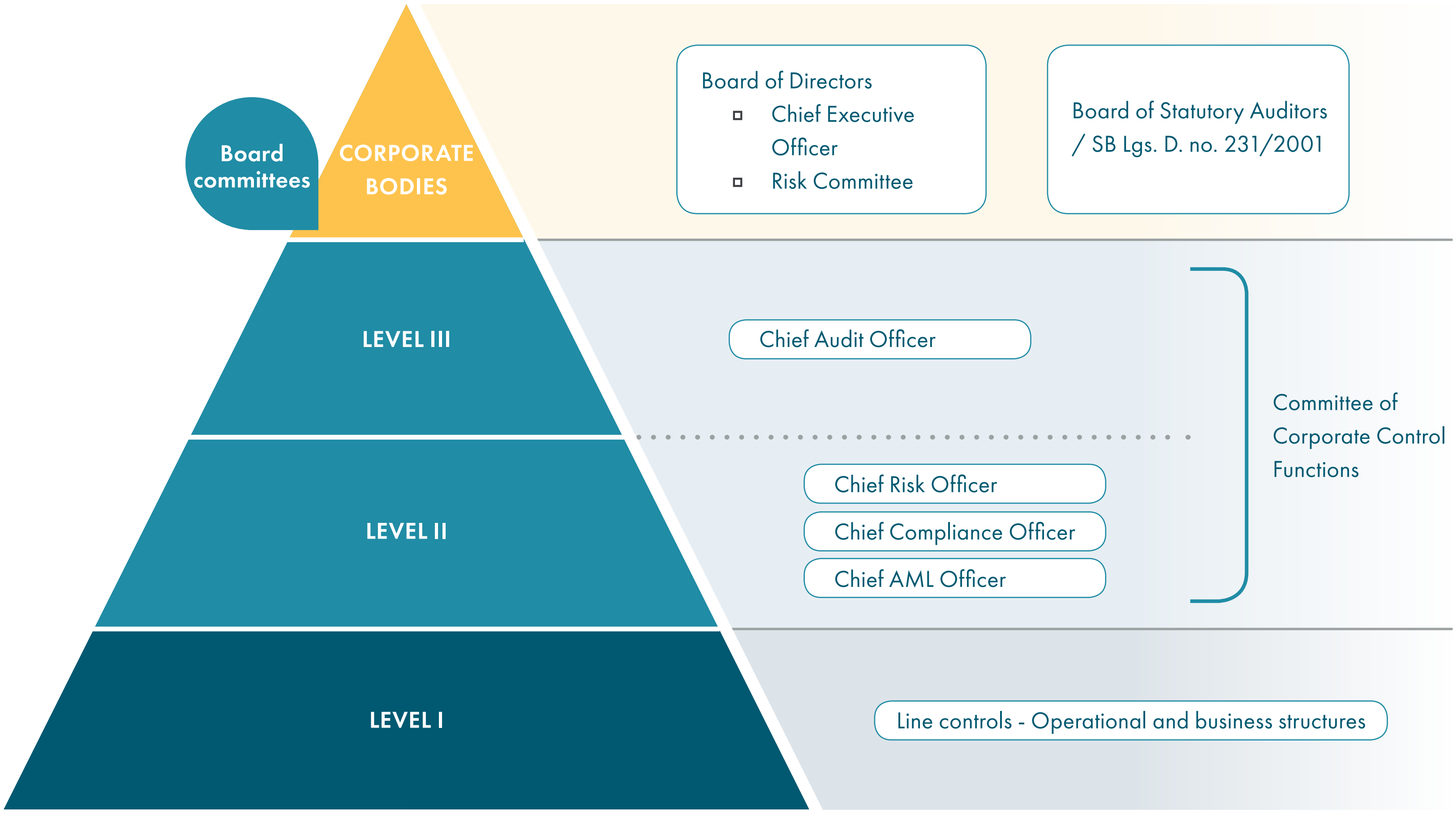
The central role of the internal control system within the Group's corporate organisation means that:

- it takes on strategic importance. In this regard, the "control culture" holds a prominent position on the scale of the Group's values, affecting not only the Corporate Control Functions, but the entire corporate organisation of the Parent Company and all Group Companies (e.g. corporate bodies, structures, hierarchical levels, personnel);
- it represents a primary element of the corporate governance system of the Parent Company and Group Companies and plays a decisive role in identifying, measuring, assessing and mitigating the Group's significant risks, ensuring the Group's sound and prudent management and financial stability.

The Group's internal control system provides for the following types of controls, in accordance with the laws and regulations in force:

- **Line controls** (so-called "first-level controls"): controls which are designed to ensure the proper conduct of operations (e.g. hierarchical, systematic and spot checks) and which, as far as possible, are incorporated into computerised procedures. These are carried out by the same operational and business structures (the so-called "Level I functions"), including through units dedicated exclusively to control tasks that report back to the managers of the structures themselves, i.e. performed within the back office.
- **Controls on risk and compliance** (so-called "second level controls"): controls designed to ensure, inter alia:
    - the proper implementation of the risk management process;
    - compliance with the operational limits assigned to the various Functions;
    - compliance of the company's operations with regulations, including self-regulation. The functions responsible for these controls are separate from the operational functions and contribute to the definition of risk management policies and the risk management process.
- **Internal audit** (so-called "third level controls"): internal audit controls aimed at identifying breaches of procedures and

regulations and periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure and of the other components of the internal control system and information system (ICT audit) at Group level, at predetermined intervals in relation to the nature and intensity of the risks.



The Parent Company's corporate bodies, the Parent Company's Risks Committee, the Committee of Corporate Control Functions, as well as the Corporate Control Functions themselves represent the main players in the internal control system.

Specifically:

- the **Board of Directors** is responsible for strategic planning, organisational guidance, assessment and monitoring. In particular, as a body with strategic supervision functions, it defines and approves the business model, strategic guidelines, risk appetite, tolerance threshold (where identified) and risk management policies at Group level, the guidelines of the internal control system, the criteria for identifying the most significant transactions to be submitted to the prior scrutiny of the Risk Management Department and the general terms of the ICAAP process in order to ensure overall consistency with the RAF and the strategic guidelines;
- the **Risks Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's Corporate Bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;
- the **Board of Statutory Auditors**, as the body with control functions, is responsible for overseeing the completeness, adequacy, functionality and reliability of the internal control system and the RAF at Group level, in accordance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. The Board of Statutory Auditors performs the functions of the supervisory body - established pursuant to Legislative Decree no. 231/2001, concerning the administrative liability of entities - which supervises the functioning and compliance with the organisational and management model adopted by the Parent Company for the purposes of the same legislative decree;
- the **Chief Executive Officer**, as a party with management functions, has an understanding of all business risks, including the possible risks of malfunctioning of internal measurement systems (so-called "model risk"), where present, and, in the context of integrated management, of their interrelationships with each other and with the evolution of the external context. In this context, they are able to identify and assess the factors, including the complexity of the organisational structure, from which risks may arise for the Group;
- the **Committee of Corporate Control Functions**, consisting of the managers of the Corporate Control Functions, carries out the coordination and integration activities of the Functions overseeing the internal control system.

The Group's Corporate Control Functions are represented by the following structures:

- Internal audit function **(Direzione Internal Audit)**;
- Standards compliance function **(Direzione Compliance)**;
- Risk control function **(Direzione Risk Management)**;
- Anti-Money Laundering Function **(Direzione Antiriciclaggio)**.

The model adopted for the Group

The supervisory provisions for Banks in relation to the Cooperative Banking Group issued by the Bank of Italy establish that the Corporate Control Functions for affiliated cooperative credit banks are carried out under an outsourcing regime by the Parent Company or other companies of the Group.

The Parent Company carries out its tasks in compliance with the following criteria:

- the Corporate Bodies of the members of the Group are aware of the choices made by the Parent Company and are responsible, each according to their own competencies, for the implementation, within their respective business realities, of the strategies and policies pursued in the field of controls, favouring their integration within the scope of Group controls;
- special internal representatives are appointed within the user companies who: i) perform support tasks for the outsourced control function; ii) report functionally to the outsourced control function; iii) promptly report particular events or situations, which may change the risks generated by the subsidiary.

Each individual Group Company must have an effective system of information exchange that guarantees, on an ongoing basis:

- that the Corporate Bodies and related committees will be able to fulfil their roles and responsibilities within the internal control system;

- that the Corporate Control Functions pursue, in compliance with their respective competences, principles of collaboration and integration of controls, including:
  - mutual alignment on the basis of annual activity plans/ programmes;
  - the sharing of any critical elements highlighted;
  - the constant updating of the committees in support of the main corporate functions established within the Group (and the participation of the relevant Managers of the aforesaid Corporate Control Functions) on matters relating to the integrated internal control system;
- the exchange of information preparatory to the implementation of specific moments of coordination between the Managers of the Corporate Control Functions in order to ensure a productive collaboration and coordination of the major initiatives at Group level related to the internal control system.

In order to ensure guidance and coordination, the Parent Company oversees Group Companies through the continuous exchange of flows, information and data in order to carry out management control that is useful for ensuring the balanced maintenance of economic, financial and equity conditions, the level of risk and, more generally, the integrated internal control system at Group level as a whole.

The Board of Directors of the user companies carries out its duties with precise reference to that defined by the Parent Company and in particular:

- appoints the internal representative who carries out support tasks for the outsourced control functions;
- approves the Audit Plan and Activity Programmes for the Compliance, AML and Risk Management Departments;
- takes action to eliminate the deficiencies found during the verification activities.

The Board of Statutory Auditors of the individual user companies carries out the activities required by current legislation with a view to monitoring the completeness, adequacy, functionality and reliability of the integrated internal control system, collaborating with the respective Parent Company Body.

The Supervisory Board set up pursuant to Legislative Decree 231/2001, supervises the functioning and observance of the organisational and management model adopted by the company itself to prevent the offences relevant to the purposes of the same legislative decree.

The General Manager of the user companies supports the Board of Directors in the management function. As part of the internal control system, he/she supports the Company in the initiatives and corrective actions highlighted by the Corporate Control Functions and brought to the attention of the Corporate Bodies.

The internal representatives of the individual user companies perform support tasks for the outsourced Corporate Control Function, report functionally to the same and promptly report particular events or situations, which are likely to modify the risks generated by the subsidiary.

The bodies of the Group Companies other than the users are assigned the same responsibilities as those of the bodies of the user companies, insofar as they are compatible. These bodies are also the assignees of all the powers attributed to them by the regulations and regulatory provisions applicable to the company to which they belong. The internal Corporate Control Functions, where present, in compliance with the rules applicable to them, carry out their activities in line with the principles established by the Parent Company.

Internal audit function

The Internal Audit Department oversees, according to a risk-based approach, on the one hand, the control of the regular performance of operations and development of risks and, on the other hand, the evaluation of the completeness, adequacy, functionality and reliability of the organisational structure and other components of the internal control system, bringing possible improvements to the attention of Corporate Bodies, with particular reference to the Risk Appetite Framework (RAF), the risk management process and the instruments for measuring and controlling risks and making recommendations to Corporate Bodies.

This function - which is separate from the other Corporate Control Functions from an organisational point of view - reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties. It operates according to principles based on the diligence and professionalism of its employees, in light of the awareness that an effective preventive activity can only be carried out if all staff are adequately responsible for the promotion of a culture based on the value of integrity (honesty, fairness, responsibility) and on a set of values to be recognised and shared at all organisational levels.

The Internal Audit Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the function and avails itself of the collaboration and support of the internal representatives of the same, who report functionally to the Manager of the Internal Audit Department of the Parent Company. With similar operating procedures, the Internal Audit Department also operates for Group Companies that sign an agreement to outsource the function.

The main activities of the Internal Audit Department are the following:

- assessing the completeness, adequacy, functionality, reliability of the other components of the ICS, the risk management process and other business processes, also taking into account the ability to identify errors and irregularities. In this context, it reviews, among other things, the second level Corporate Control Functions (Risk Management, Compliance, Anti-Money Laundering);
- annually submitting an Audit Plan to the Corporate Bodies for approval, which reports the planned audit activities, taking into account the risks of the various corporate activities and structures; the Plan contains a specific section relating to the audit activity of the information system (the so-called "ICT Audit");
- assessing the effectiveness of the RAF definition process, the internal consistency of the overall scheme and the compliance of the company's operations with it and, in the case of particularly complex financial structures, their compliance with the strategies approved by the Corporate Bodies;
- assessing the consistency, adequacy and effectiveness of governance mechanisms of the reference business model and carrying out periodic tests on the functioning of operational and internal control procedures;
- regularly checking the business continuity plan;
- carrying out detection tasks with regard to specific irregularities as well;
- carrying out, also upon request, investigations on particular cases (so-called "Special Investigation") for the reconstruction of facts or events considered to be of particular importance;
- coordinating with the other Corporate Control Functions in order to adopt consistent and integrated risk measurement and assessment methodologies and sharing priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- if, as part of the collaboration and exchange of information with the manager of the statutory audit, it becomes aware of critical issues that have emerged during the statutory audit activity, it shall take steps to ensure that the competent corporate functions adopt the necessary measures to overcome such critical issues.

In order to fulfil the responsibilities assigned to it, the Internal Audit Department has access to all the central and peripheral activities of Cassa Centrale Banca and the Group Companies and to any information relevant for this purpose, including through direct contact with staff.

Risk control function

The Risk Management Department, as part of the Group's internal control system, performs the responsibilities and tasks set forth in Bank of Italy Circular 285/2013 for the risk management function. This provides useful elements to the Corporate Bodies in defining guidelines and policies on risk management and ensures the measurement and control of the Group's exposure to different types of risk.

The Risk Management Department is also responsible for identifying, measuring and monitoring the risks assumed or assumable, establishing the control activities and ensuring that the anomalies found are brought to the attention of the corporate bodies so that they can be appropriately managed.

It operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Risk Management Function and avails itself of the collaboration and support of the internal representatives of the same, who report functionally to the Manager of the Risk Management Department of the Parent Company.

In this area, the Risk Management Department:

- ensures the effective and correct implementation of the process of identification, assessment, management and monitoring of the assumed risks, current and future;
- coordinates the process of defining, updating and managing the Risk Appetite Framework (hereinafter "RAF"), as part of which it has the task of proposing the qualitative and quantitative parameters necessary for the definition of the RAF;
- defines common metrics for assessing operational risks in line with the RAF and methods for assessing and controlling reputational risks in coordination with the Compliance Department and the relevant structures;
- contributes to ensuring the consistency of the remuneration and incentive system with the reference framework for determining the Bank's risk appetite ("RAF");
- is responsible for assessing the adequacy of internal capital (ICAAP) and liquidity reserves (ILAAP);
- is responsible for preparing the public disclosure (Pillar III);
- is involved in defining the risk governance policies and the phases of the risk management process through the establishment of a system of policies, regulations and documents for the implementation of risk limits for the Group;
- is responsible for defining the operational limits to the assumption of the various types of risk, as well as verifying their adequacy on a continuous basis;
- defines the metrics and methodologies for risk measurement and monitoring and the related guidelines for adoption at Group level;
- verifies, on an ongoing basis, the presence of adequate risk management processes;
- is responsible for the development, validation, maintenance and updating of risk measurement and control systems, ensuring that they are subject to periodic backtesting, that an appropriate number of scenarios are analysed and that conservative assumptions are used on dependencies and on the correlations;
- develops and applies indicators capable of highlighting situations of anomalies and inefficiency in risk measurement and control systems;
- analyses and assesses risks arising from new products and services and from entry into new operating and market segments;
- measures and monitors current and forward-looking exposure to risks, including at Group level;
- ensures, through reporting activities, a constant and continuous flow of information to the corporate bodies and other corporate control functions on the exposure to risks and the results of the activities carried out;
- provides preventive opinions on the consistency of the most significant transactions with the RAF, including those originated by user companies, also helping to define the parameters for their identification;
- performs second-level audits on credit exposures;
- checks the adequacy and effectiveness of the measures taken to remedy the shortcomings identified in the risk management process;
- verifies that the performance monitoring of individual credit exposures is carried out correctly;
- oversees the process of assigning and updating the ratings used to assess the creditworthiness of counterparties;
- oversees the processing of the classification of the risk-based model and, in agreement with the Human Resources Department, the activation of the appropriate corrective actions (i.e. Relaunch Plan, Recovery Plan, Combination Plan);
- informs the Chief Executive Officer/General Manager of any exceeding of targets/thresholds/limits relating to the assumption of risks;
- is responsible for activating monitoring activities on actions implemented when targets/thresholds/limits are exceeded and for communicating any criticalities until the thresholds/limits are met;

- ensures the consistency of the risk measurement and control systems with the processes and methods for assessing company activities, coordinating with the company structures concerned;
- prepares and presents to the corporate bodies the report on the activities carried out by the Management, in accordance with the provisions of the reference legislation;
- contributes to the dissemination of a culture of control within the Group.

As part of the integrated internal control system, the Risk Management Department coordinates with the other corporate control functions in order to:

- adopt consistent and integrated risk measurement and assessment methods, providing a common and integrated representation of the areas of greatest risk;
- define risk-based intervention priorities;
- develop the sharing of operational and methodological aspects and the actions to be taken in case of significant and / or critical events in order to identify possible synergies and avoid potential overlapping and duplication of activities.

As part of the activities listed above, the Risk Management Department prepares annually a risk-based approach and submits an activity plan to the corporate bodies based on:

- the main risks to which the Group is exposed;
- any shortcomings emerging from the checks carried out;
- surveys carried out by Internal Audit or findings of the Validation Service;
- the risk objectives defined by the Group;
- any evidence emerged from discussions with the Supervisory Authorities.

Compliance Department

The Compliance Department takes a risk-based approach to managing the risk of non-compliance with regard to the entire business activity. This is done through the assessment of the adequacy of internal procedures aimed at preventing the violation of applicable external rules (laws and regulations) and self-regulation (e.g. Articles of Association, Cohesion Contract and Code of Ethics).

In particular, in its role as Parent Company Department, it exercises control over the risks impending on the activities carried out by all Group Companies in order to assess the various risk profiles contributed by these Companies and the overall risks of the Group. This translates into the performance of specific monitoring and verification activities concerning the Group as a whole and/or individual Group Companies, which therefore guarantee adequate information flows, timely responses to specific requests and collaboration in the event of remote or on-site verification.

The Compliance Department is separate from the other Corporate Control Functions from an organisational point of view, it reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties.

The Compliance Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the function and avails itself of the collaboration and support of the internal representatives of the same, who report hierarchically to the Board of Directors of the respective Company and, at the same time, report functionally to the Department Manager. With similar operating procedures, the Compliance Department also operates for the other Group Companies that sign an agreement to outsource the function. The department also carries out any further activities aimed at assessing and reporting the various risk profiles brought to the Group by the Companies and the overall risks of the Group.

For the monitoring of certain regulatory areas for which it is permitted by applicable regulations or for the performance of specific obligations in which the Compliance Department's activities are articulated, the same may make use of specialist compliance control units and/or support, remaining in any case responsible for the definition of risk assessment methodologies. In particular, the role of specialist control units is attributed to the Tax Service and the Workplace Prevention and Protection Office, for the respective regulations indirectly supervised by the department.

The Compliance Department has the objective of:

- continuously identifying the applicable rules and assessing their impact on corporate processes and procedures;
- collaborating with the corporate structures for the definition of methodologies for the assessment of the risks of non-compliance with standards;
- identifying suitable procedures and/or organisational changes for the prevention of the detected risk, with the possibility of requesting their adoption;
- verifying the adequacy and correct application of the procedures for the prevention of the detected risk;
- ensuring ongoing and continuous monitoring of the adequacy and effectiveness of the measures, policies and procedures relating to investment services and activities;
- preparing information flows directed to the Corporate Bodies and structures involved (e.g.: operating risk management and internal audit);
- verifying the effectiveness of the organisational adjustments (structures, processes, procedures, including operational and commercial) suggested for the prevention of the risk of non-compliance with standards;
- involvement in the ex-ante assessment of the compliance with applicable regulations of all innovative projects (including the operation of new products or services) that the company intends to undertake as well as in the prevention and management of conflicts of interest between the different activities carried out by the company and also with regard to employees and company representatives;
- providing advice and assistance to Corporate Bodies in all matters in which the risk of non-compliance is significant;
- collaborating in the training of staff on the provisions applicable to the activities carried out;
- coordinating with the other Corporate Control Functions in order to adopt consistent and integrated risk measurement and assessment methodologies and sharing priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- providing, for the areas within its competence, its contribution to the Risk Management Department in the assessment of risks, in particular those that cannot be quantified, as part of the process of determining capital adequacy;
- collaborating with the Risk Management Department, in line with the Risk Appetite Framework (RAF), to develop appropriate methodologies for the assessment of operational and reputational risks arising from any areas of non-compliance, also ensuring the reciprocal exchange of information flows suitable for an adequate oversight of the areas of competence;
- spreading a corporate culture based on the principles of honesty, fairness and respect for the spirit and letter of the rules.

Anti-money laundering function

The Anti-Money Laundering Department adopts a risk based approach in overseeing the management of the risks of money laundering and terrorist financing with regard to the company's activities by evaluating the adequacy of internal procedures intended to prevent the violation of applicable external standards (laws and regulations) and self-regulation (e.g. Articles of Association and Codes of Ethics).

The Anti-Money Laundering Department operates in accordance with the responsibilities assigned to it as a second-level Corporate Control Function of the Parent Company and fulfils the contractual obligations arising from its role as supplier to the Affiliated Banks and the user companies.

The Anti-Money Laundering Department operates, for the Affiliated Banks and the user companies, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the function and avails itself of the collaboration and support of internal representatives, who, operating in close functional coordination with the Anti-Money Laundering Department, supervise the processes related to anti-money laundering legislation in the Affiliated Bank / user company.

The Anti-Money Laundering Department of the Parent Company formulates and prepares specific directives and instructions to which the Anti-Money Laundering representatives must adapt their operations, in order to ensure the operational consistency of the Group in relation to the management and measurement of the risks of money laundering and terrorist financing.

In the event that a Group Company is the recipient of anti-money laundering obligations and has not outsourced the function to the Parent Company, specific information flows are transmitted to the Anti-Money Laundering Department of the Parent Company by the same companies (the Annual Anti-Money Laundering Report, the annual planning of activities, any significant critical issues identified by the execution of anti-money laundering activities).

The Anti-Money Laundering Department has the objective of:

- contributing to the definition of strategic guidelines and policies for the overall governance of risks related to money laundering and terrorist financing, the preparation of communications and periodic reports to Corporate Bodies and the feeding of the Risk Appetite Framework, collaborating with other Corporate Control Functions in order to achieve an effective integration of the risk management process;
- developing a global approach to risk based on the strategic decisions taken by the Parent Company, defining the Group's methodology for assessing the risks of money laundering and terrorist financing, the procedures for coordinating and sharing information between Group Companies and general standards for the adequate verification of customers, the retention of documentation and information and the identification and reporting of suspicious transactions;
- ensuring adequate Group supervision, continuously verifying the suitability, functionality and reliability of the anti-money laundering arrangements, the procedures and processes adopted within the Group and their degree of adequacy and compliance with the law;
- playing a management and coordination role in relation to Group Companies, promoting and spreading the culture of prevention of the risk of money laundering and terrorist financing.

The Anti-Money Laundering Department oversees and coordinates the management of money laundering and terrorist financing risks, through the execution of a series of activities that may be related to the following types of processes:

- main processes, i.e. the set of activities aimed at the correct fulfilment of the obligations of proper customer due diligence, data and information retention and reporting of suspicious transactions;
- cross-cutting processes, i.e. the set of activities functional to mitigate and contrast the risk of money laundering.

In the performance of its duties, the Anti-Money Laundering Department has access, in the manner deemed most appropriate, to all activities and to all central and peripheral structures of the Group, as well as to any information that it deems relevant for the performance of its duties and is equipped with tools that are useful for carrying out the controls for which it is responsible.

As part of the integrated internal control system, the Anti-Money Laundering Department contributes in its areas of responsibility to:

- the definition of a common risk taxonomy for analysis and evaluation activities;
- the constant exchange of information;
- the establishment of uniform risk measurement and reporting methods;
- the management of any misalignments in the level of risk assessments that have emerged during the planning of activities;
- the examination of the findings that have emerged and the related corrective actions proposed, examining any conflicting assessments in order to reach a single and satisfactory solution for all the Corporate Control Functions that have highlighted the same significance.

Human resources

The total workforce of the Cassa Centrale Group as at 31 December 2020 stood at 11,301 employees, substantially in line with the workforce at the end of 2019 of 11,281 units.

Staff composition by category and gender

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER	31/12/2020			31/12/2019	Change	% change
	Men	Women	Total	Total		
Executives	190	11	**201**	199	2	**1.0%**
Middle managers	2,292	689	**2,981**	2,947	34	**1.2%**
Employees	4,135	3,984	**8,119**	8,135	(16)	**(0.2%)**
TOTAL	**6,617**	**4,684**	**11,301**	**11,281**	**20**	**0.2%**

Staff composition by age group

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP	31/12/2020				31/12/2019	Change	% change
	<30	30-50	>50	Total	Total		
Executives	-	43	158	**201**	199	2	**1.0%**
Middle managers	5	1,354	1,622	**2,981**	2,947	34	**1.2%**
Employees	639	5,656	1,824	**8,119**	8,135	(16)	**(0.2%)**
TOTAL	**644**	**7,053**	**3,604**	**11,301**	**11,281**	**20**	**0.2%**

The average age of the Group's personnel is in the 30-50 bracket with about 60% of employees in that bracket.

The long-term strategy of the Group is always oriented towards the quality of its human resources, with a primary commitment in promoting the constant development of individual and group capabilities and skills.

The main guidelines followed by the Group are valuing initiative and flexibility, supporting growth opportunities through adequate development paths and promoting active participation in the implementation of projects, providing instruments and methods for the emergence of innovative contributions to be made available to the company.

Development of a Group culture during the pandemic and employer branding

In the particularly difficult period of the Covid-19 health emergency, still ongoing, messages of cohesion, closeness, sense of belonging and solidarity towards the employees of the Cassa Centrale Group were strengthened and the forms of communication were also enhanced. In the virtual space dedicated to all the Group's employees, "The Square", a specific "Covid-19 Emergency Section" has been implemented that collects all the documentation sent during the emergency (from infographics on how to behave in order to safeguard one's own health, to legislative references such as governmental DPCMs), with the intention of providing each employee with all the information available on Covid-19 through a smart and user-friendly platform.

Numerous infographics and messages were disseminated to employees in support of the organisational management of smart working or of the psychological aspects resulting from the spread of the pandemic (from the five rules to better manage working times and spaces at home, to useful suggestions to maintain a good level of work-life-balance).

Starting from March, specific training empowerment spaces were activated ("Once a week: your thirty minutes of empowerment"), with talks lasting thirty minutes, managed by personal growth and coaching experts, but also agile working methods and remote team management. Following the approach of large companies, psychological issues related to emerging fears and employee concerns were also examined.

A pilot project was launched at the Parent Company and Allitude with Mindwork, an online platform where psychologists and psychotherapists are at the service of the employees of the two Companies. The service, presented before the summer of 2020, envisages a period of experimentation with the intention of subsequently extending it, on a voluntary basis, to the Affiliated Banks.

The construction of a Group culture involves small actions, such as those described above, which help to convey the identity values of the Cassa Centrale Group. "Putting people at the centre" also means acting quickly to provide tools that support people in understanding the present, with the aim of making Group employees autonomous and aware of how to manage emergencies, even on a personal level, expressing closeness and empathy, two fundamental elements at a time of great uncertainty.

Strengthening its employer branding strategy is an effective method of attracting talent to the company: if the company succeeds in spreading its values and mission, including through its collaborators, the potential for finding the ideal candidate may be increased. Developing the company's visibility in the labour market, making it stand out from its competitors, is of fundamental importance.

For the Group, external events are an excellent opportunity for employer branding and recruiting: the Group strengthened its partnership with the academic world in order to promote itself more effectively with young university talent, make itself known to a wider audience and thus build a solid communication strategy. The Cassa Centrale Group has launched a university "career day" in order to represent all Group companies. In particular, it participated in the first "career fair" of the University of Trento, completely digitalised, attracting particular interest from young participants (graduates or undergraduates). In autumn 2020, the Cassa Centrale Group launched a new partnership with "Jest", the Junior Enterprise of the University of Padua, participating as a company in the "Act-in-class" event, an innovative 4-week digital transformation workshop in which the companies involved had a team of master's students dedicated to developing a solution to a business problem proposed to them in the form of a challenge. The project was carried out in collaboration with the Management Engineering Course of the University of Padua and with Azzurro Digitale, a consulting company in digital transformation. The students prototyped an innovative solution around the theme of "The micro-branch of the future in the Cassa Centrale Group" by analysing real data and the context of a micro-branch of an affiliated BCC.

Brand Identity: supporting actions

In November, the "Group Identity" project was launched, through the first Bootcamp on the identity of the Parent Company, an event that involved several colleagues of Cassa Centrale Banca. The Bootcamp generated the drafting of an internal Parent Company Manifesto, with the definition of the 5 identity key words for the Bank's employees.

The identity project will initially involve Allitude, followed by the Affiliated Banks and Associated Companies throughout 2021, in line with the messages created for the Group's first national campaign.

Recruiting activities at the time of the pandemic

Even during the health emergency, recruiting activities continued. Thanks to the use of the 'SAP SuccessFactors' platform and webcalling tools, it was possible to continue with job posting, analysis of applications and interviews. At this juncture, technology has demonstrated its efficiency in supporting experts and managers in the search for the talents of tomorrow.

Partnerships to innovate and compete

Despite the pandemic, the consolidated partnership with SDA Bocconi School of Management has made it possible to create new high-level professional training courses and to continue the courses already in place with new methods in full compliance with Covid-19 security measures.

The partnership with CeTif, the Centre for Research on Technologies, Innovation and Financial Services of the Università Cattolica del Sacro Cuore, contributed to bringing expertise to our Banking Care Academy and allowed us to participate in the "Smart Working Group", a special CeTif project within the Digital HUB 2020 research path. The project was created to support institutions in the forced transition to remote work mode during the health emergency due to the spread of Covid-19. During the course of the project, a contribution was made to the drafting of a publication on the topic of smart working in the Italian financial sector, in which the major national banking groups also participated. The considerations contained in the document are useful for the development of a new internal plan for the Banking Group with respect to the issue.

In addition to consolidated partnerships such as the one with the Politecnico di Milano (in particular, with the Innovative Payments Observatory, which studies innovative payment systems for consumers and the additional services associated with them), in the last six months a partnership with Talent Garden was added for the development of a digital transformation project involving the Group's Affiliated Banks. Talent Garden is a very lively national entity, a crossroads of experimentation and innovation capable of catalysing the most innovative debates on the Italian scene and beyond; joining the Talent Garden network is an important step towards consolidating the open and smart vision that we intend to bring to the Banking Group.

Development of skills and training in the Cassa Centrale Group

The Banking Care Academy deals with the design, promotion and implementation of training courses for the Banking Group. Through the SAP Success Factors Learning Management System (LMS) platform, the training proposals reach all Group employees, with awareness and participation objectives for the individual growth of employees within the Affiliated Banks.

In this particularly complicated period, the Banking Care Academy activated a number of projects for the banks and companies of the Group aimed at facilitating training continuity through the digital tools offered by technology and aimed at training and developing new skills.

In particular, during the lockdown period and smart working activities, through the "Remote Learning" project involving all Group employees, the training process, traditionally carried out in the classroom, was organised into interactive webinars (using the MS Teams system platform) and made it possible to reach all training recipients, guaranteeing the planning conceived at the beginning of the year.

The certification of skills, an essential element in some courses of the Academy, was also guaranteed through a new proctoring tool, already tested in universities all over the world and fundamental for the management of the learning assessment process.

Among the particularly innovative projects launched are:

- Drive the change (digital transformation);
- Digital Confidence (cybersecurity).

The digital transformation is an extraordinary opportunity for the evolution of the Group and "Drive the change" represents the path aimed at generating the engagement and participation necessary for the change of mindset with respect to the current digital evolution. Banking Care Academy is convinced that starting a digital innovation means breaking down cultural and organisational boundaries, dismantling rigid barriers, removing resistance to change in people, creating new ways of interacting and managing their activities. Such a revolution must be supported by a leadership culture that strengthens the connections between people and their sense of belonging. In this sense, the objective of the Drive the change project is to foster a mindset able to make people feel free to take initiatives and bring value through their ideas. The Drive the change project is based on the use of artificial intelligence simulators, developed by the People and Corporate Culture Service and the Digital Office of the Parent Company, with the collaboration of SkillGym.

SkillGym is an advanced Digital Role Play system dedicated to training in the management of business and leadership conversations, through the practice and reflection of the impact of one's own behaviour. SkillGym uses Artificial Intelligence, Interactive Cinema and Augmented Reality to offer an authentic and immersive training experience. This path, developed specifically for the Cassa Centrale Group, allows training to convey the benefits of a path of innovation and change. Practice is the most effective way to improve conversation skills and to develop motivation, involvement and propensity for change.

The "Confidenza Digitale" project is a cybersecurity project that encompasses training initiatives and communication/awareness-raising activities aimed at spreading a culture of security in the digital world, through the involvement of every single person within the Group.

In relation to the Banking Care Academy, training is a real challenge: the most important learning is not developed by absorbing technicalities administered with resolute solutions, suitable for all situations, but through personal and collective re-thinking of actions that require reflection.

Nowadays, those working in the bank must have up-to-date business relationship skills, must master regulations and procedures that involve responsibilities and risks, must be recognised by families and businesses as consultants and must provide answers to increasingly complex questions.

In 2020, the Banking Group carried out a total of more than 472,000 hours of training, including through the new highly interactive webinars, particularly appreciated in the satisfaction questionnaires by the participants.

Remuneration policies

On 23 July 2020, the Ordinary Shareholders' Meeting of the Parent Company - on the proposal of the Board of Directors - approved the Group's remuneration and incentive policies for all personnel, including the most important personnel, as well as members of corporate bodies.

With regard to Group Companies within "scope", the remuneration policies (hereinafter also referred to as the "Policies") approved by the Shareholders' Meeting of the Parent Company were adopted by formal resolution of the respective Shareholders' Meetings for the Banks and by various competent bodies for the other companies.

Remuneration and incentive policies have been defined on the basis of:

- the supervisory provisions on "Remuneration and incentive policies and practices" updated by the Bank of Italy in October 2018 with the 25th update of Circular no. 285 of 17 December 2013 in implementation of EU Directive 2013/36/EU of 26 June 2013 (the so-called CRD IV);
- the Delegated Regulation (EU) no. 604/2014 containing the new "Regulatory Technical Standards" (RTS), relating to the appropriate qualitative and quantitative criteria to identify the categories of staff whose professional activities have a material impact on the risk profile of the institution (the so-called "Risk Takers") intended to

supplement Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (so-called CRD IV).

The Policies describe in an organic manner: the principles on which the Cassa Centrale Group's remuneration and incentive system is based; the roles, timing and activities that define the governance of the process of drafting, reviewing and adopting Group remuneration policies; the remuneration and incentive system for the entire Group.

The objective is to achieve, in the interests of all stakeholders, remuneration systems that are consistent with the Group's values and the mutualistic aims of the Affiliated Banks, with the corporate objectives, long-term strategies and with the Group's prudent risk management policies, as defined in the provisions in force on the prudential control process, such as to avoid distorted incentives that could lead to regulatory violations or excessive risk taking for the bank and the financial system as a whole.

For further information and a detailed description of the policies in place, please refer to the document "Group remuneration and incentive policies" available on the Cassa Centrale Banca website at the address www.cassacentrale.it, in the Governance section.

Welfare and Trade Union Relations

The second half of 2020 saw the Welfare and Trade Union Relations Service engaged in numerous trade union negotiations for the management of redundancies and generational turnover. In particular, the Banks involved in these transactions were: Cassa Centrale Banca, Cassa Rurale ed Artigiana di Borgo San Giacomo, Cassa Rurale - Credito Cooperativo Adamello Giudicarie Valsabbia Paganella, BCC Valdostana, Cassa Rurale Alta Vallagarina and Lizzana, BCC Castagneto Carducci, BCC Flumeri, BCC Prealpi San Biagio, Cassa Rurale Valsugana and Tesino, BCC Casalgrasso Sant'Albano Stura, Banca del Veneto Centrale. The agreements involved a total of 147 colleagues who will access the Solidarity Fund in the period between 2020 and 2027; against these exits and over the same period of time, a generational change (hiring on permanent contracts and/or conversion from fixed-term to permanent contracts) was envisaged in favour of 73 new resources.

The union procedures relating to extraordinary mergers involved Cassa Rurale Giudicarie Valsabbia Paganella, which incorporated Cassa Rurale Adamello, becoming Cassa Rurale - Credito Cooperativo Adamello Giudicarie Valsabbia Paganella and Centro Veneto Bassano Banca, which incorporated Rovigo Banca, taking on the new name of Banca del Veneto Centrale.

The prolongation of the emergency period due to the Covid-19 pandemic has required constant and continuous updating and consultancy activities with reference to the numerous legislative and regulatory provisions (national and local) regarding the measures to be adopted for the management of human resources and to combat the spread of the infection in the workplace. This has made it increasingly necessary to draw up and circulate numerous internal circulars providing the Affiliated Banks with, on the one hand, constant updates on the evolution of the emerging legal institutions in the field of labour law and, on the other hand, the correct interpretations issued by the competent bodies that have followed one another in recent months. The consultancy linked to the extraordinary emergency situation was accompanied by ordinary labour law assistance to the Affiliated Banks, regarding problems concerning the establishment, management, termination (consensual and/or unilateral) of employment relationships as well as the various processes of corporate reorganisation carried out by the BCC-CR-RAIKAs.

Pending the extension of the emergency period, on 21 September 2020 a collective trade union agreement of an experimental nature on agile work was reached and signed with the aim of regulating and introducing the use of the agile work tool in the companies of the direct perimeter of the Cassa Centrale Group and expanding - with respect to the provisions of Article 5 of Law Decree no. 111 of 8 September 2020 then in force - the perimeter of workers entitled to perform work in agile mode. This agreement is expected to be valid until 31 March.

In order to obtain a complete survey of the various procedures and practices existing to date in the various BCC-CR-RAIKAs, a process of mapping and analysis of the regional and provincial supplementary contracts in force throughout the country and the second-level company trade union agreements reached and signed since 2010 (also with the assistance of the local federations) was launched.

Trade union negotiations also continued during the year, already started in the first half of 2020, for the preparation of the new Supplementary Company Agreement of Allitude.

With regard to the procedures initiated between the National Secretaries of Trade Unions (OO.SS.) and Federcasse, negotiations continued for the renewal of the National Collective Labour Agreement for Executives and the work of the permanent National Commission established by the shared Protocol on "Measures to prevent, combat and contain the spread of the Covid-19 virus in the Cooperative Credit category" signed on 24 March 2020. The Commission, which met in July and November, provided important data on the trend of the infections, the use of agile work, as well as the measures put in place to contain the Covid-19 contagion in accordance with the aforementioned Protocol. On 31 July, between the National Secretaries of the Trade Unions and Federcasse, the national agreement on performance bonuses was then signed and the Istituto della Banca del Tempo Solidale was extended until 31 December 2021. Respectively, on 30 October 2020 and 25 November 2020, the "Joint statement of Federcasse and the trade unions of Credito Cooperativo" was signed, to reiterate that the round table between the above-mentioned parties, together with that of the National Commission, is in any case to be considered permanent in order to allow effective and timely monitoring of the pandemic situation, along with the "Joint statement on harassment and gender-based violence".

Lastly, following the cancellation of the agreement on the "National Agreement on trade union rights for the Cooperative Credit category", received on 30 September from the National Secretaries of the Trade Unions, on 28 December the validity of the agreement was extended until 28 February 2021 in order to start and conclude new negotiations on trade union rights.

Other information on operations

Consolidation and development of Corporate Identity activities

The first half of 2020 was characterised by a series of extraordinary activities due to the Covid-19 state of emergency that led to the undertaking of new projects.

In a context marked by the pandemic, the Cassa Centrale Group sent a signal of togetherness to households and businesses by acknowledging the ABI instructions, following the directives of the DPCMs and providing communication guidelines to manage the emergency. Dedicated and personalised advertising campaigns were created (e.g. "Proteggiamoci Insieme" and "Vicini a distanza"), the websites were updated with in-depth pages on economic initiatives for individuals and businesses (mortgage moratoria, Cassa Integrazione Guadagni, 'Liquidità' Decree) and a series of tools were made available to Banks to facilitate the new method of accessing branches.

In order to facilitate the Banks in carrying out the new meeting procedures (not in person but with an Appointed Representative) and to allow them to easily and promptly convey the information required for adequate participation in the meetings, a specific section called "2020 Shareholders' Meeting" was created on MyCMS (the platform for managing the Bank's websites). Information on the website includes, for example: "Who is the Designated Representative?", "How to participate in the Shareholders' Meeting", "How to make voting proxies", "How to ask questions on the items on the agenda", "What documentation to publish". In support of the regulatory section, communication supports (videos, infographics, etc.) were also created for all the banks of the Group and a reserved area was made available for shareholders to convey the pre-meeting documents.

In 2020, the Group continued the rebranding process aimed at both the Affiliated Banks and the Group Companies in order to build and consolidate a common identity, recognisable to shareholders and customers, distinctive with respect to competitors and the most important Groups of the national credit landscape.

To date, almost all Banks (98%) have made the changeover by adopting the new trademark and pictogram. The brand thus becomes an echo of the Group's strategic-value positioning, which is unique and distinctive from the rest of the credit sector.

As part of the broader scope of activities relating to the introduction and consolidation of the Group's identity, the first national multi-channel communication campaign of the Cassa Centrale Group was launched: the first months of the year saw the definition of a tender among three well-known international agencies, with the awarding of the contract to The Big Now agency (part of the Dentsu Group). The pandemic temporarily interrupted and halted activities related to the shooting of the commercial and made it necessary to make changes to the copy and images of the commercial approved at the February 2020 Board meeting.

Following the changes made in line with the sensitivity of the new pandemic context, and after the new approval by the Board of Directors in October, in the last quarter of 2020 the first national multi-channel communication campaign of the Cassa Centrale Group was launched, whose main mission was to generate awareness of the Group's pictogram. This campaign also had the dual objective of reassuring stakeholders and making them proud to be part of a Group consistent with its traditional values: cooperation, reciprocity and localism.

The payoff "Gruppo Cassa Centrale, le Banche di tutti noi" of the national campaign is a leading and cross-cutting element of the communication, which emphasises the themes of the Group's strength, the multiplicity and individual specificity of each Bank, together with people, families and businesses.

The campaign was developed on different means of communication: TV to ensure brand awareness and visibility and reach a wide audience, the press for the reputational aspect and authority that it guarantees and the web/digital to profile an active audience and reach a younger group.

The commercial, directed by Matteo Bonifazio, is characterised by a mix of realistic and at the same time poetic elements: at the centre is the Italian spirit and its most recognisable contemporary traits, the characters are first and foremost people who speak of naturalness and warmth, without falling into stereotypes. All this to illustrate the variety and strength of the Cassa Centrale Group, which, like Italy, comprises realities that alone are apparently different from each other, but which together become bigger and stronger.

Despite the incessant digital evolution, the creative concept was based on instant analogue photography: the Polaroid, which tells stories through images. The choice is in line with the increasingly popular trend of "going back to basics", escaping from the virtual world that has become an increasingly important part of our lives in recent years. An institutional communication, elegant but with a strong impact in its essentiality: the Group's pictogram is reconstructed through numerous Polaroids that represent scenes of daily life with some Instagram-style shots and some small moments stolen from the set. The icon of the pictogram is therefore referred to without excessive restrictions, so that even the less attentive viewer can still grasp the link with the TV commercial.

Work continued on the MyCMS (Content Management System) service available to its Affiliated Banks, an easy-to-manage multi-site shared platform that allows the individual bank to configure and customise its website in just a few steps. 77% of the Group's Banks participated in this project, allowing for coordinated, consistent and timely communication.

In the second half of 2020, a series of analyses and in-depth studies were launched to identify any improvements to the MyCMS platform. Thanks to these analyses, some improvements will be carried out in 2021:

- STEP 1: back-end improvements and updates related to graphics to improve its use;
- STEP 2: user experience improvements, especially mobile, and an important front-end graphics review.

In parallel with these steps, the migration to Umbraco 8 is planned, which will allow for the evolution of MyCMS, with the aim of providing the Bank site administrators with an increasingly powerful and usable tool.

To support the Banks in communicating the measures defined due to the health emergency, in collaboration with the Credit Department, an information web page on the "Superbonus 110%" was created for the institutional website www.cassacentrale.it and for the websites connected to MyCMS.

The page, dedicated to tax deductions up to 110% for the Individual target, describes in a clear and exhaustive manner, "What is the Superbonus?", "How to apply for it", "What are the leading interventions?", "Who are the beneficiaries?" and "What are the excluded buildings?".

In addition to the MyCMS websites, in order to have a single, coordinated communication at Group level, a series of communication materials have also been created for the individual Banks. These materials were also used for a major digital marketing campaign on the Google search network, Bing and the Google Display Network and a native advertising campaign under the Cassa Centrale Group brand.

The aim of the campaign was to collect leads (potential customers) via a contact form (on the dedicated landing page on www.cassacentrale.it) for information/appointment requests on the topic in question. In the contact form, the user - current customer or prospect - could select their bank of reference and directly send a contact request.

The campaign, to which a significant investment was dedicated, covered a time span of 3 months starting from the end of October. During the campaign period, 680 forms were filled in and sent from 151 customers and 529 non-customers (prospects). In the 3 months of the campaign, the landing page obtained almost 6.5 million impressions and more than 53 thousand users visited the page.

During the first half of 2020, the Marketing Department led the editorial coordination and graphic design of the Consolidated Non-Financial Statement (NFS) of 2019, the first of the Cassa Centrale Group. The NFS was created using a graphic layout in line with the institutional supports, in a square shape to refer to the Group's pictogram. Given the importance of the issue, it was considered essential to communicate the results achieved in a simple, clear and immediate manner. For this reason, a onepage was created on the website www.cassacentrale.it and communication materials were clear and easy to use for the various stakeholders.

With regard to corporate social responsibility (CSR), in order to further highlight the concepts of cooperation, sustainability and responsibility, which have always represented us and are part of our nature, a dedicated payoff and logo have been identified. The "Cooperation. Sustainability. Responsibility." payoff, whose initials make up the word CSR, and the sustainability logo, available in four colours and created with a deliberately very different font from the Group's institutional font, were created to identify initiatives, materials, projects and documents in the area of corporate social responsibility, available to both the Parent Company and the Group Banks.

Given the importance of this issue in our cooperative sector, the Marketing Service submitted the project "The marketing and communication strategy of the Cassa Centrale Group in relation to CSR" as part of the annual Financial Innovation - Italian Awards 2020 organised by Aifin, the Italian Financial Innovation Association, who assigned this project the third place in the CSR and Sustainability category. Among the aspects of the project considered most innovative, the original communication strategy for all the banks of the Group was highlighted in the process of enhancing the 2019 Consolidated Non-Financial Statement. This recognition rewards and enhances one of the most important areas for our positioning as cooperative banks in the territories, the strength and solidity of the Group, as well as synergistic and team work between Marketing, External Relations and all the company structures that contributed to the drafting of the NFS and its subsequent valuation.

In addition, the institutional website www.cassacentrale.it won the 21st edition of the Interactive Key Award: the awards jury, composed of 40 web and new technology experts, communication professionals and sector journalists, awarded Cassa Centrale Banca the first prize in the "Finance, Insurance, Consulting and Research" category, an award for the creativity, quality, innovation and ease of use of the new Group Website.

During 2020, the important Digital Bank restyling project began, which involved Allitude (the Group's IT Services Company) and Cassa Centrale Banca in a lengthy process of revising both the Inbank brand architecture and the communication of the various products and services.

The main innovation is represented by the new brand architecture, which arises from the assumption of considering Inbank the "umbrella" brand of all the products and services that fall within the scope of the Digital Bank. The Inbank logo was revised and updated in colors to align with the new brand identity of the Group, Parent Company, Banks and Allitude.

In light of the Digital Bank analysis carried out in 2019, a restyling of the communication materials was worked on, enhancing the value of what emerged from the analysis carried out, and in parallel, the new Inbank "WHERE - HOW - WHEN" multi-subject campaign was designed. The message of the campaign aims to communicate accessibility to services to people, availability without time and location limits and simplicity of use.

Communication materials were therefore prepared relating to the products - Inbank web, Inbank app, Inbank atm, Inbank trading and Inbank planner, useful to support the Banks in the product offering process.

To make it easier for customers to use Inbank, and with a view to financial education, a series of video tutorials was also created with the aim of explaining in a simple and immediate manner the main transactions that can be carried out with Inbank and making customers independent. The videos were made available to the Banks, published on their websites and on the Youtube channel.

As part of the "WHERE - HOW - WHEN" digital bank restyling project, the mini-site www.info.inbank.it, dedicated to Inbank, was launched in November. The web portal, unique, complete and consistent, on which it is possible to find all the information relating to the products and services of the digital bank, represents the point of contact with the end customer. Finally, the advertising spot dedicated to the Digital Bank is being completed and will be published on Youtube and subject to a digital campaign in the first half of 2021.

In 2020, in order to increase the range of products and services provided to merchants (both physical and virtual), improve the user experience and meet the needs of the Group's banks, the e-commerce POS offering was enhanced, evolving Allitude's Virtual Pay service and flanking it with Nexi's XPay solution, in the XPay Easy and XPay Pro versions. The project involved various players, including the E-money Service and the Organisational Development Office for the development of the products and the Marketing Service for the creation of the communication concept and the enhancement and dissemination throughout the country. In preparing the communication line, a number of key concepts were highlighted, such as ease of handling e-commerce payments, simplicity and security in online sales, trust in one's bank and innovation and completeness in the bank's product and service offering.

During the second half of 2020, taking advantage of the opportunity deriving from the introduction of the three new investment areas of Asset Management, an important project for the restyling of advertising material was launched, which will see its complete implementation during the first months of the year 2021. The new line of communication, with a strongly revised graphic layout, claim and copy, is the result of careful and in-depth research and analysis that led to the decision not to use database images but rather, in order to give prestige and emphasis to the new line of communication, shots taken by Paolo Riolzi, photographer and lecturer, whose works have been exhibited in the most important museums. In order to be present in a widespread manner and reach the greatest number of users, the material was prepared for the digital world (e.g. ATMs, the Inbank, banners for websites and social channels), for merchandising and branch displays (e.g. posters and flyers). In support of the manager's relationship with customers, the graphics and content of informational material were also revised.

In 2020, the focus was on the creation of the Cassa Centrale Group's offer dedicated to young people, which will be launched in 2021. A series of market analyses were carried out and the Banks were involved in order to create a simple offer for them (centrally updated and standardised contracts and procedures) and modular and customisable for the customer (products and services according to requirements).

The project is aimed at the 0-35 age group with various dedicated solutions aimed at raising awareness of the informed use of money. In order to make the offer more attractive, an 'electronic piggy bank' will be introduced - created in collaboration with Allitude - which will make it possible to save money in an innovative way by creating savings targets.

Lastly, still pertaining to the wider scope of the brand enhancement process, the Marketing Service was involved in the graphic restyling of the Group payment cards.

During 2020, a series of market, competition and pricing analyses were carried out, which involved several company functions, Allitude and external suppliers in order to identify the best possible solution in terms of plastic quality and rationalisation of the purchase/distribution process.

In order to deliver payment cards consistent with the new Group image to all customers of the Group Banks in 2021, an additional differentiating element was introduced, which consists of representing the Group logo directly on the payment cards. The name of the Bank will be entered as a string like the name of the cardholder.

Relations with related parties

Details of transactions with related parties are provided in Part H of the Explanatory Notes, to which reference should be made.

Information about going concern, financial risks, impairment testing of assets and uncertainties in the use of estimates

With reference to the Bank of Italy, Consob and Isvap documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, concerning the information to be provided in the financial reports on the business outlook, with particular reference to business continuity, financial risks, impairment testing and uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonable expectation that the Group can continue to operate in the foreseeable future and therefore certifies that the consolidated financial statements as at 31 December 2020 have been prepared on a going concern basis.

There are no elements or warnings in the Group's equity and financial structure and operating performance that could lead to uncertainties as to its ability to continue as a going concern.

For information on financial risks, impairment testing of assets and uncertainties in the use of estimates, reference should be made to the information provided in this report, comments on operating performance, and/or in specific sections of the consolidated financial statements.

Own shares

The share capital of the Parent Company Cassa Centrale Banca amounts to EUR 952,031,808, made up of 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

As at 31 December 2020, 15,874,453 ordinary and preference shares with a nominal value of EUR 825,471,556 (corresponding to 86.71% of the share capital) are held by the Affiliated Banks of the Cassa Centrale Group and therefore, in the consolidated financial statements, these are to be considered as own shares held in portfolio.

No shares of the Parent Company were sold during the year.

Policies for business continuity management

Following the definition of the organisational and operational model of the Cassa Centrale Group on the subject of Business Continuity, resolved by the Board of Directors during the previous financial year, during 2020 the Cassa Centrale Group completed the updating of the documentary framework characterising the model and represented, in particular, by the Group Regulation on Business Continuity and Crisis Management, the updating of the Business Continuity Plan of the Parent Company and the Group Companies and the Disaster Recovery Plan of Allitude S.p.A., to which all Group Banks have outsourced the management of the information system.

During the year, the Business Impact Analysis methodology was consolidated, which initially involved the Parent Company and a significant perimeter of Group Banks, in order to standardise the methodology and with the aim of defining standardised and homogeneous procedures. In the second phase, the methodology was extended to all the Affiliated Banks and the critical processes were identified, as well as the timeframes for restoring these processes and the human and technological resources required to guarantee continuity of operations in an emergency or crisis situation. The continuity solutions identified were incorporated in the Continuity Plans of the Group Banks and Companies, which were approved by the respective Boards of Directors.

The solutions identified in the Continuity Plan of Cassa Centrale Banca were tested during the year, with positive results.

Of particular importance was the Disaster Recovery test of Allitude S.p.A, which was carried out by the Parent Company together with a number of Affiliated Banks, since the solutions tested are managed at Group level: together with the verification of the availability of information systems, the Group's crisis escalation and management procedure was verified, as defined in the Group Regulation for Business Continuity and Crisis Management.

The risk of infection from Covid-19 characterised 2020, making it necessary to activate emergency management measures:

- in the initial lockdown phase of March-April, the prompt activation of the solutions envisaged for events linked to the pandemic risk, to protect the health of workers and the continuity of processes, was decisive;
- in the subsequent phases, the resilience demonstrated by the Group was important, due to the extension of the emergency even beyond the year 2020.

Cassa Centrale Banca coordinated the Group's response through communications and circulars, with which the guidelines and provisions were sent to the Group Banks and Companies, in compliance with the restrictions and government provisions. The Group continues to monitor the impact of the emergency, which has operated without encountering crisis situations, interruptions in operations with customers or critical issues in the management of the related processes.

Please refer to the section "Significant events during the year" for a description of the additional interventions developed for the management of the Covid-19 emergency.

Organisational, management and control model for crime prevention pursuant to Italian Legislative Decree no. 231/2001

In implementation of the mandate pursuant to Art. 11 of Law 300 of 29 September 2000, Legislative Decree 231 of 8 June 2001 (hereinafter also "the Decree") was issued, with which the legislator adapted the internal regulations to international conventions on the subject of personal liability to which Italy adheres.

These in particular include the Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Communities, the Convention signed in Brussels on 26 May 1997 on the fight against corruption involving officials of the European Community or of the Member States and the Organisation for Economic Co-operation and Development (OECD) Convention of 17 December 1997 on the fight against corruption of foreign public officials in economic and international transactions.

The Decree, containing the "regulation of the administrative liability of legal persons, companies and associations, including those without legal personality", introduced in the Italian legal system a regime of administrative liability against entities for crimes exhaustively listed and committed in their interest or advantage: (i) by natural persons who perform functions of representation, administration or management of the entities themselves or of one of their organisational units with financial and functional autonomy, as well as by natural persons who exercise, even de facto, management and the control of said entities, or (ii) by natural persons subject to the management or supervision of one of the parties indicated above.

The entity is not liable, on the other hand, if the aforementioned parties have acted in the exclusive interest of themselves or of third parties (Art. 5, paragraph 2 of the Decree) or when they voluntarily prevent the carrying out of the action or the realisation of the event.

In any case, the administrative liability of entities is independent of the criminal liability of the natural person who committed the offence.

The offences for which the administrative liability of entities is configurable, with specific indication of the applicable sanctions, are listed in Section III of the Decree. The Decree provides for forms of exemption from the administrative liability of entities. In particular, this establishes that, in the event of a crime committed by a top management party, the entity is not liable if it proves that:

- the management body has adopted and effectively implemented, prior to the commission of the offence, organisational and management models suitable for preventing offences of the type that occurred;
- the task of supervising the functioning and observance of the models and their updating has been entrusted to a corporate body with autonomous powers of initiative and control;
- individuals have committed the offence by fraudulently circumventing organisational and management models;
- there has been no lack of or insufficient supervision by the body responsible.

Therefore, in the case of a crime committed by top management, there is a presumption of liability on the part of the entity due to the fact that such parties express and represent the policy and, therefore, the will of the entity itself: this presumption, however, can be overcome if the entity can demonstrate the existence of the four conditions indicated above in line with the provisions of paragraph 1 of Article 6 of the Decree.

In this case, although there is personal responsibility on the part of the top management, the entity is not liable under the Decree.

In the same way, the administrative liability of the entity also exists for offences committed by subordinates, if their action was made possible by failure to comply with management or supervisory obligations. In any case, failure to comply with these management or supervisory obligations is excluded if the company demonstrates that it has adopted and effectively implemented, prior to the commission of the offence, an organisational and management model suitable for preventing offences of the type that has occurred.

The Model must meet the following requirements:

- identification of the activities within the scope of which there is the potential that offences provided for in the Decree may be committed;

- provision of specific protocols aimed at planning the formation and implementation of the company's decisions in relation to the crimes to be prevented;
- identification of methods of managing financial resources suitable to prevent the commission of such offences;
- provision of information obligations towards the body responsible for supervising the functioning of and compliance with the Model;
- introduction of a disciplinary system suitable to sanction non-compliance with the measures indicated in the Model;
- provision of adequate information channels that, also through IT methods and ensuring the confidentiality of the identity of the reporter, allow individuals in top positions and their subordinates to submit detailed reports of unlawful conduct or violations of the Model;
- prohibit retaliatory or discriminatory acts against whistleblowers for reasons linked - directly or indirectly - to the reporting of potential violations of the Model.

The Parent Company has long since adopted a Model aimed at preventing the risk of incurring administrative liability of entities for the offenses envisaged by the Decree. The Cassa Centrale Banca model consists of two parts.

The General Part provides a description of the reference regulatory framework, the Bank's governance model and organisational set-up, the tasks and responsibilities of the Supervisory Board, the disciplinary system and the training and communication plan relating to the Model. It also provides indications on the methodology used to define the Model. Lastly, it identifies the roles and responsibilities regarding the adoption and updating of the Model.

The Special Part, organised into specific protocols for each category of offence provided for in the Decree, identifies the sensitive activities within the scope of which it is reasonably conceivable that such offences may be committed, as well as the control measures, organisational measures and behavioural principles to be adopted in order to prevent their commission.

In particular, through the adoption and constant updating of the Model, the Parent Company has proposed pursuing the following main objectives:

- contribution to the internal dissemination of knowledge of the offences provided for in the Decree and of the activities that may lead to their implementation;
- communication within the Bank of the knowledge of activities in the context of which there is a risk of offences being committed and the internal rules adopted by the Bank governing the same activities;
- communication of full awareness that conduct contrary to the law and internal provisions is condemned by the Bank, as, in carrying out its corporate mission, it intends to comply with the principles of legality, fairness, diligence and transparency;
- assurance of an organisation and system of controls appropriate to the activities carried out by the Parent Company and guarantees of the correctness of the behaviour of top management, employees and collaborators.

With the establishment of the Cooperative Banking Group, the Parent Company has launched a project of progressive adaptation of its Model in order to ensure its alignment with the new governance structure and the changed operating situation. The updating activity was concluded with the approval of the same by the Board of Directors on 4 June 2020, also taking into account the regulatory changes introduced in 2019. With respect to these changes, the Parent Company also provided operational support to the Affiliated Banks for updating their respective Models.

At the same time, in the reporting period, the Parent Company continued the project aimed at rationalising and standardising the management of the issue of the administrative liability of entities by Group companies, through the preparation of a document containing principles and guidelines with which they are required to comply. In particular, the document sets out the obligation for all Italian subsidiaries to adopt a Model and to set up a Supervisory Board in accordance with the indications contained therein, as well as to prepare specific information flows aimed at enabling the Parent Company to be aware of relevant facts concerning the companies themselves.

Furthermore, on 30 July 2020, Legislative Decree no. 75 of 14 July 2020 on rules "implementing Directive (EU) 2017/1371 on the fight against fraud affecting the financial interests of the Union by means of criminal law" entered into force. This Decree made numerous changes to the system of administrative liability of entities, both through the introduction of new offences in the "catalogue" of so-called predicate offences (pursuant to Legislative Decree no. 231 of 8 June 2001), and through the amendment of existing offences.

Consequently, Cassa Centrale Banca commenced the assessment of the impacts of the new regulations through the performance of the risk assessment, aimed at identifying the activities within which the offences may be committed as well as determining the relative level of exposure to the risk of committing the same.

The completion of the adjustment activities by the Parent Company is expected in the first quarter of 2021. Subsequently, the documentation templates will be issued to the Affiliated Banks to be customised in relation to the specificity of the operating context of each, to support the updating activities.

Consolidated non-financial statement

The Cassa Centrale Group prepares, on an annual basis, the Consolidated Non-Financial Statement pursuant to Article 5, paragraph 3 of Legislative Decree 254/2016. The document is published on the Cassa Centrale Banca website at www.cassacentrale.it in the "Investors" section.

Significant events occurred after the end of the financial year

It should be noted that, after 31 December 2020 and up to the date of approval by the Board of Directors of this consolidated annual financial report, no events, facts or circumstances have occurred that have led to a change in the figures approved at that time or that have had a significant subsequent impact on the Group's financial position and results of operations.

The main events that occurred after the end of the year are shown below.

CARIGE transaction

Due to the extraordinary and uncertain context due to the Covid-19 crisis, and in response to the requests received for the expression of an opinion regarding the exercise of the call option on Carige shares, the Board of Directors of Cassa Centrale Banca has resolved, at the meeting of 15 March 2021, to provide a mandate to the Chairperson and the Chief Executive Officer to define with FITD and SVI the economic-legal conditions for the mutual termination of option contracts and related agreements.

MREL requirement

Following the activities initiated during 2019 with the SRB (Single Resolution Board), aimed at defining the MREL (Minimum Requirement of Eligible Liabilities) target to be assigned to the Group and to the banks classified as Relevant Entities within the recovery and resolution framework for credit institutions and investment firms (so called BRRD), in February 2021 the commencement of the procedure relating to the "Right to be Heard" was announced with regard to the proposal to determine these requirements.

With specific reference to the Parent Company, the proposed requirement to be maintained on a consolidated basis is 21.36% of TREA (total risk exposure amount) and 5.91% of LRE (leverage ratio exposure).

This requirement, if confirmed, must be fully satisfied by 1 January 2024 with a plan for a gradual approach to this target, which envisages a first intermediate step scheduled for 1 January 2022 equal to 18.19% of the TREA and 5.91% of the LRE.

Comprehensive Assessment

At the end of February 2021, the so-called "Transparency Phase" was completed, during which the Supervisory Authority provided visibility to the first partial results of the AQR exercise, and which will be followed by the transparency phase on the results of the Join-up between AQR and Stress Test, in order to arrive at the official publication of the results of the Comprehensive Assessment during the month of June 2021.

Centrale Trading update

In the meeting of 10 March 2021, the Board of Directors of Cassa Centrale Banca approved the acquisition of a 10% share in the Company Centrale Trading S.r.l., at the price of EUR 40,846.

Following this acquisition, Cassa Centrale will own 42.50% of the Company: a direct ownership that, added to the 10% already held through its subsidiary Allitude, will lead to the assumption of control of the Company with a total interest of 52.50%.

Business outlook

The year 2020 was affected by the ongoing health emergency that generated significant impacts from a health perspective on the social, economic and financial fabric of large areas of the world.

As a result of this epidemic, the banking sector is also facing a complicated situation, having to manage the repercussions of the expected effects of the recessionary scenario. In this context, the measures of the European Authorities together with the governmental interventions (in particular the so-called “Cura Italia”, “Liquidità” and “Rilancio” decrees) are helping to contain the recessionary effects.

Impaired loans reduction strategies aimed at a progressive improvement in asset quality will remain an option pursued by the banking industry, but will essentially have to take into account the changed economic environment and its impact on banks’ profitability. Bank lending and borrowing interest rates are expected to decrease, leading to the erosion of primary margins.

The volatility of the markets in the first part of the year did not bring with it a greater aversion to risk of households, so that investments of liquidity in asset management instruments remained at the usual levels and continue to support revenues.

A lower contribution to profitability is coming from payment and liquidity management services, also due to the increased competitive pressure, especially from non-bank operators, and the digital transformation process. Within a context of weakness in traditional banking activity, improving operating efficiency, cost reduction and new business strategies are confirmed as the main levers for the recovery of profitability in the sector.

The current health crisis situation is also having an impact on the operations of the Cassa Centrale Group, given that the activities of the Affiliated Banks are mainly focused on traditional lending to households and small and medium-sized businesses in the areas where they are located.

In this new economic and social context, the Group continues to focus its attention on the one hand on strongly supporting the economic fabric of the reference territories, which are facing a crisis never experienced in the past, and on the other on overseeing the overall risk profile.

Activities related to the Group’s organisational and operational structure continue, also considering that the new context will require further investments in technology and human capital.

Given the sudden development of the external scenario, resulting from the current emergency and the possible economic repercussions, the Group is monitoring the situation in order to promptly identify potential impacts on the coming years.

Independent Auditors' Report on the Financial Statements of the Cassa Centrale Group

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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
Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the first consolidated financial statements of the new Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking 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 as at 31 December 2020 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 Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking 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 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 Cassa Centrale Banca - Credito Cooperativo Italiano 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.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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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.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the consolidated financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost"

Notes to the consolidated financial statements "Part C - Information on the income statement": paragraph 8.1 "Net impairment losses for credit risk on financial assets at amortised cost: breakdown"

Notes to the consolidated financial statements "Part E - Information on risks and related hedging policies": paragraph 1.1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the group's core activities. Loans and receivables with customers recognised under financial assets at amortised cost, totalled €70,066 million at 31 December 2020, accounting for 80.7% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €607 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, the borrower's estimated	Our audit procedures included: — gaining understanding of the parent's and group companies' processes and IT environments in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; — analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); — analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein; as well as the adjustments made as a result of the effects of the Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network;

Key audit matter	Audit procedures addressing the key audit matter
repayment ability, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the parents' and group companies' customers operate. The complexity of the directors' estimation process has increased in 2020 due to the Covid-19 emergency which has severely affected current economic conditions and potential future macroeconomic scenarios, requiring an adjustment to the valuation processes and methods. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	— selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; — selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — analysing the significant changes in the financial asset categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

Classification and measurement of financial assets and liabilities at fair value

Notes to the consolidated financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets at fair value through profit or loss", A.2.2 "Financial assets at fair value through other comprehensive income", A.2.4 "Hedging transactions", A.2.13 "Financial liabilities held for trading", A.2.14 "Financial liabilities at fair value" and A.4 "Information on fair value"

Notes to the consolidated financial statements - "Part B - Information on the statement of financial position - Assets": sections 2 "Financial assets at fair value through profit or loss ", 3 "Financial assets at fair value through other comprehensive income " and 5 "Hedging derivatives"

Notes to the consolidated financial statements - "Part B - Information on the statement of financial position - Liabilities": sections 2 "Financial liabilities held for trading", 3 "Financial liabilities designated at fair value" and 4 "Hedging derivatives"

Notes to the consolidated financial statements "Part C - Information on the income statement": sections 4 "Net trading income (loss)", 5 "Net hedging income (loss)" and 7 "Net gains (losses) on other financial assets and liabilities at fair value through profit or loss"

Notes to the consolidated financial statements "Part E - Information on risks and related hedging policies": paragraphs 1.2 "Market risks" and 1.3 "Derivatives and hedging policies"

Key audit matter	Audit procedures addressing the key audit matter
Trading in and holding financial instruments are one of the parent's and group companies' core activities. The consolidated financial statements at 31 December 2020 include financial assets and financial liabilities at fair value totalling €10,049 million and €81 million, respectively. A portion thereof, equal to roughly €700 million and €81 million, respectively, is made up of financial assets and liabilities at fair value without a quoted price on an active market. The parent's and group companies' directors have classified them in levels 2 and 3 of the fair value hierarchy. Classifying and, especially, measuring financial instruments with fair value levels 2 and 3 require a high level of judgement by the directors due to the complex models and parameters used. This complexity has increased in 2020 following the Covid-19 emergency which has severely affected current economic conditions and forward-looking macroeconomic scenarios. For the above reasons, we believe that the classification and measurement of financial assets and liabilities at fair value are a key audit matter.	Our audit procedures included: — gaining an understanding of the parent's and group companies' processes and IT environments in relation to the trading, classification and measurement of financial instruments; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3, also in the light of the financial effects of the Covid-19 pandemic. We carried out these procedures also through discussions with experts of the KPMG network; — checking, on a sample basis, that the financial instruments had been correctly classified on the basis of their fair value level; — for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the main parameters used by the directors for their measurement, also in the light of the financial effects of the Covid-19 pandemic. We carried out this procedure also through discussions with experts of the KPMG network; — analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about financial instruments and related fair value levels in the consolidated financial statements, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

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 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 22 May 2010, the parent's shareholders appointed us to perform the statutory audit of its consolidated financial statements as at and for the years ending from 31 December 2010 to 31 December 2018. With its resolution no. 20934 of 14 May 2019, Consob (the Italian Commission for listed companies and the stock exchange) approved the parent's request for extending the term of the statutory audit engagement to the years ending 31 December 2019 and 2020. The parent's shareholders approved the extension at their meeting of 28 May 2019.

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

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2020 and for the consistency of such report with the related consolidated financial statements and its 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 directors' report with the group's consolidated financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2020 and has 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.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254 of 30 December 2016

The directors of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016.

We have checked that the directors had approved such non-financial statement.

In accordance with article 3.10 of Legislative decree no. 254 of 30 December 2016, we attested the compliance of the non-financial statement separately.

Verona, 15 April 2021

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit

Consolidated financial statements of the Cassa Centrale Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position

	ASSETS	31/12/2020	31/12/2019
10.	Cash and cash equivalents	614	555
20.	Financial assets measured at fair value through profit or loss	607	602
	a) financial assets held for trading	7	7
	b) financial assets measured at fair value	2	2
	c) other financial assets obligatorily measured at fair value	598	593
30.	Financial assets measured at fair value through other comprehensive income	9,440	7,548
40.	Financial assets measured at amortised cost	73,068	60,932
	a) loans to banks	3,002	1,539
	b) loans to customers	70,066	59,393
50.	Hedging derivatives	2	3
60.	Adjustment of the financial assets subject to macro-hedging (+/-)	45	31
70.	Equity investments	75	89
90.	Tangible assets	1,270	1,272
100.	Intangible assets	82	81
	of which:		
	- goodwill	28	28
110.	Tax assets	849	872
	a) current	165	140
	b) deferred	684	732
120.	Non-current assets and groups of assets held for disposal	7	9
130.	Other assets	738	811
	Total assets	**86,797**	**72,805**

	LIABILITIES AND EQUITY	31/12/2020	31/12/2019
10.	Financial liabilities measured at amortised cost	77,873	64,143
	a) due to banks	17,438	7,474
	b) due to customers	55,447	50,055
	c) debt securities in issue	4,988	6,614
20.	Financial liabilities held for trading	9	7
30.	Financial liabilities measured at fair value	15	51
40.	Hedging derivatives	57	43
60.	Tax liabilities	81	80
	a) current	8	23
	b) deferred	73	57
80.	Other liabilities	1,571	1,611
90.	Provision for severance indemnity	130	137
100.	Provisions for risks and charges	339	249
	a) commitments and guarantees issued	121	102
	b) retirement and similar obligations	-	-
	c) other provisions for risks and charges	218	147
120.	Valuation reserves	72	55
140.	Equity instruments	6	6
150.	Reserves	5,915	5,716
160.	Share premium	75	75
170.	Share capital	1,274	1,276
180.	Own shares (-)	(866)	(869)
190.	Third party minority interests (+/-)	1	4
200.	Profit (loss) for the year (+/-)	245	221
	Total liabilities and equity	**86,797**	**72,805**

Consolidated Income Statement

	ITEMS	31/12/2020	31/12/2019
10.	Interest income and similar revenues	1,445	1,417
	of which: interest income calculated with the effective interest method	1,406	1,324
20.	Interest expenses and similar charges paid	(200)	(238)
30.	**Interest margin**	**1,245**	**1,179**
40.	Commission income	744	737
50.	Commission expenses	(87)	(93)
60.	**Net commissions**	**657**	**644**
70.	Dividend and similar income	2	3
80.	Net result from trading	1	14
90.	Net result from hedging activities	(1)	(2)
100.	Profit (loss) from disposal/repurchase of:	357	146
	a) financial assets measured at amortised cost	305	90
	b) financial assets measured at fair value through other comprehensive income	52	56
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	2	19
	a) financial assets and liabilities measured at fair value	-	1
	b) other financial assets obligatorily measured at fair value	2	18
120.	**Net interest and other banking income**	**2,263**	**2,003**
130.	Net value adjustments/write-backs due to credit risk relative to:	(611)	(310)
	a) financial assets measured at amortised cost	(609)	(319)
	b) financial assets measured at fair value through other comprehensive income	(2)	9
140.	Profits/losses from contractual changes without derecognitions	(5)	(3)
150.	**Net income from financial activities**	**1,647**	**1,690**
180.	**Net income from financial and insurance activities**	**1,647**	**1,690**
190.	Administrative expenses:	(1,439)	(1,454)
	a) personnel costs	(870)	(849)
	b) other administrative expenses	(569)	(605)

	ITEMS	31/12/2020	31/12/2019
200.	Net allocations to provisions for risks and charges	(56)	(20)
	a) commitments and guarantees issued	(20)	(7)
	b) other net allocations	(36)	(13)
210.	Net value adjustments/write-backs to tangible assets	(101)	(110)
220.	Net value adjustments/write-backs to intangible assets	(16)	(11)
230.	Other operating charges/income	235	222
240.	**Operating costs**	**(1,377)**	**(1,373)**
250.	Profits (losses) on equity investments	(1)	(4)
260.	Net result of fair value measurement of tangible and intangible assets	-	(1)
270.	Value adjustments to goodwill	-	(27)
280.	Profit (loss) from disposal of investments	1	-
290.	**Profit (loss) before tax from current operating activities**	**270**	**285**
300.	Income taxes for the year on current operating activities	(25)	(60)
310.	**Profit (loss) after tax from current operating activities**	**245**	**225**
330.	**Profit (loss) for the year**	**245**	**225**
340.	Profit (loss) for the year for minority interests	-	(4)
350.	**Profit (loss) for the parent company**	**245**	**221**

Statement of consolidated comprehensive income

	ITEMS	31/12/2020	31/12/2019
10.	**Profit (loss) for the year**	**245**	**225**
	Other post-tax components of income without reversal to the income statement	**(37)**	**11**
20.	Equities measured at fair value through other comprehensive income	(35)	18
30.	Financial liabilities measured at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	(2)	-
60.	Intangible assets	-	-
70.	Defined benefit plans	-	(7)
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**60**	**2**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non designated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	60	2
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
170.	**Total other post-tax components of income**	**23**	**13**
180.	**Comprehensive income (Item 10+170)**	**268**	**238**
190.	**Consolidated comprehensive income pertaining to minority interests**	**-**	**2**
200.	**Consolidated comprehensive income pertaining to the parent company**	**268**	**236**

Statement of changes in consolidated equity as at 31/12/2020

	Balances as at 31/12/19	Adjustment to opening balances	Balances as at 01/01/20	Allocation of result from previous year		Changes during the year									Group equity as at 31/12/2020	Equity pertaining to minority interests as at 31/12/2020
							Equity transactions									
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	2020 Comprehensive income		
Share capital:																
a) ordinary shares	1,268	X	1,268	-	X	X	3	(5)	X	X	X	X	-	X	1,266	-
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	75	X	75	-	X	-	-	X	X	X	X	X	-	X	75	-
Reserves:																
a) of profit	5,704	-	5,704	189	X	12	-	(1)	-	X	X	X	(2)	X	5,902	1
b) other	12	-	12	-	X	1	-	X	-	X	-	-	-	X	13	-
Valuation reserves	55	-	55	X	X	(6)	X	X	X	X	X	X	-	23	72	-
Equity instruments	6	X	6	X	X	X	X	X	X	-	X	X	-	X	6	-
Own shares	(869)	X	(869)	X	X	X	3	-	X	X	X	X	X	X	(866)	-
Profit (loss) for the year	221	-	221	(189)	(32)	X	X	X	X	X	X	X	X	245	245	-
Group equity	**6,480**	**-**	**6,480**	**-**	**(32)**	**7**	**6**	**(6)**	**-**	**-**	**-**	**-**	**(2)**	**268**	**6,721**	**-**
Equity pertaining to minority interests	**4**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**1**

Statement of changes in consolidated equity as at 31/12/2019

				Allocation of result from previous year		Changes during the year										
							Equity transactions									
	Balances as at 31/12/18	Adjustment to opening balances	Balances as at 01/01/19	Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	2019 Comprehensive income	Group equity as at 31/12/2019	Equity pertaining to minority interests as at 31/12/2019
Share capital:																
a) ordinary shares	-	X	1,270	-	X	X	-	(2)	X	X	X	X	-	X	1,268	1
b) other shares	-	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	-	X	75	-	X	-	-	X	X	X	X	X	-	X	75	-
Reserves:																
a) of profit	-	-	5,467	253	X	(16)	-	-	-	X	X	X	-	X	5,704	(1)
b) other	-	-	11	-	X	1	-	X	-	X	-	-	-	X	12	-
Valuation reserves	-	-	40	X	X	-	X	X	X	X	X	X	-	15	55	-
Equity instruments	-	X	6	X	X	X	X	X	X	-	X	X	-	X	6	-
Own shares	-	X	(874)	X	X	X	-	5	X	X	X	X	X	X	(869)	-
Profit (loss) for the year	-	-	281	(253)	(28)	X	X	X	X	X	X	X	X	221	221	4
Group equity	**-**	**-**	**6,284**	**-**	**(28)**	**(15)**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**236**	**6,480**	**-**
Equity pertaining to minority interests	**-**	**-**	**30**	**-**	**-**	**(28)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**4**

Consolidated cash flow statement

Indirect method

	Amount	
	31/12/2020	31/12/2019
A. OPERATING ACTIVITIES		
1. Operations	**731**	**755**
- income for the period (+/-)	245	225
- gains/losses on financial assets held for trading and other assets/liabilities measured at fair value through profit or loss (-/+)	-	-
- gains/losses on hedging activities (-/+)	1	2
- net value adjustments/write-backs due to credit risk (+/-)	611	328
- net value adjustments/write-backs to tangible and intangible assets (+/-)	117	121
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	55	20
- uncollected net premiums (-)	-	-
- other uncollected insurance revenue/charges (-/+)	-	-
- taxes, duties and tax credits not settled (+/-)	25	59
- net value adjustments/write-backs from discontinued operations net of tax (-/+)	-	-
- other adjustments (+/-)	(323)	-
2. Cash flows generated/used by the financial assets	**(13,911)**	**281**
- financial assets held for trading	-	(185)
- financial assets measured at fair value	-	-
- other financial assets obligatorily measured at fair value	(5)	(80)
- financial assets measured at fair value through other comprehensive income	(1,868)	(2,285)
- financial assets measured at amortised cost	(12,136)	3,344
- other assets	98	(513)
3. Cash flows generated/used by the financial liabilities	**13,357**	**(334)**
- financial liabilities measured at amortised cost	13,730	796
- financial liabilities held for trading	2	(8)
- financial liabilities measured at fair value	(35)	(33)
- other liabilities	(340)	(1,089)
Net cash flow generated/used by operating activities	**177**	**702**

	Amount	
	31/12/2020	31/12/2019
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**35**	**20**
- sales of equity investments	13	3
- dividends collected on equity investments	2	3
- sales of tangible assets	20	14
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used by	**(121)**	**(135)**
- equity investment acquisitions	-	(50)
- tangible asset acquisitions	(105)	(66)
- intangible asset acquisitions	(16)	(19)
- purchases of subsidiaries and business units	-	-
Net cash flow generated/used by investment activities	**(86)**	**(115)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	(4)
- dividend distribution and other	(32)	(28)
- sale/purchase of third parties' controlling interests	-	-
Net cash flow generated/used by funding activities	**(32)**	**(32)**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**59**	**555**

KEY:

(+) generated

(-) absorbed

Reconciliation

ITEMS	Amount	
	31/12/2020	31/12/2019
Cash and cash equivalents at the beginning of the year	555	-
Total net cash flows generated/used during the year	59	555
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	614	555

Consolidated financial statements of the Cassa Centrale Group

CONSOLIDATED EXPLANATORY NOTES

Part A - Accounting policies

A.1 - General part

Section 1 - Statement of compliance with international accounting standards

Following the issuing of Italian Legislative Decree no. 38/2005, the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as the "Cassa Centrale Group" or the "Group") is required to prepare the Consolidated Financial Statements according to the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB), as transposed by the European Union. The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The sixth update, issued on 30 November 2018 and supplemented by the communication of 15 December 2020, concerning "Impacts of Covid-19 and measures to support the economy and amendments to IAS/IFRS", is currently in force.

These Consolidated Financial Statements were prepared in compliance with the international accounting standards issued by IASB and endorsed by the European Union according to the procedure per Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in force at the date of this document, including the IFRIC and SIC interpretative documents, limited to those applied for the drafting of the Consolidated Financial Statements as at 31 December 2020.

In interpreting and applying the new international accounting standards, reference was also made to the Framework for the Preparation and Presentation of Financial Statements (so-called "Framework"), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Group uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the financial statements give a true and fair view of the Group's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as must as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases.

Section 2 - General preparation criteria

The Consolidated Financial Statements are drafted by applying the general principles set out in IAS 1, essentially revised in 2007 and endorsed by the European Commission in December 2008, and specific accounting standards approved by the European Commission, as well as in compliance with the general assumptions set forth in the aforementioned Framework prepared by the IASB for the preparation and presentation of financial statements. No derogations to the application of IAS/IFRS were applied.

The Consolidated Financial Statements consist of the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Equity, the Consolidated Cash Flow Statement, the Consolidated Explanatory Notes, and are accompanied by the Director's report on operations and the situation of the Group.

In addition, IAS 1 'Presentation of financial statements', requires the representation of a 'Statement of Comprehensive Income' also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 2005 and subsequent updates, the Group chose, as permitted by the accounting standard in question, to use two statements to provide the Statement of Comprehensive Income: a first statement highlighting the traditional components of the Income Statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the Statement of Consolidated Comprehensive Income.

In compliance with the provisions of art. 5 of Legislative Decree no. 38/2005, the Consolidated Financial Statements are prepared using the Euro as the accounting currency.

In preparing the Consolidated Financial Statements, the formats and rules of preparation set forth in Bank of Italy Circular no. 262 of 22 December 2005 were used, based on the latest update in force.

The Consolidated Statement of Financial Position and the Consolidated Income Statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the Consolidated Income Statement and the related section of the Explanatory Notes, revenues are recorded without sign, while the costs are indicated in brackets. In the Statement of Consolidated Comprehensive Income, the negative amounts are stated in brackets. In the Statement of Consolidated Comprehensive Income, the negative amounts are stated in brackets.

Furthermore, the complementary information deemed suitable to supplement the financial statements data was provided in the Consolidated Explanatory Notes, including when not specifically required by the legislation.

The Consolidated Statement of Financial Position and the Consolidated Income Statement, as well as the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Equity, the Consolidated Cash Flow Statement and the Consolidate Explanatory Notes have been prepared in millions of euros. Any differences found between the amounts in the Explanatory Notes and the Consolidated Financial Statements are attributable to rounding up.

The Consolidated Financial Statements are drafted according to the going concern basis. In particular, the joint cooperation between the Bank of Italy, Consob and Isvap concerning the application of IAS/IFRS, with document 2 of 6 February 2009 "Information to be provided in the financial reports in relation to going concern, financial risks, the checks on the impairment of the assets and the uncertainties as to the use of estimates", as well as subsequent document 4 of 4 March 2010 "Information to be provided in financial reports in relation to the impairment test, the contractual clauses of the financial payables, debt restructuring and fair value hierarchy", required Directors to perform especially accurate valuations as regards the going concern assumption.

On this point, paragraphs 25-26 of IAS 1 establish that: 'when preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern'.

The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Group and its easy access to financial resources may not be sufficient in the current context. On this point, having examined the risks and uncertainties connected with the current macroeconomic context, it is reasonable to expect that the Group will continue its operations in the foreseeable future. These Consolidated Financial Statements were consequently prepared in the assumption of going concern.

Furthermore, estimation processes are based on past experience and other factors considered reasonable in this case, and were adopted to estimate the carrying amount of assets and liabilities that cannot be easily inferred from other sources. In particular, estimation processes were adopted that support the carrying amount of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis. The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments;
- the assessment of congruity in the value of goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the Consolidated Financial Statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the Consolidated Financial Statements. For further details on the breakdown and relative carrying amounts of the specific statement captions affected by said estimates, see the relevant sections of the Consolidated Explanatory Notes. The processes adopted compare the book values on the date of preparing the Consolidated Financial Statements. The measurement process turned out to be particularly complex in consideration of the persisting uncertainty of the macroeconomic and market context, characterised by the considerable volatility of the financial parameters determined for the measurement as well as indicators of impairment of the credit quality that remain high. These parameters and the information used to check the mentioned values are significantly affected by these factors, which may undergo rapid and unforeseeable changes.

The Consolidated Financial Statements also make reference to the general preparation criteria listed below, where applicable:

- principle of truth and fairness and completeness in the presentation of the Statement of Financial Position and the Income Statement ("true and fair view");
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of substance over form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Ultimately, with reference to the main implications related to the method of application of the international accounting standards (in particular IFRS 9) in the context of the Covid-19 pandemic, please refer to the specific paragraph included in "A.1 - General Part, Section 5 - Other aspects" of this Part A.

Section 3 - scope and methods of consolidation

The Consolidated Financial Statements refer to a scope of consolidation better defined below. In this regard, the provisions of IFRS 10, 11, 12 and IFRS 3 have been taken into account, including in the scope of consolidation - as specifically provided for by IAS/IFRS - including companies operating in sectors of activity different from that of the Parent Company. Similarly, structured companies are also included if their control requirements are met, regardless of their mere shareholding.

In addition, with regard to the consolidation of Cooperative Banking Groups, it should be pointed out that Law no. 145 of 30 December 2018 "State Budget for the 2019 financial year and multi-annual budget for the three-year period 2019-2021" (2019 Budget Law), in transposing into Italian law, Article 2, paragraph 2, letter b) of Directive 86/635/EEC on the treatment of central bodies for the purposes of consolidated accounts, introduced the obligation to prepare consolidated financial statements for the whole of the central body and its affiliates (the so-called "single consolidating entity"). This Community provision had so far not been transposed in our country, given the absence, before the reform of cooperative credit, of central bodies in Italy, which are widespread in other European countries. Among other things, in the explanatory report to the 2019 Budget Law it is pointed out that the effects of the regulatory change are twofold:

- "for the purposes of preparing the consolidated financial statements, the Parent Company and the banks belonging to the cooperative banking group constitute a single consolidating entity";
- "in preparing the consolidated financial statements, the accounting items relating to the Parent Company and the Affiliated Banks are recorded on a consistent basis".

In this regard, it seems reasonable to believe that the Italian legislator, as part of the amendments introduced by the 2019 Budget Law, has taken into account the interpretation provided by the European Commission in 2006 according to which, even in the case of IAS adopters, the obligation to prepare consolidated financial statements must be assessed in accordance with the provisions of the national transposition of European directives.

In light of the interpretation of the European Commission and considering that, as a result of the transposition into Italian law of Article 2, paragraph 2, letter b) of Directive 86/635/EEC, in the case of cooperative banking groups, the entity required to prepare consolidated financial statements (reporting entity) is represented by the aggregation of the central body and the Affiliated Banks (so-called "single consolidating entity"), it is considered that the rules of IFRS 10 "Consolidated Financial Statements" apply only for the purposes of identifying the scope of consolidation of the reporting entity. That is, only for the purposes of assessing the existence of situations of control between the reporting entities and third parties (e.g. the subsidiaries of the Parent Company or the individual Affiliated Banks).

Recognition of the reporting entity nature within the sole consolidating entity also implies that IFRS 3 would apply only to the accounting of business combinations involving the latter and third parties (e.g. in the case of acquisition of new subsidiaries).

The provision of the Testo Unico Bancario (Consolidated Banking Act - TUB), according to which the Cohesion Contract ensures the existence of a situation of control as defined by international accounting standards, must also be interpreted in light of the subsequent amendments made to national accounting regulations by the 2019 Budget Law.

In this context, on the one hand, the 2019 Budget Law defines the procedures with which to comply with the consolidation obligations in the case of central bodies, on the other hand, the TUB's provisions are important in order to circumscribe the Central Body's governance powers over its affiliates.

The aforementioned approach is consistent, among other things, with the approach already adopted in other European jurisdictions with regard to the manner in which central bodies and their affiliated entities are consolidated, as for example in France.

That being said, in line with the above, the preparation of the Annual Consolidated Financial Statements has taken place through a process of aggregation:

- Financial Statements of the Parent Company Cassa Centrale Banca and its subsidiaries/associates over which it exercises control on the basis of the majority of voting rights and/or the connection on the basis of significant influence;
- Financial Statements of the Affiliated Banks and their subsidiaries/associates over which the Parent Company exercises direction and coordination on the basis of the Cohesion Contract.

This process was followed by a subsequent phase of reclassification to own shares of the same shares of Cassa Centrale Banca held by the Affiliated Banks and the elimination of the asset and economic balances attributable to intra-group transactions.

Subsidiaries

Without prejudice to that stated in the previous paragraph regarding the peculiarities of the consolidation method of the Cooperative Banking Group, the scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 Consolidated Financial Statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, and is realised when an investor simultaneously:

- has the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;

- has the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

The subsidiaries are consolidated from the date on which the Group acquires control, according to the 'acquisition method' - IFRS 3, and cease to be consolidated when control is no longer held.

The existence of control is subject to a continuous valuation process if there are events and circumstances that indicate the presence of a change in one or more of the three elements forming the control requirement, presented in the following paragraph "Evaluations and assumptions for determining the scope of consolidation".

The full consolidation consists of the 'line-by-line' acquisition of the aggregates of the Statement of Financial Position and the Income Statement of the entities controlled, as contra-entry to the cancellation of the investment held by the Group in the entity and the recognition, in the appropriate items, of the shares held by minority interests.

The differences emerging from this offsetting were subject to the provisions of IFRS 3; if they were allocated to the appropriate items, they are subject to the accounting treatment of the reference standard; if they were not specifically allocated, they are booked to goodwill under intangible assets and subject to impairment testing. Negative differences (so-called bargain purchase or badwill) are recognised in the Consolidated Income Statement.

In addition, for entities controlled through an investment relationship, the share of equity pertaining to minority interests, the result for the year and comprehensive income is represented separately in the respective Consolidated Financial Statements (under Consolidated Statement of Financial Position liability item 190. Third party minority interests, 340. Profit (loss) for the year of minority interests in the Consolidated Income Statement and 190. Consolidated Comprehensive Income pertaining to minority interests in the Statement of Consolidated Comprehensive Income).

Costs and revenues relating to the controlled entity are included in the Consolidated Financial Statements from the date of acquisition of control. The costs and revenues of the subsidiary transferred are included in the Income Statement until the transfer date; the difference between the consideration of the transfer and the carrying amount of the net assets of the same is recognised in the Income Statement item 280. Profit (Loss) from disposal of investments. In the presence of a partial disposal of the controlled entity which does not determine the loss of control, the difference between the consideration of the transfer and the associated carrying amount is booked as a contra-entry to equity.

Controlling interests held for sale are consolidated on a line-by-line basis and stated separately in the Financial Statements as a group held for disposal valued as at the reporting date at the lower of the carrying amount and the fair value less disposal costs.

Controlling shareholdings with total assets of less than EUR 10 million are accounted for using the equity method, as line-by-line consolidation would require a considerable effort in terms of production, collection and consolidation of data, against negligible benefits in relation to financial reporting. This option, however, is expressly provided for in Article 19 of Regulation (EU) no. 575/2013 (CRR) on consolidation methods for the purposes of prudential supervision.

In special purpose vehicles, the circumstances that need to be examined for the purposes of any existence of a situation of control pursuant to IFRS 10 are:

- the involvement/role of Group companies in the structuring of the transaction (originator/investor/servicer/facility provider);
- the subscription of a large portion of Asset Backed Securities (ABS) issued by the special purpose vehicle on the part of Group companies;
- the scope/objective of the transaction.

It should be noted that in the first few months of 2020, the securitisation transaction involving the special purpose vehicle Claris Lease 2015 S.r.l., whose transaction was originated by the company Claris Leasing S.p.A., was completed.

In 2020, the following business combinations between subsidiaries took place:

- effective from 1 January 2020, the merger by incorporation of Informatica Bancaria Finanziaria S.p.A. ("IBFin"), Centro Sistemi Direzionale S.r.l. ("CSD") and Servizi Bancari Associati S.p.A. ("SBA") into Allitude (formerly Phoenix Informatica bancaria S.p.A.) was carried out;
- effective from 1 July 2020, the merger by incorporation of CESVE S.p.A. into Allitude (formerly Phoenix Informatica bancaria S.p.A.) was carried out;
- with effect from 1 January 2020, Cassa Rurale di Lavis was merged by incorporation into Cassa Rurale di Trento;
- with effect from 1 October 2020, the merger by incorporation of Cassa Rurale Adamello into Cassa Rurale Giudicarie Valsabbia Paganella was completed;
- effective from 1 November 2020, the merger by incorporation of Rovigo Banca Credito Cooperativo into Centroveneto Bassano Banca Credito Cooperativo was carried out.

These transactions had no impact on the consolidated financial position of the Group as they occurred between entities under common control.

The full scope of the subsidiaries that are part of the Cassa Centrale Group as at 31 December 2020 is shown below.

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS						
A.1 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS - COHESION CONTRACT						
CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - COOPERATIVE COMPANY	Sabaudia (LT)	Sabaudia (LT)	4			
BANCA DI CREDITO COOPERATIVO DI MONOPOLI - COOPERATIVE COMPANY	Monopoli (BA)	Monopoli (BA)	4			
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Altamura (BA)	Altamura (BA)	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - COOPERATIVE COMPANY	Mazzarino (CL)	Mazzarino (CL)	4			
CREDITO ETNEO - BANCA DI CREDITO COOPERATIVO - LIMITED LIABILITY COOPERATIVE COMPANY	Catania	Catania	4			
BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Rimini	Rimini	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - COOPERATIVE COMPANY	Castel Gandolfo (Rome)	Rocca Priora (Rome)	4			
BANCA DEL GRAN SASSO D'ITALIA, BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Pineto (TE)	Pineto (TE)	4			
CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ala (TN)	Ala (TN)	4			
CASSA RURALE ALTO GARDA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Arco (TN)	Arco (TN)	4			
CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Ledro (TN)	Ledro (TN)	4			
LA CASSA RURALE - CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	Tione di Trento (TN)	Tione di Trento (TN)	4			
CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo Valsugana (TN)	Borgo Valsugana (TN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CASSA RURALE ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Mezzolombardo (TN)	Mezzolombardo (TN)	4			
CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Moena (TN)	Moena (TN)	4			
CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Malè (TN)	Malè (TN)	4			
CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Pergine Valsugana (TN)	Pergine Valsugana (TN)	4			
CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cavalese (TN)	Cavalese (TN)	4			
CASSA RURALE RENON - COOPERATIVE COMPANY	Collalbo RENON (BZ)	Collalbo RENON (BZ)	4			
CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Fondo (TN)	Revò (TN)	4			
CASSA RURALE DI ROVERETO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Rovereto (TN)	Rovereto (TN)	4			
CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - COOPERATIVE COMPANY	S. Martino in Passiria (BZ)	S. Martino in Passiria (BZ)	4			
CREDITO COOPERATIVO CENTRO CALABRIA - COOPERATIVE COMPANY	Cropani Marina (CZ)	Cropani Marina (CZ)	4			
CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cles (TN)	Cles (TN)	4			
CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Trento	Trento	4			
CASSA RURALE ALTA VALLAGARINA E LIZZANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Volano (TN)	Volano (TN)	4			
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO E SAMMICHELE DI BARI - COOPERATIVE COMPANY	Alberobello (BA)	Alberobello (BA)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	Leno (BS)	Leno (BS)	4			
BANCA DI CREDITO COOPERATIVO DI AQUARA - COOPERATIVE COMPANY	Aquara (SA)	Aquara (SA)	4			
BANCA DI CREDITO COOPERATIVO DI ANAGNI - COOPERATIVE COMPANY	Anagni (FR)	Anagni (FR)	4			
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO - COOPERATIVE COMPANY	Verbicaro (CS)	Verbicaro (CS)	4			
BANCA DI CREDITO COOPERATIVO DI BARLASSINA - COOPERATIVE COMPANY	Barlassina (MB)	Barlassina (MB)	4			
BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - COOPERATIVE COMPANY	Bene Vagienna (CN)	Bene Vagienna (CN)	4			
CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Borgo San Giacomo (BS)	Borgo San Giacomo (BS)	4			
CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - COOPERATIVE COMPANY	Boves (CN)	Boves (CN)	4			
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Caraglio (CN)	Caraglio (CN)	4			
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - COOPERATIVE COMPANY	Cassano delle Murge (BA)	Cassano delle Murge (BA)	4			
BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	Donoratico (LI)	Castagneto Carducci (LI)	4			
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	Castel Bolognese (RA)	Castel Bolognese (RA)	4			
BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	San Lazzaro di Savena (BO)	San Lazzaro di Savena (BO)	4			
BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	Rovereto di Cherasco (CN)	Rovereto di Cherasco (CN)	4			
BANCO MARCHIGIANO CREDITO COOPERATIVO	Civitanova Marche (MC)	Civitanova Marche (MC)	4			
BANCA DI CREDITO COOPERATIVO DI CONVERSANO - COOPERATIVE COMPANY	Conversano (BA)	Conversano (BA)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Corporeno (FE)	Corporeno (FE)	4			
CORTINABANCA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Cortina d'Ampezzo (BL)	Cortina d'Ampezzo (BL)	4			
BANCA DI CREDITO COOPERATIVO DI FLUMERI - COOPERATIVE COMPANY	Flumeri (AV)	Flumeri (AV)	4			
BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - COOPERATIVE COMPANY	Aosta	Gressan (AO)	4			
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Longare (VI)	Longare (VI)	4			
BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - COOPERATIVE COMPANY	Locorotondo (BA)	Locorotondo (BA)	4			
CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	Gorizia (GO)	Gorizia (GO)	4			
BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Udine	Udine	4			
PRIMACASSA - CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	Martignacco (UD)	Martignacco (UD)	4			
BANCA ALTO VICENTINO - CREDITO COOPERATIVO DI SCHIO, PEDEMONTE E ROANA - COOPERATIVE COMPANY	Schio (VI)	Schio (VI)	4			
BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	Nave (BS)	Brescia	4			
BANCA CENTRO LAZIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Palestrina (Rome)	Palestrina (Rome)	4			
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Brescia	Brescia	4			
BANCA DI CREDITO COOPERATIVO DEL VELINO - COOPERATIVE COMPANY	Rieti	Posta (RI)	4			
BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - COOPERATIVE COMPANY	Pianfei (CN)	Pianfei (CN)	4			
BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - COOPERATIVE COMPANY	Roscigno (SA)	Roscigno (SA)	4			
BANCA DI CREDITO COOPERATIVO LAUDENSE - LODI - COOPERATIVE COMPANY	Lodi	Lodi	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
FRIULOVEST BANCA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	San Giorgio della Richinvelda (PN)	San Giorgio della Richinvelda (PN)	4			
BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - COOPERATIVE COMPANY	San Giovanni Rotondo (FG)	San Giovanni Rotondo (FG)	4			
BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - COOPERATIVE COMPANY	San Marzano di San Giuseppe (TA)	San Marzano di San Giuseppe (TA)	4			
BANCA DI CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - COOPERATIVE COMPANY	Carmagnola (TO)	Sant'Albano Stura (CN)	4			
BANCA DI CREDITO COOPERATIVO DI SARSINA - COOPERATIVE COMPANY	Sarsina (FC)	Sarsina (FC)	4			
ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	Bellaria-Igea Marina (RN)	Rubicone (FC)	4			
BANCA DI CREDITO COOPERATIVO DI SPELLO E BETTONA - COOPERATIVE COMPANY	Spello (PG)	Spello (PG)	4			
BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	Bologna	Bologna	4			
BANCA DI CREDITO COOPERATIVO DI TURRIACO - COOPERATIVE COMPANY	Turriaco (GO)	Turriaco (GO)	4			
BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	Tarzo (TV)	Tarzo (TV)	4			
CASSA RURALE ED ARTIGIANA DI VESTENANOVA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Vestenanova (VR)	Vestenanova (VR)	4			
ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	Opicina (TS)	Opicina (TS)	4			
BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	Viterbo	Viterbo	4			
BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - COOPERATIVE COMPANY	Regalbuto (EN)	Regalbuto (EN)	4			
BANCA DI CREDITO COOPERATIVO SANGRO TEATINA DI ATESSA	Atessa (CH)	Atessa (CH)	4			
BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO - COOPERATIVE COMPANY	Adria (RO)	Adria (RO)	4			
BANCA SICANA - CREDITO COOPERATIVO DI SOMMATINO, SERRADIFALCO E SAMBUCA DI SICILIA - COOPERATIVE COMPANY	Caltanissetta	Caltanissetta	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A.2 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS OTHER THAN COHESION CONTRACT						
AZIENDA AGRICOLA ANTONIANA S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
BENACO GESTIONI IMMOBILIARI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
NORD EST ASSET MANAGEMENT SA	Luxembourg	Luxembourg	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
ALLITUDE S.P.A.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	96.40	96.40
				OTHER MINORITY INTERESTS	3.03	3.03
					99.43	99.43
ASSICURA AGENZIA S.r.l.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
ASSICURA BROKER S.r.l.	Trento	Trento	1	ASSICURA AGENZIA S.r.l.	100.00	100.00
CENTRALE CREDIT & REAL ESTATE SOLUTIONS S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
CLARIS LEASING S.P.A.	Treviso	Treviso	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
CENTRALE SOLUZIONI IMMOBILIARI S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
BANCA DI BOLOGNA REAL ESTATE S.P.A.	Bologna	Bologna	1	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
IMMOBILIARE VILLA SECCAMANI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A.3 ENTITIES CONTROLLED BUT CONSOLIDATED AT EQUITY FOR MATERIALITY LIMITS						
CA' DEL LUPO	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
AGORA' S.r.l.	Leno (BS)	Narbolia (OR)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
TAVERNOLE IDROELETTRICA S.r.l.	Tavernole sul Mella (BS)	Tavernole sul Mella (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	55.00	55.00
DOMINATO LEONENSE SANITA' S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00
BTV GESTIONI S.r.l.	Brescia	Brescia	1	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CENTRALE CASA S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	100.00	100.00
IMMOBILIARE BCC DI BRESCIA S.r.l.	Nave (BS)	Nave (BS)	1	BANCA DI CREDITO COOPERATIVO DI BRESCIA - COOPERATIVE COMPANY	100.00	100.00
RAIFFEISEN IMMOBILIEN S.r.l.	Renon (BZ)	Renon (BZ)	1	CASSA RURALE RENON - COOPERATIVE COMPANY	100.00	100.00
VERDEBLU IMMOBILIARE	Cherasco (CN)	Cherasco (CN)	1	BANCA DI CREDITO COOPERATIVO DI CHERASCO - COOPERATIVE COMPANY	100.00	100.00
CASSA RURALE ALTA VALSUGANA SOLUZIONI IMMOBILIARI S.r.l.	Pergine Valsugana (TN)	Pergine Valsugana (TN)	1	CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
QUADRIFOGLIO 2018 S.r.l.	Castenaso (BO)	Castenaso (BO)	1	BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - COOPERATIVE COMPANY	100.00	100.00
SOCIETA' AGRICOLA TERRE DELLA ROCCA S.r.l.	Bologna	Bologna	1	BANCA DI BOLOGNA REAL ESTATE	100.00	100.00

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
ASSICURA S.r.l.	Udine	Udine	1	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	22.80	22.80
				PRIMACASSA - CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	19.68	19.68
				CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - COOPERATIVE COMPANY	12.34	12.34
				ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - COOPERATIVE COMPANY	11.35	11.35
				OTHER MINORITY INTERESTS	11.46	11.46
					77.63	77.63
TEMA S.r.l.	Bologna	Bologna	1	BANCA DI BOLOGNA REAL ESTATE	71.43	71.43
PRESTIPAY S.P.A.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	60.00	60.00
ANTICA VALLE DEL PO S.r.l.	Motta Baluffi (CR)	Motta Baluffi (CR)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	100.00	100.00
CLARIS RENT S.P.A.	Treviso	Treviso	1	CLARIS LEASING	100.00	100.00
DOMINATO LEONENSE S.r.l.	Milan	Milan	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	0.00	0.00
FONDO LEONIDA	Verona	Verona	4	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	0.00	0.00

*Relationship type:

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 Article 39, paragraph 1, of "Legislative Decree 136/2015"

6 = unitary management pursuant to Article 39, paragraph 2, of "Legislative Decree 136/2015"

Structured entities

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

As at the reporting date, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) using the equity method because it is below the aforementioned materiality limit, by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

Associates

An associate is a company in which the investing company has significant influence and which is not a subsidiary or part of a joint venture. Significant influence is presumed when the investing company holds, directly or indirectly, at least 20% of the capital of another company. Further indicators of significant influence are as follows:

- representation on the company's governance body;
- participation in the process of defining policies, including therein participation in decisions relating to dividends or other profit distributions;
- the existence of significant transactions between the investor and the investee company;
- the exchange of managerial personnel;
- provision of essential technical information.

Equity investments in associates are consolidated according to the equity method. The equity method provides for the initial recognition of the investment at cost and its subsequent value adjustment based on the share of the investee company's equity. The equity investment in associates includes goodwill (net of any impairment) paid for the acquisition. Participation in the post-acquisition profits and losses of associates is booked to the Income Statement under item 250. Profits (losses) on equity investments.

Any distribution of dividends is used to reduce the carrying amount of the equity investment.

If the interest in the losses of an associate is equal to or exceeds the carrying amount of the investee, no further losses are recognised, unless specific obligations have been undertaken in favour of the associate or payments have been made to said entity.

The valuation reserves of the associates are shown separately in the Statement of Consolidated Comprehensive Income.

The full scope of the investments in associates belonging to the Cassa Centrale Group as at 31 December 2020 is shown below.

NAME	Registered office	Operating headquarter	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	8.48	8.48
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.19	7.19
				CASSA RURALE ALTO GARDA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.53	6.53
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	4.08	4.08
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.26	3.26
				LA CASSA RURALE - CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.15	3.15
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.96	2.96
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	5.86	5.86
					47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.96	6.96
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.10	5.10

NAME	Registered office	Operating headquarter	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.71	3.71
				CASSA RURALE ALTO GARDA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.48	3.48
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE DI ROVERETO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	7.89	7.89
					47.79	47.79
CENTRALE TRADING	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	32.5	32.5
				ALLITUDE S.P.A.	10.00	10.00
					42.50	42.50
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51
SCOUTING S.P.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
					30.37	30.37

NAME	Registered office	Operating headquarter	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
CABEL HOLDING S.P.A.	Empoli (FI)	Empoli (FI)	4	BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	19.50	19.50
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
					29.17	29.17
SENIO ENERGIA S.r.l.	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.P.A.	Bocenago (TN)	Bocenago (TN)	4	LA CASSA RURALE - CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	24.76	24.76
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	24.51	24.51
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00
CHIESE 2015 S.r.l.	Brescia	Brescia	4	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	66.66	66.66

* Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree 87/92"

7 - joint ventures

8 - Other type of Relationship.

Jointly controlled companies

A joint arrangement is a contractual agreement in which two or more counterparties have joint control.

Joint control is the sharing, on a contractual basis, of control of an agreement, which exists solely when the unanimous consent of all parties that share control is required for decisions relating to significant assets. According to IFRS 11, joint arrangements must be classified as joint operations or joint ventures based on the contractual rights and obligations held by the Group.

A joint operation is a joint arrangement in which the parties have rights over the assets and obligations with respect to the liabilities of the agreement. A joint venture is a joint arrangement in which the parties have rights over the net assets of the agreement.

The full scope of the investments in jointly controlled companies forming part of the Cassa Centrale Group as at 31 December 2020 is shown below.

NAME	Registered office	Operating headquarter	Relationship type*	Investment relationship		Votes available %
				Investing company	% Share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00

* Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree 87/92"

7 - joint ventures

8 - Other type of Relationship.

Significant valuations and assumptions for determining the scope of consolidation

The scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 Consolidated Financial Statements, which came into force in 2014. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, including structured entities when the conditions are met, and is realised when an investor simultaneously has:

- the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;

- the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

Therefore, the Cassa Centrale Group consolidates all types of entities when all three aspects of control are present.

Generally, when an entity is directed through voting rights, control derives from holding more than half of the voting rights.

In other cases, determination of the scope of consolidation calls for consideration of all factors and circumstances that give the investor the practical ability to unilaterally manage the relevant activities of the entity (de facto control). To this end, it is necessary to consider a collection of factors, such as, merely by way of an example:

- the scope and design of the entity;
- the identification of the relevant activities and how they are managed;
- any right held through contractual agreements which confer the power to govern the relevant activities, such as the power to determine the financial and operating policies of the entity, the power to exercise the majority of voting rights in the decision-making body or the power to appoint or remove the majority of the body with decision-making functions;
- any potential voting rights exercisable and considered substantial;
- involvement in the entity in the role of agent or principal;
- the nature and the dispersion of any rights held by other investors.

With reference to the Group's situation at the date of these Consolidated Financial Statements, all companies in which the majority of voting rights in the ordinary shareholders' meeting are held are considered wholly-owned subsidiaries, given that no evidence has been highlighted that the other investors have the practical ability to direct the relevant activities.

For companies in which half or less of voting rights are held, at the date of these Consolidated Financial Statements, no agreements, statutory clauses or situations able to attribute the Cassa Centrale Group the practical capacity to unilaterally govern the relevant activities were identified.

Equity investments in wholly-owned subsidiaries with significant third-party interests

At the date of these consolidated financial statements, there are no subsidiaries through an equity relationship with significant third-party interests.

Significant restrictions

At the date of these Consolidated Financial Statements, there are no legal or substantive obligations or restrictions able to obstruct the rapid transfer of capital resources within the Group. The only restrictions are those attributable to regulatory provisions which may require a minimum amount of regulatory capital to be retained, or to the provisions of the Italian Civil Code on distributable profits and reserves.

It should be noted that there are no protective rights held by minorities able to limit the Group's capacity to access or transfer assets between Group companies or settle the Group's liabilities, including in relation to the fact that, as at 31 December 2020, there are no subsidiaries with significant third-party interests, as stated in the previous paragraph.

Other information

The accounting positions forming the basis of the line-by-line consolidation process are those relating to 31 December 2020, as approved by the competent bodies of the consolidated companies adjusted, where necessary, to bring them into line with the homogeneous accounting standards of the Group.

For the consolidation of companies subject to joint control and investments in associates, the most recent financial statements (annual or interim) approved by the companies have been used. In cases where the companies do not apply IAS/IFRS, it is verified that any application of IAS/IFRS would not have had a significant impact on the Consolidated Financial Statements of the Cassa Centrale Group.

Section 4 - Subsequent events

In the period between the date of the Consolidated Financial Statements and their approval by the Board of Directors, no events occurred which result in an amendment of the figures approved.

The accounting estimates as at 31 December 2020 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

Given the above, a description of the main events occurred after the end of the year is provided below.

Comprehensive Assessment

At the end of February 2021, the so-called "Transparency Phase" was completed, during which the Supervisory Authority provided visibility to the first partial results of the AQR exercise, and which will be followed by the transparency phase on the results of the Join-up between AQR and Stress Test, in order to get to the official publication of the results of the Comprehensive Assessment during the month of April 2021.

CARIGE transaction

Due to the extraordinary and uncertain context caused by the Covid-19 crisis and in response to the requests received for the expression of an opinion regarding the exercise of the call option on Carige shares, the Board of Directors of Cassa Centrale Banca has resolved, at the meeting of 15 March 2021, to provide a mandate to the Chairperson and the Chief Executive Officer to define with FITD and SVI the economic-legal conditions for the mutual termination of option contracts and related agreements.

Information on the acquisition of an equity investment in Centrale Trading

In the meeting of 10 March 2021, the Board of Directors of Cassa Centrale Banca approved the acquisition of a 10% share in the Company Centrale Trading S.r.l., at the price of EUR 40,846.

Following this acquisition, Cassa Centrale will own 42.50% of the Company: an interest which, added to the 10% already held by the subsidiary Allitude, will lead to the assumption of control of the Company with a total interest of 52.50%.

Section 5 - Other matters

a) Newly applied accounting standards in 2020

During 2020, the following standards and interpretations entered into effect:

- Amendments to IFRS 16: concessions on fees related to COVID-19 (Regulation (EU) 2020/1434), in order to provide for an optional and temporary operational support related to COVID-19 for lessees who benefit from suspension of payments due for leasing;
- Amendments to IFRS 3: definition of a business activity (Regulation (EU) 2020/551), in order to respond to the concerns highlighted by the post-implementation review of IFRS 3 Business combinations regarding the difficulties encountered in the practical application of the definition of "Business activity";
- Amendments to IFRS 9, IAS 39 and IFRS 7 on hedge accounting with a view to regulating the effects of the Interest Rate Benchmark reform on existing hedges and the designation of new hedging relationships (Regulation (EU) 2020/34);
- Amendments to IAS 1 Presentation of Financial Statements and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors with the aim of clarifying the definition of material information and to improve its understanding (Regulation (EU) 2019/2104);
- Amendments to the references to the IFRS Conceptual Framework aimed at updating existing references to the previous Conceptual Framework in various accounting standards and interpretations, replacing them with references to the revised Conceptual Framework (Regulation (EU) 2019/2075).

The above amendments had no impact on these Consolidated Financial Statements.

b) Approved accounting standards that will come into force on 1 January 2021

Below are the accounting standards that will come into effect on 1 January 2021:

- amendments to IFRS 4 Insurance contracts: Extension of the temporary exemption from the application of IFRS 9 (Regulation (EU) 2020/2097);

- reform of the reference indices for determining interest rates: Phase no. 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Regulation (EU) 2021/25).

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current (January 2020);
- IAS 16 Property, plant and equipment;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements Cycle (May 2020);
- IFRS 3 Business combinations;
- IFRS 17 Insurance contracts (May 2017).

d) Methods of application of the international accounting standards in the context of the Covid-19 pandemic

The European regulatory and supervisory bodies, as well as the standard setters, have published a series of interventions aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the current context of the Covid-19 pandemic.

With particular reference to European regulatory and supervisory bodies, the main interventions are reported below.

At the monetary policy meeting of 12 March 2020, the Governing Council of the ECB decided to adopt a complex set of monetary policy measures to support liquidity and financing conditions for households, businesses and banks, as well as to help preserve the smooth provision of credit to the real economy.

On 1 April 2020, with the letter "IFRS 9 in the context of the coronavirus (Covid-19) pandemic", the ECB urges banks to opt for the application of the transitional provisions of IFRS 9 envisaged by the CRR and provides certain important indications to avoid the use of excessively pro-cyclical assumptions in determining expected credit losses pursuant to IFRS 9.

In particular, in the aforementioned letter of 1 April 2020, the ECB draws attention to the opportunity to assess the significant increase in credit risk on a collective basis if the institution is not able to identify the credit risk indicators with reference to the individual financial instruments, thus seeking, in accordance with the provisions of the accounting standard (IFRS 9 B5.5.1-6), to best approximate the effects that would have been obtained with a specific valuation. With reference to the definition of macroeconomic scenarios for the purposes of forward-looking conditioning of the expected loss, the ECB highlighted, among other things, some key aspects mentioned below:

- extension of the historical time period on the basis of which macroeconomic forecasts are formulated using information that covers at least one or more economic cycles, in order to reduce the distorting effect of the most recent period;
- identification of an adequate weighting factor in order to reflect in the model the probability of occurrence of each scenario used ("mild", "baseline", "adverse");
- identification of a smoothing process of the weighting factor, which is carried out by applying a higher weighting to the short-term prospects and then systematically and progressively reducing it according to the loss of relevance over more distant time periods.

Regarding the use of macroeconomic projections, the ECB recommends using as an anchor point the projections formulated by its staff on 12 March 2020 and subsequently updated on 4 June 2020 for the accounting periods ending 31 March 2020 and 30 June 2020 respectively. The projections of 4 June 2020 show, with reference to the baseline scenario, a drastic reduction in the GDP of the Eurozone in 2020, in the order of 8.7% and a subsequent rebound of 5.2% and 3.3%, respectively in 2021 and 2022. On 5 June 2020, the Bank of Italy released the baseline forecasts included in the aforementioned projections issued by the ECB on 4 June 2020, highlighting a more pronounced reduction in Italian GDP, in the order of 9.2% in 2020 and a subsequent rebound of 4.8% and 2.5%, respectively in 2021 and 2022. Lastly, after an interim update of its forecasts in September 2020, on 10 December 2020, the ECB revised the projections of the macroeconomic variables mentioned above, envisaging, in its baseline scenario, a contraction in GDP in 2020 of 7.3% followed by growth of around 3.9% in 2021 and 4.2% in 2022. On 11 December 2020, the Bank of Italy in turn updated its macroeconomic forecasts (again an integral part of the projections issued by the ECB the previous day, highlighting a more pronounced reduction in Italian GDP, in the order of 9.2%) in 2020 and a subsequent rebound of 4.8% and 2.5%, respectively in 2021 and 2022.

In a different respect, on 25 March 2020, with the document "Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of Covid-19 measures", the EBA provides guidelines and clarifications regarding loans subject to moratoria, regardless of whether they are legal or private, in relation to the aspects of classification as default, forbearance measures and finally IFRS 9 staging. In particular, the EBA clarifies in the abovementioned document that the moratorium event, per se, does not automatically trigger the classification of the borrower as default and excludes that large-scale moratoria granted to customers that were performing at the date of the moratorium and in conditions of financial equivalence may be considered as forbearance measures. Also in the document in question, the EBA clarifies that the moratoria of this type do not in themselves indicate a significant increase in credit risk, thus determining a shift to stage 2 of the credit.

Also on 25 March 2020, with the public statement "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9", ESMA, in line with the guidelines and clarifications provided by the other supervisory (ECB) and regulatory (EBA) bodies, clarifies that the measures to suspend payments granted to debtors in response to the pandemic crisis do not automatically determine a significant increase in credit risk and therefore the relative shift to stage 2 of the position. With the document in question, ESMA also highlighted certain crucial issues regarding the measurement of losses on loans, such as: the impacts on the expected loss related to the sudden change in the macroeconomic scenario; uncertainty of estimates due to the lack of available and reliable information; the inclusion in the assessments of the measures launched by governments to support the real economy.

Lastly, on 2 April 2020, with the document "Final Report on Payment Moratoria 'Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis", the EBA detailed the criteria that must be met by the these moratoria so that they do not activate the forbearance classification.

After that date, the same body ratified the following decisions:

- on 18 June 2020, it initially extended the deadline for the granting of moratoria until 30 September 2020;
- on 2 December 2020, it further extended the above deadline to 31 March 2021.

With regard to the transparency of financial statements, ESMA, with the document of 11 March 2020 "ESMA recommends action by financial market participants for Covid-19 impact", provided guidelines and recommendations so that the financial reporting of issuers provides the current and potential, qualitative and - as far as possible - quantitative impacts of the pandemic scenario on the respective financial and economic situations. These disclosures must be provided on the basis of the information available at the date of approval of the half-yearly financial statements by the management body.

Finally, ESMA had urged issuers to assess whether the effects of the pandemic represented a trigger event for the purpose of performing the impairment test of goodwill and other intangible assets with an indefinite life in the interim financial statements as at 30 June 2020. Therefore, when preparing the financial statements, the Cassa Centrale Group again subjected the intangibles already measured in the interim financial statements as at 30 June 2020 to impairment testing.

With reference to the main interventions of the standard setters, the IFRS Foundation, with the document of 27 March 2020 "Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic", while not modifying the current standard, reaffirms, in line with the EBA guidelines that government support measures to the real economy do not represent a trigger event for a significant increase in credit risk and that, therefore, it is necessary for reporting entities to perform an analysis of the conditions under which such measures are implemented, distinguishing the different possible evolving behaviours of the credit risk profiles exhibited by the individual counterparties targeted by such measures. Following this principle, the IFRS Foundation, recognising the difficulties of incorporating the effects of the pandemic and the related support measures in the models, also invites consideration of any top-down adjustments to the IFRS 9 impairment model used.

Finally, with its communication of 15 December 2020, the Bank of Italy incorporated a series of quantitative and qualitative additions to the financial statement disclosures required within the sixth update of Circular 262 "Bank financial statements: layouts and compilation rules", in order to provide the market with detailed information on the effects that Covid-19 and the measures to support the economy have had on the economic and financial situation of intermediaries.

The Cassa Centrale Group, in preparing the financial statement disclosures as at 31 December 2020, adopted the guidelines and recommendations from the aforementioned European regulatory bodies, supervisory bodies and standard setters, and at the same time took into account in the assessments of the significant business activities the support measures put in place by the Government in favour of households and businesses.

The main areas of the financial statements most affected by the effects of the pandemic and the related accounting decisions made by the Cassa Centrale Group as at 31 December 2020 are shown below.

Lastly, the management of the Cassa Centrale Group has placed, as usual, particular attention on the causes of uncertainty in the estimates that influence the quantification of the items relating to the financial statements assets and liabilities. Due to the persistence of the Covid-19 pandemic, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, income taxes, goodwill and intangible assets.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

For the purpose of calculating the Expected Loss as at 31 December 2020, the Cassa Centrale Group incorporated in its IFRS 9 impairment model the macroeconomic scenarios integrating the effects of the Covid-19 health emergency, as indicated by the European Central Bank in the aforementioned letter of 1 April 2020.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank ("Identification and measurement of credit risk as part of the coronavirus pandemic (Covid-19)").

In particular, for the purposes of the valuation of loans to customers as at 31 December 2020, the macroeconomic forecasts relating to the growth prospects of the Eurozone countries prepared by the ECB together with the individual Central Banks, including the Bank of Italy, were used and published on 4 June 2020, as the "anchoring point" of internal forecasts. The decision to confirm, also for 31 December 2020, the use of the macroeconomic forecasts released on 4 June 2020 and consequently of the probability of default (PD) and loss given default (LGD) levels already assessed as consistent on that occasion, rather than incorporating the updated forecasts released in December 2020, was dictated by forward-looking considerations which, from a more conservative and prudential viewpoint, postponed the incorporation of economic growth forecasts for the next three years into the models, due to the growing uncertainties regarding their prospective confirmation. This approach is based on the need to process the impairment data at 31 December 2020, anchoring the development of the forward-looking perspective of the risk parameters that influence its determinations to a scenario (among those issued by the European Central Bank or Bank of Italy) as close as possible to the economic and health conditions existing at the date of application, and capable of factoring into its dynamics the recent new lockdowns and social distancing due to the resurgence of the pandemic crisis that has severely affected the economic system during 2020, which were not adequately reflected in the latest available scenarios released at the beginning of December by the ECB and Bank of Italy.

The forecasts produced by the central authorities primarily refer to a 'baseline' scenario, but an alternative 'adverse' scenario was also released, while only a few indications of a 'mild' scenario were provided. In this regard, the "mild" scenario was implemented following the information contained in the ECB and Bank of Italy documents, applying the GDP growth profile of the Eurozone indicated and maintaining the unemployment and inflation rate for Italy on values compatible with those specified for the Eurozone.

In order to limit the volatility inherent in short-term forecasts, as recommended by the ECB itself, the forecast period was extended to 2023-2024 by incorporating the information included in the aforementioned ECB/Bank of Italy forecasts, limited to the 2020-2022 period, as a constraint in the internally developed forecast dataset, which is consistent with Prometeia's May 2020 Forecast Report. In particular, the deviation at the end of 2022 between the ECB/Bank of Italy scenario and that of Prometeia was kept constant.

For the purpose of calculating the expected loss as at 31 December 2020, the Cassa Centrale Group used the three aforementioned scenarios ("mild", "baseline", "adverse"), appropriately averaging their contributions.

In order to meet the need to attribute different weights to short and medium/long-term scenarios, favouring medium/long-term scenarios over time, the Cassa Centrale Group has adopted a variable weighting mechanism between the short-term and medium/long-term forecast components aimed at encouraging convergence towards the long-term average.

In 2020, the Cassa Centrale Group implemented several changes to the models for quantifying flat-rate analytical impairment provisions for credit risk in response to the effects of the Covid-19 health emergency, in compliance with the requirements of IFRS 9 to incorporate the guidance resulting from ECB publications (SSM-2020-0154 and SSM-2020-0744) and EBA GL (EBA-GL-2020-02) as well as other Standard Setters. The measures implemented, guided primarily by a conservative approach, pursued the objective of limiting potential future "cliff effects" as well as identifying the economic sectors at greatest risk, while ensuring the reduction of elements of potential distortion in estimates.

The approach outlined above, i.e. anchoring its expectations to the June 2020 publications (as opposed to direct anchoring to the latest scenario published in December 2020), also avoided a significant mismatch between the observation of risk factors and prospective expectations of a macroeconomic rebound, thereby allowing a high degree of consistency in the impairment and classification provisions and ensuring a consistent degree of conservatism. Conversely, acting on the expectations in the IFRS9 impairment model of the forecasts released in December 2020 would have resulted in a Group-wide reduction in the analytical flat-rate impairment provisions for the performing segment by more than 20%, and a related reduction in the exposure allocated to stage 2 (with reclassification to stage 1) by more than 15%.

In order to reflect in a forward-looking perspective the higher riskiness developed during the year as well as the uncertainty on forward-looking dynamics, in line with ECB provisions, IFRS 9 credit risk factors were included (with effects on staging and ECL). The expectations and projections of the scenarios published by the ECB were penalised (by downgrading of creditworthiness) in certain economic sectors and geographical areas most exposed to the negative effects of the pandemic crisis.

The introduction of the geo-sectoral treatment, at the level of the Cassa Centrale Group, is contextualised as an element of significant conservatism towards the sectors most affected by the pandemic and its recrudescence. This action led (thanks to the dual effect present both on the increase in the stock of loans classified in stage 2 and on the increase in the overall ECL level of the performing loans segment for exposures linked to geo-sectors at higher risk) to an overall increase of the bad debt provision relating to exposures to performing customers equal to approximately EUR +100 million (approximately + 0.24% of coverage) and higher classifications in stage 2 equal to approximately 3.18% of total performing exposures.

For the purposes of calculating expected losses, access to support measures such as government guarantees issued as part of new lending or past positions have been consistently factored into the ECL calculation by taking into account a specific LGD linked to the expected loss assessment of the government as guarantor (in a kind of LGD substitution of the internal model) as a fraction of the guaranteed portion of the exposure, also for the residual portion assessed on the basis of the internal LGD model (these approaches have no effect in terms of stage allocation).

The positions with access to support measures, such as moratorium measures, were consistently assessed through internal rating systems, with the aim of accurately capturing the level of risk at the reference date, as well as identifying any significant increases in the risk of credit for classification in stage 2.

In compliance with the requirements of Article 14 of the "Guidelines on Legislative and Non-Legislative Moratoria on Loan Payments Applied in the Light of the Covid-19 Crisis" issued by the EBA (EBA/GL/2020/02), the Cassa Centrale Group has set up an enhanced monitoring system aimed at verifying punctually the positions that have benefited from a Covid-19 moratorium.

This test was focused on exposures to customers that benefited from the Covid-19 moratorium and that present risk indicators such as to determine a potential downgrading of the same to unlikely to pay.

The above considerations had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Accounting treatment of Covid-19 moratoria

The Cassa Centrale Group has adopted a policy that governs, among other aspects, the accounting treatment of contractual amendments relating to financial assets. This policy states that changes made to exposures for which the borrower has been found to be in financial difficulty (known as Forborne) lead to a change in the carrying amount of the financial asset, resulting in the need to recognise a gain or loss in item 140. “Profits/losses from contractual changes without derecognition” of the Income Statement (so-called Modification accounting).

On the basis of the indications provided by the European Banking Authority in the document “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis” of 4 April 2020 (EBA/GL/2020/02), the moratoria granted to customers ex lege (mainly Law Decree 18 of 17.03.2020) and in application of trade agreements (ABI Agreements), have not been considered as an expression of the financial difficulty of the debtor, for all renegotiations implemented by 30.09.2020. Therefore, the aforementioned positions were not classified as Forborne exposures. In the case of concessions that also refer to legislation or national agreements, but were granted after 01.10.2020, the banks made a specific assessment of whether or not the requirements for the assignment of the Forborne attribute were met, given that with the communication of 21.09.2020, EBA declared the interruption of the exemptions previously recognised for the moratoria granted as a result of the health emergency to 30.09.2020. However, the subsequent reoccurrence of the pandemic prompted a change in the EBA’s stance, as expressed in the Amendment of 02.12.2020, from which date moratoria based on national law or agreements were further exempted from the requirement to assess the counterparty’s distress status. This benefit therefore refers to the moratoria granted between 2 December 2020 and 31 March 2021, fully assimilating them to those granted before 30 September 2020.

On the basis of the various guidelines issued by the European Banking Authority in 2020, the conduct adopted by the Parent Company and by the Affiliated Banks in granting moratoria can be outlined as follows:

- from 17.03.2020 to 30.09.2020, there was a complete exclusion of the moratoria from the scope of assessment and application of forbearance for all suspensions based on law or general agreements;
- from 01.10.2020 to 01.12.2020, the forborne attribute was assigned by applying the ordinary rules envisaged by the “Group Policy for the classification and valuation of loans”;
- finally, from 2 December 2020, the same conduct was adopted for the Covid-19 moratoria between 17.03.2020 and 30.09.2020.

In relation to the above, therefore, all moratoria granted to customers in the first and third points have not been treated according to modification accounting as they do not qualify as forbearance measures.

For all other moratoria granted by the Parent Company and the banks belonging to the Cassa Centrale Group on the basis of common initiatives promoted, or in any case in the absence of the objective and subjective requirements provided for by legislation or general agreements of national scope, the criteria for distinguishing between commercial renegotiations (non-forborne) and forbearance measures (forborne) were applied, as provided for by the aforementioned “Group Policy for the classification and measurement of loans”.

In the second half of 2020, in line with the provisions of the “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis”, a specific monitoring action was also implemented to promptly identify situations of default on counterparties benefiting from the moratorium. To this end, customers that benefited from the moratorium were divided into homogeneous risk clusters according to the sector they belong to and the early warning-triggers detected by the monitoring system implemented in 2020. On the clusters judged to be most risky, a specific assessment of the individual counterparties was carried out, with priorities varying according to the materiality of the exposures at the individual Affiliated Bank level. This initiative led to the classification in the non-performing segment of counterparties deemed in default, reducing the potential cliff-effect that could occur at the end of the moratorium period.

Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO III)

At the balance sheet date, the Cassa Centrale Group had outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a book value of about EUR 13 billion, which resulted in a positive contribution to interest margin of about EUR 19 million during the year.

The Group has assessed that the transactions of the TLTRO-III program cannot be assimilated to loans at an interest rate lower than the market rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the reporting date, as the monitoring time window for the achievement of the performance targets for credit disbursements under the TLTRO-III programme was still open, and as the European Central Bank, at the meeting of the Governing Council on 10 December 2020, introduced a new monitoring time window for credit disbursements expiring on 31 December 2021, the Group prudentially assessed that there were no elements for attributing economic conditions other than standard ones to the existing TLTRO-III operations.

Consequently, the methodology used to apply the interest rate to the existing TLTRO-III transactions envisaged the following assumptions:

- failure to achieve the performance objectives of loan disbursements over the envisaged time windows;
- stability of the reference rates of the European Central Bank until the maturity of the operations;
- maintenance of transactions until natural maturity.

Notwithstanding the above, despite the impact that the Covid-19 Pandemic may have on the Group's profitability levels during the next financial year, it is believed that the multiple measures outlined above will allow the Group to maintain an overall high profile of capital strength and liquidity.

Impairment test of goodwill

The Cassa Centrale Group considered the effects of the pandemic crisis as a trigger event sufficient to carry out the impairment test on goodwill on a half-yearly basis rather than an annual basis.

For this reason, as was the case for the half-year report as at 30 June 2020, the goodwill recognised in the consolidated financial statements as at 31 December 2020 was again subjected to impairment testing in light of the financial projections of the CGUs included in the Group business plan approved at 30 June 2020.

The impairment test confirmed that the recoverable amount of the Group's CGUs is higher than their book value. Therefore, the goodwill recognised in the consolidated financial statements as at 31 December 2020 was not written down. For further details on the impairment test of goodwill, please refer to "Part B - Balance Sheet - Section 10, Intangible assets - Item 100".

Measurement of securities at fair value

The Cassa Centrale Group's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets measured at fair value through other comprehensive income, exceeding certain thresholds, were measured as at 31 December 2020. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to normalise the impacts of significant short-term fluctuations in stock market prices due to the context of high market volatility, in the application of market methods (stock market multiples and regression analysis), it was considered appropriate to extend the time period of the stock market capitalisations of the comparable companies used as a reference for the valuations to at least 6 months.

e) Audit of the annual accounts

The consolidated financial statements are audited by the independent auditors KPMG S.p.A. By Consob resolution no. 20934, the request for an extension of two years (2019-2020) for the responsibility of auditing the separate and consolidated financial statements of Cassa Centrale Banca, pursuant to Article 17, paragraph 6, of Regulation (EU) no. 537/2014, was accepted.

f) Information pursuant to Annex A of First Part, Title III, Chapter 2 of Bank of Italy Circular no. 285 of 17 December 2013

Government Grants Received

In this regard, it should be noted, also in accordance with the provisions of so-called Annual Market and Competition Law (Law no. 124/2017), that the Group received in the 2020 financial year contributions from Public Administrations amounting to approximately EUR 1 million and mainly referring to training activities. It should also be noted that, in compliance with the provisions envisaged for the compilation of the disclosure in question, transactions with Central Banks for financial stability purposes or transactions whose objective is to facilitate the monetary policy transmission mechanism are excluded.

g) Transfer of the "Tax bonus" tax credit - Law no. 77 of 17 July 2020

In order to counter the negative economic effects of the spread of the Covid-19 pandemic, the Italian Government issued a series of measures in Law No. 77 of 17 July 2020, converting, with amendments, the 'Rilancio' Law Decree, which, among others, allow, under certain conditions, for a tax deduction for expenses incurred on certain cases.

The law also allows the taxpayer to opt, in place of the direct use of the deduction, to transfer the corresponding tax credit to other parties, including credit institutions and financial intermediaries who, in turn, may make subsequent transfers.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 "Income taxes" as it cannot be assimilated to taxes that affect the ability of the company to produce income;
- does not fall within the scope of the definition of government grants according to IAS 20 "Accounting for government grants and disclosure of government assistance" as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 "Financial instruments" as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 "Intangible assets", as the tax credits in question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/Consob/Ivass Document No. 9 ("Accounting treatment of tax credits related to the "Cura Italia" and "Rilancio" Decree Laws acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. In the case of the Cassa Centrale Group, the Hold To Collect business model was chosen, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortised

cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the receivable tax, equal the purchase price of the same receivables;

- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses;
- the reference business model at Group level, as already mentioned above, is the Hold to Collect (HTC), as the intention of the purchasing Bank is normally to hold them until maturity, offsetting them against tax credits over a period of five years; this consideration is always verified if the purchases of the transferee Bank fall within the limits of the Group’s ceiling;
- SPPI Test: The mechanism of compensation in fifths ensures that the test is passed because each fifth offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these consolidated financial statements are shown below.

1 - Financial assets measured at fair value through profit or loss

Classification criteria

Financial assets measured at fair value through profit or loss include:

- financial assets which, according to the business model of the Group, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets measured at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "b) financial assets measured at fair value";
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are measured at fair value as per mandatory requirements. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "c) other financial assets obligatorily measured at fair value".

Therefore, the Group recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the Income Statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid or by the amount disbursed for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the Income Statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are valued at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (so-called Fair Value Option), are entered in the Income Statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the Consolidated Income Statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss for instruments mandatorily measured at fair value and for instruments measured at fair value.

2 - Financial assets measured at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
  - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (Hold to Collect and Sell business model);
  - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other comprehensive income. In this respect, it should be noted that the exercise of the so-called OCI option:
  - shall be made at the time of initial recognition of the instrument;
  - must be carried out at the level of the individual financial instrument;
  - is irrevocable;
  - is not applicable to instruments that are held for trading or represent contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been valued at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets measured at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross carrying amount. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the repayment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

With reference to the methods used to determine the fair value of financial assets, please refer to paragraph "A.4 - Information on fair value" of this Part A.

It should also be noted that financial assets measured at fair value through other comprehensive income, both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as financial assets measured at amortised cost. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the Income Statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables - calculated on the basis of the effective interest rate - is recognised in the Income Statement on an accrual basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the Income Statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve are reversed, wholly or partly to the Income Statement (recycling).

With reference to equity instruments, the only component that is recognised in the Income Statement is dividends. The latter are recognised in the Income Statement only when (para. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be subsequently transferred to the Income Statement even if they are realised (no recycling).

3 - Financial assets measured at amortised cost

Classification criteria

Assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually (Hold to Collect business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Group recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Also included are loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included in the Consolidated Statement of Financial Position item 10. Cash and cash equivalents;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets measured at fair value through other comprehensive income or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the Income Statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases the financial asset is considered impaired upon initial recognition (so-called impaired financial assets acquired or originated), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the Income Statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the Income Statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered impaired financial assets acquired or originated on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. Distinguishments can be made between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They result in the recognition in the Income Statement of any differences between the carrying amount of the derecognised financial asset and the carrying amount of the new asset;

- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment carrying amount and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under Consolidated Income Statement item 10. Interest income and similar revenues and is recorded on an accrual basis, based on the effective interest rate, i.e. applying the latter to the gross carrying amount of the financial asset, except for:

- impaired financial assets acquired or originated. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are performing financial assets acquired or originated but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in letter b) above, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross carrying amount.

It should be noted that the Group applies the criterion referred to in letter b) above only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at each reporting date in the Consolidated Income Statement under item 130. Net value adjustments/write-backs due to credit risk. Profits and losses resulting from the sale of receivables are recorded in the Consolidated Income Statement under item 100. Profit (loss) from disposal/repurchase.

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the Income Statement items relating to interest.

Profits and losses relating to securities are recognised in the Consolidated

Income Statement under item 100. Profit (loss) from disposal/repurchase at the time the assets are sold.

Any impairment of securities is recognised in the Consolidated Income Statement under item 130. Net value adjustments/write-backs due to credit risk. If the reasons that led to the evidence of the decline in value are removed, the write-back is entered with recognition in the Income Statement in the same item.

4 - Hedging transactions

With regard to hedging transactions (hedge accounting), the Group avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a statement of financial position entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk associated to a highly probable present or future statement of financial position entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non Euro country or currency.

Only instruments involving a counterparty outside the Cassa Centrale Group may be designated as hedging instruments.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the statement of financial position asset or liability item, depending on whether, as at the reporting date, they show a positive or negative fair value.

The hedge is attributable to a predefined strategy set by the Risk Management Department and must be consistent with the risk management policies adopted; it is designated as a hedge if there is formal documentation of the relationship between the hedged instrument and the hedging instrument, including the high initial and prospective effectiveness during its entire life cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the Income Statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the Income Statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the Income Statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the statement of financial position, respectively, in the Consolidated Financial Statements item 60. Adjustment of the financial assets subject to macro-hedging or item 50. Adjustment of the financial liabilities subject to macro-hedging.

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and the one which would have been its carrying amount if the hedge had never existed, is amortised in the Income Statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at the amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non interesting bearing financial instruments, it is recorded immediately in the Income Statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the Income Statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the Income Statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the Income Statement when the flows relating to the risk originally hedged occur.

5 - Equity investments

Classification criteria

This item includes interests held in associates and jointly controlled companies.

The following definitions in particular apply:

- Associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Group, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investing company. Such influence is presumed (relative presumption) to exist for companies in which the Group owns at least 20.00% of the voting rights of the investee company;
- jointly controlled companies (Joint Venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Investments in associates and investments in jointly controlled companies are valued using the equity method. This means that, after initial recognition, the carrying amount is subsequently increased or decreased to record the Group's share of the profits and losses of the investee companies realised after the acquisition date, as a contra-entry to consolidated income statement item 250. Profits (losses) on equity investments.

The dividends received from an investee are deducted from the carrying amount of the equity investment.

If there is objective evidence of impairment, an estimate is made of the recoverable value of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable value of the asset is lower than its carrying amount, the impairment loss is recognised in the Income Statement under item 250. Profits (losses) on equity investments in the consolidated financial statements.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recorded under the Consolidated Statement of Financial Position item 70. Dividends and similar income. The latter are recognised in the Income Statement only when (para. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the Consolidated Financial Statements, dividends received are deducted from the carrying amount of the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item 250. Profits (losses) on equity investments in the consolidated financial statements.

6 - Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

Property for business use is defined as those tangible fixed assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are recorded in the consolidated financial statements under 'Other Assets' and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the Income Statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the right of use model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the long-lasting reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the carrying amount compared to the recoverable value. The recoverable value of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the Income Statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value, it being understood that the carrying amount of the asset is compared with its recoverable value if there is any indication that the asset may have suffered an impairment. Any adjustments are recognised in the Income Statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the Statement of financial position at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the carrying amount of the asset; they are recorded in the Income Statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the Income Statement, in Consolidated Financial Statements item 210. Net value adjustments/write-backs to tangible assets.

In the first year the amortisation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the carrying amount might not be recoverable. These impairment losses are recognised in the Income Statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In the Consolidated Income Statement item 280. Profit (Loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

7 - Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the Income Statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with finite useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the amortisation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable value of the asset. The amount of the impairment, recorded in the Income Statement, is equal to the difference between the carrying amount of the asset and its recoverable value.

Derecognition criteria

Intangible assets are eliminated from the Statement of financial position at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the carrying amount of the asset and entered in the Income Statement.

Criteria for the recognition of the income components

In the first year the amortisation is recorded proportionally to the effective period of using the asset.

In the Consolidated Income Statement item 220. Net value adjustments/write-backs to intangible assets, the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In the item 280. Gains (Losses) on disposal of investments in the consolidated income statement, the balance, whether positive or negative, between gains and losses on disposal of investments is recognised.

8 - Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose carrying amount will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a buyer and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups held for disposal and discontinued operations and related liabilities are shown under specific items of consolidated assets (120. Non-current assets and groups of assets held for disposal) and consolidated liabilities (70. Liabilities associated to assets held for disposal).

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the carrying amount and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their carrying amount and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the Statement of financial position at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable value at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

The income taxes, calculated in compliance with current taxation regulations, are recorded in the Income Statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses, valuation results and profits/losses on sale (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant Consolidated Income Statement item 320. Profit (loss) after tax from discontinued operations.

9 - Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under 'Current tax liabilities' of the Consolidated Statement of Financial Position.

In the event of overpayment, which gave rise to a recoverable receivable, this is accounted for among the 'Current tax assets' of the Consolidated Statement of Financial Position.

In accordance with IAS 12, the Group compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the so-called balance sheet liability method, taking into account the temporary differences between the carrying amount of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the Statement of Financial Position and its value recognised for tax purposes. These differences are distinguished between 'deductible temporary differences' and 'taxable temporary differences'.

Deferred tax assets

Deductible temporary differences indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

Deferred tax assets are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

Taxable temporary differences indicate a future increase in taxation and consequently generate Deferred tax liabilities, since these differences give rise to taxable amounts in the following years to those when they are attributed to the statutory Income Statement, determining a deferment of the taxation compared to the economic-statutory accrual.

Deferred tax liabilities are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;

- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting and are booked in Consolidated Statement of Financial Position item 110. Tax assets, sub-item "b) deferred" and 60. Tax liabilities, sub-item "b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the Income Statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the Income Statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

10 - Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- provision for credit risk relative to commitments and financial guarantees issued: the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- provision for other commitments and guarantees issued: the value of the total provisions in respect of other commitments and other guarantees issued which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- provisions for retirement and similar obligations includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- other provisions for risks and charges: these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the Income Statement, in Consolidated Financial Statements item 200. Net allocations to provisions for risks and charges.

The item includes the positive or negative balance between the allocations and any re-attributions to the Income Statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11 - Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than Financial liabilities held for trading and Financial liabilities measured at fair value.

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) valued at amortised cost. Securities that, at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the Income Statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the Income Statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the Income Statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding carrying amount of the liability is entered in the Income Statement, under the Consolidated Financial Statements item 100. Profit (loss) from disposal/repurchase of: c) Financial liabilities.

12 - Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, paragraph 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the reporting date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the statement of financial position; if the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets measured at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the Income Statement under item 80. Net result from trading.

13 - Financial liabilities measured at fair value

Classification criteria

Classified in this item are those financial liabilities measured at fair value with valuation results entered in the Income Statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is measured at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities measured at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the Income Statement.

Measurement criteria

Liabilities are measured at fair value. The income components are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve ('Statement of consolidated comprehensive income');
- the remaining changes in fair value are recognised in the Income Statement, under Consolidated Financial Statements item 110. Net

result of other financial assets and liabilities measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial liabilities measured at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the carrying amount of the liability and the amount paid to purchase is recorded in the Income Statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the Income Statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the interest expense and similar charges of the Consolidated Income Statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve ('Statement of comprehensive income');
- the remaining changes in fair value are recognised in the Income Statement, under Consolidated Financial Statements item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss.

14 - Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

Transactions in foreign currencies are recorded, at the time of initial recognition, in a currency account, by applying the exchange rate in force at the transaction date to the amount in a foreign currency.

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items valued at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the Income Statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the Equity, the exchange rate difference relating to this element is also recorded in the Equity.

When a profit or loss is recorded in the Income Statement, also the related exchange rate difference is recorded in the Income Statement.

15 - Other information

15.1 SALES AND REPURCHASE CONTRACTS (REPOS)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 PROVISION FOR SEVERANCE INDEMNITY AND SENIORITY BONUSES

Provision for severance indemnity (hereinafter also T.F.R.) is similar to a post-employment benefit of the defined benefit plan type the value of which IAS 19 requires to be determined using actuarial methodologies.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the T.F.R. accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee T.F.R. was carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Italian Legislative Decree 252/2005, the portions of the provision for severance indemnity (T.F.R.) accrued to 31.12.2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to complementary pension plans or the INPS fund.

The latter were therefore recognised in the Income Statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the T.F.R. paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the Consolidated Income Statement sub-item 190. a) Personnel costs.

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among ‘Other liabilities’) for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the “Statement of comprehensive income”.

The ‘other long-term benefits’ described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and charges of the statement of financial position.

The allocation, as the reattribution to the Income Statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the Income Statement among the “Personnel costs”.

15.3 RECOGNITION OF REVENUES AND COSTS

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

- at a given time, when the entity meets its performance obligation by transferring the promised good or service to the customer or
- over a period of time, as the entity meets its performance obligation by transferring the promised good or service to the customer.

With reference to the previous point, a ‘performance obligation’ is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer simultaneously receives or consumes the benefits provided by the entity’s performance as the entity performs;
- the company’s performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are:

- the obligation to pay;
- the legal title of the right to the consideration accrued;
- the physical possession of the asset;
- the transfer of risks and benefits related to ownership;
- the acceptance of the asset.

With regards to revenues realised over a period of time, the Group adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Group are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the Income Statement only at the time of its actual collection;
- the dividends are recorded in the Income Statement in the period in which their distribution is resolved, which coincides with the period when they are collected;
- the commissions for revenues from services are entered, based on

the existence of contractual agreements, in the period when the same services were rendered.

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the Income Statement according to the accrual principles; the costs relating to the obtainment and fulfilment of the contracts with the customer are recognised in the Income Statement in the periods in which the associated revenues are recognised.

15.4 IMPROVEMENTS TO THIRD-PARTY ASSETS

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the 'Other assets' and are amortised for a period not exceeding the duration of the lease.

15.5 METHODS OF RECOGNITION OF IMPAIRMENT LOSSES

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment - to be carried out at each reporting date - to verify whether there are any indicators that these assets may be impaired (so-called impairment indicators).

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model adopted by the Group, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

As a result of the Covid-19 pandemic, during the year the Cassa Centrale Group implemented several refinements to the IFRS 9 impairment model to reflect the guidelines and recommendations contained in the various guidelines issued by the regulators. For more details on the aforementioned refinements, please refer to paragraph "d) Methods of application of international accounting standards in the context of the Covid-19 pandemic" included in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'Low Credit Risk';
- in stage 3, non-performing positions.

More specifically, the Group made provision for the allocation of the individual credit, cash and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
  - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
  - positions which, at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- rating class of less than or equal to 4.

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;
- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset (lifetime expected loss);
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Group has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks has been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Group adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also "PD" and "EAD") risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the first stage of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In the second stage, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events were verified as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- the 12-month ECL represents the expected value of the loss estimated on an annual basis;
- the lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Group to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- cash exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- cash exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- cash exposures classified as unlikely to pay that exceed the size threshold;
- cash exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 200,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable value (valuation component), the Group adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- going concern approach, which applies only to business counterparties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;
    - the debtor's future operating cash flows are adequate to repay the financial debt to all creditors;
- gone concern approach, which applies mandatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable value (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable value of the investment is lower than its carrying amount.

The recoverable value is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the carrying amount.

For the valuation methods used to determine fair value, reference should be made to paragraph “A.4 - Information on fair value” in this part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable value is higher than the carrying amount of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in Consolidated Income Statement item 250. Profits (losses) on equity investments.

Should the recoverable value subsequently be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at fair value (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by para. 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property that hosts the Management (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets - and not a single asset - that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable value (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative carrying amount.

If and only if the recoverable value of an asset or of the CGU is lower than its carrying amount, the latter must be reduced to the recoverable value, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Group is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress).

Other intangible assets (e.g. those with a defined useful life such as core deposits acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by para. 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable value is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable value, which will be compared with their carrying amount in order to quantify any impairment. The recoverable value is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the carrying amount of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit (CGU) in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A CGU is written down when its carrying amount is higher than its recoverable value. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the carrying amount of the asset, or because the asset would be sold for less than its carrying amount.

15.6 BUSINESS COMBINATIONS

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the parent company (acquiror) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the acquiror and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the acquiror's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the income statement.

15.7 ACCRUALS AND DEFERRALS

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 OWN SHARES

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity. Similarly, shares issued by the Parent Company and subscribed by the Affiliated Banks as part of the sole consolidating entity are also deducted from Group's equity.

15.9 PAYMENTS BASED ON SHARES

This case does not apply to the Group, as it does not have a so-called 'stock option plan' in place on Group-issued shares.

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

The Group has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.4 - Information on fair value

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value policy of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the fair value hierarchy.

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Group has equipped itself with tools to identify and monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on valuation models.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/

assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Group has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. The prices that are recorded on these markets to which the Group has access are considered level 1 prices. For example, the following are classified at this level of fair value:
  - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
  - Shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
  - UCITS mutual funds.
- Level 2: fair value is determined on the basis of valuation techniques that envisage:
  - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
  - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Group refers to prices in markets where the stringent requirements of the active market are not met or to valuation models - also developed by info providers - aimed at estimating the price at which a regular sale or transfer of a liability between market participants would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
  - the prices of similar financial assets/liabilities;
  - interest rates and yield curves observable at commonly quoted intervals;
  - implied volatility;
  - credit spread;
  - inputs corroborated by the market based on observable market data.

  The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:
  - non-governmental bonds for which a price is available on a non-active market;
  - securities for which the valuation is provided by a third party provider using inputs observable on active markets;
  - securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
  - shares that are not listed on an active market;
  - OTC (Over the Counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.
- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:
  - unlisted minority equity investments;
  - insurance investment products;
  - unlisted non-UCITS funds;
  - junior securitisation securities;

- unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

Information of a qualitative nature

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal model is used to determine fair value.

The valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by Affiliated Banks or other cooperative credit banks, the rating class is determined on the basis of the creditworthiness of the Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used.

Given the predominant use of observable inputs, the fair value thus determined is classified at level 2.

Derivatives

The fair value of Over the Counter (OTC) derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in statement of financial position assets, IFRS 13 confirmed the rule of applying the Credit Valuation Adjustment - CVA. With regard to financial liabilities involving OTC derivatives, IFRS 13 introduces the Debit Valuation Adjustment (DVA), i.e. an adjustment to fair value which aims to reflect its own default risk on those instruments.

The Group therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA - Minimum Transfer Amount (that is the difference between the fair value of the contract and the value of the guarantee) under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Group, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (Market Approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);
- income methodologies (income approach): these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) Discounted Cash Flow (DCF); ii) Dividend Discount Model (DDM); iii) Appraisal Value;
- Adjusted Net Asset Value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Group verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Group uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the Fair Value Policy approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and AIFs are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

For this reason, the NAV used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI test or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a Discounted Cash Flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 PROCESSES AND SENSITIVITIES OF THE VALUATIONS

The Group generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

That said, financial instruments under assets with a fair value level 3 represent a residual portion of approximately 6% of the total portfolio of financial assets at fair value. They consist mainly of unlisted minority equity investments and insurance investment products (typically life insurance policies).

With reference to the unlisted minority equity investments, the investment in Iccrea Banca, amounting to approximately EUR 95 million at the reporting date is notable. This was not subject to sensitivity analysis considering that the fair value was determined on the basis of the price defined in the agreement signed in October 2019 between the Parent Company Cassa Centrale Banca and Iccrea Banca regarding the definition of reciprocal participation arrangements. Given that the value of the equity investment will be realised at the price already established in the agreement, which cannot therefore be subject to change, it was considered that the sensitivity analysis has no significant informative value.

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euroswap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

A.4.3 FAIR VALUE HIERARCHY

For a description of the fair value hierarchy levels envisaged by the Group, please refer to paragraph "A.4 - Information on fair value" above.

With reference to assets and liabilities measured at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 OTHER INFORMATION

The Group does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Group, with reference to derivatives concluded with financial counterparties with which it stipulated framework offsetting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 FAIR VALUE HIERARCHY

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

	31/12/2020			31/12/2019		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	212	20	375	160	54	388
a) financial assets held for trading	-	7	-	-	7	-
b) financial assets measured at fair value	-	-	2	-	-	2
c) other financial assets obligatorily measured at fair value	212	13	373	160	47	386
2. Financial assets measured at fair value through other comprehensive income	9,137	73	230	7,161	105	282
3. Hedging derivatives	-	2	-	-	3	-
4. Tangible assets	-	-	15	-	-	18
5. Intangible assets	-	-	-	-	-	-
Total	**9,349**	**95**	**620**	**7,321**	**162**	**688**
1. Financial liabilities held for trading	-	9	-	-	7	-
2. Financial liabilities measured at fair value	-	15	-	-	51	-
3. Hedging derivatives	-	57	-	-	43	-
Total	**-**	**81**	**-**	**-**	**101**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) other financial assets obligatorily measured at fair value				
1. OPENING BALANCES	**388**	**-**	**2**	**386**	**282**	**-**	**18**	**-**
2. INCREASES	**21**	**-**	**-**	**21**	**171**	**-**	**1**	**-**
2.1. Purchases	10	-	-	10	158	-	1	-
2.2. Profit attributed to:	9	-	-	9	13	-	-	-
2.2.1 Income Statement	9	-	-	9	12	-	-	-
- of which capital gains	5	-	-	5	12	-	-	-
2.2.2 Equity	-	X	X	X	1	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	2	-	-	2	-	-	-	-
3. DECREASES	**34**	**-**	**-**	**34**	**223**	**-**	**4**	**-**
3.1. Sales	3	-	-	3	154	-	-	-
3.2. Repayments	23	-	-	23	29	-	-	-
3.3. Losses attributed to:	7	-	-	7	37	-	-	-
3.3.1 Income Statement	7	-	-	7	6	-	-	-
- of which capital losses	6	-	-	6	6	-	-	-
3.3.2 Equity	-	X	X	X	31	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1	-	-	1	3	-	4	-
4. CLOSING BALANCES	**375**	**-**	**2**	**373**	**230**	**-**	**15**	**-**

Included in item “3.1. sales”, relating to Financial assets at fair value with impact on comprehensive income, is the sale of the second tranche of Iccrea Banca S.p.A. shares for an amount of approximately EUR 47 million. The item “Closing balances” also includes the residual value of the same securities still in the portfolio for an amount of approximately EUR 95 million.

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

As at the reporting date, the Group does not hold any liabilities measured at fair value on a recurring basis classified to level 3.

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

ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2020				31/12/2019			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	73,068	27,569	484	47,688	60,932	18,590	1,463	41,417
2. Tangible assets held for investment purposes	87	-	-	93	96	-	-	93
3. Non-current assets and groups of assets held for disposal	7	-	-	5	9	-	-	7
Total	**73,162**	**27,569**	**484**	**47,786**	**61,037**	**18,590**	**1,463**	**41,517**
1. Financial liabilities measured at amortised cost	77,873	-	2,112	75,760	64,143	-	3,418	60,703
2. Liabilities associated to assets held for disposal	-	-	-	-	-	-	-	-
Total	**77,873**	**-**	**2,112**	**75,760**	**64,143**	**-**	**3,418**	**60,703**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 - Information on ‘day one profit/loss’

The Group did not carry out any transactions for which, at the moment of first-time recognition of a financial instrument, a difference emerges between the purchase value and the value of the instrument obtained using internal valuation techniques.

Part B - Information on the Consolidated 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	533	550
b) Deposits on demand at central banks	81	5
Total	**614**	**555**

The sub-item 'Deposits on demand at central banks' refers to transactions with the Bank of Italy.

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

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
A CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	7	-	-	7	-
1.1 trading	-	7	-	-	6	-
1.2 connected to the fair value option	-	-	-	-	1	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 Connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**7**	**-**	**-**	**7**	**-**
Total (A+B)	**-**	**7**	**-**	**-**	**7**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item contains the financial assets (debt securities, equities, UCITS units, and derivatives) classified in the trading book

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2020	Total 31/12/2019
A CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	7	7
Total (B)	**7**	**7**
Total (A+B)	**7**	**7**

2.3 Financial assets measured at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. LOANS	**-**	**-**	**2**	**-**	**-**	**2**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	2	-	-	2
Total	**-**	**-**	**2**	**-**	**-**	**2**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

2.4 Financial assets measured at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2020	Total 31/12/2019
1. DEBT SECURITIES	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. LOANS	**2**	**2**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	2	2
Total	**2**	**2**

2.5 Other financial assets obligatorily measured at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	13	4	-	47	17
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	13	4	-	47	17
2. Equities	26	-	-	18	-	-
3. UCITS units	186	-	83	142	-	85
4. Loans	-	-	286	-	-	284
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	286	-	-	284
Total	**212**	**13**	**373**	**160**	**47**	**386**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "1.2. Other debt securities" includes junior and mezzanine securities related to securitisation transactions for approximately EUR 4 million classified in fair value level 3.

Loans include approximately EUR 227 million in life insurance policies issued by insurance companies, linked to the return on a separate holding, and obligatorily measured at fair value following the failure of the SPPI test.

The item 'UCITS units' is composed of the following main categories of funds:

- bonds for approximately EUR 121 million;
- stocks for approximately EUR 42 million;
- balanced for approximately EUR 44 million;
- real estate totalling approximately EUR 32 million;
- NPLs totalling approximately EUR 29 million;
- private equity totalling approximately EUR 1 million.

2.6 Other financial assets obligatorily measured at fair value: breakdown by debtors/issuers

	Total 31/12/2020	Total 31/12/2019
1. EQUITIES	**26**	**18**
of which: banks	1	1
of which: other financial companies	2	1
of which: non-financial companies	23	16
2. DEBT SECURITIES	**17**	**64**
a) Central Banks	-	-
b) Public bodies	-	11
c) Banks	12	17
d) Other financial companies	5	36
of which: insurance companies	-	13
e) Non-financial companies	-	-
3. UCITS UNITS	**269**	**227**
4. LOANS	**286**	**284**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	273	266
of which: insurance companies	229	221
e) Non-financial companies	8	12
f) Households	5	6
Total	**598**	**593**

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

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

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**9,129**	**73**	**1**	**7,157**	**105**	**3**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	9,129	73	1	7,157	105	3
2. EQUITIES	**8**	**-**	**229**	**4**	**-**	**279**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**9,137**	**73**	**230**	**7,161**	**105**	**282**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "2. Equities" includes residual Iccrea Banca S.p.A. securities held by Affiliated Banks for approximately EUR 95 million, representing an interest of approximately 6.6%. These securities are part of the sale agreement entered into in 2019 with Iccrea Banca S.p.A., which will allow the position to be completely eliminated by 2022. During 2020, the sale of the second tranche was completed, for a total countervalue of approximately EUR 47 million: the remainder will be sold in full in two annual and proportional portions by 31 December 2022.

This item also includes equities relating to Cassa Centrale Banca's investment in Carige for a countervalue of approximately EUR 37.5 million (equal to 8.34% of the share capital).

3.2. Financial assets measured at fair value through other comprehensive income: breakdown by debtors/issuers

	Total 31/12/2020	Total 31/12/2019
1. DEBT SECURITIES	**9,203**	**7,265**
a) Central Banks	-	-
b) Public bodies	9,040	6,972
c) Banks	109	247
d) Other financial companies	30	27
of which: insurance companies	-	-
e) Non-financial companies	24	19
2. EQUITIES	**237**	**283**
a) Banks	169	229
b) Other issuers:	68	54
- other financial companies	11	11
of which: insurance companies	3	4
- non-financial companies	45	34
- other	12	9
3. LOANS	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**9,440**	**7,548**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value				Total value adjustments			Overall partial write-offs*
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	9,202	67	3	1	2	-	1	-
Loans	-	-	-	-	-	-	-	-
Total 31/12/2020	**9,202**	**67**	**3**	**1**	**2**	**-**	**1**	**-**
Total 31/12/2019	**7,266**	**394**	**3**	**1**	**4**	**-**	**1**	**-**
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

*Value to be displayed for information

The division by stage of risk of financial assets measured at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and part E - Information on risks and related hedging policies.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total value adjustments

The table does not contain information and therefore was not filled in.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown by category of loans to banks

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**2,089**	**-**	**-**	**-**	**-**	**2,090**	**455**	**-**	**-**	**-**	**-**	**455**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	2,089	-	-	X	X	X	455	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. LOANS TO BANKS	**913**	**-**	**-**	**167**	**176**	**591**	**1,084**	**-**	**-**	**177**	**217**	**704**
1. Loans	**583**	**-**	**-**	**2**	**-**	**581**	**711**	**-**	**-**	**-**	**20**	**692**
1.1 Current accounts and deposits on demand	209	-	-	X	X	X	337	-	-	X	X	X
1.2. Fixed-term deposits	186	-	-	X	X	X	281	-	-	X	X	X
1.3. Other loans	188	-	-	X	X	X	93	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X	1	-	-	X	X	X
- Other	188	-	-	X	X	X	92	-	-	X	X	X
2. Debt securities	**330**	**-**	**-**	**165**	**176**	**10**	**373**	**-**	**-**	**177**	**197**	**12**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	330	-	-	165	176	10	373	-	-	177	197	12
Total	**3,002**	**-**	**-**	**167**	**176**	**2,681**	**1,539**	**-**	**-**	**177**	**217**	**1,159**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The balance of the item "2.2 Other debt securities" includes the subscription, by the Cassa Centrale Group, of the subordinated bond issued by Carige at an annual rate of 8.25%. This subordinated loan was subscribed by Cassa Centrale Banca and its Affiliated Banks for a nominal value of EUR 100 million.

4.2 Financial assets measured at amortised cost: breakdown by category of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
1. LOANS	**42,144**	**1,201**	**-**	**-**	**184**	**44,676**	**39,059**	**1,885**	**-**	**-**	**1,115**	**40,052**
1. Current accounts	3,440	181	-	X	X	X	4,707	335	-	X	X	X
2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	33,992	965	-	X	X	X	29,429	1,459	-	X	X	X
4. Credit cards, personal loans and salary-backed loans	707	9	-	X	X	X	759	13	-	X	X	X
5. Financing for leases	605	18	-	X	X	X	586	29	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	3,400	28	-	X	X	X	3,578	49	-	X	X	X
2. DEBT SECURITIES	**26,721**	**-**	**-**	**27,402**	**124**	**331**	**18,449**	**-**	**-**	**18,413**	**131**	**206**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	26,721	-	-	27,402	124	331	18,449	-	-	18,413	131	206
Total	**68,865**	**1,201**	**-**	**27,402**	**308**	**45,007**	**57,508**	**1,885**	**-**	**18,413**	**1,246**	**40,258**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Loans to customers are shown net of value adjustments from write-downs. Impaired assets include the non-performing loans, unlikely to pay and past due exposures according to Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates. Details of these exposures, the amounts and the breakdown of the value adjustments, are shown in Part E of the Explanatory notes - 'Credit quality'. The fair value of short-term or revocable receivables was conventionally assumed to be equal to the carrying amount.

For the impaired positions it was deemed appropriate to assume the fair value equal to the net carrying amount.

The item "2.2 Other debt securities" includes senior securities relating to securitisation transactions for approximately EUR 301 million classified at fair value level 3.

Loans to customers include loans from third-party funds under administration with risk borne by the Group amounting to approximately EUR 114 million.

The increase in the item “Mortgages”, partially offset by a contraction in current accounts, is related to the reshaping of on-demand exposures to State-guaranteed forms of financing, as well as the effects of moratoria on mortgages that have temporarily suspended their pre-established amortisation schedules and new loans granted with state guarantees. These measures are envisaged by government decrees issued following the crisis triggered by the Covid-19 pandemic. For more information, see table “4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total value adjustments”.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2020			Total 31/12/2019		
	First and second stage	Third stage	of which: impaired assets acquired or originated	First and second stage	Third stage	of which: impaired assets acquired or originated
1. DEBT SECURITIES	**26,721**	**-**	**-**	**18,449**	**-**	**-**
a) Public bodies	26,337	-	-	18,181	-	-
b) Other financial companies	352	-	-	240	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	32	-	-	28	-	-
2. LOANS TO:	**42,144**	**1,201**	**-**	**39,059**	**1,885**	**-**
a) Public bodies	192	-	-	207	-	-
b) Other financial companies	828	10	-	853	13	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	19,953	700	-	17,846	1,179	-
d) Households	21,171	491	-	20,153	693	-
Total	**68,865**	**1,201**	**-**	**57,508**	**1,885**	**-**

4.4 Financial assets measured at amortised cost: gross value and total value adjustments

	Gross value				Total value adjustments			Overall partial write-offs*
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	27,040	352	69	1	20	38	1	-
Loans	39,636	1	5,617	3,336	132	305	2,135	302
Total 31/12/2020	**66,676**	**353**	**5,686**	**3,337**	**152**	**343**	**2,136**	**302**
Total 31/12/2019	**52,411**	**1,992**	**7,006**	**4,189**	**99**	**271**	**2,304**	**305**
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and part E - Information on risks and related hedging policies.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total value adjustments

	Gross value				Total value adjustments		
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage
1. Loans subject to concession compliant with GL	6,850	-	1,336	151	33	93	58
2. Loans subject to other forbearance measures	2	-	126	94	-	11	44
3. New loans	2,837	-	476	11	3	7	3
Total 31/12/2020	**9,689**	**-**	**1,938**	**256**	**36**	**111**	**105**

Loans shown in items "1. Loans subject to concession compliant with GL "and" 2. Loans subject to other forbearance measures" in the table above, are subject to moratoria that are still in place as at 31 December 2020.

The new loans represented under item no. 3 constitute new liquidity granted through public guarantee mechanisms.

The column "Total partial write-offs" is not shown as per the exemption envisaged by the Communication of 15 December 2020 - Supplements to the provisions of Circular no. 262 "Bank financial statements: layouts and rules" regarding the impacts of Covid-19 and measures to support the economy and amendments to the IAS/IFRS.

Section 5 - Hedging derivatives - Item 50

This item features the derivative contracts designated as effective hedging instruments, which at the reference date show a positive fair value.

With regard to hedging transactions, the Group continues to apply IAS 39 in full for accounting purposes, as required by the transitional provisions of IFRS 9.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E - Information on risks and related hedging policies, Section 3 - Derivatives and hedging policies.

5.1 Hedging derivatives: breakdown by type of coverage and levels

	FV 31/12/2020			NV 31/12/2020	FV 31/12/2019			NV 31/12/2019
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES								
1. Fair value	-	2	-	49	-	3	-	43
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**2**	**-**	**49**	**-**	**3**	**-**	**43**

KEY:

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

HEDGING TRANSACTIONS/TYPE	Fair Value							Cash flows		Foreign Investments
	Specific						Macro	Specific	Macro	
	Debt securities and interest rates	Equities and stock market indices	Currencies and gold	Loans	Currencies and gold	Other				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	2	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 - Adjustment of the financial assets subject to macro-hedging - Item 60

This item includes the balance of changes in the value of assets subject to macro interest rate risk hedging, for the application of which the Group avails itself of the possibility, provided by IFRS 9, to continue to apply IAS 39 in the carve-out version.

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

VALUE ADJUSTMENT OF HEDGED ASSETS/VALUES	Total 31/12/2020	Total 31/12/2019
1. POSITIVE ADJUSTMENT	**45**	**31**
1.1 of specific portfolios:	10	7
a) financial assets measured at amortised cost	10	7
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	35	24
2. NEGATIVE ADJUSTMENT	**-**	**-**
2.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**45**	**31**

Section 7 - Equity investments - Item 70

This section includes the equity investments in companies under joint control or subject to a significant influence (IAS 28 and IFRS 11).

As at the reporting date, the value of the equity investments amounted to EUR 75 million, relating:

- to ‘significant’ equity investments totalling EUR 51 million (as represented in the following table 7.2);
- to ‘non significant’ equity investments totalling EUR 24 million (as represented, on the whole, in the following table 7.4).

The scope of ‘significant equity investments’ was determined by considering the materiality of the carrying amount of the investment and the share of the investee’s assets with respect to the homogeneous balances relating to the current financial statements.

7.1 Equity investments: information on investment ratios

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - COOPERATIVE COMPANY	50.00	50.00
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	8.48	8.48
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	7.19	7.19
				CASSA RURALE ALTO GARDA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.53	6.53
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	4.08	4.08
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.26	3.26
				LA CASSA RURALE - CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - COOPERATIVE COMPANY	3.15	3.15
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.12	3.12
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.96	2.96
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.88	2.88
				OTHER MINORITY INTERESTS	5.86	5.86
					47.51	47.51

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA E VALLE DI CEMBRA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.96	6.96
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	5.1	5.1
				CASSA RURALE VAL DI NON - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.71	3.71
				CASSA RURALE ALTO GARDA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	3.48	3.48
				CASSA RURALE DOLOMITI DI FASSA PRIMIERO E BELLUNO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE DI ROVERETO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.09	2.09
				OTHER MINORITY INTERESTS	7.89	7.89
					47.79	47.79
CENTRALE TRADING	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	32.5	32.5
				ALLITUDE S.P.A.	10	10
					42.5	42.5
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCATER CREDITO COOPERATIVO FVG - COOPERATIVE COMPANY	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - COOPERATIVE COMPANY	26.51	26.51
SCOUTING S.P.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - COOPERATIVE COMPANY	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	6.29	6.29

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		Votes available %
				Investing company	% share	
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - COOPERATIVE COMPANY	4.65	4.65
					30.37	30.37
CABEL HOLDING S.P.A.	Empoli (FI)	Empoli (FI)	4	BANCA DI CREDITO COOPERATIVO DI CASTAGNETO CARDUCCI - COOPERATIVE COMPANY	19.5	19.5
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - COOPERATIVE COMPANY	2.01	2.01
					29.17	29.17
SENIO ENERGIA S.r.l.	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - COOPERATIVE COMPANY	22.22	22.22
RENDENA GOLF S.P.A.	Bocenago (TN)	Bocenago (TN)	4	CASSA RURALE ADAMELLO - BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	24.76	24.76
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO S.P.A.	24.51	24.51
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - COOPERATIVE COMPANY	30.00	30.00
CHIESE 2015 S.r.l.	Brescia	Brescia	4	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - COOPERATIVE COMPANY	33.33	33.33

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree 87/92"

7 - joint ventures

8 - Other type of relationship.

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A - Accounting policies of these Explanatory notes.

7.2 Significant equity investments: carrying amount, fair value and dividends received

NAME	Carrying amount	Fair value	Dividends received
A. JOINTLY CONTROLLED COMPANIES			
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	16	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE			
CABEL HOLDING S.P.A.	15	-	-
FONDO LEONIDA	7	7	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE	7	-	-
ASSICURA S.r.l.	6	-	-
Total	**51**	**7**	**-**

7.3 Significant equity investments: accounting information

The table shows the data obtained from the last accounting position available.

NAME	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Value adjustments and write-backs on tangible and intangible assets	Profit (loss) before tax from current operating activities	Profit (loss) after tax from current operating activities	PRofit (loss) after tax from discontinued operations	Profit (loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES														
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	-	64	-	32	-	-	-	-	1	1	-	1	-	1
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE														
CABEL HOLDING S.P.A.	X	17	68	23	63	37	X	X	1	1	-	1	-	1
FONDO LEONIDA	X	-	9	1	-	-	X	X	-	-	-	-	-	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE	X	10	4	-	14	-	X	X	1	1	-	1	-	1
ASSICURA S.r.l.	X	6	2	-	8	-	X	X	-	-	-	-	-	-

7.4 Non significant equity investments: accounting information

NAME	Carrying amount of equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) after tax from current operating activities	Profit (loss) after tax from operating activities	Profit (loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES	-	28	28	-	-	-	-	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE	24	89	52	9	(1)	-	(1)	-	(1)

The table shows the information of an accounting nature, cumulatively by type of investment relationship, with reference to non significant companies subject to significant influence. 'Total liabilities' does not include Equity.

In the column 'Total revenues' the total amount of the income components with a positive sign is shown, gross of their tax effect.

The values are expressed with reference to the percentage held by the Group, as required by IFRS 12.

7.5 Equity investments: annual changes

	Total 31/12/2020	Total 31/12/2019
A. OPENING BALANCES	**89**	**-**
B. INCREASES	**2**	**98**
B. Increases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	2	1
B.4 Other changes	-	97
C. DECREASES	**16**	**9**
C.1 Sales	13	3
C.2 Value adjustments	-	1
C.3 Write-downs	3	5
C.4 Other changes	-	-
D. CLOSING BALANCES	**75**	**89**
E. TOTAL REVALUATIONS	**3**	**1**
F. TOTAL ADJUSTMENTS	**-**	**1**

The item “B4. Other changes” in 2019 includes EUR 97 million relating to the opening balances of the entities falling within the scope of consolidation, including the Parent Company, arising from the first-time consolidation of the Group.

The main changes in equity investments during the current year are summarised below:

- item “C.1 Sales” is mainly attributable to the sale of the investment in BCC Sviluppo Territorio FVG held by some Affiliated Banks for a value of approximately EUR 10 million;
- positive value adjustment, item “B.3 Revaluations”, for a value of approximately EUR 2 million;
- negative value adjustment, item “C.3 Write-downs” for a value of around EUR 3 million.

7.6 Significant valuations and assumptions to establish the existence of joint control or significant influence

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A - Accounting policies (IFRS 12 para. 7, letters b) and c)).

7.7 Commitments referring to equity investments in subsidiaries under joint control

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.8 Commitments referring to equity investments in companies subject to a significant influence

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.9 Significant restrictions

There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of dividends, loan repayments or advances made by the entity.

7.10 Other information

For most of the companies subject to joint control or significant influence, the timing of availability of the year-end financial statements is not compatible with the timing of the closing of the consolidated financial statements of the Cassa Centrale Group; in this regard, for the application of the equity method, reference is made to the latest available accounting reports, represented, in most cases, by the latest financial statements or half-yearly report available.

In any case, when the accounting records of the associate or joint venture used in applying the equity method refer to a date other than that of the consolidated financial statements, adjustments are made to take into account the effects of significant transactions or events that occurred between that date and the date of the Group’s consolidated financial statements.

At the reporting date, there are no impairment losses that impact the carrying amount, including goodwill, of equity investments in companies subject to joint control or significant influence. For the aforementioned equity investments, the book value of the net investment is substantially in line with the corresponding portion of equity held.

Section 8 - Reinsurers' share of technical provisions - Item 80

The tables of this section do not contain information and therefore were not filled in.

Section 9 - Tangible assets - Item 90

9.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2020	Total 31/12/2019
1. ASSETS OWNED	**965**	**950**
a) land	146	150
b) buildings	683	675
c) furniture	49	46
d) electronic systems	35	25
e) other	52	54
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**131**	**136**
a) land	5	-
b) buildings	119	129
c) furniture	-	-
d) electronic systems	5	6
e) other	2	1
Total	**1,096**	**1,086**
of which: obtained through the enforcement of guarantees received	7	4

For details of the rights of use acquired through lease, please refer to the information provided at the end of table "9.6 Tangible assets for business use: annual changes".

9.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2020				Total 31/12/2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. ASSETS OWNED	**87**	**-**	**-**	**93**	**96**	**-**	**-**	**93**
a) land	29	-	-	29	29	-	-	29
b) buildings	58	-	-	64	67	-	-	64
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**87**	**-**	**-**	**93**	**96**	**-**	**-**	**93**
of which: obtained through the enforcement of guarantees received	42	-	-	41	45	-	-	44

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.3 Tangible assets for business use: breakdown of the revalued assets

ASSETS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**3**	**-**	**-**	**6**
a) land	-	-	1	-	-	1
b) buildings	-	-	2	-	-	5
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**3**	**-**	**-**	**6**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.4 Tangible assets held for investment purposes: breakdown of the assets measured at fair value

ASSETS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**12**	**-**	**-**	**12**
a) land	-	-	1	-	-	1
b) buildings	-	-	11	-	-	11
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**12**	**-**	**-**	**12**
of which: obtained through the enforcement of guarantees received	-	-	2	-	-	-

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.5 Inventories of tangible assets disciplined by IAS 2: breakdown

ASSETS/VALUES	Total 31/12/2020	Total 31/12/2019
1. INVENTORIES OF ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED	**39**	**31**
a) land	**29**	27
b) buildings	**10**	4
c) furniture	**-**	-
d) electronic systems	**-**	-
e) other	**-**	-
2. OTHER INVENTORIES OF TANGIBLE ASSETS	**33**	**41**
Total	**72**	**72**
of which: measured at fair value net of costs to sell	**-**	-

Other inventories of tangible assets mainly include real estate that is not functional to banking activities.

9.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2020
A. GROSS OPENING BALANCES	**151**	**865**	**55**	**45**	**73**	**1,189**
A.1 Total net impairment	-	56	9	14	18	97
A.2 NET OPENING BALANCES	**151**	**809**	**46**	**31**	**55**	**1,092**
B. INCREASES:	**4**	**61**	**12**	**33**	**24**	**133**
B.1 Purchases	1	37	8	33	21	100
- of which business combinations	-	(1)	-	(2)	-	(3)
B.2 Expenditures for capitalised improvements	-	3	1	-	-	4
B.3 Write-backs	-	4	-	-	-	4
B.4 Positive fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	3	17	3	-	3	25
C. DECREASES:	**3**	**64**	**9**	**24**	**24**	**134**
C.1 Sales	-	4	-	6	4	14
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	52	8	17	18	95
C.3 Value adjustments for impairment charged to	-	3	-	-	-	3
a) equity	-	-	-	-	-	-
b) income statement	-	3	-	-	-	3
C.4 Negative fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	1	3	-	-	-	4
a) tangible assets held for investment purposes	1	3	X	X	X	4
b) non-current assets and groups of assets held for disposal	-	-	-	-	-	-
C.7 Other changes	2	2	1	1	2	8
D. NET CLOSING BALANCES	**152**	**806**	**49**	**40**	**55**	**1,102**
D.1 Total net impairment	-	111	17	31	36	195
D.2 GROSS CLOSING BALANCES	**152**	**917**	**66**	**71**	**91**	**1,297**
E. Valuation at cost	2	16	2	1	2	23

Tangible fixed assets are depreciated, i.e. the depreciable value of the asset is charged to the income statement in portions reflecting its long-term use based on its estimated useful life.

With regard to the rights of use acquired through lease, the annual changes in this category are shown below:

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total 31/12/2020
Balance as at 1 January	**87**	**1**	**-**	**-**	**41**	**1**	**4**	**2**	**-**	**136**
Of which:										
- Historical cost	106	1	-	-	42	1	5	2	-	**157**
- Depreciation fund	(19)	-	-	-	(1)	-	(1)	-	-	**(21)**
Increases	24	1	-	-	9	-	-	-	-	**34**
Decreases	(7)	-	-	-	(3)	-	-	-	-	**(10)**
Depreciation	(20)	(1)	-	-	(4)	-	(2)	-	-	**(27)**
Impairment	-	-	-	-	-	-	-	-	-	**-**
Balance as at 31 December	**84**	**1**	**-**	**-**	**43**	**1**	**2**	**2**	**-**	**133**
Of which:										
- Historical cost	123	2	-	-	48	1	5	2	-	**181**
- Depreciation fund	(39)	(1)	-	-	(5)	-	(3)	-	-	**(48)**

The item “Equipment”, amounting to EUR 2 million, mainly refers to ATMs and cash-in-cash-out machines.

The item “Other” mainly includes the rights of use deriving from the lease of locations for the installation of ATMs.

The item “Increases” includes rights of use relating to contracts signed during the period. Changes in assets per right of use due to contractual changes are recorded under “Increases” and “Decreases”.

As at the reporting date, there were no leaseback transactions for the Group.

9.7 Tangible assets held for investment purposes: annual changes

	TOTAL 31/12/2020	
	Land	Buildings
A. OPENING BALANCES	**26**	**67**
B. INCREASES	**3**	**5**
B.1 Purchases	2	3
- of which business combinations	-	-
B.2 Expenditures for capitalised improvements	-	-
B.3 Positive fair value changes	-	-
B.4 Write-backs	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from properties for business use	1	2
B.7 Other changes	-	-
C. DECREASES	**1**	**9**
C.1 Sales	1	5
- of which business combinations	-	-
C.2 Depreciation	-	1
C.3 Negative fair value changes	-	-
C.4 Value adjustments for impairment	-	2
C.5 Negative exchange rate differences	-	-
C.6 Transfers to:	-	-
a) properties for business use	-	-
b) non-current assets and groups of assets held for disposal	-	-
C.7 Other changes	-	1
D. CLOSING BALANCES	**28**	**63**
E. Valuation at fair value	10	23

Tangible assets for investment purposes are recorded in the financial statements at purchase or construction cost.

The item “E. Valuation at fair value” shows the fair value of real estate for information purposes.

9.8 Inventories of tangible assets disciplined by IAS 2: annual changes

	Inventories of tangible assets obtained through the enforcement of guarantees received					Other inventories of tangible assets	Total 31/12/2020
	Land	Buildings	Furniture	Electronic systems	Other		
A. OPENING BALANCES	**27**	**4**	**-**	**-**	**-**	**41**	**72**
B. INCREASES	**2**	**6**	**-**	**-**	**-**	**2**	**10**
B.1 Purchases	-	-	-	-	-	1	1
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange rate differences	-	-	-	-	-	-	-
B.4 Other changes	2	6	-	-	-	1	9
C. DECREASES	**-**	**-**	**-**	**-**	**-**	**10**	**10**
C.1 Sales	-	-	-	-	-	-	-
C.2 Value adjustments for impairment	-	-	-	-	-	3	3
C.3 Negative exchange rate differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	7	7
D. CLOSING BALANCES	**29**	**10**	**-**	**-**	**-**	**33**	**72**

9.9 Commitments for tangible asset purchases

As required by paragraph 74, letter c) of IAS 16, at the reference date of these financial statements the contractual commitments for the purchase of tangible assets amounted to approximately EUR 10 million and related mainly to the completion or renovation of buildings for business use.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2020		Total 31/12/2019	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 GOODWILL	**X**	**28**	**X**	**28**
A.1.1 pertaining to the Group	X	28	X	28
A.1.2 pertaining to minority interests	X	-	X	-
A.2 OTHER INTANGIBLE ASSETS	**54**	**-**	**53**	**-**
A.2.1 Assets valued at cost:	54	-	53	-
a) intangible assets generated internally	-	-	-	-
b) other assets	54	-	53	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**54**	**28**	**53**	**28**

In compliance with the relevant accounting regulations:

- all the intangible assets are valued at cost;
- no amortisation has been calculated for intangible assets with an indefinite life.

No internally generated intangible assets were posted.

Information on the impairment test of goodwill

As required by IAS 36 Impairment of Assets, goodwill is tested for impairment at least once a year.

Consolidated goodwill, whose value before impairment testing was EUR 28 million, mainly relates to acquisitions of the company Nord Est Asset Management S.A. (hereinafter also "NEAM") and the Assicura Group in previous years.

The procedures relating to the impairment test of goodwill include the following steps:

- identification of the cash generating units (hereinafter also 'CGUs');
- determination of the carrying amount of the CGUs;
- determination of the recoverable value of the CGUs, after identifying the most appropriate valuation models and parameters for determining the fair value (hereinafter also "FV") and value in use of the CGUs;
- comparison between the carrying amount and recoverable value of the individual CGUs.

Sensitivity analyses were also carried out on the recoverable value of the CGUs to changes in certain parameters relevant to the valuation.

Detailed information on the impairment test of consolidated goodwill as at 31 December 2020 is provided below.

Identification of Cash Generating Units (CGUs)

According to IAS 36, if, as in the case of goodwill, it is not possible to determine directly the recoverable value of the specific asset recorded in the financial statements (because the asset itself does not produce autonomous cash flows), the recoverable value of the cash generating unit (CGU) to which the asset belongs must be determined.

The CGU is defined by IAS 36 as "the smallest identifiable group of assets that generates cash inflows largely independent of cash inflows from other assets, or groups of assets".

In order to identify the cash generating units to which to assign the assets to be tested for impairment, it is necessary that the identified CGUs generate cash inflows that are largely independent of those deriving from other identified units. In this sense, with a view to identifying the CGUs, the internal organisation and the management and control methods of the business are extremely important.

In relation to the above, the following CGUs have been identified for the purpose of impairment testing of the Cassa Centrale Group's consolidated goodwill:

- **Asset management**, which includes the asset management services currently provided by the Luxembourg-based company NEAM;
- **Insurance**, which includes the offer of insurance services to customers and corresponds to the sum of the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura").

The table below shows the values of goodwill as at 31 December 2020, subject to impairment testing, allocated to the two CGUs in question.

(Figures in millions of euro)

CASH GENERATING UNIT (CGU)	Goodwill
- Asset management	21
- Insurance	4.5
Total	**25.5**

It should be noted that the goodwill item in the consolidated financial statements, amounting to EUR 28 million prior to the impairment test, includes residual goodwill of approximately EUR 2.5 million recorded in the separate financial statements of certain Affiliated Banks and mainly attributable to the merger by incorporation of other Affiliated Banks which took place before the launch of the Group and for which the impairment test in accordance with IAS 36, which did not give rise to value adjustments, was carried out independently by each of these Banks.

Determination of the carrying amount of the CGUs

The carrying amount of the two CGUs identified was determined by calculating their carrying amount in the Consolidated Financial Statements as at 31 December 2020. The above carrying amount, in substance, was determined considering the contribution to the consolidation of the CGUs in terms of equity, goodwill and intangible assets with a definite life net of the related deferred tax liabilities.

The values as at 31 December 2020 are shown below.

(Figures in millions of euro)

CGU	Carrying amount in the consolidated financial statements
- Asset management	41
- Insurance	18

In relation to the table above, please note that:

- the consolidated carrying amount of the Asset Management CGU includes, in addition to goodwill of EUR 21 million (already 100%), intangible assets with a definite life of EUR 2 million net of tax effect;
- the consolidated carrying amount of the Insurance CGU includes, in addition to goodwill of EUR 4.5 million (already 100%), intangible assets with a definite life of EUR 1.8 million net of tax effect.

In relation to the above, it emerges that in addition to the consolidated goodwill, intangible assets with a finite life, as described above, have also been tested for recoverability.

Determination of the recoverable value of the CGUs

The carrying amount of the identified CGUs was tested for impairment by comparing it with their recoverable value. In accordance with IAS 36, para. 6, the recoverable value of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The Cassa Centrale Group has estimated the recoverable value of the two CGUs using the value in use method. In this regard, the value in use of the Asset Management and Insurance CGUs was higher than their carrying amount and therefore, in accordance with IAS 36 para. 19, it was not necessary to estimate any other amount as fair value.

More specifically, the methods used to determine the value in use of the various CGUs identified are described below.

Asset management CGU: analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce.34 In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income.

In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

In addition to the analytical income method, the "regression analysis" method, which estimates a fair value for the CGU (although this was not strictly necessary, according to paragraph 19 of IAS 36, as the value in use is already greater than the carrying amount), was used as additional evidence and control. This method estimates the economic capital of the company being valued on the basis of the correlation between the prospective return on capital and the related premium or discount expressed by stock market prices compared to equity for a sample of comparable listed companies.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The analytical income method was constructed from figures as at 31 December 2021 and 2022 extracted from the 2020-2022 business plan approved by the Board of Directors of Cassa Centrale Banca on 30 June 2020.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 8.2%.
  The above rate (calculated before tax) was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: Ke = Rf + * ERP. An additional return due to the strong market volatility that characterises the current economic situation (Add-on) was added to the Ke thus determined.
  In detail, the Cost of Equity (as mentioned, equal to 8.2%) was determined on the basis of the following parameters:

  - risk-free rate (Rf), equal to 0.9%, corresponding to the six-month average of the gross average rate of return on 10-year Treasury Bonds issued by the Italian State with respect to the date of updating of the parameters;
  - beta coefficient ( ), equal to 1.1, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%, in line with valuation practice for the reference market;
  - additional return (Add-on), equal to 1.0%, due to the strong volatility of the markets that characterizes the current economic situation, deriving from the Covid-19 pandemic currently underway.

- Long-term growth rate (g) and Terminal Value (TV)
  The income method was developed on the basis of the adjusted net profit in order to exclude the profitability deriving from the asset management invested in NEAM by Cassa Centrale Banca and prudently excludes the profitability deriving from the assets managed on behalf of banks belonging to the Iccrea Banking Group. The normal net income expected for the definition of the Terminal Value also takes into account the considerations outlined above. A growth rate "g" of 0.7% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term

inflation estimate. With reference to the "Regression Analysis", this was set up by relating the P/AuM multiple to the RoAuM from a sample of comparable listed companies operating in the Asset Management sector and led to a higher value than the carrying amount of the CGU. On the basis of the analytical income method described above, the recoverable value of the Asset Management CGU is EUR 67.8 million.

CGU Insurance: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income. In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The calculation of cash flows is based on the present value of the company's future net income and was constructed from data at 31 December 2021 and 2022 extracted from the 2020-2022 business plan approved by the Board of Directors of Cassa Centrale banca on 30 June 2020.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 6.7%.
- The above rate (calculated before tax) was estimated using the Capital Asset Pricing Model ("CAPM"), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: Ke = Rf + * ERP. An additional return due to the strong market volatility that characterises the current economic situation (Add-on) was added to the Ke thus determined. In detail, the Cost of Equity (as mentioned, equal to 6.7%) was determined on the basis of the following parameters:

  - risk-free rate (Rf), equal to 0.9%, corresponding to the six-month average of the gross average rate of return on 10-year Treasury Bonds issued by the Italian State with respect to the date of updating of the parameters;
  - beta coefficient ( ), equal to 0.9, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%, in line with valuation practice for the relevant market;
  - additional return (Add-on), equal to 1.0%, due to the strong volatility of the markets that characterizes the current economic situation, deriving from the Covid-19 pandemic currently underway.

- Long-term growth rate (g) and Terminal Value (TV)
  The normal net income expected for the definition of the Terminal Value has been identified on the basis of the net income realised by Assicura in the last year of the analytical forecast.
  A long-term growth rate "g" of 0.7% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate.
  On the basis of the method described above, the recoverable value for the Insurance CGU is EUR 76.1 million.

Comparison between the carrying amount and recoverable value of the CGU: results of the impairment test

Following the comparison between the carrying amount and the recoverable value (value in use) of the individual CGUs, the impairment test as at 31 December 2020 showed the following results:

(Figures in millions of euro)

CGU	Carrying amount (a)	Recoverable value (value in use) (b)	Difference (c)=(b)-(a)	Impairment attributable to the Group (d)
Asset management	41	68	27	-
Insurance	18	76	58	-
Total				**-**

As shown in the table above, no impairment loss on goodwill was recognised in respect of the Asset Management and Insurance CGUs as their recoverable amount is higher than their carrying amount at the consolidated financial statements reporting date.

As a result of the checks described above, residual consolidated goodwill as at 31 December 2020 amounted to EUR 28 million.

Sensitivity analysis

Finally, sensitivity analyses were carried out on the value in use of the CGUs identified with respect to the market parameters used ("Ke" and "g"). The analyses carried out show a variation:

- in the recoverable value of the Asset Management CGU as a result of changes in the parameters considered:
  - equal to -EUR 2.2 million in correspondence with an increase in "Ke" of +25 bps;
  - equal to +EUR 2.4 million in correspondence with a decrease in "Ke" of -25 bps;
  - equal to +EUR 2.2 million in correspondence with an increase in "g" of +25 bps;
  - equal to -EUR 2.1 million in correspondence with a decrease in "g" of -25 bps.

- in the recoverable value of the Insurance CGU as a result of changes in the parameters considered:
  - equal to -EUR 3.1 million in correspondence with an increase in "Ke" of +25 bps;
  - equal to +EUR 3 million in correspondence with a decrease in "Ke" of -25 bps;
  - equal to +EUR 3.2 million in correspondence with an increase in "g" of +25 bps;
  - equal to -EUR 2.9 million in correspondence with a decrease in "g" of -25 bps.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2020
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**28**	**-**	**-**	**64**	**-**	**92**
A.1 Total net impairment	-	-	-	11	-	**11**
A.2 NET OPENING BALANCES	**28**	**-**	**-**	**53**	**-**	**81**
B. INCREASES	**-**	**-**	**-**	**18**	**-**	**18**
B.1 Purchases	-	-	-	16	-	**16**
B.2 Increase in internal intangible assets	-	-	-	-	-	**-**
B.3 Write-backs	-	-	-	-	-	**-**
B.4 Positive fair value changes:	-	-	-	-	-	**-**
- to Equity	-	-	-	-	-	**-**
- to Income Statement	-	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	2	-	**2**
C. DECREASES	**-**	**-**	**-**	**17**	**-**	**17**
C.1 Sales	-	-	-	-	-	**-**
C.2 Value adjustments	-	-	-	16	-	**16**
- Amortisation	-	-	-	-	-	**-**
- Write-downs	-	-	-	16	-	**16**
+ equity	-	-	-	-	-	**-**
+ income statement	-	-	-	16	-	**16**
C.3 Negative fair value changes:	-	-	-	-	-	**-**
- to Equity	-	-	-	-	-	**-**
- to Income Statement	-	-	-	-	-	**-**
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	**-**
C.5 Negative exchange rate differences	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	1	-	**1**
D. NET CLOSING BALANCES	**28**	**-**	**-**	**54**	**-**	**82**
D.1 Total net value adjustments	-	-	-	27	-	**27**
E. GROSS CLOSING BALANCES	**28**	**-**	**-**	**81**	**-**	**109**
F. VALUATION AT COST	**-**	**-**	**-**	**-**	**-**	**-**

KEY:

DEF = with definite duration

INDEF = with indefinite duration

The intangible assets described were entirely acquired externally and valued at cost.

The sub-item "F. Valuation at cost" is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

10.3 Intangible assets: other information

Based on the requirements of IAS 38 paragraphs 122 and 124, it should be noted that the amount of the contractual commitments for the purchase of intangible assets amounts to approximately EUR 2 million relating to the acquisition of software licences.

It should also be noted that the Group has not:

- provided intangible assets as guarantee for its debts;
- acquired intangible assets via operating or financial lease agreements;
- acquired intangible assets via government concession;
- recorded intangible assets revalued at fair value.

Section 11 - Tax assets and tax liabilities - Item 110 of assets and item 60 of liabilities

11.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2020		
	IRES	IRAP	TOTAL
Loans	488	68	**556**
Tangible fixed assets	10	1	**11**
Provisions for risks and charges	66	9	**75**
Tax losses	12	-	**12**
Administrative expenses	-	-	**-**
Other items	22	2	**24**
Total	**598**	**80**	**678**

THROUGH EQUITY	31/12/2020		
	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	1	2	**3**
Severance indemnity (TFR)	3	-	**3**
Other items	-	-	**-**
Total	**4**	**2**	**6**

The item "Loans" in the table above shows Deferred Tax Assets (or "DTA") mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (so-called "Qualified DTAs") for EUR 531 million;
- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 25 million (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to customers.

"Other items" in the table above include:

- deferred tax assets relating to goodwill that can be converted into tax credits, regardless of the future profitability of the company, both in the case of statutory loss and IRES tax loss or IRAP negative value of production pursuant to Law no. 214 of 22 December 2011 for EUR 0.03 million;
- deferred tax assets arising from misalignments between statutory and tax items arising from IFRS3 business combinations for EUR 9 million.

It should be noted that, with specific reference to the aforementioned qualified DTAs on write-downs and losses on loans to customers and goodwill, the maintenance of their convertibility into tax credits is subject to the payment of the fee, where due, pursuant to Law Decree no. 59 of 3 May 2016, amended and converted into law by Law no. 15 of 17 February 2017.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans, goodwill and intangible assets into tax credits, in giving "certainty" to the recovery of qualified DTAs, affect the "probability test" provided for by IAS 12, making it automatically satisfied for this particular type.

With reference to the details of the probability test carried out on deferred tax assets, please refer to paragraph 11.8 "Other information" below.

11.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2020		
	IRES	IRAP	TOTAL
Tangible fixed assets	9	1	**10**
Capital gains by instalments	-	-	**-**
Other items	18	2	**20**
Total	**27**	**3**	**30**

THROUGH EQUITY	31/12/2020		
	IRES	IRAP	TOTAL
Positive reserves for HTCS financial assets	32	10	**42**
Other items	1	-	**1**
Total	**33**	**10**	**43**

Deferred tax liabilities as a contra-entry to the income statement mainly relate to:

- revaluations of tangible fixed assets made during the transition to international accounting standards;
- misalignments between statutory and tax items arising from the application of business combinations pursuant to IFRS 3 carried out in previous years.

Deferred taxes refer mainly to revaluations of Financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

11.3 Changes in advance taxes (through the income statement)

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**721**	**-**
2. INCREASES	**696**	**1,355**
2.1 Advance taxes recorded in the year	695	611
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	695	611
2.2 New taxes or increases in tax rates	-	19
2.3 Other increases	1	725
3. DECREASES	**739**	**634**
3.1 Advance taxes cancelled in the year	723	631
a) reversals	721	623
b) write-downs for uncollectable amounts	-	-
c) changed accounting criteria	-	-
d) other	2	8
3.2 Decrease in tax rates	-	-
3.3 Other decreases:	16	3
a) transformation into tax credits under Law no. 214/2011	14	3
b) other	2	-
4. CLOSING AMOUNT	**678**	**721**

The sub-item "2.3 Other increases" in 2019 includes EUR 720 million relating to the opening balances of the entities falling within the scope of consolidation, including the Parent Company, deriving from the first-time consolidation of the Group.

The other increases in advance taxes recognised during the year, amounting to EUR 696 million, are mainly due to the total reinstatement of the residual advance tax assets as at 31 December 2020 relating to:

- write-downs and losses on loans to customers not deducted until 31 December 2015, for the residual portion as at 31 December 2020, net of the amount transformed into a tax credit as a result of the 2019 statutory loss, amounting to EUR 531 million;
- adjustments to loans to customers, carried out during the transition to IFRS9 (Article 1, paragraphs 1067-1069 of Law no. 145 of 28 December 2018) for the residual amount as at 31 December 2020 of EUR 25 million;
- non-deductible provisions for risks and charges for EUR 73 million.

The decreases in advance taxes mainly include the discharge of their balance prior to the reporting date.

The portion of deferred tax assets arising from tax losses carried forward to subsequent years amounts to EUR 12 million.

11.4 Changes in advance taxes according to Law 214/2011

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**574**	**-**
2. INCREASES	**8**	**590**
3. DECREASES	**51**	**16**
3.1 Reversals	35	12
3.2 Transformation into tax credits	14	3
a) deriving from losses for the year	14	3
b) deriving from tax losses	-	-
3.3 Other decreases	2	1
4. CLOSING AMOUNT	**531**	**574**

The item “2. Increases” in 2019 includes EUR 574 million relating to the opening balances of the entities falling within the scope of consolidation, including the Parent Company, arising from the first-time consolidation of the Group.

Table 11.4 shows changes in advance taxes recognised on value adjustments to loans to customers and goodwill pursuant to Law no. 214/2011.

The increases are attributable, among other things, to effects resulting from changes in future IRAP rates.

The transformation referred to in point 3.2. a) was carried out in light of the provisions of Law Decree no. 225/2010, converted with amendments to Law no. 10/2011.

In particular, Article 2(55) to (56) provides that, in the event of a loss for the year, the deferred tax assets recorded in the financial statements relating to value adjustments to loans and those relating to the value of goodwill and other intangible assets are converted into tax credits.

The transformation starts from the date of approval of the financial statements and takes place for an amount equal to the loss for the year multiplied by the ratio between the DTAs and equity before the loss for the year. As from the tax period of the conversion, the negative components corresponding to the DTAs converted into a tax credit are not deductible.

11.5 Changes in deferred taxes (through the income statement)

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**34**	**-**
2. INCREASES	**30**	**58**
2.1 Deferred taxes recorded in the year	30	21
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	30	21
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	37
3. DECREASES	**34**	**24**
3.1 Deferred taxes cancelled in the year	34	24
a) reversals	34	24
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**30**	**34**

The sub-item "2.3 Other increases" in 2019 includes EUR 37 million relating to the opening balances of the entities falling within the scope of consolidation, including the Parent Company, deriving from the first-time consolidation of the Group.

The increase in deferred taxes recognised during the year is mainly due to the reinstatement of the residual deferred taxes as at 31 December 2020.

Deferred taxes cancelled during the year refer to the discharge of their balance prior to the reporting date.

11.6 Changes in advance taxes (through Equity)

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**11**	**-**
2. INCREASES	**6**	**130**
2.1 Advance taxes recorded in the year	6	12
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	6	12
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	118
3. DECREASES	**11**	**119**
3.1 Advance taxes cancelled in the year	11	119
a) reversals	11	117
b) write-downs for uncollectable amounts	-	1
c) due to changed accounting criteria	-	-
d) other	-	1
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**6**	**11**

The sub-item "2.3 Other increases" in 2019 includes EUR 118 million relating to the opening balances of the entities falling within the scope of consolidation, including the Parent Company, deriving from the first-time consolidation of the Group.

Advance taxes refer mainly to write-downs of financial assets measured at fair value through other comprehensive income.

These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

Advance taxes cancelled during the year refer to the discharge of their balance prior to the reporting date.

11.7 Changes in deferred taxes (through Equity)

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**23**	**-**
2. INCREASES	**43**	**49**
2.1 Deferred taxes recorded in the year	42	21
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	42	21
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	-	28
3. DECREASES	**23**	**26**
3.1 Deferred taxes cancelled in the year	23	26
a) reversals	23	26
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**43**	**23**

The sub-item "2.3 Other increases" in 2019 includes EUR 27 million relating to the opening balances of the entities falling within the scope of consolidation, including the Parent Company, deriving from the first-time consolidation of the Group.

Deferred taxes refer mainly to revaluations of Financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

Deferred taxes cancelled during the year refer to the discharge of their balance prior to the reporting date.

11.8 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	Other	Total 31/12/2020
Current tax liabilities	(9)	(15)	(2)	(26)
Advances paid/tax credits	101	30	2	133
Withholding taxes incurred	4	-	-	4
Other tax credits	-	2	-	**2**
Tax credits under Law 214/2011	2	-	27	**29**
Debt balance of item 60 a) of liabilities	**(3)**	**(3)**	**(2)**	**(8)**
Credit balance of item 110 a) of assets	**101**	**20**	**29**	**150**
Tax credits that cannot be offset: capital portion	9	3	-	**12**
Tax credits that cannot be offset: interest portion	3	-	-	**3**
Credit balance of item 110 a) of assets	**113**	**23**	**29**	**165**

With regard to the Group's tax position, for the financial years not yet prescribed, there have been no assessment notices received to date.

Article 55 of Law Decree No. 18 of 2020 (so-called Cura Italia), by amending Art. 44 bis of Law Decree no. 34 of 2019, introduced a support measure that allows companies that have disposed of impaired commercial or financial receivables by 31 December 2020, to transform deferred tax assets (DTAs) into tax credits, even if not recognised in the financial statements, relating to:

- tax losses not yet calculated as a decrease in taxable income at the date of sale;
- ACE surpluses that, at the date of the assignment of the receivables, have not yet been used or deducted from taxable income.

For the purposes of DTA conversion, it is permitted to assume the ACE losses and surpluses within the limits of 20% of the nominal value of the receivables transferred, with a maximum ceiling of EUR 2 billion (referring to the total disposals of all group companies).

This transformation amounts to EUR 30 million.

Information on the deferred tax assets probability test

According to paragraph 5 of IAS 12, deferred tax assets are defined as the amount of income taxes for the year that may be recovered in future years with regard to the following scenarios:

- deductible temporary differences;
- carry-over of unused tax losses (and also of ACE);
- carry-over of unused tax credits.

With particular reference to "temporary differences", these are defined as differences that are formed transiently between the carrying amount of assets (liabilities) and their tax value. These are defined as "deductible" when they generate amounts that can be deducted in determining future taxable income in connection with the realisation of assets (settlement of liabilities).

In the presence of a deductible temporary difference, paragraph 24 of IAS 12 provides for the recognition in the financial statements of a deferred tax asset - equal to the product of the deductible temporary difference and the expected tax rate in the year in which it will be paid - only if and to the extent that it is probable that there will be future taxable income against which the deductible temporary differences can be used (so-called probability test) In fact, the economic benefit of reducing future tax payments is only achievable if the taxable income is a large amount (IAS 12, para. 27).

The probability test relating to advance taxes recognised in the 2020 financial statements was carried out separately by the individual companies, due to the following considerations:

- for IRES purposes, the Group did not participate in the national tax consolidation regime pursuant to Articles 117 et seq. of the Consolidated Income Tax Act (TUIR) and does not determine a single IRES taxable base for the Group;
- for IRAP purposes, in compliance with the law, advance taxes arising from deductible temporary differences must be verified on an individual basis.

Having said this, the Group has deferred tax assets (DTA) of EUR 684 million in its statement of financial position. Of these, EUR 531 million fall within the scope of Law no. 214/2011 and, therefore, for that already described, are considered “qualified” DTA (and therefore of certain recoverability).

On the remaining portion of DTA (those that cannot be converted into tax credits) amounting to EUR 153 million, there are no critical elements as the Group entities will be reasonably able to produce future taxable income such as to guarantee their recoverability.

Section 12 - Non-current assets and groups of assets held for disposal and associated liabilities - Item 120 of assets and item 70 of liabilities

12.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

	Total 31/12/2020	Total 31/12/2019
A. ASSETS HELD FOR SALE		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	7	9
of which: obtained through the enforcement of guarantees received	1	1
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**7**	**9**
of which measured at cost	2	2
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	5	7
B. DISCONTINUED OPERATIONS		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets measured at fair value	-	-
- other financial assets obligatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

	Total 31/12/2020	Total 31/12/2019
C. LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities measured at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

12.2 Other information

As at the reporting date there is no significant additional information.

Section 13 - Other assets - Item 130

13.1 Altre attività: composizione

ITEMS	Total 31/12/2020	Total 31/12/2019
Tax receivables from tax authorities and other tax bodies	255	260
Cheques to be settled at the Clearing House or with Associates	5	7
Items in transit - other	10	22
Work in progress	168	225
Adjustments for illiquid items in the portfolio	41	33
Other debtors for security transactions	-	-
Customers and revenues to be collected	52	53
Prepayments and accrued income not capitalised	43	39
Improvement and enhancement expenses on non-separable third-party assets	22	21
Advances to suppliers	9	11
Intrinsic value of securities transactions and exchanges to be settled	-	1
Other lenders	133	139
Total	**738**	**811**

As at the reporting date, the Group did not present any significant amounts in relation to activities deriving from contracts with customers in accordance with IFRS 15 para. 116, letter a).

Liabilities

Section 1 - Financial liabilities measured at amortised cost - Item 10

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2020				Total 31/12/2019			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**16,617**	**X**	**X**	**X**	**4,803**	**X**	**X**	**X**
2. DUE TO BANKS	**821**	**X**	**X**	**X**	**2,671**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	490	X	X	X	293	X	X	X
2.2 Fixed-term deposits	43	X	X	X	144	X	X	X
2.3 Loans	272	X	X	X	2,218	X	X	X
2.3.1 Repos payables	10	X	X	X	469	X	X	X
2.3.2 Others	262	X	X	X	1,749	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Payables for leases	12	X	X	X	13	X	X	X
2.6 Other payables	4	X	X	X	3	X	X	X
Total	**17,438**	**-**	**-**	**17,438**	**7,474**	**-**	**-**	**7,474**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost, included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A - Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

Item "1. DUE TO CENTRAL BANKS" mainly consists of funding transactions at negative rates with the ECB. For detailed information on TLTRO III loan transactions, please refer to Part A, Section 5 - Other Aspects of these Explanatory Notes.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section D - Disposal Transactions in the Explanatory Notes.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2020				Total 31/12/2019			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	51,602	X	X	X	44,472	X	X	X
2. Fixed-term deposits	2,582	X	X	X	3,301	X	X	X
3. Loans	506	X	X	X	1,695	X	X	X
3.1 Repos payables	337	X	X	X	1,524	X	X	X
3.2 Other	169	X	X	X	171	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	114	X	X	X	115	X	X	X
6. Other payables	643	X	X	X	472	X	X	X
Total	**55,447**	**-**	**-**	**55,447**	**50,055**	**-**	**-**	**50,055**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item “6. Other payables” mainly includes credit card and cheque debts.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section D - Disposal Transactions in the Explanatory Notes.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 31/12/2020				Total 31/12/2019			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. bonds	1,952	-	1,945	6	3,258	-	3,267	6
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,952	-	1,945	6	3,258	-	3,267	6
2. other securities	3,036	-	167	2,869	3,356	-	151	3,168
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	3,036	-	167	2,869	3,356	-	151	3,168
Total	**4,988**	**-**	**2,112**	**2,875**	**6,614**	**-**	**3,418**	**3,174**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes issued securities measured at amortised cost. Securities that as at the reporting date are expired but still not repaid are included. The portion of own issue debt securities not yet placed with third parties is excluded.

The fair value valuation of the debt securities in issue in the table above, presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A - Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The sub-item "A.2.2 Securities - other" mainly comprises certificates of deposit.

The reduction in sub-item "A.1.2 Bonds - other" is mainly due to fixed-rate bonds repaid on maturity.

1.4 Details of subordinated debts/securities

ITEMS	Total 31/12/2020	Total 31/12/2019
a. Due to banks	-	-
b. Due to customers	-	-
c. Debt securities in issue	45	73
Total	**45**	**73**

A subordinated nature characterises the payables/securities whose right to reimbursement, in the event of liquidation of the issuing entity or if it is subject to other bankruptcy proceedings, can be exercised by the creditor only after other creditors who are not equally subordinated. Equity instruments which, according to international accounting standards, have equity characteristics, are excluded.

As at the reporting date, there are subordinated relationships with customers of approximately EUR 45 million, which are included in regulatory capital as Tier 2 instruments (Tier 2 capital - T2).

1.5 Details of structured debts

As at the reporting date, there are no structured debts.

1.6 Payables for leases

Financial lease liabilities

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total 31/12/2020
Balance as at 1 January	99	1	-	-	17	1	7	3	-	**128**
New contracts	22	1	-	-	7	-	-	1	-	**31**
Repayments	(14)	(1)	-	-	(2)	-	(2)	-	-	**(19)**
Other non-monetary movements*	-	-	-	-	(1)	-	-	-	-	**(1)**
Terminated contracts for modification/revaluation	(6)	-	-	-	(2)	-	-	-	-	**(8)**
Balance as at 31 December	**101**	**1**	**-**	**-**	**19**	**1**	**5**	**4**	**-**	**131**

*includes increments for indexing

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total 31/12/2020
Within 12 months	21	-	-	-	2	-	2	-	-	**25**
Between 1-5 years	62	1	-	-	8	1	3	1	-	**76**
Beyond 5 years	18	-	-	-	9	-	-	3	-	**30**
Total lease liabilities as at 31 December	**101**	**1**	**-**	**-**	**19**	**1**	**5**	**4**	**-**	**131**

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	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	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	9	-	X	X	-	7	-	X
1.1 Trading	X	-	9	-	X	X	-	7	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	X	-	9	-	X	**X**	**-**	**7**	**-**	**X**
Total (A+B)	**X**	**-**	**9**	**-**	**X**	**X**	**-**	**7**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value* = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue.

2.2 Details of 'Financial liabilities held for trading': subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of 'Financial liabilities held for trading': structured debts

As at the reporting date, there are no financial liabilities held for trading related to structured debts.

Section 3 - Financial liabilities measured at fair value - Item 30

3.1 Financial liabilities measured at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2020					Total 31/12/2019				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	1	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees issued	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees issued	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	**15**	**-**	**15**	**-**	**15**	**50**	**-**	**51**	**-**	**51**
3.1 Structured	-	-	-	-	X	2	-	2	-	X
3.2 Other	15	-	15	-	X	48	-	49	-	X
Total	**16**	**-**	**15**	**-**	**15**	**50**	**-**	**51**	**-**	**51**

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value* = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue.

This item includes the financial liabilities for which the so-called Fair Value Option has been exercised. In this regard, it should be noted that the aforementioned Fair Value Option was exercised mainly in relation to debt instruments containing an implicit derivative for which it was considered that the fair value measurement of the entire instrument was less costly than the separate measurement and presentation in the financial statements of the main instrument and derivative.

The illustration of the criteria to determine the fair value is reported in Part A - Accounting policies.

3.2 Details of 'Financial liabilities measured at fair value': subordinated liabilities

As at the reporting date, there are no subordinated liabilities measured at fair value.

Section 4 - Hedging derivatives - Item 40

This item features the derivative contracts designated as effective hedging instruments, which as at the reporting date have a negative fair value.

With regard to hedging transactions, the Group continues to apply IAS 39 in full for accounting purposes, as required by the transitional provisions of IFRS 9.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E - Information on risks and related hedging policies, Section 3 - Derivatives and hedging policies.

4.1 Hedging derivatives: breakdown by type of coverage and hierarchy levels

	Fair Value 31/12/20			NV 31/12/2020	Fair Value 31/12/19			NV 31/12/2019
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES	**-**	**57**	**-**	**582**	**-**	**43**	**-**	**348**
1) Fair value	-	57	-	582	-	43	-	348
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**57**	**-**	**582**	**-**	**43**	**-**	**348**

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

HEDGING TRANSACTIONS/ TYPE	Fair Value							Cash flows		Foreign Investments
	Specific						Macro	Specific	Macro	
	debt securities and interest rates	equities and stock market indices	currencies and gold	loans	commodities	others				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	53	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	2	X	2	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**53**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Exposure to derivatives mainly refers to interest rate risk hedges.

Section 5 - Adjustment of the financial liabilities subject to macro-hedging - Item 50

5.1 Value adjustment of hedged financial liabilities

As at the reporting date, there are no financial assets subject to macro-hedging.

Section 6 - Tax liabilities - Item 60

For information on tax liabilities reference is made to Section 11 of the Assets.

Section 7 - Liabilities associated to assets held for disposal - Item 70

For information on liabilities associated with assets held for disposal, reference is made to Section 12 of the Assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

ITEMS	Total 31/12/2020	Total 31/12/2019
Tax payables to tax authorities and other tax bodies for indirect taxes	210	222
Temporary items Centralised Treasury management	1	3
Wire transfers to be settled	1	2
Housing contributions - Public bodies	2	2
Due to suppliers and expenses to be settled	131	146
Collection on behalf of third parties and amounts available to customers or third parties	77	71
Payables for guarantees issued and commitments	-	-
Due to employees	59	69
Due to social security institutions and external pension funds	42	49
Other work in progress	290	299
Accrued expenses and deferred income not attributable to own items	18	28
Intrinsic value of securities transactions and exchanges to be settled	1	-
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	618	608
Debit items in transit	1	1
Advances received from third parties for property disposals to be completed	1	-
Payables for educational, cultural, charitable and social purposes	1	-
Sundry creditors - other	118	111
Total	**1,571**	**1,611**

As at the reporting date, the Group did not present any significant amounts in relation to liabilities arising from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128.

Section 9 - Provision for severance indemnity - Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2020	Total 31/12/2019
A. OPENING BALANCES	**137**	**-**
B. INCREASES	**5**	**151**
B.1 Allocation for the year	4	5
B.2 Other changes	1	146
C. DECREASES	**12**	**14**
C.1 Payments made	10	12
C.2 Other changes	2	2
D. CLOSING BALANCES	**130**	**137**
Total	**130**	**137**

The sub-item "B2. Other changes" in 2019 includes EUR 140 million relating to the opening balances of the entities falling within the scope of consolidation, including the Parent Company, arising from the first-time consolidation of the Group.

As at the reporting date, the Group recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation - DBO).

The amount of the "Interest Cost" is included in the income statement in table "10.1 Personnel costs".

The actuarial loss was recognised in the "Valuation reserves" in accordance with IAS 19.

Finally, it should be noted that under Law no. 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees pay on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary pension funds referred to in Legislative Decree no. 252/2005 or to a special fund for the payment to private sector employees of severance pay pursuant to Article 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Provision for severance indemnity: other information

ITEMS	Total 31/12/2020	Total 31/12/2019
CHANGES IN THE YEAR	**(7)**	**(5)**
- Service cost related to current employment benefits	2	2
- Interest expense on the defined benefit obligation	1	2
- Profits and losses from reductions or settlements	-	3
- Service cost related to past employment benefits	-	1
- Transfers	(1)	-
- Decreases	(9)	(13)
ACTUARIAL PROFITS (LOSSES) RECOGNISED IN VALUATION RESERVES (OCI)	**1**	**5**
Description of the main assumptions		
- Discount rate	0.34%	0.77%
- Expected inflation rate	0.8%	1.2%

Description of the main actuarial assumptions for the valuation of severance indemnity
The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of para. 83 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase has been determined on the basis of the amounts recorded by Group companies.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 0.34%;
- annual rate of increase in provision for severance indemnity: 2.1%;
- annual inflation rate: 0.8%;
- annual rate of real salary increase determined on the basis of the actual data observed in relation to Group employees.

With reference to the demographic technical bases used, the relevant references are provided below:

- death: RG48 mortality tables published by the State General Accounting Office;
- disability: INPS tables separated by age and gender;
- retirement: 100% upon attainment of the AGO requirements as per Law Decree no. 4/2019.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	Total 31/12/2020	Total 31/12/2019
1. Provision for credit risk relative to commitments and financial guarantees issued	115	97
2. Provision for other commitments and guarantees issued	6	5
3. Company pension funds	-	-
4. Other provisions for risks and charges	218	147
4.1 Legal and tax disputes	43	45
4.2 Personnel expenses	60	34
4.3 Others	115	68
Total	**339**	**249**

The item "1. Provision for credit risk relative to commitments and financial guarantees issued" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

The item "2. Provision for other commitments and guarantees issued", on the other hand, includes the value of the total allocations in respect of other commitments and other guarantees issued, which are not subject to the impairment rules of IFRS 9 (IFRS 9, paragraph 2.1, letters e) and g)).

10.2 Provisions for risks and charges: annual changes

	Provision for other commitments and guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. OPENING BALANCES	**5**	**-**	**147**	**152**
B. INCREASES	**2**	**-**	**126**	**128**
B.1 Allocation for the year	1	-	97	98
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	1	-	29	30
C. DECREASES	**1**	**-**	**55**	**56**
C.1 Use for the year	-	-	36	36
C.2 Changes due to modifications in the discount rate	-	-	-	-
C.3 Other changes	1	-	19	20
D. CLOSING BALANCES	**6**	**-**	**218**	**224**

It should be noted that the table above shows the annual changes in the provisions for risks and charges with the exception of those in the item "Provision for credit risk relative to commitments and financial guarantees issued", which are shown in Table A.1.4 in Part E.

10.3 Provision for credit risk relative to commitments and financial guarantees issued

	Provision for credit risk relative to commitments and financial guarantees issued			
	First stage	Second stage	Third stage	Total
Commitments to disburse funds	47	19	16	82
Financial guarantees issued	4	1	28	33
Total	**51**	**20**	**44**	**115**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9, including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A - Accounting policies, paragraph "15.5 Methods of recognition of impairment losses" and Part E - Information on risks and related hedging policies.

10.4 Provision for other commitments and guarantees issued

	Total 31/12/2020	Total 31/12/2019
Provision in relation to other commitments to disburse funds	4	4
Provision in relation to other financial guarantees issued	2	1
Total	**6**	**5**

As noted above, the item 'Provision for other commitments and guarantees issued' includes the value of the total allocations in respect of other commitments and other guarantees issued which are not subject to the impairment rules of IFRS 9.

10.5 Defined benefit company pension funds

The Cassa Centrale Group does not have defined benefit pension funds.

10.6 Provisions for risks and charges - other provisions

ITEMS	Total 31/12/2020	Total 31/12/2019
OTHER PROVISIONS FOR RISKS AND CHARGES		
1. Provision for risks on revocatory actions	-	1
2. Provision for charity	27	21
3. Personnel risks and expenses	60	34
4. Legal and tax disputes	43	45
5. Other provisions for risks and charges	88	46
Total	**218**	**147**

Other provisions are divided into:

- legal and tax disputes: the provision is essentially set up to deal with expected outlays on lawsuits, bankruptcy revocations and tax disputes;
- personnel expenses: the provision includes charges for employee seniority bonuses, determined on the basis of actuarial valuations, provisions for bonuses and others;
- other scenarios: these refer to provisions to cover embezzlement and other charges relating to different disputes.

On 16 January 2020 the financial holding company Malacalza Investimenti S.r.l. (hereinafter "Malacalza Investimenti") brought a civil action against

Carige, the Interbank Deposit Protection Fund, the Voluntary Intervention Scheme and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the shareholders of Carige at the Shareholders' Meeting held on 20 September 2019 and submitting a claim for damages of EUR 550 million.

The reasons for the disputed invalidity of the shareholders' resolution consist essentially in the alleged illegitimate exclusion of option rights, failure to comply with the principle of accounting parity and a determination of the issue price of the new shares that does not comply with the criteria set out in the company's regulations.

Compensation for damages is claimed because of the allegedly hyperdilutive nature of the resolution (with a reduction of Malacalza Investimenti's shareholding from 27.555% to 2.016%), as the cancellation of the shareholders' resolution can no longer be requested since it was already carried out with the subscription of the capital increase (as a result of which, Cassa Centrale Banca acquired an 8.34% shareholding).

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for compensation totalling a further EUR 11.4 million, plus revaluation and interest.

The assumptions and the arguments underlying the claims for damages are essentially the same as those put forward by Malacalza Investimenti.

During the 2020 financial year, the Civil Court of Genoa ordered the joinder of all the lawsuits filed for which the Interbank Deposit Protection Fund, the Voluntary Scheme, Banca Carige and Cassa Centrale Banca entered an appearance on 24 July 2020.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the unlikely risk of losing the case, decided not to make provisions for risks and charges.

Section 11 - Technical provisions - Item 110

The Section does not contain information and therefore was not filled in.

Section 12 - Repayable shares - Item 130

12.1 Repayable shares: breakdown

The Group does not present any such cases.

Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 “Capital” and “Own shares”: breakdown

As described in Part A - Accounting Policies, Section 3 - Scope and methods of consolidation, in application of Law 145 of 30 December 2018 (so-called Budget Law 2019) the Parent Company Cassa Centrale Banca and the Affiliated Banks under the Cohesion Contract constitute a single consolidating entity.

In the composition of the Group’s equity, the share capital is consequently made up of the Parent Company’s share capital and the share capital of the Affiliated Banks.

The share capital of the Parent Company, equal to EUR 952,031,808, comprises 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

As at the reporting date, the capital of the Affiliated Banks belonging to the Cassa Centrale Group amounted to approximately EUR 324 million. The share capital of the Affiliated Banks is, according to their Articles of Association, variable, and consists of shares that can be issued, in principle, without limit.

As at 31 December 2020, the own shares in circulation amounted to approximately EUR 866 million and are mainly attributable to the shares of Cassa Centrale Banca held by the Affiliated Banks belonging to the Group.

13.2 Capital - Number of parent company shares: annual changes

ITEMS/TYPES	Ordinary	Other
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. OUTSTANDING SHARES: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

13.3 Capital: other information

For information on capital, please refer to point 13.1 “Capital” and “Own shares”: breakdown.

13.4 Profit reserves: other information

Group reserves amount to EUR 5,915 million and include the legal reserve, the statutory reserve, the FTA reserves and other reserves. The valuation reserves, amounting to EUR 72 million, refer mainly to:

- valuation reserves of assets measured at fair value through other comprehensive income;
- reserves for cash flow hedging that include changes in fair value of the hedging derivative for the effective portion of the hedge;
- the reserves from IAS 19 actuarial gains/losses relate to the valuation of severance indemnity.

13.5 Equity instruments: breakdown and annual changes

As at the reporting date, equity instruments amounted to EUR 6 million. There were no upward or downward movements in equity instruments during the year.

13.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Section 14 - Third party minority interests - Item 190

14.1 Details on item 210 ‘Third party minority interests’

COMPANY NAME	Total 31/12/2020	Totale 31/12/2019
EQUITY INVESTMENTS IN CONSOLIDATED COMPANIES WITH SIGNIFICANT THIRD-PARTY INTERESTS		
1. ALLITUDE S.P.A.		4
Total		**4**

14.2 Equity instruments: breakdown and annual changese

The Section does not contain information and therefore was not filled in.

Other information

1. Commitments and financial guarantees issued

	Nominal value of commitments and financial guarantees issued			Total 31/12/2020	Total 31/12/2019
	First stage	Second stage	Third stage		
1. COMMITMENTS TO ISSUE FUNDS	**11,951**	**533**	**112**	**12,596**	**11,067**
a) Central Banks	-	-	-	-	-
b) Public bodies	284	6	-	290	270
c) Banks	796	-	-	796	808
d) Other financial companies	232	18	-	250	135
e) Non-financial companies	8,734	424	99	9,257	8,023
f) Households	1,905	85	13	2,003	1,831
2. FINANCIAL GUARANTEES ISSUED	**1,550**	**102**	**52**	**1,704**	**1,722**
a) Central Banks	-	-	-	-	-
b) Public bodies	4	-	-	4	5
c) Banks	280	-	-	280	305
d) Other financial companies	33	2	-	35	38
e) Non-financial companies	887	87	47	1,021	990
f) Households	346	13	5	364	384

This table shows the commitments to disburse funds and the financial guarantees issued which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees issued that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees issued that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

2. Other commitments and guarantees issued

	Nominal value	Nominal value
	Total 31/12/2020	Total 31/12/2019
1. Other guarantees issued	**5**	**11**
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	5	5
d) Other financial companies	-	1
e) Non-financial companies	-	5
f) Households	-	-
2. Other commitments	**2**	**10**
of which: impaired credit exposures	-	2
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	1	3
e) Non-financial companies	1	2
f) Households	-	5

This table shows the nominal value of other commitments and other guarantees issued which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2020	Amount 31/12/2019
1. Financial assets measured at fair value through profit or loss	27	6
2. Financial assets measured at fair value through other comprehensive income	2,439	1,036
3. Financial assets measured at amortised cost	14,816	9,351
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

4. Breakdown of investments relating to unit-linked and index-linked policies

The Group did not make any investments relating to unit-linked and index-linked policies.

5. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	
a) purchases	70
1. settled	70
2. not settled	-
b) sales	83
1. settled	83
2. not settled	-
2. PORTFOLIO MANAGEMENT	
a) individual	7,349
b) collective	4,625
3. CUSTODY AND ADMINISTRATION OF SECURITIES	
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	52,807
1. securities issued by consolidated companies	1,959
2. other securities	50,848
c) third-party securities deposited with third parties	49,886
d) own securities deposited with third parties	37,096
4. OTHER TRANSACTIONS	**15,362**

6. Financial assets which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e)) 31/12/2020	Net amount (f=c-d-e) 31/12/2019
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	38	-	38	2	35	(1)	(1)
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 31/12/2020	**38**	**-**	**38**	**2**	**35**	**(1)**	**X**
Total 31/12/2019	**29**	**-**	**29**	**4**	**24**	**X**	**(1)**

7. Financial liabilities which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e)) 31/12/2020	Net amount (f=c-d-e) 31/12/2019
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	71	-	71	-	62	9	5
2. Repos	10	-	10	10	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total 31/12/2020	**81**	**-**	**81**	**10**	**62**	**9**	**X**
Total 31/12/2019	**520**	**-**	**520**	**473**	**42**	**X**	**5**

8. Securities lending transactions

The Group has not carried out securities lending transactions.

9. Information on joint operations

For the Group this scenario was not relevant.

PART C - Information on the Consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial assets measured at fair value through profit or loss:	**1**	**3**	**-**	**4**	**5**
1.1 Financial assets held for trading	-	-	-	-	1
1.2 Financial assets measured at fair value	-	-	-	-	-
1.3 Other financial assets obligatorily measured at fair value	1	3	-	4	4
2. Financial assets measured at fair value through other comprehensive income	**35**	**-**	**X**	**35**	**44**
3. Financial assets measured at amortised cost:	**217**	**1,105**	**X**	**1,322**	**1,325**
3.1 Loans to banks	13	7	X	20	16
3.2 Loans to customers	204	1,098	X	1,302	1,309
4. Hedging derivatives	**X**	**X**	**-**	**-**	**1**
5. Other assets	**X**	**X**	**-**	**-**	**1**
6. Financial liabilities	**X**	**X**	**X**	**84**	**41**
Total	**253**	**1,108**	**-**	**1,445**	**1,417**
of which: interest income from impaired financial assets	-	59	-	**59**	79
of which: interest income from finance lease	-	15	-	**15**	15

Item "6. Financial liabilities" comprises interest income accrued on funding transactions at negative rates. For detailed information on TLTRO III loan transactions, please refer to Part A - Accounting Policies, Section 5 - Other Aspects of these Explanatory Notes.

The line "of which: interest income from impaired financial assets" shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates exclusively to loans to customers. Interest income also includes interest from securities used in repo transactions.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets in foreign currency

ITEMS	Totale31/12/2020	Total 31/12/2019
Interest income from financial assets in foreign currency	2	4

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Payables	Securities	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial liabilities measured at amortised cost	**(119)**	**(63)**		**(182)**	**(221)**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(5)	X	X	(5)	(3)
1.3 Due to customers	(114)	X	X	(114)	(131)
1.4 Debt securities in issue	X	(63)	X	(63)	(87)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities measured at fair value	-	**(1)**	-	**(1)**	**(2)**
4. Other liabilities and provisions	**X**	**X**	-	-	**(1)**
5. Hedging derivatives	**X**	**X**	**(7)**	**(7)**	**(6)**
6. Financial assets	**X**	**X**	**X**	**(10)**	**(8)**
Total	**(119)**	**(64)**	**(7)**	**(200)**	**(238)**
of which: interest expense on payables for leases	-	-	-	-	-

Items “1.2 Due to banks” and “1.3 Due to customers” also include interest on repos, even if carried out against securities recorded as assets.

1.4 Interest expenses and similar charges paid: other information

1.4.1 Interest expenses from liabilities in foreign currency

ITEMS	Total 31/12/2020	Total 31/12/2019
Interest expenses from liabilities in foreign currency	-	(2)

1.5 Differentials relative to hedging transactions

ITEMS	Total 31/12/2020	Total 31/12/2019
A. Positive differentials relating to hedging transactions	-	1
B. Negative differentials relating to hedging transactions	(7)	(6)
C. Balance (A-B)	**(7)**	**(5)**

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2020	Total 31/12/2019
a) guarantees issued	15	15
b) credit derivatives	-	-
c) management, trading and consulting services:	244	241
1. trading of financial instruments	-	-
2. foreign currency trading	1	1
3. portfolio management	100	92
3.1. individual	55	52
3.2. collective	45	40
4. custody and administration of securities	4	5
5. custodian bank	-	-
6. placement of securities	38	43
7. order receipt and transmission	16	15
8. consulting	2	1
8.1. pertaining to investments	1	1
8.2. pertaining to financial structures	1	-
9. distribution of third party services	83	84
9.1. portfolio management	1	1
9.1.1. individual	-	1
9.1.2. collective	1	-
9.2. insurance products	65	59
9.3. other products	17	24
d) collection and payment services	196	193
e) servicing activities for securitisation operations	-	-
f) services for factoring operations	-	-
g) collection and receiving operations	-	-
h) activities for the management of multilateral trading systems	-	-
i) current account maintenance and management	254	251
j) other services	35	37
Total	**744**	**737**

As at the reporting date, the Group does not have significant amounts of commission income (other than the amounts included in the calculation of the effective interest rate) from financial assets not measured at fair value through profit or loss in accordance with IFRS 7, paragraph 20, letter c(i).

It should also be noted that the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15, paragraph 116 b)).

2.1bis Commission income: type and timing of recognition

TYPE OF SERVICES	31/12/2020			31/12/2019		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) guarantees issued	8	7	**15**	7	8	**15**
b) credit derivatives	-	-	**-**	-	-	**-**
c) management, trading and consulting services	206	38	**244**	202	39	**241**
d) collection and payment services	183	13	**196**	174	19	**193**
e) servicing activities for securitisation operations	-	-	**-**	-	-	**-**
f) services for factoring operations	-	-	**-**	-	-	**-**
g) collection and receiving operations	-	-	**-**	-	-	**-**
h) activities for the management of multilateral trading systems	-	-	**-**	-	-	**-**
i) current account maintenance and management	145	109	**254**	120	131	**251**
j) other services	25	10	**35**	28	9	**37**
Total	**567**	**177**	**744**	**531**	**206**	**737**

2.2 Commission expense: breakdown

SERVICES/VALUES	Total 31/12/2020	Total 31/12/2019
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and trading services:	(16)	(18)
1. trading of financial instruments	(2)	(2)
2. foreign currency trading	-	-
3. portfolio management:	(11)	(12)
3.1 own portfolios	(11)	(12)
3.2 delegated to third parties	-	-
4. custody and administration of securities	(2)	(2)
5. placement of financial instruments	-	-
6. out-of-branch offer of financial instruments, products and services	(1)	(2)
d) collection and payment services	(44)	(43)
e) other services	(27)	(32)
Total	**(87)**	**(93)**

As at the reporting date, the Group does not have significant amounts of commission expense (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value through profit or loss (IFRS 7, paragraph 20, letter c (i)).

Section 3 - Dividend and similar income - Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2020		Total 31/12/2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets obligatorily measured at fair value	-	1	1	1
C. Financial assets measured at fair value through other comprehensive income	1	-	1	-
D. Equity investments	-	-	-	-
Total	**1**	**1**	**2**	**1**

Section 4 - Net result from trading - Item 80

4.1 Net result from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**1**	**-**	**-**	**1**
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	1	-	-	1
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**5**
3. DERIVATIVE INSTRUMENTS	**14**	**5**	**(14)**	**(5)**	**(5)**
3.1 Financial derivatives:	14	5	(14)	(5)	(5)
- On debt securities and interest rates	14	5	(14)	(5)	-
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	(5)
- Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**14**	**6**	**(14)**	**(5)**	**1**

Section 5 - Net result from hedging - Item 90

5.1 Net result from hedging: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2020	Total 31/12/2019
A. INCOME RELATED TO:		
A.1 Fair value hedging derivatives	2	2
A.2 Hedged financial assets (fair value)	20	28
A.3 Hedged financial liabilities (fair value)	1	1
A.4 Cash flow hedge derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging (A)	**23**	**31**
B. CHARGES RELATED TO:		
B.1 Fair value hedging derivatives	(17)	(24)
B.2 Hedged financial assets (fair value)	(6)	(8)
B.3 Hedged financial liabilities (fair value)	(1)	(1)
B.4 Cash flow hedge derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging (B)	**(24)**	**(33)**
C. NET RESULT FROM HEDGING (A - B)	**(1)**	**(2)**
of which: result of net positions hedging	-	-

The Group avails itself of the possibility, provided for in the introduction of IFRS 9, to continue to apply in full the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge. As a consequence, in the table above, the row "of which: result of net positions hedging" provided for those who apply IFRS 9 also for hedging, is not valued.

Section 6 - Profit (loss) from disposal/repurchase - Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 31/12/2020			Total 31/12/2019		
	Profit	Loss	Net result	Profit	Loss	Net result
FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	361	(56)	305	162	(72)	90
1.1 Loans to banks	1	-	1	-	-	-
1.2 Loans to customers	360	(56)	304	162	(72)	90
2. Financial assets measured at fair value through other comprehensive income	56	(4)	52	64	(8)	56
2.1 Debt securities	56	(4)	52	64	(8)	56
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**417**	**(60)**	**357**	**226**	**(80)**	**146**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**-**	**-**	**-**	**-**	**-**	**-**
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

The current uncertainty on the evolution of the pandemic and the difficulty in formulating hypotheses on its evolution, as recently highlighted also by the Bank of Italy's publication (Macroeconomic forecasts for the Italian economy, December 2020), has, in fact, induced banks that have carried out sale transactions to carefully evaluate sales of HTC securities characterised by their exceptional nature and, therefore, compatible with the Group's current securities portfolio management policy. The exceptional nature of these HTC sales lies in the fact that they are closely linked both to the extraordinary situation of the health crisis induced by Covid-19 and to the highly uncertain outlook for the pandemic with effects that cannot be determined or that are significantly different on the main macroeconomic factors of the Italian economy. Thanks to these exceptional sales of HTC securities, the Affiliated Banks that implemented them achieved an additional capital strengthening that will allow them to manage the uncertainty of the future evolution of the pandemic and its economic and social effects. For these reasons, these sales of HTC securities are to be considered as sales made for reasons attributable to exceptional circumstances and, as such, excluded from the calculation of sales for the purpose of calculating the frequency and significance limits pursuant to the policy in force as of 31 December 2020. In particular, it should be noted that more than 70% of these exceptional sales are related to business combinations, restructuring or reorganisation operations involving several of the Group's Affiliated Banks.

Section 7 - Net result of other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. FINANCIAL LIABILITIES	**(2)**	**-**	**2**	**-**	**-**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	(2)	-	2	-	-
2.3 Due to customers	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**(2)**	**-**	**2**	**-**	**-**

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets obligatorily measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**22**	**4**	**(20)**	**(4)**	**2**
1.1 Debt securities	-	-	(1)	(1)	(2)
1.2 Equities	1	1	(2)	(3)	(3)
1.3 UCITS units	6	3	(5)	-	4
1.4 Loans	15	-	(12)	-	3
2. FINANCIAL ASSETS: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**22**	**4**	**(20)**	**(4)**	**2**

Trading profits (losses) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

Section 8 - Net value adjustments/write-backs due to credit risk - Item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown

TRANSACTIONS/INCOME COMPONENTS	Value adjustments (1)			Write-backs (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. LOANS TO BANKS	**(14)**	**-**	**-**	**12**	**-**	**(2)**	**(2)**
- Loans	(4)	-	-	4	-	-	4
- Debt securities	(10)	-	-	8	-	(2)	(6)
of which: impaired loans acquired or originated	-	-	-	-	-	-	-
B. LOANS TO CUSTOMERS	**(292)**	**(30)**	**(1,016)**	**182**	**549**	**(607)**	**(317)**
- Loans	(281)	(30)	(1,016)	170	549	(608)	(310)
- Debt securities	(11)	-	-	12	-	1	(7)
of which: impaired loans acquired or originated	-	-	-	-	-	-	-
Total	**(306)**	**(30)**	**(1,016)**	**194**	**549**	**(609)**	**(319)**

Value adjustments, reported under the column "Third stage - Other", relate to analytical write-downs of loans, while those reported under the column "Third stage - Write offs" arise from redemption events. In fact, due to the continuation of the economic crisis and as requested by the Bank of Italy, the Group carried out overall value adjustments to financial assets that are consistent with the current and forecast developments of risk in loan portfolios. In addition, the presence of guarantees collected by the Affiliated Banks - as a guarantee of exposure - allows for additional guarantees for the recoverability of receivables. The write-backs, in the column 'First and second stage', correspond to the adjustments to performing positions.

Net value adjustments relating to loans to customers, as at 31 December 2020, amounted to EUR 608 million (compared to EUR 310 million in December 2019). These adjustments, which are affected by the highly negative economic trend, affected by the spread of the Covid-19 pandemic, mainly entailed an increase in value adjustments attributable to performing loans classified within stage 1 and 2.

For more detailed information pertaining to movements in net adjustments to loans, refer to Part E of these Explanatory Notes.

8.1a Net value adjustments for credit risk relating to loans valued at amortised cost subject to Covid-19 support measures: breakdown

TRANSACTIONS/INCOME COMPONENTS	Net value adjustments		Total 31/12/2020
	First and second stage	Third stage	
		Other than Write-off	
1. Loans subject to concession compliant with GL	(34)	(51)	(85)
2. Loans subject to other forbearance measures	(4)	(25)	(29)
3. New loans	(10)	(3)	(13)
Total	**(48)**	**(79)**	**(127)**

The "write-off" column is not present in the third stage, as this disclosure is not required for 2020.

8.2 Net value adjustments due to credit risk relative to financial assets measured at fair value through other comprehensive income: breakdown

TRANSACTIONS/INCOME COMPONENTS	Value adjustments (1)			Write-backs (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. DEBT SECURITIES	**(6)**	**-**	**-**	**4**	**-**	**(2)**	**9**
B. LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-
of which: impaired financial assets acquired or originated	-	-	-	-	-	-	-
Total	**(6)**	**-**	**-**	**4**	**-**	**(2)**	**9**

8.2a Net value adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

The table does not contain information and therefore was not filled in.

Section 9 - Profits/losses from contractual changes without derecognitions - Item 140

9.1 Profits (losses) from contractual changes: breakdown

As of 31 December 2020, losses from contractual amendments without derecognitions of approximately EUR 5 million were recognised under this item.

The same item, as at 31 December 2019, amounted to approximately EUR 3 million.

Section 10 - Net premiums - Item 160

This section has not been filled in given that there are no insurance companies in the Group as at the reporting date.

Section 11 - Balance of other income and expenses of insurance management - Item 170

This section has not been filled in given that there are no insurance companies in the Group as at the reporting date.

Section 12 - Administrative expenses - Item 190

12.1 Personnel costs: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2020	Total 31/12/2019
1) Employees	**(834)**	**(814)**
a) salaries and wages	(567)	(550)
b) social security charges	(141)	(141)
c) severance indemnity	(29)	(30)
d) social security expenses	(3)	(3)
e) provision for severance indemnity	(4)	(5)
f) allocation to retirement and similar obligations:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary pension funds:	(29)	(28)
- with defined contribution	(29)	(28)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other benefits in favour of employees	(61)	(57)
2) Other operating personnel	**(6)**	**(7)**
3) Directors and Auditors		**(28)**
4) Retired personnel	**-**	**-**
Total	**(870)**	**(849)**

12.2 Average number of employees by category

(Figures in units)

	Total 31/12/2020	Total 31/12/2019
EMPLOYEES (A+B+C)	**10,759**	**10,811**
a) executives	204	199
b) middle managers	2,898	2,850
c) remaining employees	7,657	7,762
OTHER PERSONNEL	**174**	**174**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies. In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

12.3 Defined benefit company pension funds: costs and revenue

For information on this point, please refer to that described in the Liabilities in the Statement of financial position, Section 9, paragraph "9.2 Provision for severance indemnity: other information".

12.4 Other benefits in favour of employees

ITEMS	Total 31/12/2020	Total 31/12/2019
Miscellaneous personnel costs: allocation of loyalty bonus	(1)	(1)
Miscellaneous personnel costs: insurance	(8)	(8)
Miscellaneous personnel costs: staff leaving incentives	(26)	(21)
Miscellaneous personnel costs: meal vouchers	(13)	(13)
Miscellaneous personnel costs: training courses	(3)	(4)
Miscellaneous personnel costs: other benefits	(10)	(10)
Other benefits in favour of employees	**(61)**	**(57)**

12.5 Other administrative expenses: breakdown

ITEMS	Total 31/12/2020	Total 31/12/2019
ICT expenses	**(86)**	**(77)**
Outsourced ICT expenses	(24)	(37)
ICT expenses other than outsourced ICT expenses	(62)	(40)
Taxes and levies (other)	**(146)**	**(141)**
Expenses for professional and consulting services	**(94)**	**(92)**
Advertising and entertainment expenses	**(23)**	**(30)**
Expenses related to debt collection	**(20)**	**(26)**
Litigation expenses not covered by allocations	**(1)**	**(1)**
Expenses for real estate	**(43)**	**(46)**
Lease fees	**(1)**	**(2)**
Other administrative expenses - Other	**(155)**	**(190)**
Total administrative expenses	**(569)**	**(605)**

The item Other administrative expenses, as at December 2020, amounted to EUR 569 million (EUR -36 million compared to December 2019) and showed an annual reduction mainly due to lower contributions paid to the DGS and SRF funds for a total of approximately EUR 18 million (items, however, set aside as specified below) and to the benefits obtained from the greater use in 2020 by the Affiliated Banks of the services offered by the companies of the Industrial Group compared to services purchased externally.

The sub-item "Lease fees" includes short-term rentals (contracts with a residual useful life of less than 12 months) and rentals relating to leases of modest value (less than EUR 5 thousand) for an insignificant amount.

Section 13 - Net allocations to provisions for risks and charges - Item 200

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

ITEMS	Total 31/12/2020			Total 31/12/2019		
	Phase 1	Phase 2	Phase 3	Phase 1	Phase 2	Phase 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(19)	(8)	(20)	(9)	(5)	(27)
FINANCIAL GUARANTEES ISSUED						
Financial guarantee contracts	(1)	(1)	(9)	(3)	(1)	(15)
Total allocations (-)	**(20)**	**(9)**	**(29)**	**(12)**	**(6)**	**(42)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	7	4	17	6	3	28
FINANCIAL GUARANTEES ISSUED						
Financial guarantee contracts	2	1	9	1	2	15
Total reallocations (+)	**9**	**5**	**26**	**7**	**5**	**43**
	Net allocation			Net allocation		
Total	**(11)**	**(4)**	**(3)**	**(5)**	**(1)**	**1**

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

PROVISION FOR OTHER COMMITMENTS AND GUARANTEES ISSUED	Total 31/12/2020	Total 31/12/2019
Allocations for other commitments to disburse funds	(2)	(1)
Allocations for other financial guarantees issued	-	(1)
TOTAL ALLOCATIONS	**(2)**	**(2)**
Reallocations for other commitments to disburse funds	-	-
Reallocations for other financial guarantees issued	-	-
TOTAL REALLOCATIONS	**-**	**-**
Net allocation	**(2)**	**(2)**

13.3 Net allocations to other provisions for risks and charges: breakdown

ITEMS	31/12/2020			31/12/2019		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
Allocations and reallocations to other provisions for risks and charges						
1. for risks on revocatory actions	(1)	-	(1)	(3)	-	(3)
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	(2)	1	(1)	(8)	1	(7)
4. for legal and tax disputes	(13)	7	(6)	(9)	12	3
5. for other risks and charges	(29)	1	(28)	(11)	5	(6)
Total	**(45)**	**9**	**(36)**	**(31)**	**18**	**(13)**

As at 31 December 2020, the item “5. for other risks and charges” includes provisions for contributions pertaining to the year 2020 not collected by the Depositors’ Guarantee Fund of approximately EUR 18 million.

Section 14 - Net value adjustments/write-backs to tangible assets - Item 210

14.1 Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a + b - c)
A. TANGIBLE ASSETS				
1. For business use	**(95)**	**(3)**	**4**	**(94)**
- Owned	(69)	(3)	4	(68)
- Rights of use acquired through lease	(26)	-	-	(26)
2. Held for investment purposes	**(1)**	**(2)**	**-**	**(3)**
- Owned	(1)	(2)	-	(3)
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**(3)**	**-**	**(3)**
Total	**(96)**	**(9)**	**4**	**(101)**

During the year, tangible assets classified as "assets held for sale" in accordance with IFRS 5 were measured. The result of this measurement is not significant.

Section 15 - Net value adjustments/write-backs to intangible assets - Item 220

15.1 Net value adjustments to intangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a + b - c)
A. INTANGIBLE ASSETS				
A.1 OWNED	**(16)**	**-**	**-**	**(16)**
- Generated internally by the company	-	-	-	-
- Other	(16)	-	-	(16)
A.2 RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**
Total	**(16)**	**-**	**-**	**(16)**

Section 16 - Other operating income/charges - Item 230

16.1 Other operating charges: breakdown

ITEMS	Total 31/12/2020	Total 31/12/2019
Amortisation of improvements to non-separable third-party assets	(5)	(5)
Charges for treasury contracts with public bodies	-	-
Charges for transactions and indemnities	(1)	(1)
Non-existent items and contingencies not ascribable to own items	(6)	(9)
Bonuses and rounding down	-	-
Other operating charges - other	(10)	(19)
Total other operating charges	**(22)**	**(34)**

16.2 Other operating income: breakdown

ITEMS	Total 31/12/2020	Total 31/12/2019
Recovery of taxes	130	124
Charges to third parties for costs on deposits and current accounts	5	7
Recovery of insurance premiums	2	3
Receivable rents and payments	1	4
Recovery of other expenses	16	26
Non-existent items and contingencies not ascribable to own items	9	10
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	1
Other operating income - other	94	81
Total other operating income	**257**	**256**

As at the reporting date, the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15 para. 116 b)) and revenues recognised during the year arising from obligations fulfilled in previous years (IFRS 15 para. 116 c)).

It should be noted that the following are not of significance for the Group:

- income from sublease of assets consisting of the right of use (IFRS 16, para. 53, letter f));
- income related to variable finance lease payments not included in the measurement of the net investment in the lease (IFRS 16, para. 90, letter a), iii));
- operating lease income arising from variable payments that are not dependent on an index or rate (IFRS 16, para. 90, letter b)).

Section 17 - Profits (losses) on equity investments - Item 250

17.1 Profits (losses) on equity investments: breakdown

INCOME COMPONENT/SECTORS	Total 31/12/2020	Total 31/12/2019
1) JOINTLY-CONTROLLED COMPANIES		
A. INCOME	**1**	**-**
1. Revaluations	1	-
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. CHARGES	**-**	**-**
1. Write-downs	-	-
2. Value adjustments for impairment	-	-
3. Losses from disposal	-	-
4. Other charges	-	-
Net result	**1**	**-**
2) COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE		
A. INCOME	**1**	**1**
1. Revaluations	1	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. CHARGES	**(3)**	**(5)**
1. Write-downs	(3)	(4)
2. Value adjustments for impairment	-	-
3. Losses from disposal	-	(1)
4. Other charges	-	-
Net result	**(2)**	**(4)**
Total	**(1)**	**(4)**

Section 18 - Net result of fair value measurement of tangible and intangible assets - Item 260

As at 31 December 2020, there are no significant results to report under this item.

The same item, as at 31 December 2019, was negative by approximately EUR 1 million.

Section 19 - Value adjustments to goodwill - Item 270

19.1 Value adjustments to goodwill: breakdown

INCOME COMPONENTS	Total 31/12/2020	Total 31/12/2019
Value adjustments to goodwill	-	(27)

For a description of the methods used to perform impairment tests on goodwill, see Part B Assets - Section 10 - Intangible assets.

Section 20 - Profit (loss) from disposal of investments - Item 280

20.1 Profit (loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2020	Total 31/12/2019
A. REAL ESTATE PROPERTIES	**2**	**-**
- Gains from disposal	2	-
- Losses from disposal	-	-
B. OTHER ASSETS	**(1)**	**-**
- Gains from disposal	-	-
- Losses from disposal	(1)	-
Net result	**1**	**-**

Section 21 - Income taxes for the year on current operating activities - Item 300

21.1 Income taxes for the year on current operating activities: breakdown

INCOME COMPONENT/SECTORS		Total 31/12/2020	Total 31/12/2019
1.	Current taxes (-)	(36)	(66)
2.	Changes in current taxes of previous years (+/-)	6	-
3.	Decrease in current taxes of the year (+)	22	-
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	20	1
4.	Change in advance taxes (+/-)	(42)	2
5.	Change in deferred taxes (+/-)	5	3
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(25)**	**(60)**

21.2 Reconciliation between the theoretical fiscal charge and the effective fiscal charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (Item 290 of the Income Statement)	270
IRES income taxes - theoretical fiscal charge:	(94)
Effects of decreases in taxable income on IRES	112
Effects of increases in taxable income on IRES	(38)
A. EFFECTIVE FISCAL CHARGE - CURRENT IRES TAX	**(20)**
Increases in deferred tax assets	13
Decreases in deferred tax assets	(47)
Increases in deferred tax liabilities	(1)
Decreases in deferred tax liabilities	5
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(30)**
C. CHANGES IN CURRENT TAXES OF PREVIOUS YEARS	**45**
D. TOTAL ACCRUED IRES (A+B+C)	**(5)**
Theoretical fiscal charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(41)
Effect of decreases in value of production	35
Effect of increases in value of production	(9)
Changes in current taxes of previous years	3
E. EFFECTIVE FISCAL CHARGE - CURRENT IRAP TAX	**(12)**
Increases in deferred tax assets	2
Decreases in deferred tax assets	(10)
Increases in deferred tax liabilities -	-
Decreases in deferred tax liabilities -	1
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(7)**
G. TOTAL ACCRUED IRAP (E+F)	**(19)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**(1)**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**12**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**(25)**

Section 22 - Profit (loss) after tax from discontinued operations - Item 320

This Section does not contain information and therefore was not filled in.

Section 23 - Profit (loss) for the year of minority interests - Item 340

23.1 Details of item 340 "Profit (loss) for the year of minority interests"

The item "Profit attributable to minority interests" as at 31 December 2020 did not show significant results.

At 31 December 2019, this item amounted to approximately EUR 4 million and related to the minority interest in Phoenix Informatica Bancaria S.p.A.

Section 24 - Other information

There is no further information other than that already provided.

Section 25 - Earnings per share

25.1 Average number of ordinary shares with diluted capital

The information relating to this section is not reported in view of the particular characteristics of the Cassa Centrale Group.

25.2 Other information

There is no further information to be presented in relation to the above.

PART D - Comprehensive income

Analytic statement of consolidated comprehensive income

ITEMS		31/12/2020	31/12/2019
10.	**Profit (loss) for the year**	**245**	**225**
	Other income components without reversal to the Income Statement	**(37)**	**11**
20.	Equities measured at fair value through other comprehensive income:	(38)	18
	a) fair value change	(36)	14
	b) transfers to other components of equity	(2)	4
30.	Financial liabilities measured at fair value through profit or loss (changes in credit rating):	-	-
	a) fair value change	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) fair value change (hedged instrument)	-	-
	b) fair value change (hedging instrument)	-	-
50.	Tangible assets	(2)	-
60.	Intangible assets	-	-
70.	Defined benefit plans	-	(8)
80	Non-current assets and groups of assets held for disposal	-	-
90.	Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
100.	Income taxes on other income components without reversal to the Income Statement	3	1

ITEMS		31/12/2020	31/12/2019
	Other income components reversed to the Income Statement	**60**	**2**
110.	Hedging of foreign investments:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non designated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	87	1
	a) fair value changes	112	30
	b) reversal to income statement	(26)	(29)
	- adjustments for credit risk	4	(6)
	- profits/losses on sale	(30)	(23)
	c) other changes	1	-
160.	Non-current assets and groups of assets held for disposal:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Quotas of valuation reserves relative to shareholdings measured with the equity method:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	- impairment adjustments	-	-
	- profits/losses on sale	-	-
	c) other changes	-	-
180.	Income taxes on other income components with reversal to the Income Statement	(27)	1
190.	**Total other income components**	**23**	**13**
200.	**Comprehensive income (Item 10+190)**	**268**	**238**
210.	Consolidated comprehensive income pertaining to minority interests	-	2
220.	**Consolidated comprehensive income pertaining to the parent company**	**268**	**236**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Group pays particular attention to risk management and governance in ensuring the constant evolution of its organisational/procedural controls and methodological solutions. These functions are carried out with tools to support effective and efficient governance of risk controls, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at the Parent Company by the Affiliated Banks of the Cooperative Banking Group has been made operational. It is therefore the task of the Parent Company to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks, considering both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors of the Parent Company, i.e. the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

The framework is developed by the Parent Company and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

The framework defines both the general principles in terms of the company's risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the Group's risk-taking strategy are set out below:

- the company's business model is focused on the traditional business of a commercial credit group, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the entire company's operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions.

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to provide on a periodic basis summary information on the evolution of the banking Group's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a holistic representation of the risk profiles to which the Group is exposed.

The definition of the RAF is based on an articulated and complex process, coordinated by the Parent Company. This process is developed in coherence with the ICAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

Specific policies and regulations common to the Group issued by the Parent Company have been adopted to strengthen the overall risk management and governance system.

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Group is exposed, is part of the broader framework of the company's internal control system, which is addressed by the Parent Company as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

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In line with the provisions issued by the Bank of Italy, the model adopted by the Group outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. The General Manager participates in the management function as top management of the internal structure. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34.2 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted through the approval of the ICAAP and the budget. This function is carried out by ensuring consistency between the internal control system and the Group's organisation within the cooperative credit "business model". It should be noted that only a consolidated ICAAP/ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer for the Parent Company, who takes part in the meetings of the Board of Directors, or of the General Management within the Cooperative Credit Banks. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer/General Management, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee, normally on the proposal of the Chief Executive Officer/General Management, in the delegated areas;
- decisions of the Chief Executive Officer/General Management and the structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer/General Management is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Group is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she also involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

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The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banking groups must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Group intends to achieve. The process is directed by the Parent Company, in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Group's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who - also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible - prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operating risk management activities.

Risk management - consequently - is articulated in the set of limits, delegations, rules, procedures, resources and controls - at line, second and third level - as well as operational activities through which risk management policies are implemented.

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The supervisory regulations require banking groups to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

Section 1 - Risks of the consolidated accounts

In this section, information is provided with reference to the companies included in the consolidated accounts.

INFORMATION OF A QUANTITATIVE NATURE

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, adjustments, trend and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

PORTFOLIOS/QUALITY	Non-performing	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	322	842	37	492	71,375	**73,068**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	9,203	**9,203**
3. Financial assets measured at fair value	-	-	-	-	2	**2**
4. Other financial assets obligatorily measured at fair value	-	-	-	1	302	**303**
5. Financial assets held for disposal	-	-	-	-	-	**-**
Total 31/12/2020	**322**	**842**	**37**	**493**	**80,882**	**82,576**
Total 31/12/2019	**609**	**1,202**	**75**	**1,264**	**65,397**	**68,547**

With regard to forborne exposures, reference should be made to Section 2, Table A.1.5.

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

PORTAFOGLI/QUALITÀ	Impaired				Performing			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Overall partial write-offs	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	3,337	2,136	1,201	302	72,362	495	71,867	73,068
2. Financial assets measured at fair value through other comprehensive income	1	1	-	-	9,205	2	9,203	9,203
3. Financial assets measured at fair value	-	-	-	-	X	X	2	2
4. Other financial assets obligatorily measured at fair value	1	1	-	-	X	X	303	303
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2020	**3,339**	**2,138**	**1,201**	**302**	**81,567**	**497**	**81,375**	**82,576**
Total 31/12/2019	**4,191**	**2,305**	**1,886**	**305**	**66,686**	**374**	**66,661**	**68,547**

PORTFOLIOS/QUALITY	Assets with manifestly poor credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	7
2. Hedging derivatives	-	-	2
Total 31/12/2020	**-**	**-**	**9**
Total 31/12/2019	**-**	**-**	**10**

B. Disclosure on structured entities (different from securitisation special purpose vehicles)

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

B.1 Consolidated structured entities

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

As at the reporting date, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

B.2 Structured entities not consolidated from an accounting viewpoint

B.2.1. Prudentially consolidated structured entities

Information of a qualitative nature

There are no prudentially consolidated structured entities different from those already consolidated for accounting purposes.

B.2.2. Other structured entities

Information of a qualitative nature

Exposures to non-consolidated structured entities are attributable solely to collective investment undertakings (hereinafter also referred to as "UCITS"). For detailed information on exposures to UCITS, please refer to Part B - Information on the consolidated statement of financial position, assets, section 2, table 2.5.

TYPE OF STRUCTURED ENTITY	Interest	Commissions	Dividends	Other Income	Total
UCITS	-	-	1	4	**5**
Special purpose vehicle	-	-	-	-	**-**

Section 2 - Risks of prudential consolidation

In this section, transactions with other companies, which are excluded from the prudential scope but included in the consolidation period, are not eliminated. These figures conventionally include, in proportion to the interest held, the assets and liabilities of the banking, financial and instrumental companies jointly controlled and consolidated proportionally for supervisory purposes.

1.1 CREDIT RISK

Information of a qualitative nature

1. GENERAL ASPECTS

The objectives and strategies of the Group's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Group's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, the Group is subject to the guidance and coordination role of the Parent Company Cassa Centrale Banca, in particular for the specific areas highlighted in this section. In particular, such objectives and strategies are targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Group's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as and especially on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with families, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Group in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the Group, tend to be excluded from access to ordinary bank credit.

The significant share of lending represented by residential mortgages, offered according to different types of products, is evidence of the Group's particular focus on the household sector.

The micro and small businesses and the craft segment is another sector of particular importance for the Group. In this context, the Group's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial Credit Guarantee Consortia or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Group's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Group operates.

Please refer to the public disclosure ("Third Pillar"), provided at consolidated level, in accordance with the provisions of the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis" published by the EBA (EBA/GL/2020/07).

2. POLICIES FOR MANAGING CREDIT RISK

2.1 Organisational factors

In carrying out its activities, the Group is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the lack of liquidity of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Group to credit risk (e.g.: subscription of non-speculative OTC derivative contracts).

Counterparties to such transactions may default due to lack of liquidity, operational weakness, economic events or other reasons. The organisational model adopted by the Group complies with the Group Credit Regulation approved by the Parent Company on 30 January 2019. In this document, also in compliance with the regulatory provisions on Internal Controls, a precise division of roles and responsibilities between the Credit Department and the Control Functions, including the Risk Management Department, has been defined.

The geographical distribution of the Group as at 31 December 2020 is characterised by the presence of 10 territorial branches of the Parent Company and 77 Affiliated Banks with approximately 1,500 branches located throughout Italy.

The Credit Department is the central body delegated to govern the entire performing credit process (granting and auditing; management and monitoring), as well as the coordination and development of credit transactions and loans in the territory.

The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Service Unit is the central body responsible for managing the non-performing credit process (deliberation of concessions, definition of recovery strategies, management of litigation), the process of changing the classification from performing to non-performing and vice versa, the process of defining and implementing the Group's NPL strategy and the related operational plan.

In light of the provisions on the internal control system (contained in Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the framework addressed by the Parent Company.

In addition to line controls, as first level activities, the functions outsourced to the Parent Company in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operating risks) is carried out by the risk control function (Risk Management Department) - outsourced to the Parent Company, which makes operational use of its internal contacts at Group banks.

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Group with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Unit ensure the supervision and coordination of the operational phases of the lending process, making decisions within the scope of their powers and carrying out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Credit Regulations and the Group Policy for the classification and valuation of loans, which define criteria and methods for:

- Assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with related parties, the Group has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating to the granting of loans. From this perspective, the Group is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of related parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use. The Group Regulation for the management of transactions with related parties was also adopted.

In compliance with the provisions of the Group credit regulation and the Group's credit classification and assessment policy, specific procedures have been put in place for the investigation/deliberation, credit line revision and credit risk monitoring phases. Qualitative-quantitative methodologies for assessing the creditworthiness of the counterparty are used in all the above mentioned phases, based or supported by IT procedures that are periodically checked and maintained.

The investigation/deliberation and revision of the credit lines are regulated by a deliberative process in which the various competent bodies, belonging to both the central structures and the network, intervene, in accordance with the levels of delegation provided for. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on technical data, as well as - as is usually the case - on personal knowledge and in-depth analysis of the specific economic and financial situation of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with formalities reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Group, using internal management information and data acquired from external providers, makes it possible to periodically extrapolate all reports that may show symptoms of performance anomalies. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

Control of the activities carried out by the Credit Department is ensured by the Risk Management Department, which is established at the Parent Company.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements; Central Credit Register; Relationship Performance; Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory. Therefore, this system responds to the need to give greater effectiveness and efficiency to the credit management process, especially through a more objective selection of customers and a more structured position monitoring process.

The use of the advanced system for assessing the creditworthiness and control of clients entrusted and to be entrusted has significant organisational implications that must be carefully examined and addressed as part of an overall review of the internal control system and the related organisational and regulatory structures.

For the purposes of determining the minimum capital requirement for credit risk, the Group adopts the standardised methodology and, in this context, has decided to:

- make use of rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers;[12]
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I).

Moreover, with reference to the internal capital adequacy assessment process (ICAAP) provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Group has opted for the adoption of simplified methodologies.

In addition, stress tests were carried out in accordance with the management methods established by the Parent Company.

With reference to credit risk, stress tests are carried out as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the HTCS securities portfolio.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Finance Departments of the Group's banks carry out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

[12] The rating models developed are subject to annual review by the Parent Company. During the year, under the supervision of the Risk Management Department of the Parent Company, credit risk models were refined and updated. For more details see paragraph 2.3.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in risk (lifetime) has occurred.[13] In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (SICR) or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions.[14]

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months;[15]
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;
- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR

[13] The application segments are ordinary customers, interbank segment and securities portfolio.

[14] Non-performing loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

[15] Il calcolo della perdita attesa ai fini del calcolo delle svalutazioni collettive per tali esposizioni avviene in un'ottica *Point in Time* a 12 mesi.

200,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Group's strategy for the management of impaired receivables.

The risk parameters (PD, LGD and EAD) are calculated by the impairment models; to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used.[16] It should be underlined that the Group calculates the ECL based on the allocation stage, per individual position, with reference to cash and off-balance sheet credit exposures.

Ordinary customer segment

The drivers common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the geographical area in which the Group operates;
- the inclusion of forward-looking scenarios, through the application of multipliers defined in a "Satellite Model" to the PD Point in Time (PiT) and the definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The drivers common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the geographical area in which the Group operates, which consists of two parameters: the Danger Rate (DR) and the non-performing LGD;
- the IFRS 9 Danger Rate parameter is estimated from a set of transition matrices between administrative states with an annual observation horizon. These matrices were calculated in relation to a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal LGS parameter is calculated as the arithmetic mean of the nominal LGS, segmented by type of guarantee, and then discounted based on the average recovery time observed for clusters of ratios consistent with the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs depending on the type of technical macro-form and on the stage to which the exposure belongs. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. A further element that influences the future values of the EAD, i.e. the progressive repayment of the instalment loans on the basis of the contractual amortisation plan, is the prepayment rate (a parameter that collects the events of early and partial termination with respect to the contractual maturity date).

[16] Nel corso del 2018 Banca d'Italia ha reso disponibile una serie storica dei tassi di default a partire dal 2006, suddivisi per alcuni driver (regione, fascia di importo, settore economico...) e costruiti su una definizione più ampia delle sole posizioni passate a sofferenza.

The Group made provision for the allocation of the individual cash and off-balance sheet positions, in one of the 3 stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
  - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, above a certain threshold defined through a statistical approach on the basis of specific drivers such as risk segment, ageing and maturity of the relationship and geographic area;
  - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. performing positions that have the following characteristics at the valuation date: no lifetime PD at the origination date and rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment).[17]
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

Interbank segment

For interbank segment positions the PD parameter is provided by an external provider and extrapolated from quoted credit spreads or quoted bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model. It should be noted that a prepayment parameter has been applied to interbank positions consistent with the underlying technical forms and with the specificities of the underlying positions in this segment.

The Group has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD Point in Time less than 0.3%.

[17] Il modello di rating prevede 13 classi ed è differenziato in base al segmento della controparte.

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of 4 factors: issuer and instrument type, instrument ranking, instrument rating and issuer country of origin. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Group has allocated the individual tranches for the purchase of securities in 3 stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date have not experienced a significant increase in credit risk with respect to the time of purchase.

In the second stage, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

Transitory regime

With regard to the economic and equity impacts of IFRS 9, it should be noted that, on first-time adoption of the same, the main impacts arose from the application of the new accounting model of impairment based, as mentioned above, unlike the loss approach of IAS 39, on the concept of expected loss, and from the application of the rules for the transfer of exposures to the various stages of classification.

It should be noted that Cassa Centrale Banca has adhered to the option introduced by Regulation (EU) No. 2395/2017 and partially supplemented by Regulation (EU) No. 873/2020, by which amendments were made to Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (so-called CRR), relating to the introduction of a specific transitional framework, from 2018 to 2024, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) introduced by IFRS 9.

The provisions in question have made it possible to reintroduce in the CET1 the impact recorded following the application of the new valuation model introduced by IFRS 9 for financial assets measured at amortised cost or at fair value through other comprehensive income.

This standard allows for dilution until the end of 2024:

- the incremental impact of the write-down on performing and impaired exposures recognised at the date of transition to IFRS 9 following the application of the new impairment model (static A2, SA filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 31 December 2019 with respect to the impact measured at the date of transition to the new standard ("dynamic old" A4, SA old filter component);
- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 31 December 2019 ("dynamic new" A4, SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 - 95%
- 2019 - 85%
- 2020 - 70%
- 2021 - 50%
- 2022 - 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 - 100%
- 2021 - 100%
- 2022 - 75%
- 2023 - 50%
- 2024 - 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the Covid-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111(1) of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, adjustments and strengthening are also envisaged, based, among other things, on the implementation of automated and proactive processes and the development and/or refinement of early warning and trigger tools that make it possible to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second-level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures.

The Group has defined the guidelines relating to the adoption of organisational and process solutions aimed at enabling the correct and integrated use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

With regard to the impacts of Covid-19 on the assessment of the significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Group would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Group is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

In order to limit the risks of non-existence or termination of protection, specific safeguards are provided, such as: the reinstatement of the pledge in the presence of a decrease in the initial value of the property or, for mortgage guarantees, the obligation of insurance coverage against fire damage, as well as the presence of adequate monitoring of the value of the property.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to retail customers (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation ("CRM") techniques.

The Group has decided to use the following CRM tools:

- financial collateral involving cash and financial instruments, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- residential and non-residential real estate mortgages;
- other forms of real protection such as deposits in cash with third parties;
- personal guarantees represented by sureties, warranty bonds, guarantees - within the realm of authorised guarantors - from monitored intermediaries or other subjects.

Collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company's policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Group complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- compliance with the maximum ratio between the required loan and the value of the property pledged as collateral (loan to value): 80% for residential properties and 50% for non-residential properties;
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Group individual bank's own funds) the valuation is in any case reviewed by an independent expert at least every 3 years.

For impaired exposures, the Policy adopted by the Group provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Group, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Group has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

With reference to personal guarantees, the main types of guarantors are represented by entrepreneurs and corporate partners related to the debtor as well as, in the case of loans granted in favour of sole proprietorships and/or natural persons (consumers or not), also by relatives of the debtor. Less frequently the risk of insolvency is covered by personal guarantees provided by other companies (generally companies belonging to the same economic group as the debtor), or provided by financial institutions and insurance companies.

In the case of loans to parties belonging to certain economic categories (craft workers, traders, etc.) the Group acquires specific guarantees (on first demand or subsidiary) provided by the credit consortia to which it belongs.

An exception is made for personal guarantees which meet all the requirements, provided by credit consortia registered on the special list pursuant to Article 106 of the TUB.

Where a financing proposal provides for personal guarantees from third parties, the investigation shall also extend to the latter. In particular, in relation to the type of loan guaranteed and the amount, the following is subject to verification and analysis:

- the guarantor's statement of financial position and income statement, including by consulting the appropriate databases;
- exposure to the banking system;
- the information present in the Group's information system;
- potential membership of a group and the related overall exposure.

If necessary, at the discretion of the instructor in relation to the amount of the guarantee, the investigation will be extended to the Central Credit Register.

If the guarantor is represented by a company, and in any case when deemed necessary in view of the risk and the amount of the loan, in addition to the information produced by the network in the form reserved for the guarantor, the creditworthiness of the guarantor shall be developed in the same way as for the applicant.

Offsetting agreements

The Group adopts bilateral offsetting agreements for contracts relating to OTC derivatives and long-term settlement transactions concluded with primary counterparties through the Parent Company which, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Group has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral offsetting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Group complies with the specific requirements set out in the regulations.

In this respect, the Group adopts a net-based counterparty risk management system in accordance with the bilateral offset provision, with no novation effect, present in contracts for OTC derivatives and long-term settlement transactions. It is planned to adopt these instruments also when absorbing capital, bearing in mind that the new contracts all pass through the Parent Company.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Group has entered into margining agreements that provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). The system is managed by the Parent Company for exposures to affiliates, while for exposures to institutional market counterparties it is the latter that performs the role of guarantee calculation agent.

3. IMPAIRED CREDIT EXPOSURES

3.1 Management strategies and policies

The Group is organised with regulatory/IT structures and procedures for the management, classification and control of loans. Consistent with IAS/IFRS regulations, at each reporting date the presence of objective elements of impairment on each instrument or group of financial instruments is verified.

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three main categories:

- non-performing loans: credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than non-performing loans, for which it is considered unlikely that, without recourse to protective actions, such

as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;

- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun by more than 90 days and which reach or exceed the materiality threshold of 5%, in accordance with the criteria established by the Supervisory Authority in Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates.

The classification of positions among impaired assets is carried out both on the proposal of the proprietary structures of the commercial relationship and the central specialist functions in charge of credit control and management.

Classification is also carried out automatically if predetermined default conditions are exceeded, in particular with regard to past due and/or overrun exposures, depending on the extent and seniority of continuous overdue/overrun exposures.

Exposures classified as impaired past due and/or overrun are automatically returned to performing status when the exposures fall below the thresholds that had led to their classification as impaired.

The Parent Company plays a guiding and coordinating role in the definition and updating of regulations and processes relating to the management and recovery of impaired loans, in the preparation and implementation of the Group's NPL strategy and the related operating plan. Each Affiliated Bank is responsible for managing its impaired loans through the relevant structures that:

- monitor the aforementioned positions;
- take steps to restore the regularity of performance in order to include exposures among performing loans;
- propose to the competent decision-making bodies the granting of tolerance measures to make the reimbursement of the exposure sustainable;
- propose to the competent decision-making bodies the transfer to non-performing of insolvent counterparties;
- carry out judicial and extra-judicial activities aimed at recovering receivables classified as non-performing;
- determine the expected loss on positions and propose them to the decision-making body in charge.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the credit policies adopted.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS9.

3.2 Write-offs

During the year, the Group adopted specific internal regulations on write-off policies. The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the total value adjustments, as a contra-entry to the gross value of the impaired exposure;
- for any portion exceeding the amount of the total value adjustments, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under contingent assets.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

3.3 Impaired financial assets acquired or originated

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside - from the date of initial recognition - provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of Stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Group's typical business model, so the above mentioned cases are to be considered residual.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND FORBORNE EXPOSURES

The category of 'forborne non-performing exposures' does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes cash exposures and commitments to disburse funds that are forborne ('forborne exposures'), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of 'credit deterioration' (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);
- the Group agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of 'credit impairment' are instead classified in the category of 'forborne performing exposures' and are included among the 'Other performing exposures', or among the 'Performing past due exposures' if they meet the requirements for this classification.

In terms of the Group's internal regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- forborne performing if both of the following conditions occur:
  - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
  - the debtor was not reclassified as an impaired counterparty as a result of the forbearance granted;
- forborne non-performing if at least one of the following conditions occurs:
  - the debtor was classified as impaired prior to the granting of the forbearance;
  - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 1 year has passed since the attribution of the forborne non-performing attribute (so-called cure period);
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the respective Group banks;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:
  - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
  - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the financed counterparty was brought back under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 2 years have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance

for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;

- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the respective Group bank at the end of the probation period.

Information of a quantitative nature

A. CREDIT QUALITY

A.1. Impaired and performing credit exposures: amounts, adjustments, trend and economic distribution

A.1.1 Prudential consolidation - Distribution of financial assets by maturity bands (carrying amounts)

PORTFOLIOS/RISK STAGES	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	197	1	1	171	83	39	40	49	529
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-
Total 31/12/2020	**197**	**1**	**1**	**171**	**83**	**39**	**40**	**49**	**529**
Total 31/12/2019	**402**	**-**	**-**	**537**	**222**	**102**	**90**	**84**	**1,092**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total allocations

REASONS/STAGES OF RISK	Total value adjustments									
	First stage assets					Second stage assets				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehen-sive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehen-sive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**99**	**4**	**-**	**4**	**99**	**271**	**-**	**-**	**11**	**260**
Increases from financial assets acquired or originated	6	-	-	-	6	-	-	-	-	-
Derecognitions other than write-offs	(7)	-	-	-	(7)	(6)	-	-	-	(6)
Net value adjustments/write-backs due to credit risk (+/-)	54	(2)	-	6	46	134	-	-	30	104
Contractual changes without derecognitions	(1)	-	-	-	(1)	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	(1)	-	-	-	(1)
Other changes	1	-	-	(1)	2	(55)	-	-	(3)	(52)
FINAL OVERALL ADJUSTMENTS	**152**	**2**	**-**	**9**	**145**	**343**	**-**	**-**	**38**	**305**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	(1)	-	-	-	(1)

REASONS/STAGES OF RISK	Total value adjustments						Total allocation for commitments to disburse funds and financial guarantees issued			Total
	Third stage assets					Of which: impaired financial assets acquired or originated				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs		First stage	Second stage	Third stage	
INITIAL TOTAL ADJUSTMENTS	**2,304**	**1**	**-**	**2,164**	**141**	**-**	**40**	**17**	**40**	**2,776**
Increases from financial assets acquired or originated	-	-	-	-	-	-	-	-	-	**6**
Derecognitions other than write-offs	(326)	-	-	(286)	(40)	-	-	-	-	**(339)**
Net value adjustments/write-backs due to credit risk (+/-)	640	-	-	618	22	-	12	3	8	**849**
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	**(1)**
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	(261)	-	-	(250)	(11)	-	-	-	-	**(262)**
Other changes	(221)	-	-	(230)	9	-	(1)	-	(4)	**(280)**
FINAL OVERALL ADJUSTMENTS	**2,136**	**1**	**-**	**2,016**	**121**	**-**	**51**	**20**	**44**	**2,749**
Collection recoveries in relation to financial assets subject to write-offs	2	-	-	2	-	-	-	-	-	**-**
Write-offs recognised directly in the income statement	(42)	-	-	(37)	(5)	-	-	-	-	**(43)**

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Group does not use the simplified method, as required by IFRS 9, para. 5.5.15, for the valuation to cover losses.

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

PORTFOLIOS/RISK STAGES	Gross value/nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	1,613	2,894	328	98	113	4
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	145	719	17	10	10	-
Total 31/12/2020	**1,758**	**3,613**	**345**	**108**	**123**	**4**
Total 31/12/2019	**5,189**	**1,551**	**371**	**201**	**388**	**30**

A.1.3a Loans subject to Covid-19 support measures: transfers between different stages of credit risk (gross values)

PORTFOLIOS/QUALITY	Gross value/nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**535**	**907**	**98**	**19**	**36**	**1**
A.1 subject to concession compliant with GL	487	883	79	18	34	1
A.2 subject to other forbearance measures	40	1	18	1	2	-
A.3 new loans	8	23	1	-	-	-
B. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to concession compliant with GL	-	-	-	-	-	-
B.2 subject to other forbearance measures	-	-	-	-	-	-
B.3 new loans	-	-	-	-	-	-
Total 31/12/2020	**535**	**907**	**98**	**19**	**36**	**1**

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

TYPES OF EXPOSURES/VALUES	Gross exposure		Total value adjustments and total allocations	Net exposure	Overall partial write-offs*
	Impaired	Performing			
A. CASH CREDIT EXPOSURES					
a) Non-performing	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Impaired 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	3,136	12	3,124	-
- of which: forborne exposures	X	-	-	-	-
Total (A)	**-**	**3,136**	**12**	**3,124**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES					
a) Impaired	-	X	-	-	-
b) Performing	X	1,089	-	1,089	-
Total (B)	**-**	**1,089**	**-**	**1,089**	**-**
Total (A+B)	**-**	**4,225**	**12**	**4,213**	**-**

*Value to be displayed for information purposes

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

TYPES OF EXPOSURES/VALUES	Gross exposure		Total value adjustments and total allocations	Net exposure	Overall partial write-offs*
	Impaired	Performing			
A. CASH CREDIT EXPOSURES					
a) Non-performing	1,367	X	1,045	322	302
- of which: forborne exposures	345	X	255	90	42
b) Unlikely to pay	1,925	X	1,083	842	-
- of which: forborne exposures	1,158	X	646	512	-
c) Impaired past due exposures	47	X	10	37	-
- of which: forborne exposures	3	X	-	3	-
d) Performing past due exposures	X	525	32	493	-
- of which: forborne exposures	X	45	4	41	-
e) Other performing exposures	X	78,206	453	77,753	-
- of which: forborne exposures	X	882	71	811	-
Total (A)	**3,339**	**78,731**	**2,623**	**79,447**	**302**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES					
a) Impaired	164	X	44	120	-
b) Performing	X	13,079	75	13,004	-
Total (B)	**164**	**13,079**	**119**	**13,124**	**-**
Total (A+B)	**3,503**	**91,810**	**2,742**	**92,571**	**302**

*Value to be displayed for information purposes

A.1.5a Loans subject to Covid-19 support measures: gross and net values

TYPES OF LOANS/VALUES	Gross exposure	Total value adjustments and total allocations	Net exposure
A. NON-PERFORMING LOANS	**1**	**-**	**1**
a) Subject to concession compliant with GL	1	-	1
b) Subject to other forbearance measures	-	-	-
c) New loans	-	-	-
B. UNLIKELY TO PAY	**254**	**105**	**149**
a) Subject to concession compliant with GL	149	58	91
b) Subject to other forbearance measures	94	44	50
c) New loans	11	3	8
C. NON-PERFORMING EXPIRED LOANS	**1**	**-**	**1**
a) Subject to concession compliant with GL	1	-	1
b) Subject to other forbearance measures	-	-	-
c) New loans	-	-	-
D. OTHER NON-PERFORMING EXPIRED LOANS	**23**	**2**	**21**
a) Subject to concession compliant with GL	11	2	9
b) Subject to other forbearance measures	4	-	4
c) New loans	8	-	8
E. OTHER PERFORMING LOANS	**11,605**	**145**	**11,460**
a) Subject to concession compliant with GL	8,176	124	8,052
b) Subject to other forbearance measures	124	11	113
c) New loans	3,305	10	3,295
TOTAL (A+B+C+D+E)	**11,884**	**252**	**11,632**

The column "Total partial write-offs" is not shown as per the exemption envisaged by the Communication of 15 December 2020 - Supplements to the provisions of Circular no. 262 "Bank financial statements: layouts and rules" regarding the impacts of Covid-19 and measures to support the economy and amendments to the IAS/IFRS.

A.1.6 Prudential consolidation - Cash credit exposures to banks: trend in gross impaired exposures

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.6bis Prudential consolidation - Cash credit exposures to banks: trend in gross forborne exposures broken down by credit quality

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.7 Prudential consolidation - Cash credit exposures to customers: trend in gross impaired exposures

DESCRIPTIONS/CATEGORIES	Non-performing	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**1,960**	**2,144**	**87**
- of which: exposures transferred but not derecognised	15	37	2
B. INCREASES	**376**	**658**	**52**
B.1 transfers from performing exposures	35	400	31
B.2 transfers from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other categories of impaired exposures	248	28	2
B.4 contractual changes without derecognitions	-	-	-
B.5 other increases	93	230	19
C. DECREASES	**969**	**877**	**92**
C.1 transfers to performing exposures	-	107	20
C.2 write-offs	206	43	1
C.3 collections	222	322	24
C.4 gains from disposal	159	3	-
C.5 losses from disposal	194	25	1
C.6 transfers to other categories of impaired exposures	6	235	37
C.7 contractual changes without derecognitions	-	1	-
C.8 other decreases	182	141	9
D. GROSS FINAL EXPOSURE	**1,367**	**1,925**	**47**
- of which: exposures transferred but not derecognised	58	98	1

The item “C.8 other decreases” includes the gross amount of the exposure sold exceeding the sum of the realisable value in the context of transactions for the sale of impaired loans to third parties during the year, mainly attributable to the “Buonconsiglio 3” non-performing loan sale transaction.

A.1.7bis Prudential consolidation - Cash credit exposures to customers: trend in gross forborne exposures broken down by credit quality

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**1,536**	**890**
- of which: exposures transferred but not derecognised	24	13
B. INCREASES	**496**	**539**
B.1 transfers from non-forborne performing exposures	81	340
B.2 transfers from forborne performing exposures	105	X
B.3 transfers from forborne impaired exposures	X	69
B.4 transfers from non-forborne impaired exposures	151	3
B.5 other increases	159	127
C. DECREASES	**526**	**502**
C.1 transfers to non-forborne performing exposures	X	264
C.2 transfers to forborne performing exposures	69	X
C.3 transfers to forborne impaired exposures	X	105
C.4 write-offs	52	-
C.5 collections	195	111
C.6 gains from disposal	71	-
C.7 losses from disposal	10	-
C.8 other decreases	129	22
D. GROSS FINAL EXPOSURE	**1,506**	**927**
- of which: exposures transferred but not derecognised	82	44

A.1.8 Prudential consolidation - Impaired cash credit exposures to banks: trend in total value adjustmentse

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.9 Prudential consolidation - Impaired cash credit exposures to customers: trend in total value adjustments

DESCRIPTIONS/CATEGORIES	Non-performing		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**1,351**	**235**	**942**	**481**	**12**	**2**
- of which: exposures transferred but not derecognised	1	-	7	2	-	-
B. INCREASES	**757**	**194**	**671**	**379**	**15**	**1**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	407	113	595	337	11	1
B.3 losses from disposal	194	7	25	3	1	-
B.4 transfers from other categories of impaired exposures	125	48	6	2	-	-
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	31	26	45	37	3	-
C. DECREASES	**1,063**	**174**	**530**	**214**	**17**	**3**
C.1 value write-backs from valuations	94	17	67	35	1	-
C.2 value write-backs due to collection	83	12	120	41	2	-
C.3 gains from disposal	184	10	24	12	-	-
C.4 write-offs	206	36	43	16	1	-
C.5 transfers to other categories of impaired exposures	2	1	123	47	6	2
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 other decreases	494	98	153	63	7	1
D. FINAL OVERALL ADJUSTMENTS	**1,045**	**255**	**1,083**	**646**	**10**	**-**
- of which: exposures transferred but not derecognised	11	2	16	9	-	-

A.2 Classification of exposures on the basis of external and internal ratings

A.2.1 Prudential consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees issued by external rating classes (gross values)

EXPOSURES	External rating classes						Without rating	Totale
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**307**	**184**	**18,379**	**1,505**	**34**	**1,415**	**53,885**	**75,709**
- First stage	307	184	18,376	1,503	33	1,415	44,894	66,712
- Second stage	-	-	3	2	1	-	5,654	5,660
- Third stage	-	-	-	-	-	-	3,337	3,337
B. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**286**	**78**	**5,590**	**458**	**3**	**391**	**2,400**	**9,206**
- First stage	286	78	5,590	458	3	390	2,398	9,203
- Second stage	-	-	-	-	-	-	2	2
- Third stage	-	-	-	-	-	1	-	1
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B+C)	**593**	**262**	**23,969**	**1,963**	**37**	**1,806**	**56,285**	**84,915**
of which: impaired financial assets acquired or originated	-	-	-	-	-	-	-	-
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED								
- First stage	-	-	1	1	-	-	13,499	13,501
- Second stage	-	-	-	-	-	-	635	635
- Third stage	-	-	-	-	-	-	164	164
Total (D)	**-**	**-**	**1**	**1**	**-**	**-**	**14,298**	**14,300**
Total (A+B+C+D)	**593**	**262**	**23,970**	**1,964**	**37**	**1,806**	**70,583**	**99,215**

The Group adopts the assessments of the Moody's rating agency on the reported portfolios.

MOODY'S	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

A.2.2 Prudential consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees issued by internal rating classes (gross values)

As at the reporting date, the Group does not use internal ratings in the calculation of capital requirements.

A.3 Distribution of secured credit exposures by type of guarantee

A.3.1 Prudential consolidation - Cash and off-balance-sheet secured credit exposures to banks

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	Total (1)+(2)
1. SECURED CASH CREDIT EXPOSURES:	**174**	**173**	**-**	**-**	**168**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**169**
1.1 totally secured	174	173	-	-	168	-	-	-	-	-	-	-	-	-	1	**169**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**4**	**4**	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
2.1 totally secured	4	4	-	-	-	3	-	-	-	-	-	-	-	-	-	**3**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Prudential consolidation - Cash and off-balance-sheet secured credit exposures to customers

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate -Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	Total (1)+(2)
1. SECURED CASH CREDIT EXPOSURES:	**41,013**	**38,632**	**24,806**	**376**	**154**	**676**	**-**	**-**	**-**	**-**	**-**	**4,875**	**118**	**355**	**5,480**	**36,840**
1.1 totally secured	37,036	34,840	24,381	376	119	557	-	-	-	-	-	2,820	84	269	5,294	**33,900**
- of which impaired	2,875	1,087	920	16	1	6	-	-	-	-	-	21	-	9	86	**1,059**
1.2 partially secured	3,977	3,792	425	-	35	119	-	-	-	-	-	2,055	34	86	186	**2,940**
- of which impaired	227	69	40	-	-	2	-	-	-	-	-	9	1	2	6	**60**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**5,076**	**5,042**	**39**	**-**	**22**	**98**	**-**	**-**	**-**	**-**	**-**	**134**	**18**	**55**	**4,265**	**4,631**
2.1 totally secured	2,139	2,124	31	-	16	72	-	-	-	-	-	38	5	25	1,915	**2,102**
- of which impaired	61	48	1	-	-	1	-	-	-	-	-	1	-	1	43	**47**
2.2 partially secured	2,937	2,918	8	-	6	26	-	-	-	-	-	96	13	30	2,350	**2,529**
- of which impaired	38	29	-	-	-	1	-	-	-	-	-	1	-	-	25	**27**

A.4 Prudential consolidation - Financial and non-financial assets obtained through the enforcement of guarantees received

	Credit exposure derecognised	Gross value	Total value adjustments	Carrying amount	
					of which obtained during the year
A. TANGIBLE ASSETS	**88**	**98**	**8**	**90**	**6**
A.1 For business use	9	9	2	7	-
A.2 For investment purposes	44	50	6	44	6
A.3 Inventories	35	39	-	39	-
B. EQUITIES AND DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**
C. OTHER ASSETS	**-**	**-**	**-**	**-**	**-**
D. NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR DISPOSAL	**6**	**6**	**2**	**4**	**-**
D.1 Tangible assets	6	6	2	4	-
D.2 Other assets	-	-	-	-	-
Total 31/12/2020	**94**	**104**	**10**	**94**	**6**
Total 31/12/2019	**82**	**92**	**10**	**82**	**2**

As at the reporting date, the Group does not have any guarantees on assets that are not readily convertible into cash that are deemed to be significant (see IFRS 7 para. 38 letter b)).

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Prudential consolidation - Distribution by sector of cash and off-balance-sheet credit exposures to customers

EXPOSURES/COUNTERPARTIES	Public bodies		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. CASH CREDIT EXPOSURES										
A.1 Non-performing	-	-	2	6	-	-	203	714	117	325
- of which: forborne exposures	-	-	-	-	-	-	61	183	29	72
A.2 Unlikely to pay	-	-	8	10	-	-	488	751	346	322
- of which: forborne exposures	-	-	1	5	-	-	284	435	227	206
A.3 Impaired past due exposures	-	-	-	-	-	-	8	3	29	7
- of which: forborne exposures	-	-	-	-	-	-	1	-	2	-
A.4 Performing exposures	35,570	8	1,457	47	32	-	20,028	263	21,191	167
- of which: forborne exposures	-	-	3	-	-	-	325	39	524	36
Total (A)	**35,570**	**8**	**1,467**	**63**	**32**	**-**	**20,727**	**1,731**	**21,683**	**821**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	-	-	-	-	106	40	14	4
B.2 Performing exposures	293	1	245	42	-	-	10,124	21	2,342	11
Total (B)	**293**	**1**	**245**	**42**	**-**	**-**	**10,230**	**61**	**2,356**	**15**
Total (A+B) 31/12/2020	**35,863**	**9**	**1,712**	**105**	**32**	**-**	**30,957**	**1,792**	**24,039**	**836**
Total (A+B) 31/12/2019	**25,648**	**14**	**1,551**	**103**	**32**	**-**	**28,215**	**1,834**	**23,062**	**814**

B.2 Prudential consolidation - Distribution by territory of cash and off-balance-sheet credit exposures to customers

EXPOSURES/ GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. CASH CREDIT EXPOSURES								
A.1 Non-performing	89	245	134	535	51	129	48	134
A.2 Unlikely to pay	167	184	496	722	88	84	90	90
A.3 Impaired past due exposures	5	1	10	3	10	2	12	4
A.4 Performing exposures	9,739	113	23,935	218	36,426	101	4,322	53
Total (A)	**10,000**	**543**	**24,575**	**1,478**	**36,575**	**316**	**4,472**	**281**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	25	7	76	30	12	5	7	2
B.2 Performing exposures	3,369	10	7,495	17	1,044	44	1,093	4
Total (B)	**3,394**	**17**	**7,571**	**47**	**1,056**	**49**	**1,100**	**6**
Total (A+B) 31/12/2020	**13,394**	**560**	**32,146**	**1,525**	**37,631**	**365**	**5,572**	**287**
Total (A+B) 31/12/2019	**12,209**	**608**	**30,327**	**1,425**	**28,928**	**394**	**4,924**	**334**

B.3 Prudential consolidation - Distribution by territory of cash and off-balance-sheet credit exposures to banks

EXPOSURES/ GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. CASH CREDIT EXPOSURES								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	294	10	2,361	-	204	-	36	-
Total (A)	**294**	**10**	**2,361**	**-**	**204**	**-**	**36**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	428	-	332	-	270	-	42	-
Total (B)	**428**	**-**	**332**	**-**	**270**	**-**	**42**	**-**
Total (A+B) 31/12/2020	**722**	**10**	**2,693**	**-**	**474**	**-**	**78**	**-**
Total (A+B) 31/12/2019	**645**	**6**	**882**	**3**	**1,048**	**4**	**128**	**1**

B.4 Large exposures

ITEMS	Total 31/12/2020	Total 31/12/2019
A) AMOUNT OF LARGE EXPOSURES		
a1) carrying amount	39,717	27,797
a2) weighted value amount	607	631
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**4**	**4**

C. SECURITISATION TRANSACTIONS

Securitisation transactions are not recognised, in which banks in the same prudential consolidation are the originator and the total liabilities issued (e.g. ABS securities, loans in the warehousing phase) by the special purpose vehicles are subscribed at the time of issue by one or more companies in the same prudential consolidation.

Information of a qualitative nature

1. "Own" securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Group's loans and is part of the expectations of supporting the development of the local economy, in line with the company's strategic guidelines.

Below is information on own securitisations carried out during 2020.

"Buonconsiglio 3" securitisation

During 2020, the Group arranged a securitisation of multi-originator loans pursuant to Law 130/1999, involving non-performing loans arising from contracts with customers resident in Italy (so-called "Buonconsiglio 3"). The transaction envisages the acquisition of GACS or the guarantee of the State on the sale of bad loans.

More specifically, the transaction involved the assignment without recourse of portfolios of non-performing loans (secured and/or unsecured) granted by the Bank and 37 other financial institutions (31 belonging to the Cassa Centrale Group) to customers, for a total Gross Book Value of EUR 679,050,960.

The arrangers of the transaction were Banca IMI and Centrale Credit Solutions Srl (a company of the Cassa Centrale Group): the latter also acted as advisor to the banks of the Cassa Centrale Group. The transaction involved the creation of a special purpose vehicle set up pursuant to Law no. 130/1999, called Buonconsiglio 3 S.r.l., in which the Bank does not hold interests, nor do its employees hold corporate roles. The Master Servicer of the securitisation vehicle is Zenith Service S.p.A., while Guber Banca S.p.A. acts as Special Servicer.

The transaction was carried out mainly with the aim of improving the quality of the assets, as non-performing assets will be derecognised from the originators' financial statements. Following a specific technical analysis, it emerged that the transaction described meets the criteria for the derecognition of assets from the Bank's financial statements in accordance with IFRS 9.

The transaction was carried out by means of several related contracts, the outline of which is shown below:

- assignment without recourse, by the originator banks, of a portfolio of non-performing loans identified en bloc;
- acquisition of receivables by the transferee/issuer - the vehicle company Buonconsiglio 3 S.r.l. - and issue by the latter of securities (ABS - Asset Based Securities) characterised by a different degree of repayability in order to raise financial means;

- full subscription of senior securities by the originator banks;
- subscription of mezzanine and junior securities by the Banks and subsequent sale of 95% of the securities to a third institutional investor (CRC). The residual part (5%) remains in the portfolio of the individual originators for the purpose of fulfilling the Retention Rule.

In order to build up the initial reserves necessary to start up the securitisation vehicle (Buonconsiglio 3 S.r.l.), the originator banks have decided on a credit line (a limited-recourse mortgage) whose repayment is envisaged with a seniority slightly higher than that of the class A (senior) securities.

As indicated, the special purpose vehicle financed the purchase of loans by issuing bonds divided into classes. The senior securities are rated (BBB) by three agencies (Moody's, DBRS and Scope). The characteristics of the three types of securities issued are as follows:

- Class A securities (senior securities): Bonds at a variable Euribor 6-month rate plus a spread of 0.50% per annum, for a total value of EUR 154 million and maturing in January 2041;
- Class B securities (mezzanine securities): Bonds at a variable Euribor 6-month rate plus a spread of 9.50% per annum, for a total value of EUR 21 million and maturing in January 2041;
- Class J notes (junior notes): floating rate 6-month Euribor bonds, plus a spread of 15.00% per annum plus a variable yield (residual after paying the senior items) for a total value of EUR 4.541 million and maturing in January 2041.

On 14 December 2020, the aforementioned senior, mezzanine and junior securities were subscribed for on a pro rata basis by the originator banks in proportion to the price received from each, and on 16 December 2020 (accounting settlement date 18 December 2020) 95% of the mezzanine and junior securities were sold to Christofferson Robb & C., a third-party institutional investor.

The different types of securities have been given a different degree of subordination in the definition of payment priorities, both for principal and interest.

The securities will be redeemed in pass through mode. At each payment date, the principal shares for the redemption of the assets are allocated primarily to the redemption of senior securities. The second tranche of securities (mezzanine) is subordinated in its redemption to the previous one and the third tranche of securities (junior) is subordinated in its redemption to the first two.

The reimbursement of the principal of Class J securities is therefore last in the hierarchy of payments, both in the event of early repayment and in the event of natural redemption of the securities.

2. Third party securitisation transactions

As at the reporting date, the Group held about EUR 81 million in securities arising from the third party securitisation transactions described below.

The securitisation transactions reported in the following table "C.2 Prudential consolidation - Exposures arising from the main "third-party" securitisation transactions broken down by type of securitised assets and by exposure type" include approximately EUR 56 million arising from multi-originator transactions, reported in the previous section on "own" securitisations, including Buonconsiglio 3, for the portion referring to the underlying assets sold by other credit institutions not belonging to the Group.

Third-party exposures other than those mentioned above consist mainly of unrated securities issued by the special purpose vehicle Lucrezia Securitisation S.r.l. as part of the Institutional Guarantee Fund interventions, broken down as follows:

- the securities “EUR 211,368,000 Asset-Backed Notes due October 2026”, with ISIN code IT0005216392, were issued by the special purpose vehicle on 3 October 2016, following the securitisation of the portfolios of non-performing loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and BCC Irpina in A.S., they have a 10-year maturity and pay interest quarterly in arrears;
- the securities “EUR 78,388,000 Asset-Backed Notes due January 2027” with ISIN code IT0005240749, were issued by the special purpose vehicle on 27 January 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Crediveneto resolution, they have a 10-year maturity and pay interest quarterly in arrears;
- the securities “EUR 32,461,000 Asset-Backed Notes due October 2027” with ISIN code IT0005316846, were issued by the special purpose vehicle on 1 December 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Teramo resolution, they have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included under item 40 of the Group consolidated statement of financial position. Financial assets measured at amortised cost, sub-item “b) Loans to customers”.

As far as the economic aspects are concerned, the securities involved the recognition of interest income at an annual rate of 1%.

It should be noted that in relation to the above securitisation transactions, the Group does not play any role as servicer and does not hold any interest in the special purpose vehicle.

Moreover, in compliance with the provisions on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the Group must comply with the obligations of due diligence and monitoring.

In accordance with the above mentioned due diligence and monitoring requirements for the Group, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the Investor Group, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the Group is exposed or would be exposed.

In particular, the Group has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;
- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities, definition of default used, rating, historical analysis of the performance of similar positions);
- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the Group has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;
- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

In relation to the above, periodic information flows have been agreed centrally with the servicer, to be made available to Group banks that have subscribed to securities of this type, to ensure their compliance with the regulatory requirement that they must be "constantly aware of the composition of the portfolio of securitised exposures" pursuant to Article 253 of the CRR.

The periodic flows received from the Institutional Guarantee Fund are transmitted to all Group banks and supplement the Investor Report produced by the special purpose vehicle.

Information of a quantitative nature

C.1 Prudential consolidation - Exposures deriving from primary "own" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS/ EXPOSURES	Cash exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs
A. Subject of full derecognition from the financial statements	**221**	**-**	**-**	**-**	**3**	**-**
IMPAIRED ASSETS	**221**	**-**	**-**	**-**	**3**	**-**
- Non-performing	221	-	-	-	3	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
B. Subject of partial derecognition from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

Off-balance-sheet

As at 31 December 2020 the scenario was not present.

C.2 Prudential consolidation - Exposures deriving from primary "third party" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/ EXPOSURES	Cash exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs
IMPAIRED ASSETS	**79**	**2**	**-**	**-**	**1**	**-**
- Non-performing	79	2			1	
- Unlikely to pay						
- Past due						
PERFORMING ASSETS	**1**					

Off-balance-sheet

As at 31 December 2020 the scenario was not present.

C.3 Prudential consolidation - Interest in securitisation special purpose vehicles

As at 31 December 2020 the scenario was not present.

C.4 Prudential consolidation - Unconsolidated securitisation special purpose vehicles

SECURITISATION NAME/SPV NAME	Amounts at 31/12/2020						Difference between exposure to risk of loss and carrying amount (E=D-C)
	Accounting portfolios of assets	Total assets (A)	Accounting portfolios of liabilities	Total liabilities (B)	Net carrying amount (C=A-B)	Maximum exposure to risk of loss (D)	
Buonconsiglio I - Marmarole SPV S.r.l	NPLs	124	Senior and junior notes	128	(4)		4
Buonconsiglio II - Nepal S.r.l	NPLs	141	Senior and junior notes	167	(26)		26
Buonconsiglio 3 S.r.l	NPLs	177	Senior, Mezzanine and junior notes	180	(3)		3
Lucrezia Securitisation Srl - Padovana/Irpina	NPLs	34	Senior Notes	127	(93)		93
Lucrezia Securitisation Srl - Crediveneto	NPLs	24	Senior Notes	47	(23)		23
Lucrezia Securitisation Srl - Castiglione	NPLs	5	Senior Notes	32	(27)		27
Dominato Leonense SPV	Performing loans	57	Senior and junior notes	57	-		-

C.5 Prudential consolidation - Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

As at 31 December 2020, there are no outstanding transactions.

For the sake of completeness, it should be noted that, as part of the servicer activity carried out by Claris Leasing S.p.A. with regard to the special purpose vehicle Claris Lease 2015 S.r.l during the first half of 2020 and until the closing date of the same securitisation vehicle, receivables were collected for an amount of EUR 10 million.

C.6 Prudential consolidation- Consolidated securitisation special purpose vehicles

As at 31 December 2020 the scenario was not present.

D. DISPOSAL TRANSACTIONS

A. FINANCIAL ASSETS SOLD AND NOT FULLY DERECOGNISED

Information of a qualitative nature

With regard to the qualitative nature of these assets and related liabilities, reference should be made to the contents of table D.1. Prudential consolidation - Financial assets sold and recognised in full and associated financial liabilities: carrying amounts.

Information of a quantitative nature

D.1 Prudential consolidation - Financial assets sold and recognised in full and associated financial liabilities: carrying amounts

	Financial assets sold and recognised in full				Associated financial liabilities		
	Carrying amount	of which: subject of securitisation transactions	of which: subject of repurchase agreements	of which impaired	Carrying amount	of which: subject of securitisation transactions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS OBLIGATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**52**	**-**	**52**	**-**	**43**	**-**	**43**
1. Debt securities	52	-	52	-	43	-	43
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**341**	**-**	**275**	**2**	**305**	**-**	**303**
1. Debt securities	275	-	275	-	303	-	303
2. Loans	66	-	-	2	2	-	-
Total 31/12/2020	**393**	**-**	**327**	**2**	**348**	**-**	**346**
Total 31/12/2019	**978**	**-**	**900**	**3**	**882**	**1**	**880**

The transactions shown above are mainly related to repos.

D.2 Prudential consolidation - Financial assets sold and partially recognised and associated financial liabilities: carrying amounts

As at the reporting date, the Group did not hold financial assets attributable to this scenario.

D.3 Prudential consolidation - Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Recognised in full	Partially recognised	Total	
			31/12/2020	31/12/2019
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS OBLIGATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**52**	**-**	**52**	**40**
1. Debt securities	52	-	52	40
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**348**	**-**	**348**	**944**
1. Debt securities	282	-	282	866
2. Loans	66	-	66	78
Total financial assets	**400**	**-**	**400**	**984**
Total associated financial liabilities	**348**	**-**	**X**	**X**
Net value 31/12/2020	**52**	**-**	**400**	**X**
Net value 31/12/2019	**102**	**-**	**X**	**984**

D.4 Prudential consolidation - Covered bond transactions

As at the reporting date, the Group had no covered bond transactions.

B. Financial assets sold and fully derecognised with recognition of continuing involvement

As at the reporting date, the Group had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. Financial assets sold and fully derecognised

Information of a qualitative nature

Transfer transactions to mutual investment funds with allocation of the relevant units to the assignor

During the year, no sales to mutual investment funds were carried out.

Non-performing loans assigned without recourse

During the year, there were no sales without recourse of non-performing loans.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

As at the reporting date, the Group does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to paragraph "2.2 Management, measurement and control systems" (Section 2 - Risks of prudential consolidation).

1.2 MARKET RISKS

1.2.1 Interest rate risk and price risk - regulatory trading book

Information of a qualitative nature

A. General aspects

The Finance and Treasury Committee of the Parent Company defines the investment choices relating to the trading book within the periodic strategy documents for the management of the proprietary portfolio approved by the Board of Directors of the Parent Company.

During the year, the proprietary portfolio management strategy established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives linked to the fair value option).

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR, Value at Risk). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming logarithmic variations in yields under the assumption of normal distribution of the same. The estimation of volatility is made starting from historical market data updated daily, then giving more weight to the most recent observations thanks to the use of the exponential moving average with a decay factor of 0.94, obtaining an indicator more responsive to market conditions, and using a length of the basic historical series equal to 1 year of findings. The exponential moving average approach is also used for correlation estimation.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out by weekly verification of the various models available over a time period of ten days and a confidence interval of 99% (in addition to the parametric method described above, the historical simulation, carried out by assuming a future distribution of risk factor yields equal to that shown at historical level over a given time period, and the Montecarlo method, which uses a procedure for simulating risk factor yields based on past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation).

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (effective duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR - calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Finance Departments and periodically submitted to the Boards of Directors.

In addition, an automatic email alert is active if the attention thresholds and/or limits in the internal regulations are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the regulatory trading book during the course of 2020 is reported below:

Figures rounded to nearest Euros

Value at Risk 31/12/2020	Value at Risk average	Value at Risk minimum	Value at Risk maximum
0	0	0	0

As at 31 December 2020 there were no longer any securities in the trading book, according to the strategic guidelines established by the Parent Company.

Information of a quantitative nature

1. Regulatory trading book: distribution by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	-	-	-	-	-	-	-	-
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	610	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	1	3	2	3	17	13	8	-
+ Short positions	2	3	2	3	16	13	8	-
- Other derivatives								
+ Long positions	27	129	39	4	22	17	12	-
+ Short positions	26	189	53	8	27	22	21	-

Currencies other than the 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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	103	18	5	-	-	-	-
+ Short positions	-	23	4	2	1	-	-	-

2. Regulatory trading book: distribution of exposures in equities and stock market indices for the main countries of the listed market

As at the reporting date, the Group did not hold financial assets attributable to this scenario.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the banking book is supported by reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for interest rate and price risk

Interest rate risk - Banking book

Primary sources of interest rate risk

The sources of the interest rate risk to which the Group is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans and the various forms of funding from customers.

In particular, 'fair value' interest rate risk is derived from fixed-rate items while interest rate risk from cash flows is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to markets changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Group has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are codified in the corporate regulations aimed at designing monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Group, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Group has identified the Finance Department as the structure responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

With regard to the risk measurement methodology in terms of change in economic value and change in interest margin, the Group has decided to use the calculation framework provided by the EBA guidelines (GL-2018-02) which is based on the following elements:

- sensitivity analysis to economic value: the calculation engine allows for quantification of the difference in value between discounted cash flow of balance sheet items using a curve without shock and one with shock. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against a specific rate shock scenario, assuming the reinvestment of maturing or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (both value and margin); normally those for items on demand are used.

The Group determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down).

The risk indicator is represented in the RAS by the ratio between the internal capital thus calculated and the value of Own Funds. At consolidated level, the Parent Company monitors the positioning of the Group also in relation to the value of CET1 and the attention threshold of 15% set by the EBA guidelines. If the risk indicator exceeds the thresholds set out in the RAS, the appropriate recovery initiatives are activated.

PRICE RISK - BANKING BOOK

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Finance Departments and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2020 is reported below:

Figures rounded to nearest Euros

Value at Risk 31/12/2020	Value at Risk average	Value at Risk minimum	Value at Risk maximum
258,894,590	599,604,744	169,707,704	1,979,052,299

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. In the last reporting year, the deviations observed were mostly due to sudden and abrupt fluctuations in market factors (increase in spreads, collapse of stock markets, increase in volatility) mainly linked to the Covid-19 pandemic event.

The year 2020 saw a continuation, with respect to VaR, of the quantification of issuer risk for Italian government securities, understood as VaR relating only to the risk factor expressed as the spread between the Italian and German government securities.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2020 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

Figures rounded to nearest Euros

Theoretical value at 31/12/20	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
37,316,875,608	401,062,590	(378,966,481)	838,102,549	(748,083,112)

Information of a quantitative nature

1. Banking book: distribution by residual duration (re-pricing date) of financial assets and liabilities

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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**9,417**	**26,719**	**13,150**	**3,959**	**14,875**	**6,892**	**7,469**	**-**
1.1 Debt securities	5	4,930	10,896	2,450	9,327	3,902	4,719	-
- with option of advance reimbursement	-	158	1	1	24	70	8	-
- other	5	4,772	10,895	2,449	9,303	3,832	4,711	-
1.2 Loans to banks	198	2,216	9	81	136	-	2	-
1.3 Loans to customers	9,214	19,573	2,245	1,428	5,412	2,990	2,748	-
- current accounts	3,400	80	34	35	70	8	4	-
- other loans	5,814	19,493	2,211	1,393	5,342	2,982	2,744	-
- with option of advance reimbursement	981	9,241	1,012	643	2,605	1,425	1,276	-
- other	4,833	10,252	1,199	750	2,737	1,557	1,468	-
2. CASH LIABILITIES	**53,040**	**2,087**	**930**	**4,486**	**16,954**	**112**	**143**	**-**
2.1 Due to customers	52,222	721	349	659	1,141	108	132	-
- current accounts	48,031	88	53	90	166	39	1	-
- other payables	4,191	633	296	569	975	69	131	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	4,191	633	296	569	975	69	131	-
2.2 Due to banks	477	778	5	3,249	12,908	-	-	-
- current accounts	466	-	-	-	-	-	-	-
- other payables	11	778	5	3,249	12,908	-	-	-
2.3 Debt securities	341	588	576	578	2,905	4	11	-
- with option of advance reimbursement	1	203	164	269	1,515	-	-	-
- other	340	385	412	309	1,390	4	11	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

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	Beyond 10 years	Indefinite duration
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	4	301	393	737	4,630	2,089	560	-
+ Short positions	894	7,044	546	111	58	43	19	-
- Other derivatives								
+ Long positions	20	527	30	12	41	-	-	-
+ Short positions	11	42	43	21	162	168	183	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	127	13	5	3	11	4	12	-
+ Short positions	167	6	2	3	9	-	-	-

Currencies other than the 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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**27**	**14**	**4**	**1**	**7**	**33**	**-**	**-**
1.1 Debt securities	-	1	-	1	6	33	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	1	-	1	6	33	-	-
1.2 Loans to banks	22	5	-	-	1	-	-	-
1.3 Loans to customers	5	8	4	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	5	8	4	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	5	8	4	-	-	-	-	-
2. CASH LIABILITIES	**146**	**2**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	130	-	-	-	-	-	-	-
- current accounts	122	-	-	-	-	-	-	-
- other payables	8	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	8	-	-	-	-	-	-	-
2.2 Due to banks	16	2	-	-	-	-	-	-
- current accounts	16	-	-	-	-	-	-	-
- other payables	-	2	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

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	Beyond 10 years	Indefinite duration
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

For management purposes, the Group quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses at 31 December 2020, assuming an increase in interest rates of +/-200 basis points, the effects relating to the change in the economic value and in the interest margin are shown, then compared to the value of shareholders' equity at the end of the year and to the value of the prospective interest margin (the latter calculated over a time period of 12 months and with the assumption of reinvestment of maturing items at the market conditions defined in the forecast scenario). The impacts relating to a scenario of +/- 100 basis points can be reasonably estimated by taking as reference the values shown in the table divided by 2.

Figures rounded to nearest Euros

CHANGE IN ECONOMIC VALUE	Scenario +200 basis points	Scenario -200 basis points
Banking book: loans	(2,723,459,759)	303,142,295
Banking book: securities	(3,085,756,739)	317,728,650
Other assets	(57,433,259)	6,059,798
Liabilities	5,240,522,469	(435,786,359)
Total	(626,127,288)	191,144,385
Regulatory capital	7,045,696,569	7,045,696,569
% Impact on own funds	-8.89%	2.71%

Figures rounded to nearest Euros

CHANGE IN INTEREST MARGIN	Scenario +200 basis points	Scenario -200 basis points
Banking book: loans	498,398,350	(86,786,039)
Banking book: securities	168,619,594	(28,827,578)
Other assets	32,383,502	(8,206,591)
Liabilities	(557,906,339)	135,482,847
Total	141,495,107	11,662,639
Prospective interest margin	1,500,449,724	1,500,449,724
Impact % on prospective interest margin	9.43%	0.78%

1.2.3 EXCHANGE RATE RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for exchange rate risk

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2020 the Group carried out transactions to hedge the exchange rate risk using outright derivatives.

Information of a quantitative nature

1. Distribution of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	GBP	JPY	CAD	CHF	OTHER CURRENCIES
A. FINANCIAL ASSETS	**72**	**4**	**2**	**-**	**13**	**4**
A.1 Debt securities	38	1	-	-	-	2
A.2 Equities	1	-	-	-	-	-
A.3 Loans to banks	25	3	-	-	6	2
A.4 Loans to customers	8	-	2	-	7	-
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**4**	**3**	**1**	**1**	**3**	**3**
C. FINANCIAL LIABILITIES	**112**	**17**	**1**	**2**	**14**	**4**
C.1 Due to banks	8	10	1	-	2	1
C.2 Due to customers	104	7	-	2	12	3
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**1**	**-**	**-**	**-**	**-**	**-**
E. FINANCIAL DERIVATIVES	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ Long positions	107	14	-	2	-	2
+ Short positions	23	2	3	1	1	2
Total assets	**183**	**21**	**3**	**3**	**16**	**9**
Total liabilities	**136**	**19**	**4**	**3**	**15**	**6**
Imbalance (+/-)	**47**	**2**	**(1)**	**-**	**1**	**3**

2. Internal models and other methodologies for sensitivity analysis

The Group's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

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 offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**302**	**48**	**-**	**-**	**631**	**9**	**-**
a) Options	-	95	-	-	-	111	-	-
b) Swaps	-	207	48	-	-	520	9	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**610**	**-**	**-**	**-**	**610**	**-**
a) Options	-	-	610	-	-	-	610	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**115**	**13**	**-**	**-**	**72**	**10**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	115	13	-	-	72	10	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**417**	**671**	**-**	**-**	**703**	**629**	**-**

The item “Equities and stock market indices” as at 31 December 2020 refers to the call option agreement, under which the Interbank Deposit Protection Fund and the Voluntary Intervention Scheme grant Cassa Centrale Banca an irrevocable option to purchase the ordinary shares of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia for a nominal value of EUR 610.2 million, held by the latter following the execution of the share capital increase. Please refer to Part A1, Section 4 for more information.

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	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 offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	6	-	-	-	8	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**6**	**-**	**-**	**-**	**8**	**-**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	7	-	-	-	7	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	3	-	-	-	1	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**10**	**-**	**-**	**-**	**8**	**-**	**-**

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 companies	Other subjects
Contracts not part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	24	-	24
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	610	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	13
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- 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 that are part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	302	-	-
- positive fair value	-	6	-	-
- negative fair value	-	7	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	113	-	2
- positive fair value	-	-	-	-
- negative fair value	-	3	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

With reference to the valuation of the call option granted to Cassa Centrale Banca on share packages of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia, held by the Interbank Deposit Protection Fund (so-called (FITD) and the Voluntary Intervention Scheme SVI), it should be noted that the instrument has a very specific connotation as it is strictly functional to the rescue operation of Banca Carige S.p.A. - Cassa di risparmio di Genova e Imperia. The same option is not listed on active markets and cannot be sold by Cassa Centrale Banca to third parties outside the Group without the prior consent of FITD and SVI. Based on the above considerations and taking into account that the call option cannot assume negative values, the directors of Cassa Centrale Banca have prudentially opted to confirm the valuation of the call option as at 31 December 2020 equal to zero, which corresponds to the minimum value of the range of values of the valuation made by a leading consulting firm. Please refer to Part A1, Section 3 for more information.

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

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	90	59	200	349
A.2 Financial derivatives on equities and stock market indices	610	-	-	610
A.3 Financial derivatives on currencies and gold	127	1	-	128
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2020	**827**	**60**	**200**	**1,087**
Total 31/12/2019	**243**	**735**	**376**	**1,354**

B. Credit derivatives

As at the reporting date, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

1.3.2 ACCOUNTING HEDGES

Information of a qualitative nature

A. Fair value hedging

Objectives and strategies underlying fair value hedging transactions, types of derivative contracts utilised for hedging and nature of the hedged risk

The purpose of fair value hedging is to immunise changes in the fair value of funding and loans caused by movements in the interest rate curve. The main types of derivatives used are interest rate swaps. The assets and liabilities covered, identified in detail (specific hedges), are mainly loans to customers.

The Group also has management hedging transactions against changes in fair value, for the accounting representation of which it uses the provisions of the so-called Fair Value Option. The main types of derivatives used are interest rate swaps. The assets and liabilities covered are mainly loans to customers.

The Group has adopted organisational and instrumental controls in accordance with the regulations governing the fair value option.

The Group has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of the Group's Hedge Accounting Policy.

B. Cash flow hedging

Objectives and strategies underlying transactions for the hedging of cash flows, types of derivative contracts utilised and nature of the hedged risk

The Group does not engage in cash flow hedging transactions, i.e. hedges of the exposure to variability in cash flows associated with variable-rate financial instruments.

C. Hedging of foreign investments

During 2020, the Group did not carry out any foreign investment hedging transactions.

D. Hedging instruments

The Group does not hold financial instruments attributable to this scenario.

E. Covered elements

The Group does not hold financial instruments attributable to this scenario.

Information of a quantitative nature

A. Financial hedging derivatives

A.1 Financial hedging derivatives: notional values at the end of the period

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 offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**485**	**146**	**-**	**-**	**524**	**149**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	485	146	-	-	524	149	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**485**	**146**	**-**	**-**	**524**	**149**	**-**

A.2 Financial hedging derivatives: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Positive and negative fair value								Change in the value used to detect the ineffectiveness of the hedging	
	Total 31/12/2020				Total 31/12/2019				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 offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements			
POSITIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	1	-	-	-	2	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**
NEGATIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	43	14	-	-	25	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**43**	**14**	**-**	**-**	**25**	**-**	**-**	**-**	**-**

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

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	146	-	-
- positive fair value	X	-	-	-
- negative fair value	X	14	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- 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 that are part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	485	-	-
- positive fair value	-	1	-	-
- negative fair value	-	43	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) COMMODITIES				
- 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 hedging derivatives: notional values

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	88	209	334	631
A.2 Financial derivatives on equities and stock market indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2020	**88**	**209**	**334**	**631**
Total 31/12/2019	**63**	**137**	**191**	**391**

B. Credit hedging derivatives

As at the reporting date, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

C. Non-derivative hedging instruments

As at the reporting date, the Group had not carried out any transactions attributable to this scenario. This section shall therefore not be filled in.

D. Hedged instruments

D.1 Fair value hedging

	Specific hedges: carrying amount	Specific hedges - net positions: carrying amount of assets or liabilities (before offsetting)	Specific hedging			Macro hedging: Carrying amount
			Cumulated changes in the fair value of the hedged instrument	Derecognition of hedging: residual cumulated changes in fair value	Changes in the value used to detect the ineffectiveness of the hedging	
A. Assets						
1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - HEDGING OF:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equities and stock market indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Others	-	-	-	-	-	X
2. FINANCIAL ASSETS MEASURED AT AMORTISED COST - HEDGING OF:	**28**	**28**	**-**	**-**	**-**	**182**
1.1 Debt securities and interest rates	24	24	-	-	-	X
1.2 Equities and stock market indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Others	4	4	-	-	-	X
Total	**28**	**28**	**-**	**-**	**-**	**182**
Total	**34**	**34**	**-**	**-**	**-**	**158**
B. Liabilities						
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - HEDGING OF:	**6**	**6**	**-**	**-**	**-**	**12**
1.1 Debt securities and interest rates	6	6	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31/12/2020	**6**	**6**	**-**	**-**	**-**	**12**
Total 31/12/2019	**11**	**11**	**-**	**-**	**-**	**17**

D.2 Hedging of cash flows and foreign investments

As at the reporting date, the Group had not carried out any transactions attributable to this scenario.

E. Effects of equity hedging transactions

E.1 Reconciliation of equity components

As at the reporting date there were no cash flow hedge valuation reserves deemed significant.

1.3.3 OTHER INFORMATION ON DERIVATIVES (TRADING AND HEDGING)

A. Financial and credit derivatives

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

A. FINANCIAL DERIVATIVES	Central counterparties	Banks	Other financial companies	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	957	-	24
- positive net fair value	-	8	-	-
- negative net fair value	-	64	-	-
2) Equities and stock market indices				
- notional value	-	-	610	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	113	-	15
- positive net fair value	-	-	-	-
- negative net fair value	-	3	-	-
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

A. FINANCIAL DERIVATIVES	Central counterparties	Banks	Other financial companies	Other subjects
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

1.4 LIQUIDITY RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the possibility that the Group may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (funding liquidity risk), or that it may be forced to incur very high costs to meet these commitments (market liquidity risk). Funding liquidity risk, in turn, can be distinguished between: (i) Mismatching liquidity risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency liquidity risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin calls liquidity risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter, "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario. The DR-LCR entered into force on 1 October 2015 and, after a phasing-in from 1 January 2018, a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Group. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Group (e.g. deterioration of the Group's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Group (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;

- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
    - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);
- the analysis of the level of seniority of financial instruments.

The processes in which the Group's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the supervisory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Group adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Parent Company, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic supervisory body, the Board of Directors of the Parent Company and of each Affiliated Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management - related to membership of the Cooperative Banking Group - by formalising its internal regulations on liquidity risk management and governance.

The Group's liquidity is managed by the Finance Department of the Parent Company and the Affiliated Banks in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department of the Parent Company, which makes use of its representative at the Affiliated Banks to check the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between average maturities of lending and funding in the medium/long term.

The Group intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Group's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Group has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Group uses the analysis reports available monthly prepared by the Parent Company.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;
- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Group's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the reporting date, the incidence of funding from the top 10 counterparties (private and non-financial companies) on the Group's total funding from customers is 0.9%.

The Group's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current accounts and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Group operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Group uses the analysis reports available monthly prepared by the Parent Company.

The Net Stable Funding Ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out by the Basel Committee in its October 2014 document.

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Group calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted according to a qualitative approach based on the company's experience and the indications provided by the regulations and supervisory guidelines, cover two scenarios of liquidity, market/systemic and Group-specific crises. In particular, the Group performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

During 2020, an additional scenario linked to the pandemic crisis was also introduced, which envisages the reduction of the inflow components compared to the standard ones to take into account the effect of the moratoria. The Group has also proved resilient in the face of this new scenario.

The results of the analyses carried out are periodically documented to the Board of Directors.

On the basis of the guidelines defined by the Parent Company, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (CFP), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management is centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Group has had a significant amount of liquid resources due to both the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem, and the adoption of funding policies aimed at favouring direct retail funding.

As at the reporting date, the total amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the Liquidity Coverage Ratio (LCR), stood at EUR 21.6 billion.

Information of a quantitative nature

1. Time-based distribution by residual contractual duration of financial assets and liabilities

Euro

ITEMS/TIME PERIOD BRACKETS	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	Beyond 5 years	Indefinite duration
A. CASH ASSETS	**6,301**	**205**	**286**	**2,905**	**2,297**	**2,912**	**5,361**	**36,097**	**26,619**	**-**
A.1 Government securities	2	48	68	116	605	1,277	2,466	20,768	9,039	-
A.2 Other debt securities	5	-	1	4	8	29	50	196	644	-
A.3 UCITS units	264	-	-	-	-	0	-	-	-	-
A.4 Loans	6,030	157	217	2,785	1,684	1,606	2,845	15,133	16,936	-
- Banks	173	15	10	2,159	28	10	82	136	2	-
- Customers	5,857	142	207	626	1,656	1,596	2,763	14,997	16,934	-
B. CASH LIABILITIES	**52,687**	**187**	**115**	**260**	**1,569**	**796**	**4,585**	**17,287**	**237**	**-**
B.1 Deposits and current accounts	52,063	39	45	98	257	337	671	1,037	53	-
- Banks	475	-	-	-	40	0	-	2	9	-
- Customers	51,588	39	45	98	217	337	671	1,035	44	-
B.2 Debt securities	77	29	59	59	329	438	657	3,366	9	-
B.3 Other liabilities	547	119	11	103	983	21	3,257	12,884	175	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	352	161	2	11	14	18	642	245	154	-
- Short positions	118	226	96	186	101	75	25	5	3	-
C.2 Financial derivatives without exchange of capital										
- Long positions	42	1	-	5	14	34	67	472	221	-
- Short positions	71	42	1	128	11	11	3	-	10	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	0	-	-	-	-
- Short positions	-	-	-	-	-	0	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	93	4	-	57	28	23	67	25	140	-
- Short positions	432	1	-	1	-	1	3	9	-	-
C.5 Financial guarantees issued	1	-	-	-	-	0	-	6	25	-
C.6 Financial guarantees received	-	-	-	-	-	0	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	0	-	-	-	-
- Short positions	-	-	-	-	-	0	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	0	-	-	-	-
- Short positions	-	-	-	-	-	0	-	-	-	-

Currencies other than the euro

ITEMS/TIME PERIOD BRACKETS	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	Beyond 5 years	Indefinite duration
A. CASH ASSETS	**25**	**-**	**-**	**4**	**9**	**4**	**1**	**7**	**34**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	1	6	33	-
A.3 UCITS units	1	-	-	-	-	-	-	-	-	-
A.4 Loans	24	-	-	4	9	4	-	1	1	-
- Banks	22	-	-	1	4	-	-	1	-	-
- Customers	2	-	-	3	5	4	-	-	1	-
B. CASH LIABILITIES	**146**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	144	-	-	-	2	-	-	-	-	-
- Banks	16	-	-	-	2	-	-	-	-	-
- Customers	128	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2	-	-	-	-	-	-	-	-	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	25	26	23	30	18	5	-	-	-
- Short positions	-	11	2	4	7	4	2	1	-	-
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 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

2. Self-securitisation transactions

- **Cassa Centrale Finance 3 Transaction**

  With the aim of increasing the amount of financial assets eligible for refinancing transactions with the Eurosystem and, therefore, to strengthen their liquidity position, the Group's current Affiliated Banks implemented a multi-originator securitisation transaction with the support of Cassa Centrale Banca S.p.A. in 2009.

  The transaction, called Cassa Centrale Finance 3, involved the issue of senior securities in a single tranche by the special purpose vehicle Cassa Centrale Finance 3 S.r.l., for a total amount of EUR 368.5 million, with the simultaneous repurchase by the originator banks of all the liabilities issued by the SPV.

  The transaction also provided for the simultaneous repurchase by the originator banks of all the liabilities issued by the special purpose vehicle. The Group has therefore subscribed 65% of these liabilities, amounting to EUR 247 million for senior securities and EUR 30 million for junior securities, corresponding to its share of the liabilities issued by the vehicle for all the assets sold.

  The transaction was completed in April 2020 with the consequent repurchase of the remaining receivables and repayment of the securities.

- **BCC SME Finance 1 Transaction**

  With the aim of increasing the amount of financial assets eligible for refinancing transactions with the Eurosystem and, therefore, to strengthen their liquidity position, the Group's current Affiliated Banks implemented a multi-originator securitisation transaction with the support of Cassa Centrale Banca S.p.A. in 2012.

  The transaction, called BCC SME Finance 1, involved the issue of senior securities in a single tranche by the special purpose vehicle BCC SME Finance 1 S.r.l., for a total amount of EUR 1,533 billion.

  The transaction also provided for the simultaneous repurchase by the originator banks of all the liabilities issued by the special purpose vehicle. The Group has therefore subscribed 56% of these liabilities, amounting to EUR 866 million for senior securities and EUR 371 million for junior securities, corresponding to its share of liabilities issued by the vehicle for all of the assets sold.

1.5 OPERATING RISKS

Information of a qualitative nature

A. General aspects, management processes and measurement methods for operating risk

Operating risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operating risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operating risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operating risk are internal fraud, external fraud, workplace employment and safety reports, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the breakdown of IT systems.

The following subcategories of risk are significant in terms of operating risks, as set out in the same supervisory instructions:

- IT risk, i.e. the risk of incurring economic losses, reputation and market share losses in relation to the use of Information and Communication Technology (ICT);
- outsourcing risk, i.e. the risk associated with the choice to outsource the performance of one or more business activities to third-party suppliers.

Given that it is a transversal risk across processes, operating risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, outsourced to the Parent Company, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes). The Compliance Department also operates through its own representatives identified within the individual Group banks.

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operating risk management process consists of the following steps:

- **identification and assessment**, which includes the detection, collection and classification of quantitative and qualitative information relating to operating risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operating risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operating risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operating risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- **reporting**, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

Finally, there are the third level controls carried out by the Internal Audit Department of the Parent Company, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Group mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Group in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Group internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operating risks, the Group, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the year-end situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

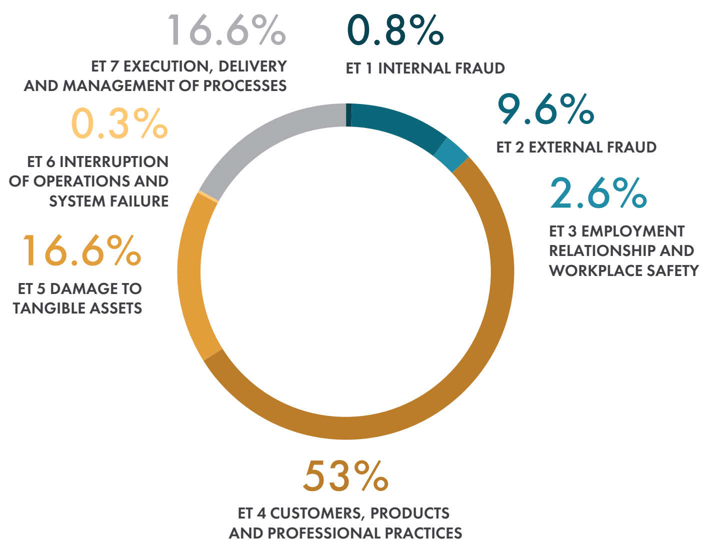
The adoption of a Business Continuity and Emergency Plan to protect the Group against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

YEAR	Amount
Year T	2,148
Year T-1	2,096
Year T-2	2,090
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**2,111**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**317**

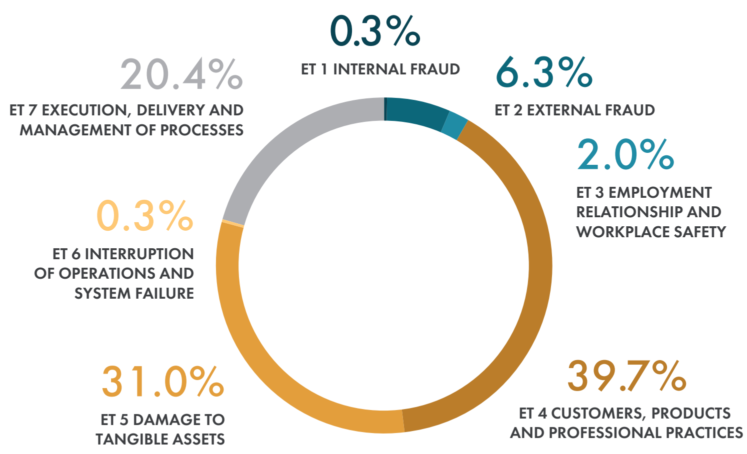
Information of a quantitative nature

With reference to the quantitative information, in continuation of the activity already started last year, in relation to the structured process of Loss Data Collection at the Group[18], the distribution by Event Type is reported.

Number of operational loss events with effects recorded in 2020



Net operating losses recognised in 2020



[18] As at 31 December 2020, the process of recording Operational Risk events in the Loss Data Collection company tool was active for the Affiliated Banks, Allitude (limited to the Covid-19 event) and Claris Leasing.

Operational losses were mainly concentrated in the event type 'ET 4 Customers, products and professional practices' (53% of frequencies and 39.7% of the total impacts detected), followed by 'ET 5 Damage to tangible assets' (16.6% of frequencies and 31% of the total impacts detected) and 'ET 7 Execution, delivery and process management' (16.6% of frequencies and 20.4% of the total impacts detected).

The Covid-19 pandemic event had an impact of 30% on total operating losses. The losses concerned the purchase of masks, gloves, protection and sanitation devices, PCs and mobile phones for the activation of Smart-Working, sanitation and extraordinary cleaning of the work areas. Among the effects generated by the Covid-19 pandemic, we note:

- branch closures during the heightened spread of the epidemic;
- paid leave (non-contractual): recognition of paid leave, in addition to that envisaged by the CCNL;
- activation of the insurance policy in favour of employees (amount not included in the calculation of the operating loss since it is a company decision linked to the emergency);
- tax credit for sanitation costs Dl 34 - Ref. Circ. Prot. 588/2020 of 21/07/2020.

SECTION 3 - RISKS OF INSURANCE COMPANIES

The section is not applicable and therefore was not filled in.

SECTION 4 - RISKS OF OTHER COMPANIES

No other significant risks were noted for the remaining companies included in the scope of consolidation, given they do not belong to the Group nor insurance companies.

PART F - Information on equity

Section 1 - Consolidated equity

A. Information of a qualitative nature

Equity is the main safeguard against corporate risks associated with the Group's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the Supervisory Authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Group's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

To this end, the international and local supervisory bodies have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Group refers is that defined by EU Regulation no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital - (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Affiliated Banks;
- prudent management of investments, which takes into account the risk of counterparties;
- the capital strengthening plans promoted by the Parent Company through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Group operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Group companies.

Moreover, at least every quarter, compliance with the minimum capital requirements, envisaged by the provisions in force, as per Art. 92 of the CRR shall be verified, based on which:

- the value of Common Equity Tier 1 capital in relation to total risk-weighted assets must be at least 4.5% (CET1 capital ratio);
- the value of Tier 1 capital in relation to total risk-weighted assets must be at least 6.0% (T1 capital ratio);
- the value of own funds in relation to total risk-weighted assets must be at least 8.0% (Total capital ratio).

Lastly, the Group must comply with the provisions deriving from the Supervisory Review and Evaluation Process (SREP) pursuant to Art. 97 et seq. of EU Directive no. 36/2013 (CRD IV).

The European Central Bank, in line with the EBA statement of 22 April 2020 and as communicated on 12 May, adopted a pragmatic approach with regard to the SREP process, which in particular concerns the ability of banks to cope with the difficulties generated by Covid and its impact on their current and future risk profile. For this reason, the ECB did not intend to adopt an SREP decision for the 2020 cycle, continuing to apply the requirements set out in the 2019 SREP decision, communicated to the Group by letter dated 25 November 2019.

With regard to this decision, reference should be made to the information on own funds and capital adequacy contained in the disclosure to the public (so-called Pillar III).

Furthermore, in relation to this aspect, it should be noted that as part of the support measures issued by the authorities in response to the health emergency resulting from the Covid-19 pandemic, the ECB, with the press release of 12 March 2020 "ECB Banking Supervision provides temporary capital and operational relief in reaction to Coronavirus" allowed banks to operate temporarily below the capital levels defined by the Pillar 2 Guidance, the Capital Conservation Buffer (CCB) and the Liquidity Coverage Ratio (LCR). It also anticipated the provisions introduced by the CRD V Directive, whose first application was originally scheduled for January 2021 and finally allowing the partial use of Additional Tier 1 and Tier 2 capital instruments, to comply with Pillar 2 requirements (P2R).

As at the reporting date, the Group presents:

- a ratio of Common Equity Tier 1 capital - CET1 - to risk-weighted assets (CET 1 ratio) of 21.46%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 21.47%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 21.50%.

The amount of own funds is not only fully sufficient on all three binding capital levels, but also adequate to cover the Capital Conservation Buffer.

B. Information of a quantitative nature

B.1 Consolidated accounting capital: breakdown by type of company

ITEMS OF EQUITY	Prudential consolidation	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
1. Capital	1,274	-	-	-	1,274
2. Share premium	75	-	-	-	75
3. Reserves	5,916	-	75	(75)	5,916
4. Equity instruments	6	-	-	-	6
5. (Own shares)	(866)	-	-	-	(866)
6. Valuation reserves:	72	-	3	(3)	72
- Equities measured at fair value through other comprehensive income	(32)	-	-	-	(32)
- Hedging of equities measured at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	88	-	3	(3)	88
- Tangible assets	4	-	-	-	4
- Intangible assets	-	-	-	-	-
- Hedging of foreign investments	-	-	-	-	-
- Cash flow hedging	-	-	-	-	-
- Hedging instruments [non designated elements]	-	-	-	-	-
- Exchange rate differences	-	-	-	-	-
- Non-current assets and groups of assets held for disposal	-	-	-	-	-
- Financial liabilities measured at fair value through profit or loss (changes in creditworthiness)	-	-	-	-	-
- Actuarial gains (losses) from defined benefit plans	(23)	-	-	-	(23)
- Quota of reserves from the valuation of shareholdings measured with the equity method	1	-	-	-	1
- Special revaluation laws	34	-	-	-	34
7. Profit (Loss) for the year (+/-) of the group and pertaining to minority interests	245	-	26	(26)	245
Total	**6,722**	**-**	**104**	**(104)**	**6,722**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: composition

ASSETS / VALUES	Total				
	Prudential consolidation		Insurance companies		Other companies
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve
1. Debt securities	89	(1)			
2. Equities	4	(36)			
3. Loans	-	-	-	-	-
Total 31/12/2020	**93**	**(37)**	**-**	**-**	**-**
Total 31/12/2019	**57**	**(25)**	**-**	**-**	**3**

ASSETS / VALUES		Total			
	Other companies	Eliminations and consolidation adjustments		Total	
	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	89	(1)
2. Equities	-	-	-	4	(36)
3. Loans	-	-	-	-	-
Total 31/12/2020	**-**	**-**	**-**	**93**	**(37)**
Total 31/12/2019	**-**	**(3)**	**-**	**57**	**(25)**

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**29**	**3**	**-**
2. POSITIVE CHANGES	**158**	**31**	**-**
2.1 Fair value increases	122	25	-
2.2 Value adjustments for credit risk	8	X	-
2.3 Reversals of negative reserves to the income statement: from sale	7	X	-
2.4 Transfers to other components of equity (equities)	-	1	-
2.5 Other changes	21	5	-
3. NEGATIVE CHANGES	**99**	**66**	**-**
3.1 Fair value decreases	10	38	-
3.2 Write-backs for credit risk	5	-	-
3.3 Reversals of positive reserves to the income statement: from sale	37	X	-
3.4 Transfers to other components of equity (equities)	-	2	-
3.5 Other changes	47	26	-
4. CLOSING BALANCES	**88**	**(32)**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

ITEMS	Total 31/12/2020
1. OPENING BALANCES	**(23)**
2. POSITIVE CHANGES	**4**
2.1 Actuarial gains from defined benefit plans	1
2.2 Other changes	3
2.3 Business combinations	-
3. NEGATIVE CHANGES	**4**
3.1 Actuarial losses from defined benefit plans	1
3.2 Other changes	3
3.3 Business combinations	-
4. CLOSING BALANCES	**(23)**

Section 2 - Regulatory capital and adequacy ratios

With regard to the contents of this section, reference should be made to the information on own funds and capital adequacy contained in the disclosure to the public (so-called Third Pillar), prepared in accordance with Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 - Transactions implemented during the year

1.1 Business combinations

During the year, no business combinations regarding companies or branches were carried out, as regulated by IFRS 3.

Mergers between Cooperative Credit Banks belonging to the Group

During the year, a number of business combinations between Cooperative Credit Banks belonging to the Group were carried out, which did not, however, have any effect on the consolidated financial statements (as they are outside the scope of application of IFRS 3).

Such transactions pursue objectives of stability, efficiency and competitiveness. During 2020 the number of Affiliated Banks reached 77. Details of the business combinations subsequent to the creation of the Group are provided below:

- CR Lavis - Mezzocorona - Valle di Cembra, merger by incorporation into Cassa Rurale di Trento: effective from 1 January 2020, Trentino-Alto-Adige region;
- CR Adamello, merger by incorporation into Cassa Rurale Giudicarie Valsabbia Paganella: effective from 1 October 2020, Trentino-Alto-Adige region;
- Rovigo Banca, merger by incorporation into Centroveneto Bassano BCC: effective from 1 November 2020, Veneto region.

From an accounting point of view, since these are business combinations between entities under common control, the above transactions are excluded from the scope of IFRS 3 (see IFRS 3.2(c) and IFRS 3 B1-B4). In fact, for this type of transaction, in the absence of an accounting standard of reference, the "ASSIREVI Preliminary Guidelines on IFRS" (so-called OPI) No. 1 and No. 2 are applied to this type of transaction, as is the established practice in the banking sector.

The documents already mentioned, for business combinations that have the nature of a reorganisation and which, therefore, do not have a significant influence on the future cash flows of the net assets transferred, provide for the application, in the financial statements of the acquiring entity, of the principle of "continuity of values".

This principle implies the recognition in the statement of financial position of values equal to those that would have resulted if the companies involved in the combination had always been combined. The net assets of the acquired and the acquiring entity shall therefore be recognised at the carrying amounts they had in their respective accounts before the transaction. The income statement shall be the sum of the income statements of the two integrated entities from the effective date of the transaction.

Reorganisation of the service companies belonging to the Group

With the aim of completing the reorganisation of the corporate structure of the entities of the Cassa Centrale Group operating in the field of ICT and back office services, the following mergers by incorporation into Allitude S.p.A. were completed in 2020:

- Servizi Bancari Associati S.p.A. effective from 1 January;
- Centro Sistemi Direzionali S.r.l. effective from 1 January;
- Informatica Bancaria Trentina S.r.l. effective from 1 January;
- Informatica Bancaria Finanziaria S.p.A. effective from 1 January;
- CESVE S.P.A., effective from 1 July.

This led to the conclusion of the project, which saw the creation of a single reference IT services (ICT) and banking company in order to guarantee efficiency and develop operational synergies and build specialist centres, including territorial ones, always at the service of the business development of the Group and the Banks.

From an accounting point of view, since this is a business combination between entities under common control, the transaction is excluded from the scope of IFRS 3 (see IFRS 3.2(c) and IFRS 3 B1-B4). As a matter of fact, in the absence of a reference accounting standard, the "ASSIREVI Preliminary Guidelines on IFRS" (so-called OPI) No. 1 and No. 2 are applied to this type of transaction, as is the established practice in the banking sector.

The documents already mentioned, for business combinations that have the nature of a reorganisation and which, therefore, do not have a significant influence on the future cash flows of the net assets transferred, provide for the application, in the financial statements of the acquiring entity, of the principle of "continuity of values".

This principle implies the recognition in the statement of financial position of values equal to those that would have resulted if the companies involved in the combination had always been combined. The net assets of the acquired and the acquiring entity shall therefore be recognised at the carrying amounts they had in their respective accounts before the transaction. The income statement shall be the sum of the income statements of the two integrated entities from the effective date of the transaction.

Section 2 - Transactions implemented after the close of the year

After the end of the financial year and up to the date of approval of the draft Consolidated Financial Statements by the Board of Directors of the Parent Company, no transactions relating to mergers between cooperative credit banks belonging to the Cassa Centrale Group were carried out.

It should also be noted that in the meeting of 10 March 2021, the Board of Directors of Cassa Centrale Banca S.p.A. resolved the acquisition of a 10% share in Società Centrale Trading Srl, at the price of EUR 40,846. Following this acquisition, the Parent Company will own 42.50% of the Company: this interest, added to the 10% already held by the subsidiary Allitude, will lead to the assumption of control of the Company with a total interest of 52.50%.

Section 3 - Retrospective adjustments

No adjustments relating to business combinations were recorded during the year.

PART H - Transactions with related parties

The Cassa Centrale Group, in compliance with the procedures provided for by sector regulations, has adopted the Group Regulation for the management of transactions with related parties.

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 263 of 27 December 2006 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Related Parties carried out by the Group, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Related Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For more strictly accounting purposes, the provisions of IAS 24 - Related party disclosures also apply; under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives with strategic responsibilities (including Directors) of the entity preparing the financial statements:
    - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives with strategic responsibilities":
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - the children and the spouse (even if legally separated) or cohabitant of that person;
        - the children of that person's spouse or cohabitant;
        - the dependants of that person or of that person's spouse or cohabitant;
        - the brothers, sisters, parents, grandparents and grandchildren - even if not living together - of that person.
- person who has significant influence over the entity preparing the financial statements.

Legal persons:

- entity who has significant influence over the entity preparing the financial statements;
- entity over which a person identified in the previous paragraph (natural persons) has significant influence or is one of the executives with strategic responsibilities of the same (or one of its parent companies);

- entity that has control or joint control over the entity which drafts the financial statements;
- entity controlled or jointly controlled by one of the entities referred to in the previous point (natural persons);
- the companies/BCC belonging to the Cassa Centrale Group (controlled and directly and/or indirectly jointly controlled);
- associates and joint ventures and their subsidiaries;
- entity that is part of a joint venture of another entity and the entity that prepares the financial statements is an associate of the other entity;
- plan of benefits relative to the post-employment period for employees of the Group or a related entity.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

The table below shows, in compliance with the requirements of IAS 24, paragraph 17, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other Executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL 31/12/2020	
	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid
Salaries and other short-term benefits	20	19	8	8	39	38	67	65
Benefits relative to the post-employment period (social security, insurance, etc.)	1	1	-	-	8	7	9	8
Other long-term benefits	-	-	-	-	-	-	-	-
Compensation for termination of employment	-	-	-	-	-	-	-	-
Payments in shares	-	-	-	-	-	-	-	-
Total	**21**	**20**	**8**	**8**	**47**	**45**	**76**	**73**

2. Information on transactions with related parties

The table below provides information on the statement of financial position and income statement transactions with related parties during the period. It should be noted that transactions with related parties consolidated on a line-by-line basis are not included in this disclosure, as they are eliminated at consolidated level.

	Assets	Liabilities	Guarantees issued	Guarantees received	Revenues	Costs
Associates	106	33	4	36	9	13
Directors and Executives	61	113	8	132	2	10
Other related parties	264	422	33	657	122	6
Total	**431**	**568**	**45**	**825**	**133**	**29**

It should be noted that "Other related parties" include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

Relations and transactions implemented with related parties relate to ordinary credit and service activities, they are normally developed during the year according to the needs or benefits of the parties, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties do not have a significant incidence on the financial situation, economic result and cash flows of the Group.

PART I - Payment agreements based on own equity instruments

This section is not completed given that the Group has not entered into any payment agreements based on own equity instruments.

PART L - Segment reporting

Since the Group is not listed nor is an issuer of widely distributed securities, it is not required to complete the segment reporting pursuant to IFRS 8.

PART M - Information on leasing

Section 1 - Lessee

Qualitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically

- information on rights of use acquired through lease is provided in Part B - Information on the Consolidated Statement of Financial Position, Assets, Section 9 - Tangible assets and Section 10 - Intangible assets;
- information on payables for leases is provided in Part B - Information on the Consolidated Statement of Financial Position, Liabilities, Section 1 - Financial liabilities measured at amortised cost;
- the information on interest expense on payables for leases and other charges related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in Part C - Information on the consolidated income statement, in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

As at 31 December 2020, there were no commitments formally undertaken by the Group on lease contracts not yet entered into, considered significant.

With reference to the costs relating to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference should be made to Part C - Information on the Income Statement.

Section 2 - Lessor

Qualitative information

The leasing activities carried out within the Group are mainly provided by Claris Leasing S.p.A.; the latter, as lessor, carries out leasing activities exclusively of a financial nature.

The credit risk to which the company is exposed in the granting of finance lease transactions is, due to the nature of the transaction carried out, mitigated by the presence of the asset of which the lessor retains ownership until the final purchase option is exercised.

However, for greater protection and in correlation with the economic, equity and financial structure of the customer, guarantees ancillary to the main obligation are frequently required, both of a real nature (in this case the pledge) and of a personal nature (in this case the surety); atypical guarantees are also collected, such as a commitment to take over or a commitment to repurchase.

Quantitative information

1. STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT INFORMATION

For information on the statement of financial position and income statement on financing for leases, please refer to the sections of the Explanatory Notes in the previous section.

2. FINANCE LEASES

2.1 Classification by time brackets of payments to be received and reconciliation with financing for leases recorded under assets

The following table shows the breakdown of payments to be received for leases by time brackets.

FASCE TEMPORALI	Total 31/12/2020	Total 31/12/2019
	Payments to be received for leases	Payments to be received for leases
Up to 1 year	126	123
From over 1 year to 2 years	91	88
From over 2 years to 3 years	79	76
From over 3 years to 4 years	70	68
From over 4 years to 5 years	61	59
Over 5 years	264	260
Total payments to be received for leases	691	674
TOTAL PAYMENTS TO BE RECEIVED FOR LEASES		
Financial income not accrued (-)	68	69
Residual value not guaranteed (-)	-	-
Financing for leases	623	605

2.2 Other information

There is no further information to be provided in this section.

3. OPERATING LEASE

As at the reporting date, there were no such circumstances. This subsection does not contain any evaluation and is therefore omitted.

Annexes to the financial statements of the Cassa Centrale Group

Annex A) Audit and non-audit fees

(Figures in millions of euro)

TYPE OF SERVICES	Fees (EUR million)
Auditing	3.0
Certification services	2.2
Other services	0.5
Total	**5.7**

It should be noted that the fees indicated do not include VAT and out-of-pocket expenses, while they include any balance of audit expenses relating to the 2019 financial statements.

Cassa Centrale Banca Report and Financial Statements

Cassa Centrale Banca Report on Operations

2020 Financial Year

Operating performance of Cassa Centrale Banca

Performance indicators

The main performance and risk indicators for the year ended 31 December 2020 are shown below.

CONTENTS	31/12/2020	31/12/2019	% change
STRUCTURAL RATIOS			
Loans to customers (1) / Total assets	5.9%	13.9%	(57.6%)
Direct funding / Total assets	6.2%	27.3%	(77.3%)
Equity / Total assets	4.7%	13.2%	(64.4%)
Net loans / Direct funding	94.8%	50.7%	87.0%
Loans to banks / Total Assets	74.4%	38.0%	95.8%
Financial assets / Total assets	16.7%	40.3%	(58.6%)
PROFITABILITY RATIOS			
Net profit / Equity (ROE)	3.2%	2.7%	18.5%
Net profit / Total assets (ROA)	0.2%	0.4%	(50.0%)
Cost / Income (2)	65.5%	70.9%	(7.6%)
Interest margin / Net interest and other banking income	24.2%	21.7%	11.5%
Net commissions / Net interest and other banking income	47.2%	53.2%	(11.3%)
Net interest and other banking income / Total assets	0.7%	1.7%	(58.8%)

* Loans to customers include loans and advances to customers at amortised cost and fair value, thus differing from the exposures to customers shown in the financial statements.

** Indicator calculated as the ratio of operating costs to net interest and other banking income.

Loans to banks account for about 74.4% of Cassa Centrale Banca's assets. The high proportion of total assets reflects the Parent Company's typical business, which turns to the interbank market through treasury operations in order to carry out brokerage activities on behalf of the Affiliated Banks; this activity was further developed in 2020 compared to the previous year, in order to finance the Group's securities portfolio strategy.

The incidence of financial assets on total assets was 16.7%, down compared to 2019; this decline is not due to the reduction in loans to financial assets, but to the more than proportional growth in interbank loans. Loans to customers amount to 5.9%, highlighting the particular role played by Cassa Centrale Banca, which operates mainly with Affiliated Banks.

At the end of 2020, the ratio of net loans to direct funding from customers was 94.8%, an increase compared to the previous year due to the reduction in the incidence of Cassa di Compensazione e Garanzia funding; the ratio of direct funding to total assets was in turn influenced by the increase in bank funding and stood at 6.2%, a decrease compared to the previous year.

The ratio of equity to total assets also decreased, from 13.2% to 4.7%; however, equity remained stable at EUR 1.1 billion compared to the previous year, guaranteeing a high level of capitalisation for the Bank.

Looking at profitability ratios, ROE stands at 3.2%, up on 2019 (2.7%) due to the growth in operating income, while ROA[19], calculated as the ratio of net profit to total assets, stands at 0.2%.

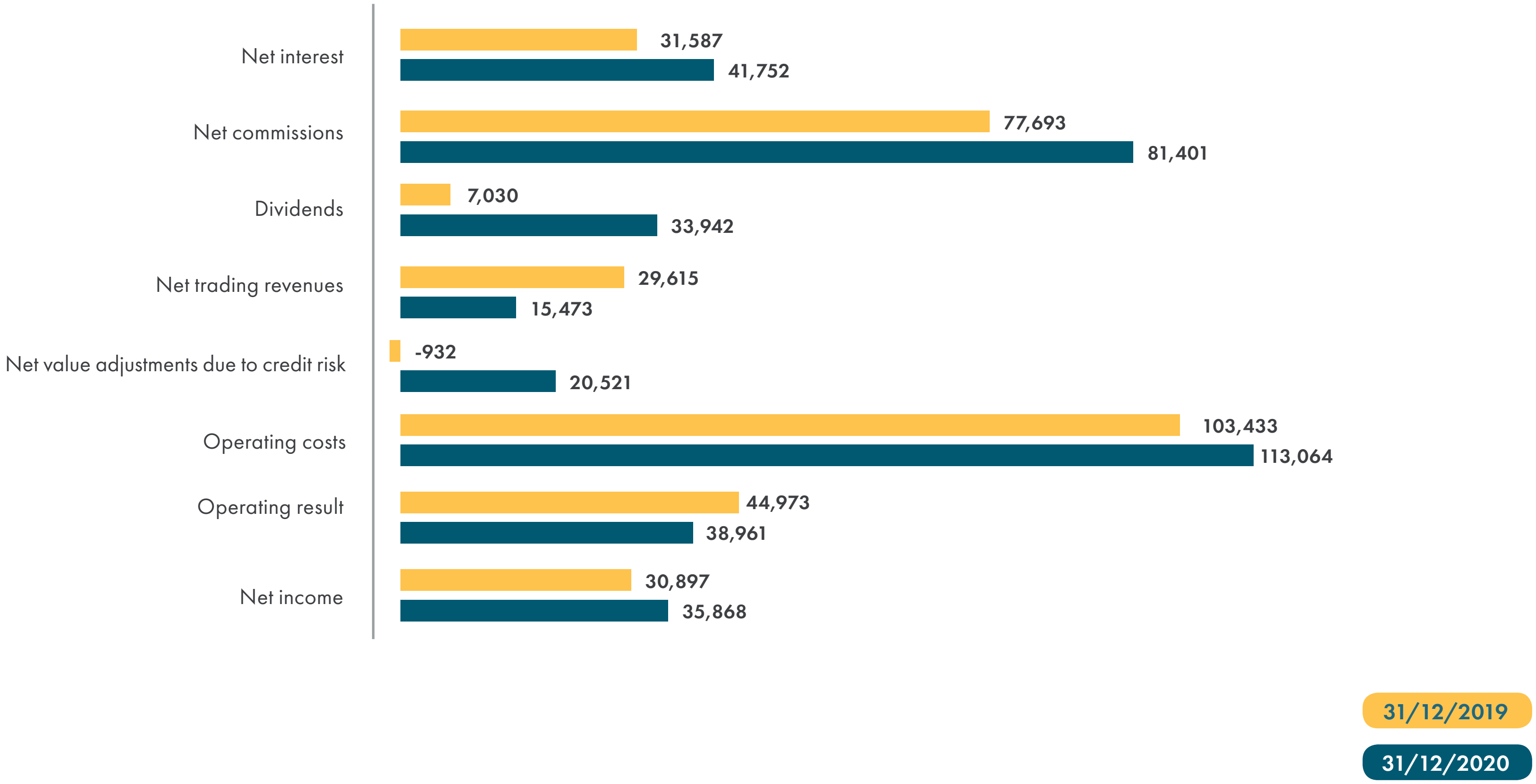
The ratio of net commissions to net interest and other banking income, equal to 47.2%, was slightly down compared to the figure recorded last year; the high incidence confirms that the margin for services represents an important revenue item for the Bank. In contrast, the percentage contribution of the interest margin to net interest and other banking income increased. The ratio of net interest and other banking income to total assets was down, linked exclusively to the growth of the latter compared to the figure at the end of 2019.

[19] The ROA is calculated in accordance with Directive (EU) no. 36/2013 (the so-called CRD IV).

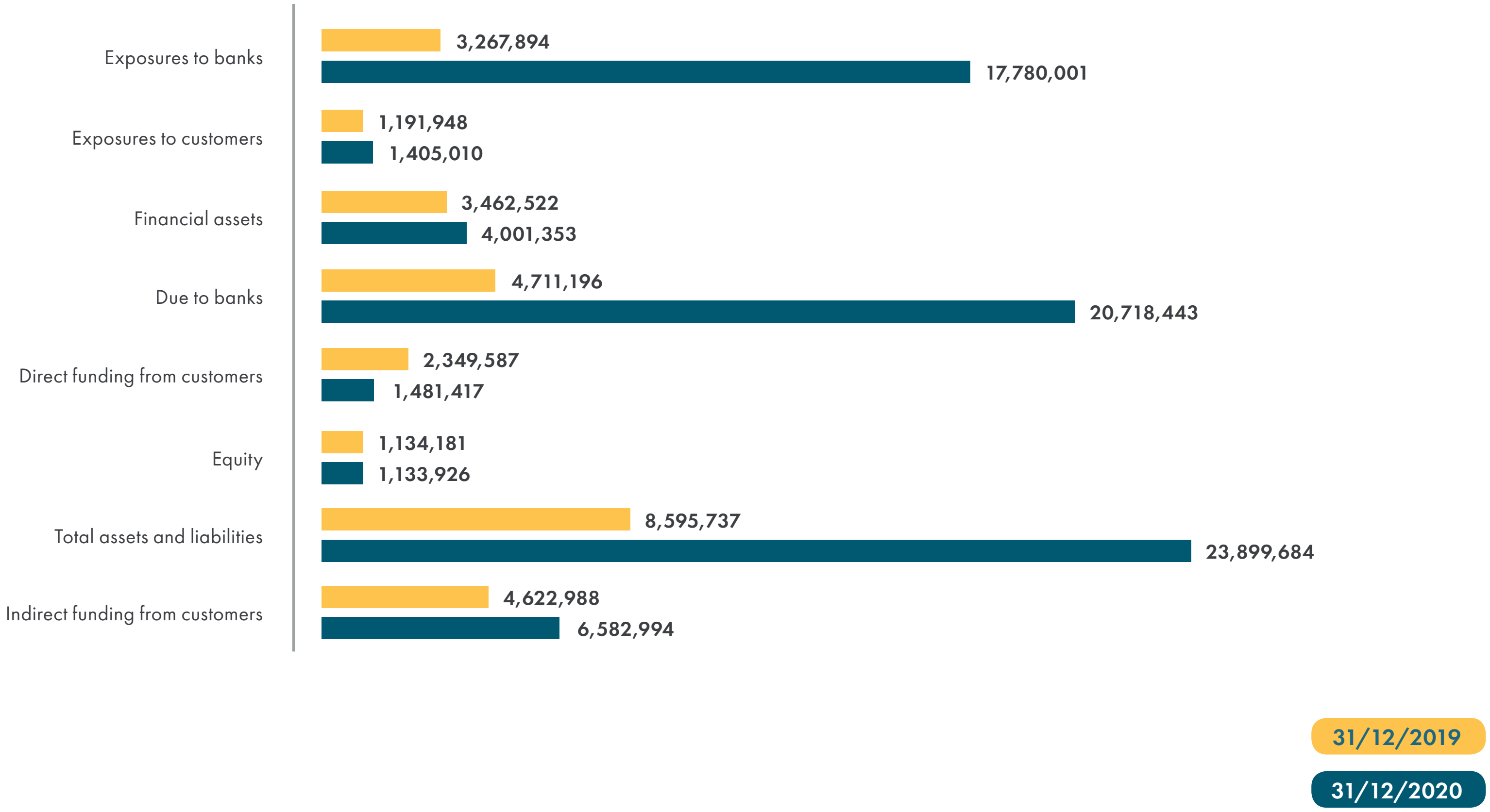
Summary of results

A graphic representation of the results of the main items in the income statement and statement of financial position is provided below. Please refer to the specific sections for details of individual items.

Income statement figures (thousands of euro)



Balance sheet figures (thousands of euro)



Economic results

Reclassified income statement[20]

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Interest margin	**41,752**	**31,587**	**10,165**	**32.2%**
Net commissions	81,401	77,693	3,708	4.8%
Dividends	33,942	7,030	26,911	n.s.
Net trading revenues	15,473	29,615	(14,142)	(47.8%)
Net interest and other banking income	**172,568**	**145,925**	**26,642**	**18.3%**
Net value adjustments/write-backs	(20,521)	932	(21,453)	n.s.
Income from financial activities	**152,047**	**146,857**	**5,190**	**3.5%**
Operating charges (1)	(147,421)	140,941)	(6,480)	4.6%
Loan loss provisions	1,421	2,895	(1,475)	(50.9%)
Other income (charges)	32,936	34,613	(1,677)	(4.8%)
Profit (loss) from disposal of investments and equity investments	(22)	1,548	(1,570)	(101.4%)
Gross current result	**38,961**	**44,973**	**(6,012)**	**(13.4%)**
Income tax	(3,093)	(14,076)	10,983	(78.0%)
Net income	**35,868**	**30,897**	**4,971**	**16.1%**

* This item includes personnel costs, other administrative expenses and operating amortisation/depreciation.

Cassa Centrale Banca's 2020 net interest and other banking income amounted to EUR 172.6 million and increased by EUR 26.6 million compared to 2019; the growth is attributable to the increase in dividends, collected mainly from Subsidiaries, for EUR 26.9 million, while the continued development of primary revenues, up by EUR 13.9 million, allows for the decrease in net revenues from trading activities to be offset compared to the previous year.

The growth in net interest and other banking income more than compensated for the EUR 21.5 million increase in net value adjustments linked to a prudent hedging policy on performing and impaired loans to customers.

Operating expenses increased compared to the previous year by EUR 6.5 million, standing at EUR 147.4 million, due to the continuous process of adaptation to the role of Parent Company assumed by Cassa Centrale Banca aimed at increasing the services offered to the Group Banks and to the their customers.

Gross current result amounted to EUR 39 million, down compared to the previous year by EUR 6 million, while income taxes were down as the weight of dividends on gross profit increased compared to 2019. Net profit was thus up by EUR 5 million compared to the previous year, despite the difficulties presented by the Covid-19 pandemic which, as we will see below, impacted several revenue items.

[20] In order to provide a better management representation of the results, the reclassified income statement figures differ from the layouts of the Bank of Italy.

Interest margin

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Financial assets measured at amortised cost not comprising loans	10,395	8,180	2,215	27.1%
Other financial assets and liabilities measured at FVTPL	319	(171)	490	n.s.
Other financial assets measured at FVOCI	2,418	4,140	(1,722)	(41.6%)
Financial instruments	**13,132**	**12,150**	**982**	**8.1%**
Net interest to customers (loans)	11,983	12,999	(1,016)	(7.8%)
Debt securities in issue	(301)	(300)	(1)	0.2%
Customer relations	**11,682**	**12,699**	**(1,017)**	**(8.0%)**
Net interest to banks	**1,791**	**524**	**1,267**	**n.s.**
Other net interest	**15,146**	**6,214**	**8,932**	**143.7%**
Total interest margin	**41,752**	**31,587**	**10,165**	**32.2%**

The interest margin in 2020 amounted to EUR 41.8 million, up by approximately EUR 10.2 million and contributing 24.2% to net interest and other banking income.

The aggregate interest margin for Cassa Centrale Banca, represents a significant revenue item attributable to income flows related to financial instruments in portfolio for EUR 13.1 million, up compared to 2019 by EUR 0.98 million, and net interest from intermediation activities with customers for EUR 12 million. Other net interest amounted to EUR 15.1 million in 2020, an increase of EUR 8.9 million compared to 2019, and included the management reclassification of net interest relating to the Parent Company’s transactions with Cassa di Compensazione e Garanzia. There was also net interest from banks of EUR 1.8 million, up by EUR 1.3 million compared to 2019.

Net commissions

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Commission income	**157,477**	**148,429**	**9,048**	**6.1%**
Management, trading and consulting services	76,072	68,783	7,289	10.6%
Collection and payment services	59,530	59,371	159	0.2%
Current account maintenance and management	160	143	17	11.9%
Guarantees issued	347	369	(22)	(6.1%)
Other banking services	21,368	19,763	1,605	8.1%
Commission expenses	**(76,076)**	**(70,736)**	**(5,339)**	**7.5%**
Guarantees received	(40)	(58)	19	(31.9%)
Management and trading services	(43,119)	(39,043)	(4,076)	10.4%
Collection and payment services	(30,279)	(28,466)	(1,813)	6.4%
Other banking services	(2,638)	(3,169)	531	(16.8%)
Total net commissions	**81,401**	**77,693**	**3,708**	**4.8%**

In December 2020, net commissions represent the main revenue item for Cassa Centrale Banca, contributing 47.2% to net interest and other banking income, confirming the Parent Company's operations focused on the provision of services to support its Affiliated Banks and other customer banks. Net commissions amounted to approximately EUR 81.4 million, an increase of EUR 3.7 million compared to the previous year.

In particular, commission income, amounting to approximately EUR 157.5 million, consisted of 48.3% of revenues from trading and consulting services (EUR 76.1 million), confirming Cassa Centrale Banca's strong orientation towards the provision of specific services, and 37.8% from collection and payment services (EUR 59.5 million).

Management and consulting services represent the component that contributed most to the annual growth of the aggregate, rising from EUR 68.8 million in 2019 to EUR 76.1 million in 2020 (+ 10.6%).

Total commission expenses amounted to EUR 76.1 million, an annual increase of approximately EUR 5.3 million, mainly due to higher commissions expense from management and trading services (linked to the increase in asset-side commissions), which rose from EUR 39 million to EUR 43.1 million in 2020.

Net result from financial operations

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Financial assets and liabilities held for trading	(1,316)	3,177	(4,493)	(141.4%)
- Equities	-	281	(281)	(100.0%)
- Debt securities	(14)	(11)	(3)	31.2%
- Derivative instruments	(4,506)	3,434	(7,940)	n.s.
- Other	3,204	(527)	3,731	n.s.
Net result from the sale of financial assets and liabilities	16,477	19,726	(3,249)	(16.5%)
Dividends and similar income	33,942	7,030	26,911	n.s.
Net change in value of other financial assets and liabilities	312	6,712	(6,400)	(95.4%)
Total result from financial operations	**49,415**	**36,645**	**12,770**	**34.9%**

In December 2020, the result of financial operations amounted to approximately EUR 49.4 million, with an annual increase of 34.9% or approximately EUR 12.8 million, and represents an important revenue dynamic for Cassa Centrale Banca contributing 29% to net interest and other banking income. The main component is represented by dividends collected from subsidiaries, which amounted to approximately EUR 33.9 million, up compared to the previous year by EUR 26.9 million. This growth more than offset the decrease of EUR 3.2 million in the net income from the sale of financial assets and liabilities which, amounting to EUR 16.5 million, makes a significant contribution to the Bank's results. The other components had a negative effect of approximately EUR 1 million on the total result of financial transactions and were subject to valuation effects mainly linked to derivative instruments, which decreased by EUR 8 million compared to the result of the previous year.

Operating costs

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Administrative expenses	(143,651)	(137,879)	(5,772)	4.2%
- personnel costs	(49,519)	(45,280)	(4,239)	9.4%
- other administrative expenses	(94,132)	(92,599)	(1,534)	1.7%
Operating amortisation/depreciation	(3,770)	(3,062)	(708)	23.1%
Other net provisions (excluding credit risk adjustments)	1,421	2,895	(1,475)	(50.9%)
- of which on commitments and guarantees	878	2,691	(1,812)	(67.4%)
Other operating charges/income	32,936	34,613	(1,677)	(4.8%)
Total operating costs	**(113,064)**	**(103,433)**	**(9,631)**	**9.3%**

Operating costs amounted to EUR 113.1 million and increased by approximately EUR 9.6 million compared to the previous year. The increase mainly reflects the strengthening of the Bank's structures following the formation of the Group. In particular, the growth is attributable to the increase in personnel costs compared to the previous year of approximately EUR 4.2 million linked above all to the growth in size that increased the number of employees from 493 at the end of 2019 to 563 at the end of 2020.

Administrative expenses amounted to EUR 94.1 million and increased year-on-year by approximately EUR 1.5 million. These expenses are mainly related to IT consultancy and development costs aimed at strengthening the oversight of Cassa Centrale Banca as Parent Company of the Banking Group. During 2020, the Communication Campaign of the Banking Group started at national level, which affected the increase in costs compared to the previous year.

As at 31 December 2020, operating amortisation and depreciation amounted to EUR 3.8 million, up by approximately EUR 0.7 million compared to 2019, while other net provisions, which mainly include adjustments and any reversals of provisions set aside for commitments and margins, amounted to EUR 1.4 million.

Other operating income and charges, amounting to EUR 32.9 million, include recoveries of taxes and expenses relating to ordinary operations and recoveries of costs for the outsourcing of control functions by the Affiliated Banks to the Parent Company.

As at 31 December 2020, the cost-income ratio of Cassa Centrale Banca, calculated as the ratio of operating costs to net interest and other banking income, stood at 65.5%, down from 70.9% in the previous year; the increase in costs was in fact more than offset by the increase in revenues.

Value adjustments

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Loans to customers	(14,364)	(1,955)	(12,409)	n.s.
- of which write-offs	(49)	(107)	57	(53.7%)
Loans to banks	(5,510)	1,679	(7,189)	n.s.
OCI debt securities	(639)	1,226	(1,865)	n.s.
Contractual changes without derecognitions	(7)	(18)	11	(60.2%)
(Net value adjustments)/write-backs	**(20,521)**	**932**	**(21,453)**	**n.s.**

During 2020, net value adjustments of Cassa Centrale Banca amounted to EUR 20.5 million, recording an increase of 21.5 million compared to the previous year. The figure was strongly influenced by the implementation of the scenarios deriving from the Covid-19 pandemic, which impacted the adjustments of exposures classified as performing, determining additional net provisions of approximately EUR 9.7 million. A prudential approach was used for the valuation of impaired loans, which led to an increase in coverage levels by EUR 5.8 million. In addition, 2020 was characterised by the increase in interbank exposures as a result of the trading activities carried out on behalf of the Banks of the Group, which required provisions of approximately EUR 5.5 million.

Financial position aggregates

Reclassified statement of financial position [21]

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
ASSETS				
Cash and cash equivalents	180,749	151,003	29,746	19.7%
Exposures to banks	17,780,001	3,267,894	14,512,107	n.s.
Exposures to customers	1,405,010	1,191,948	213,062	17.9%
of which at fair value	*23,356*	*24,388*	(1,032)	(4.2%)
Financial assets	4,001,353	3,462,522	538,831	15.6%
Equity investments	248,002	240,739	7,263	3.0%
Tangible and intangible assets	24,201	23,842	360	1.5%
Tax assets	28,143	27,339	804	2.9%
Other asset items	232,226	230,452	1,774	0.8%
Total assets	**23,899,684**	**8,595,737**	**15,303,947**	**n.s.**
LIABILITIES				
Due to banks	20,718,443	4,711,196	16,007,247	n.s.
Direct funding	1,481,417	2,349,587	(868,170)	(37.0%)
- Due to customers	*1,471,330*	*2,339,500*	*(868,171)*	*(37.1%)*
- Debt securities in issue	*10,088*	*10,087*	*1*	*0.0%*
Other financial liabilities	199,903	27,449	172,454	n.s.
Provisions (Risks, charges and personnel)	22,482	19,498	2,984	15.3%
Tax liabilities	3,262	2,186	1,075	49.2%
Other liability items	340,251	351,639	(11,388)	(3.2%)
Total liabilities	**22,765,758**	**7,461,556**	**15,304,202**	**n.s.**
Equity	1,133,926	1,134,181	(255)	(0.0%)
Total liabilities and equity	**23,899,684**	**8,595,737**	**15,303,947**	**n.s.**

[21] In order to provide a better management representation of the results, the reclassified statement of financial position figures differ from the layouts of the Bank of Italy.

As at 31 December 2020, Cassa Centrale Banca's total assets amounted to EUR 23.9 billion, an increase of approximately EUR 15.3 billion compared to the previous year. The total amount is mainly made up of exposures to banks (EUR 17.8 billion), which explain most of the annual change, marking an increase of approximately EUR 14.5 billion compared to the end of 2019; the increase is mainly linked to the treasury activity that the Bank carries out on behalf of the other Banks in the Group, particularly with regard to collateralised funding with central bodies. The growth in exposures to banks is related to the completion of the transfer of these operations of the Affiliated Banks from the intermediaries with which they operated prior to the creation of the Group and to the strategy implemented by the Group regarding the securities portfolio. Exposures to customers amounted to EUR 1.4 billion, an increase of EUR 213 million compared to 2019.

Liabilities, on the other hand, consist mainly of amounts due to banks of EUR 20.7 billion, up by EUR 16 billion compared to 2019, and direct funding of EUR 1.5 billion, down by EUR 868 million compared to 2019. As shown for the assets, the liabilities are also strongly influenced by the treasury activities carried out by the Parent Company, which brings the total amount due to banks to 91% of the total liabilities.

Equity, including profit for the period, amounts to EUR 1.1 billion.

Total customer funding

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Current accounts and deposits on demand	658,917	497,048	161,869	32.6%
Fixed-term deposits	38,627	35,220	3,407	9.7%
Repos and securities lending	298,142	1,494,266	(1,196,124)	(80.1%)
Bonds	10,088	10,087	1	0.0%
Other funding	475,643	312,966	162,677	52.0%
Direct funding	**1,481,417**	**2,349,587**	**(868,170)**	**(37.0%)**

The total amount of direct funding from customers at the end of the year was EUR 1.5 billion, down compared to the previous year by approximately EUR 0.9 billion. The reduction is exclusively due to the decrease in repurchase agreements with Cassa di Compensazione e Garanzia, for which loans amounted to EUR 0.3 billion at the end of 2020 compared to EUR 1.5 billion at the end of 2019. This reduction was only partially offset by the increase in current account funding and deposits on demand for EUR 162 million and the growth in the item "Other funding" for EUR 163 million; the latter is mainly represented by cheques in circulation, the amount of which increased by 139 million compared to the previous year, standing at 328 million.

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Assets under management	**2,418,109**	**1,866,438**	**551,671**	**29.6%**
Mutual funds and SICAVs	17,402	12,499	4,903	39.2%
Asset management	2,392,809	1,846,431	546,378	29.6%
Banking-insurance products	7,898	7,508	389	5.2%
Assets under administration	**4,164,885**	**2,756,551**	**1,408,335**	**51.1%**
Bonds	2,855,034	2,242,695	612,339	27.3%
Shares	1,309,851	513,856	795,996	n.s.
Indirect funding*	**6,582,994**	**4,622,988**	**1,960,006**	**42.4%**

* Indirect funding is expressed at market values.

Indirect funding of Cassa Centrale Banca[22] amounted to approximately EUR 6.6 billion at the end of 2020, 37% of which was represented by assets under management, amounting to approximately EUR 2.4 billion. Assets under administration amounted to EUR 4.2 billion and represent 63% of volumes.

Total funding from Cassa Centrale Banca customers amounted to approximately EUR 8 billion, an increase of 15% compared to EUR 7 billion in 2019, of which approximately 18.4% was composed of direct funding and approximately 81.6% of indirect funding.

% COMPOSITION OF CUSTOMER FUNDING	31/12/2020	31/12/2019	% change
Direct funding	18.4%	33.7%	(45.5%)
Indirect funding	81.6%	66.3%	23.1%

[22] The indirect funding represented refers to the component placed by Cassa Centrale Banca directly with customers and does not include the component placed through banks.

Net loans to customers

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Loans at amortised cost	**1,381,654**	**1,167,560**	**214,094**	**18.3%**
Mortgage loans	772,020	602,315	169,706	28.2%
Current accounts	488,779	53,997	434,782	n.s.
Other loans	111,729	495,264	(383,535)	(77.4%)
Impaired assets	9,126	15,984	(6,858)	(42.9%)
Loans at fair value	**23,356**	**24,388**	**(1,032)**	**(4.2%)**
Total net loans to customers	**1,405,010**	**1,191,948**	**213,062**	**17.9%**

Net loans to customers at the end of the year totalled EUR 1.4 billion, comprising mortgages of approximately EUR 772 million and current accounts of approximately EUR 489 million. The current accounts item includes loans to the subsidiary Claris Leasing, amounting to EUR 454.1 million, which in 2019 was classified under "Other loans", which includes the exposure to Cassa di Compensazione e Garanzia of EUR 105.9 million. The growth in net loans to customers is mainly due to the development of mortgages, which rose by EUR 169.7 million compared to the previous year, recording a percentage increase of 28.2%. The exposure to Claris Leasing also increased, amounting to EUR 83.9 million, aimed at supporting the development of the subsidiary's loans. Thanks to the careful management of non-performing loans, net impaired loans fell to EUR 9.1 million from EUR 16 million in 2019.

Credit quality

Cassa Centrale Banca adopts an extremely rigorous policy in the valuation of impaired loans. Loans granted to customers are the main sources of credit risk for Cassa Centrale Banca and require precise control and monitoring. A summary by degree of risk relating to loans to customers is provided below.

Customer loans

(Figures in thousands of euro)	31/12/2020			
	Gross exposure	**Total value adjustments**	**Net exposure**	**Coverage**
Impaired exposures at amortised cost	44,003	(34,878)	9,126	79.3%
- Non-performing	*13,255*	*(13,160)*	95	99.3%
- Unlikely to pay	*30,748*	*(21,717)*	9,031	70.6%
- Overdue/past due	-	-	-	
Non-impaired exposures at amortised cost	1,387,843	(15,315)	1,372,528	1.1%
Total customer loans at amortised cost	**1,431,846**	**(50,193)**	**1,381,654**	**3.5%**
Impaired exposures at fair value	169	-	169	0.0%
Non-impaired exposures at fair value	23,188	-	23,188	0.0%
Total customer loans at fair value	**23,356**	**-**	**23,356**	**0.0%**
Total customer loans	**1,455,203**	**(50,193)**	**1,405,010**	**3.5%**

(Figures in thousands of euro)	31/12/19			
	Gross exposure	**Total value adjustments**	**Net exposure**	**Coverage**
Impaired exposures at amortised cost	52,949	(36,965)	15,984	69.8%
- Non-performing	*24,689*	*(21,785)*	2,904	88.2%
- Unlikely to pay	*27,477*	*(14,712)*	12,765	53.5%
- Overdue/past due	*783*	*(468)*	315	59.8%
Non-impaired exposures at amortised cost	1,158,024	(6,449)	1,151,575	0.6%
Total customer loans at amortised cost	**1,210,973**	**(43,414)**	**1,167,559**	**3.6%**
Impaired exposures at fair value	197	-	197	0.0%
Non-impaired exposures at fair value	24,191	-	24,191	0.0%
Total customer loans at fair value	**24,388**	**-**	**24,388**	**0.0%**
Total customer loans	**1,235,361**	**(43,414)**	**1,191,948**	**3.5%**

As at 31 December 2020, Cassa Centrale Banca's net non-impaired exposures amounted to approximately EUR 1.4 billion, an increase of approximately EUR 220 million compared to the previous year. They account for over 99% of Cassa Centrale Banca's net cash assets to customers.

Total net impaired loans amounted to approximately EUR 9.1 million, down compared to the previous year by EUR 6.9 million; non-performing loans amounted to approximately EUR 0.1 million and had a coverage level of 99%, while unlikely to pay, net of adjustments, amounted to EUR 9 million, down compared to 2019.

The table below shows the main risk management indicators. [23]

RISK MANAGEMENT RATIOS	31/12/2020	31/12/2019
NPL ratio	3.0%	4.3%
NPL coverage	79.0%	69.6%

With regard to asset quality, as at 31 December 2020, Cassa Centrale Banca's NPL ratio was 3%, placing it at an absolutely virtuous level, also in light of a positive trend.

The overall level of coverage of impaired loans stood at 79%, significantly higher than the value for 2019, which had already stood out as being among the highest in the Italian banking market.

[23] The NPL ratio is calculated as the ratio of gross impaired loans to total gross loans to customers (given the importance of the loans to banks component for Cassa Centrale Banca, it was considered appropriate to exclude this item from the calculation of the index), while the NPL coverage is calculated on the basis of the EBA data model (EBA methodological guidance on risk indicators, last updated April 2020). In calculating the NPL ratio on the basis of the EBA data model, the value of the index for 2020 would be 0.23% and for 2019, 1.2%.

Composition of financial instruments

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	241,859	59,518	182,342	n.s.
Trading book liabilities (FVTPL)	-	-	-	
Financial liabilities	-	(3,286)	3,286	(100.0%)
Banking book assets (FVOCI)	919,868	999,072	(79,203)	(7.9%)
Financial fixed assets excluding loans (AC)	2,804,162	2,378,896	425,267	17.9%
Total securities portfolio	**3,965,890**	**3,434,199**	**531,691**	**15.5%**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	35,463	25,036	10,426	41.6%
Trading liabilities (FVTPL)	(36,077)	(24,163)	(11,913)	49.3%
Total derivatives portfolio	**(614)**	**873**	**(1,487)**	**n.s.**
TOTAL FINANCIAL INSTRUMENTS	**3,965,276**	**3,435,072**	**530,204**	**15.4%**

As at 31 December 2020, total financial instruments amounted to EUR 4 billion (up 15% from EUR 3.4 billion in 2019). In terms of allocation to business models, the securities portfolio was managed during the year with the objective of maintaining a 70% share of the total value of the portfolio in financial instruments allocated to the Hold to Collect business model.

The OTC derivatives activity is mainly aimed at hedging the interest rate risk of the Group's banking book. As a result, the almost symmetrical increase in trading assets and liabilities in the derivatives portfolio is representative of market trading in hedging transactions carried out by Cassa Centrale Banca for its Affiliated Banks and, to a lesser extent, in favour of other client banks.

Financial assets

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Debt securities	**3,824,782**	**3,282,023**	**542,760**	**16.5%**
- Mandatorily measured at fair value (FVTPL)	43	41	2	4.7%
- Measured at fair value (FVTPL)	166,851	3,187	163,664	n.s.
- Measured at fair value through other comprehensive income (FVOCI)	853,726	899,899	(46,173)	(5.1%)
- Measured at amortised cost (AC)	2,804,162	2,378,896	425,267	17.9%
Equities	**66,142**	**99,508**	**(33,366)**	**(33.5%)**
- Mandatorily measured at fair value (FVTPL)	-	335	(335)	(100.0%)
- Measured at fair value through other comprehensive income (FVOCI)	66,142	99,173	(33,031)	(33.3%)
UCITS units	**74,966**	**55,955**	**19,011**	**34.0%**
- Mandatorily measured at fair value (FVTPL)	74,966	55,955	19,011	34.0%
Total financial assets	**3,965,890**	**3,437,485**	**528,405**	**15.4%**

At the end of December 2020, financial assets amounted to EUR 4 billion, up by EUR 528 million compared to the same period in 2019, and consisted mainly of debt securities (96%). The latter are mainly government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Loans to central banks	2,089,457	455,354	1,634,103	n.s.
Loans to other banks	15,690,544	2,812,540	12,878,004	n.s.
- Current accounts and deposits on demand	*63,968*	68,196	(4,228)	(6.2%)
- Fixed-term deposits	*372,679*	134,617	238,062	n.s.
- Other financing	*15,253,897*	2,609,727	12,644,170	n.s.
Total loans (A)	**17,780,001**	**3,267,894**	**14,512,107**	**n.s.**
Due to central banks	(15,317,837)	(675,269)	(14,642,567)	n.s.
Due to other banks	(5,400,607)	(4,035,927)	(1,364,680)	33.8%
- Current accounts and deposits on demand	*(4,252,616)*	(2,461,354)	(1,791,261)	72.8%
- Fixed-term deposits	*(1,136,428)*	(1,104,401)	(32,027)	2.9%
- Repos	*(9,595)*	(468,809)	459,215	(98.0%)
- Other financing	*(1,969)*	(1,363)	(607)	44.5%
Total payables (B)	**(20,718,443)**	**(4,711,196)**	**(16,007,247)**	**n.s.**
NET FINANCIAL POSITION (A-B)	**(2,938,443)**	**(1,443,303)**	**(1,495,140)**	**103.6%**

As at 31 December 2020, total loans to banks amounted to EUR 17.8 billion (up by approximately EUR 14.5 billion compared to the end of 2019), influenced, as reported above, by the trading activities carried out by the Parent Company mainly on behalf of the Group's Banks. The main component (other loans) of loans to banks is represented by loans secured by ECB eligible securities offered to Affiliated Banks and customers as part of the "Collateral Account" service, which is activated in order to broker the European Central Bank's refinancing operations as well as on the Repo market. The EUR 12.6 billion increase in this item, from a trading perspective, was matched by a EUR 14.6 billion increase in amounts due to Central Banks.

Non-current assets

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Equity investments	248,002	240,739	7,263	3.0%
Tangible	22,555	21,913	642	2.9%
Intangible	1,647	1,929	(282)	(14.6%)
Total non-current assets	**272,203**	**264,580**	**7,623**	**2.9%**

Non-current assets as at 31 December 2020 amounted to EUR 272.2 million, an increase of approximately EUR 7.6 million compared to 2019, and consisted mainly of equity investments of EUR 248 million, up by 3% compared to EUR 240.7 million in 2019 (Cassa Centrale Banca's investments in the Group's instrumental companies with a view to consolidation), and tangible assets, totalling EUR 22.6 million, which include properties for functional use. Intangible assets refer mainly to user licenses and software.

Equity

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Share capital	952,032	952,032	-	0.0%
Share premium	19,029	19,029	-	0.0%
Reserves	147,205	131,293	15,912	12.1%
Valuation reserves	(20,208)	930	(21,138)	n.s.
Profit (loss) for the year	35,868	30,897	4,971	16.1%
Total equity	**1,133,926**	**1,134,181**	**(255)**	**(0.0%)**

Equity as at 31 December 2020 amounted to EUR 1.1 billion and is essentially in line with the previous year. The decrease related to the negative effect of valuation reserves (-EUR 21.1 million) was fully offset by the allocation of EUR 15.9 million of prior years' profit to reserves and the increase of EUR 5 million in the result for the year compared to 2019.

Own funds and capital adequacy

Own funds and capital ratios

(Figures in thousands of euro)	31/12/2020	31/12/2019
Common Equity Tier 1 capital - CET 1	1,125,384	1,109,179
Tier 1 capital - TIER 1	1,125,384	1,109,179
Total own funds - Total Capital	1,125,809	1,109,179
Total risk-weighted assets	1,914,178	1,788,037
CET1 Capital ratio (Common equity Tier 1 capital / Total risk-weighted assets)	58.79%	62.03%
Tier 1 Capital ratio (Tier 1 capital / Total risk-weighted assets)	58.79%	62.03%
Total Capital ratio (Total own funds/Total risk-weighted assets)	58.81%	62.03%

Risk Weighted Assets

(Figures in thousands of euro)	31/12/2020	31/12/2019	Change	% change
Credit and counterparty risk	1,500,112	1,420,141	79,971	5.6%
Credit valuation adjustment risk	20,410	32,933	(12,523)	(38.0%)
Market risk	104,138	119,066	(14,928)	(12.5%)
Operating risk	289,519	214,559	74,960	34.9%
Other prudential requirements	-	1,338	(1,338)	(100.0%)
Total RWA	**1,914,178**	**1,788,037**	**126,142**	**7.1%**

Own funds for prudential purposes are calculated on the basis of the capital and economic result determined in accordance with IAS/IFRS and the accounting policies adopted, and taking into account the prudential rules in force at the time.

In accordance with the above provisions, own funds derive from the sum of positive and negative components, based on their capital quality; the positive components are fully available to the Bank allowing them to be used in full to cover the overall regulatory capital requirements pertaining to risks.

The total own funds as at 31 December 2020, amount to EUR 1.1 billion and consist almost entirely of Tier 1 capital. Total risk-weighted assets as at 31 December 2020 amounted to EUR 1.9 billion.

At the end of December 2020, Common Equity Tier 1 (CET1) and Tier 1 capital both amounted to EUR 1.1 billion and Total Capital also amounted to EUR 1.1 billion. The CET1 capital ratio and Tier1 capital ratio both stood at 58.79%, while the Total Capital Ratio stood at 58.81%.

Other information

Pursuant to Articles 37-bis of the Testo Unico Bancario (Consolidated Banking Act - TUB) and 2497 et seq. of the Italian Civil Code, Cassa Centrale Banca exercises management and coordination activities with regard to its direct and indirect subsidiaries, in application of Articles 23 of the TUB and 2359 of the Italian Civil Code, including companies that, under current prudential regulations, are not part of the Banking Group. It is also specified that the management and coordination activities of the Affiliated Banks are carried out following the signing of the Cohesion Contract between Cassa Centrale Banca, as the Parent Company, and the Affiliated Banks themselves; in particular, the Cohesion Contract defines the powers and duties of the Parent Company and the tasks and duties of the Affiliated Banks.

This Report on Operations includes only comments on the results of operations of the Parent Company Cassa Centrale Banca. For all other information required by law and specific regulations, please refer to the notes to these separate financial statements, the Directors' Report on the Consolidated Operations and the notes to the consolidated financial statements.

In particular, reference should be made to the Explanatory Notes to these separate financial statements for the following information:

- information relating to the Bank's operations and transactions with related parties (Part H - Transactions with related parties);
- the list of wholly-owned subsidiaries, jointly controlled and subject to significant influence (Part B, Assets, Section 7 - Equity investments);
- information on the ownership of own shares (Part B, Liabilities, Section 12 - Equity);
- information on events after the end of the financial year (Part A - Accounting policies);
- other information on assets (Part F - Information on equity);
- extraordinary transactions (Part G - Business combinations regarding companies or branches).

Reference should be made to the Directors' Report on Consolidated Operations of the Cassa Centrale Group for information on the following:

- economic context;
- significant events during the year;
- information on the Group's main strategic business areas;
- risk management;
- business continuity;
- research and development;
- other information;
- business outlook.

Proposed appropriation of the result for the year

Dear Shareholders,

We bring to your attention the financial statements for the year ended 31 December 2020 consisting of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the explanatory notes, and the Report on Operations.

In accordance with the provisions of the Law and the Articles of Association, we propose to allocate the profit of EUR 35,867,789 as set out below:

DESTINATION ITEM	Figures in Euro
1. to legal reserve	1,793,390
2. to extraordinary reserve	14,500,000
3. to dividends in favour of shareholders	19,071,836
4. allocation to the Board of Directors	502,563

Trento, 16 June 2021

The Board of Directors

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report to the Shareholders' Meeting pursuant to Article 2429 of the Italian Civil Code

Dear Shareholders,

With this report, drawn up in accordance with Article 2429 of the Italian Civil Code, the Board of Statutory Auditors reports to the Shareholders' Meeting of Cassa Centrale - Credito Cooperativo Italiano S.p.A. (hereinafter also "Cassa Centrale Banca") on the supervisory activities carried out in the financial year ended 31 December 2020, in accordance with the relevant regulations, the Articles of Association and in compliance with the provisions issued by the National (Bank of Italy and Consob) and European (European Central Bank) Supervisory Authorities and also taking into account the Rules of Conduct of the Board of Statutory Auditors recommended by the National Board of Chartered Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili - CNDCEC).
Cassa Centrale Banca is subject to *significant* supervision pursuant to Article 6, paragraph 4 of Regulation (EU) no. 1024/2013 of the Council of the European Union. In accordance with Regulation no. 468/2014 (ECB/2014/17), each entity that is part of the supervised Cooperative Banking Group must be considered a significant supervised entity. For these reasons, the Parent Company and all entities that form part of the supervised Group are included in the ECB list of supervised entities.
During the year, the Board of Statutory Auditors met 54 times; as part of its supervisory activities, it participated in all meetings of the Board of Directors and the Executive Committee; it also participated, in accordance with the Regulations, through at least one member, in all the meetings of the Independent Directors' Committee, the Risk Committee, the Appointments Committee and the Remuneration Committee. In addition, it participated through at least one member in the Regional Meetings of the North West, North East, Central and South and Islands, held in May 2020 at the call of the Parent Company with the aim of sharing the impacts of the Coronavirus on the strategic plan of the Group.

The second year since the launch of the Cassa Centrale Group saw the Board dedicated to verifying the progressive refinement of the governance and internal control and risk management system. In this regard, the Parent Company's commitment - also encouraged by the fruitful dialogue with the Supervisory Authority - was aimed at enriching and improving reporting to corporate bodies and adapting the tools to support the measurement and management of first pillar risks. Allitude, the Group's IT service provider, played a key role in this area, through intense development and adaptation of the necessary applications and the continuation of strategic projects.
The Control Functions continued to refine their methodological approach based on an integrated view of the risks in the planning and execution phases of the respective activities and in the reporting of the same so as to allow the company bodies to promptly assess any anomalous phenomena and direct their supervision and guidance more effectively at Group level.
As part of the supervisory activities carried out during the financial year ended 31 December 2020, the Board of Statutory Auditors:

- expressed its favourable opinion on the proposal to appoint the Risk Management Officer on 17 March 2020, following the resignation of the previous head of the function in December 2019;
- commented on the Internal Audit function's report on the important operational functions outsourced on 24 April 2020;
- issued the report on the ICAAP and ILAAP reports submitted to the Board of Directors on 29 April 2020;
- expressed opinions, where required by law and/or the Bank's Regulations; in particular, on 10 November 2020, it expressed its opinion on the Regulation on equity investments;
- coordinated audits and in-depth analyses of an Affiliated Bank following specific requests from the Supervisory Authority, reporting the relative results.

In addition, from 1 January 2021 to date, the Board of Statutory Auditors:

- expressed its opinion on the update of the Model for the qualitative and quantitative composition of the corporate bodies of the Affiliated Banks, on the Regulations in relation to the consultation procedure for the election of corporate offices and on the verification of the requirements of the representatives of the Affiliated Banks on 13 January 2021;
- expressed its opinion on the proposal to appoint the Anti-Money Laundering Manager on 30 March 2021, following the decision of the current Manager to access the Solidarity Fund for early retirement with effect from 1 July 2021;
- in its capacity as Internal Control and Audit Committee, in accordance with Art. 19, paragraph 2, lett. a) of Italian Legislative Decree no. 39/2010, supervised the tender process launched by the Planning Department in the previous year and at the end of the same, validated the report of the Entity, expressing its reasoned opinion on the assignment of the mandate to audit the accounts of Cassa Centrale for the 2021 - 2029 period on 30 March 2021.

During the year, the Board of Statutory Auditors:

- monitored compliance with laws, regulations and articles of association;
- monitored compliance with the principles of correct administration and the adequacy of the organisational structure;
- monitored the adequacy, effectiveness and functionality of the overall internal control and risk management system;
- monitored the adequacy of the accounting information system and the financial reporting process.

In addition, the Board of Statutory Auditors has taken steps to:

- monitor, in its capacity as Supervisory Body, the effectiveness of the Organisation, Management and Control model pursuant to Legislative Decree no. 231/2001 and its adjustments in accordance with regulatory developments;
- coordinate with the Boards of Statutory Auditors of Affiliated Banks and Subsidiaries;
- monitor transactions with associated parties/related parties;
- monitor the independence of the company entrusted with the statutory audit of the accounts of Cassa Centrale Banca and the Group and the statutory audit activities pursuant to Articles 16 and 19 of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016 transposing Directive 2014/56/EU.

The Board participated in all the training sessions organised by Cassa Centrale Banca for the corporate bodies.

The Board of Statutory Auditors, in the course of its activities and on the basis of the information obtained, has not found any irregularities, censurable acts or facts or circumstances such as to require reporting to the Supervisory Authorities; moreover, it has not been alerted pursuant to Article 2408 of the Italian Civil Code.

1. Monitoring of compliance with legal, regulatory and statutory provisions

The Board of Statutory Auditors has acquired information on the management activities and the most significant transactions from an economic and financial point of view and/or from an organisational point of view, of Cassa Centrale Banca, the Affiliated Banks and the Subsidiaries through its participation in board meetings, the work of internal committees and meetings with Top Management.
Based on the information obtained, the Board of Statutory Auditors can reasonably assert that these transactions are not in violation of the law and the Articles of Association, are not manifestly risky and do not compromise the integrity of corporate assets.
Among the most significant transactions and events during the year - of which the directors have provided adequate information in the Report on Operations to the Group's consolidated financial statements - which the Board of Statutory Auditors deems appropriate to note for their consistency with the strategic guidelines and the objectives of corporate rationalisation and strengthening of the quality of assets, as well as their significance, the following are worth mentioning:

Initiatives in response to the Covid-19 pandemic

In response to the emergency situation caused by the outbreak of the pandemic, the Bank adhered to all government and trade associations measures aimed at favouring the granting of the expected benefits to its customers and thus ensuring the necessary support to businesses and households. At the same time, in line with the principles and mission of cooperative credit, it has, like its Affiliated Banks, made donations to non-profit organisations and associations involved in social and health emergencies.
In order to ensure the Group's operations, an Emergency Management Operating Unit was established which immediately activated measures to combat and contain the spread of the Covid-19 virus in the workplace and established and activated procedures to ensure the operational continuity of critical processes, reporting periodically to the Bank's corporate bodies and to the Supervisory Authority.

Monitoring of risk profiles and provisions on impaired assets

In a context of deterioration in the real economy generated by the persistence of the health emergency, the Risk Management Department has taken initiatives aimed at ensuring the monitoring of the impacts of the evolution of the macroeconomic scenario and of the significant risks for the Group.
Cassa Centrale Banca, in the exercise of its role of management and coordination, as Parent Company, has provided operating guidelines to the Affiliated Banks so that they adopt approaches based on the utmost prudence and consistency with the indications of the European Supervisory Authority, suitable to reflect, in the determination of provisions, the effects of the crisis induced by the pandemic.

Comprehensive Assessment

The Comprehensive Assessment is an in-depth assessment exercise under the Regulation on the Single Supervisory Mechanism (Council Regulation (EU) no. 1024 of 15 October 2013). It consists of an Asset Quality Review ("AQR") activity which aims to assess the correct classification and evaluation of receivables and a stress test to verify the solidity of the Group's financial statements in adverse scenarios.
Should the stress tests, also taking into account the results of the AQR, show that the Group does not meet the capitalisation parameters set by the EBA, the Supervisory Authority may request the adoption of measures to fill the capital deficits identified.
The Comprehensive Assessment was officially launched at the beginning of the year, with its asset quality review (AQR) and stress test components, with reference to the baseline situation of 31 December 2019. However, due to the Covid-19 pandemic, the AQR activity was interrupted and subsequently, in February 2020, the *stress test* was also suspended. The European Supervisory Authority announced the restart of the *Comprehensive Assessment* in August, whose activities were concluded at the end of December 2020.

Supervisory Review & Evaluation Process (SREP)

With reference to the Supervisory Review & Evaluation Process (SREP), following the crisis generated by the pandemic, the European Supervisory Authority adopted a pragmatic approach, based on which it maintained the requirements set out in the 2019 SREP process, communicated to Cassa Centrale with the letter dated 25 November 2019, which are therefore still in force.
According to these requirements, the Group is required to achieve, on a consolidated basis, an overall SREP Capital Requirement (TSCR) of 10.25%, including an additional requirement with regard to Pillar 2 own funds (Pillar 2 Requirement - P2R) of 2.25%, to be held in the form of Common Equity Tier 1 (CET1) capital. As part of the support measures to combat the pandemic, the European Supervisory Authority, in the press release of 12 March 2020, specified that full coverage of this requirement with *Common Equity Tier 1* is no longer required, since it is also possible to satisfy it through *Additional Tier 1* or *Tier 2* capital instruments, respectively up to a maximum of 18.75% and 25% of the P2R.
The Supervisory Authority also expects the Group to meet the Pillar 2 (Pillar 2 Guidance - P2G) approach of 1% on a consolidated basis, which should consist entirely of Common Equity Tier 1 capital and be held in addition to the total capital requirement.
Again, as part of the measures to combat the pandemic, on 12 March 2020, the *Single Supervisory Mechanism* (SSM) intervened allowing *significant* banks to temporarily operate below certain capital *and* liquidity buffers; in particular, it was possible to fully use the capital and liquidity reserves

by operating below the *Capital Conservation Buffer,* which for Cassa Centrale is equal to 2.5%, of the second pillar guidelines (*Pillar 2 Guidance* -P2G-) and *Liquidity Coverage Ratio (LCR*).

With reference to the requests of the Single Resolution Board in application of the European Directive establishing a framework for the reorganisation and resolution of credit institutions and investment firms (so-called *Bank Recovery and Resolution Directive* - BRRD), the dialogue continued in order to define the Minimum Requirement of *Eligible Liabilities* (MREL) target to be assigned to the Group. In February 2021, the Resolution Authority communicated the proposal to determine the MREL requirement for the Group.
Information on the audit and prudential assessment process is provided in the "Risk management and the internal control system" section in the directors' report on consolidated operations.

Banca Carige S.p.A. Cassa di Risparmio di Genova e Imperia transaction
On 9 August 2019, Cassa Centrale Banca signed an agreement with the Interbank Deposit Protection Fund (FITD - Fondo Interbancario di Tutela dei Depositi) and the Voluntary Intervention Scheme (SVI - Schema Volontario di Intervento) under which the latter granted an irrevocable option to purchase the shares of Carige held by them in execution of the share capital increase resolved by the Shareholders' Meeting of 20 September 2019.
Due to the protracted health emergency, the evaluation process for the exercise of the call option started considerably later than originally planned; the virtual data room was opened in August 2020.
The Board of Directors of Cassa Centrale Banca of 7 December 2020, in consideration of the need to examine in detail certain aspects relating to the due diligence and the business combination, resolved not to exercise the call option in the period from 2 to 12 January 2021, the first time interval, without prejudice to the additional periods of exercise of the option provided for in the contract.

Business combinations between Affiliated Banks
During the 2020 financial year, the action to increase the efficiency and rationalise the Group's territorial presence continued in accordance with the 2020-2022 strategic plan, through the implementation of three mergers between the following Affiliated Banks:

- Cassa Rurale di Trento and Cassa Rurale di Lavis – Mezzocorona – Valle di Cembra, effective from 1 January 2020;
- Cassa Rurale Giudicarie Valsabbia Paganella e Cassa Rurale Adamello, effective from 1 October 2020;
- Centroveneto Bassano Banca and Rovigo Banca, effective from 1 November 2020.

A further four aggregative processes were also launched, for which the authorisation process by the competent Authorities and approval by the extraordinary shareholders' meetings of the Affiliates concerned will be completed in 2021.
The aforementioned transactions are illustrated in the section "Significant Operating Events during the Year" of the Report on Operations and in Part G "Business combinations regarding companies or branches" of the Explanatory Notes to the Group's consolidated financial statements.

Industrial reorganisation of IT and banking systems
With the merger by incorporation of the remaining two IT subsidiaries Bologna Servizi Bancari S.r.l. and CESVE S.p.A. by Allitude S.p.A. (formerly Phoenix Informatica Bancaria S.p.A.), the reorganisation of banking and back office IT services in favour of Group entities and third parties, which was launched in 2019, was completed. This led to the concentration of specialist skills in a single IT hub with the aim of providing increasingly advanced services to banks and achieving the revenue and cost synergies envisaged in the strategic plan. The second half of 2020 saw Allitude committed to streamlining its organisational and operating structure following the aforementioned mergers.

Reduction in impaired assets
In December 2020, Cassa Centrale Banca concluded a *multi-originator securitisation transaction,* backed by a guarantee granted by the State (GACS), called "Buonconsiglio 3" which saw the disposal of non-performing loans on the balance sheets of the Affiliated Banks for an amount of EUR 430 million and thanks to which the *gross NPL ratio* was further reduced to 6.8%, compared to 9.3% at the end of 2019. The transaction, like the previous disposals, aims to improve the quality of the

assets in line with the guidelines expressed by the Supervisory Authority, implemented as part of the Group's *Non-Performing Loans* management strategy.
Information on the disposal is provided in the "Significant events during the year" section of the Report on Operations to the Group's consolidated financial statements and in Part E. "Information on risks and related hedging policies", section C. "Securitisation transactions" of the related explanatory notes.

Disputes

The validity of the share capital increase resolution approved by the shareholders of Carige was challenged by the financial holding company Malacalza Investimenti S.r.l. through a civil action brought in January 2020 against Carige, the FITD, the SVI and Cassa Centrale Banca, with a claim for damages of over EUR 480 million, later increased to EUR 539 million. Similar disputes were subsequently brought by Vittorio Malacalza and 42 other Carige shareholders, with a claim for compensation totalling a further EUR 11.4 million, plus revaluation and interest, based on the same Malacalza Investimenti assumptions and arguments.
The reasons for the disputed validity of the shareholders' resolution consist essentially in the alleged illegitimate exclusion of option rights, failure to comply with the principle of accounting parity and a determination of the issue price of the new shares that does not comply with the criteria set out in the company's regulations. The proceedings have been joined and are currently pending before the Court of Genoa; Cassa Centrale Banca, like the other defendants, filed a statement of appearance and response in order to have the lack of legal standing declared and to have all the claims of the plaintiffs against it rejected.
Cassa Centrale Banca, having assessed the risk of losing the case, also with the support of the appointed solicitors, has decided not to make any provision for risks and charges against the described legal action.
Information on the dispute is provided in the "Significant events during the year" section of the Report on Operations to the consolidated financial statements and in Part B. "Information on the consolidated statement of financial position", Liabilities, Section 100 - "Provisions for risks and charges" - of the related explanatory notes.

Significant events occurring after the end of the financial year

In the directors' report on operations accompanying the consolidated financial statements, the directors state that after the end of the financial year, until the date of its approval by the Board of Directors (31 March 2021), no events have occurred that are likely to have a material impact on the financial position and results of operations for the year ended 31 December 2020.
The following significant events occurred after the end of the year:

- Carige transaction
  Due to the extraordinary and uncertain context caused by the Covid-19 crisis, and in response to the requests received for the expression of an opinion regarding the exercise of the call option on Carige shares, the Board of Directors of Cassa Centrale Banca has resolved, at the meeting of 15 March 2021, to provide a mandate to the Chairperson and the Chief Executive Officer to define with FITD and SVI the economic-legal conditions for the mutual termination of option contracts and related agreements.

- MREL requirement
  Following the ongoing discussions with the Single Resolution Board (SRB), aimed at defining the Minimum Requirement of Eligible Liabilities (MREL) target to be assigned to the Group and to banks classified as Relevant Entities under the Bank Resolution and Recovery Directive (BRRD), in February 2021 it was announced that the Right to be Heard procedure had been initiated in relation to the proposed determination of the MREL requirement.
  With specific reference to the Parent Company, the proposed requirement to be maintained on a consolidated basis is 21.36% of the Total Risk Exposure Amount (TREA) and 5.91% of the Leverage Ratio Exposure (LRE).
  This requirement, if confirmed, must be fully satisfied by 1 January 2024 with a plan for a gradual approach to this objective, which envisages a first intermediate step scheduled for 1 January 2022 equal to 18.19% of the TREA and 5.91% of the LRE.

5

- Comprehensive Assessment
  At the end of February 2021, the so-called "Transparency Phase" was completed, during which the Supervisory Authority provided visibility to the first partial results of the Asset Quality Review (AQR) exercise, and which will be followed by the transparency phase in relation to the combined results of the AQR and Stress Test, in order to arrive at the official publication of the results of the Comprehensive Assessment during the month of April 2021.

- Centrale Trading Report
  On 10 March 2021, the Board of Directors of Cassa Centrale Banca approved the acquisition of a 10% share in the company Centrale Trading S.r.l., at the price of EUR 41 thousand. Following this acquisition, the Parent Company will hold 42.5% of the company, which, added to the 10% already held by the subsidiary Allitude, will lead to the assumption of control of the company.

In the Report on Operations to the Group's consolidated financial statements, in the paragraph "Significant events occurred after the end of the year", the directors have provided information on the aforementioned events.
The Board of Statutory Auditors has acquired all the necessary information on events after the end of the financial year, in the course of its supervisory activities, through participation in the meetings of the internal board committees, the Board of Directors and meetings with Top Management.

2. Monitoring of the principles of correct administration and the adequacy of the organisational structure

During the year and up to today's date, Cassa Centrale Banca continued its efforts to complete and update the body of internal rules consisting of regulations, policies and procedures to regulate the conduct of business and Group operations in compliance with the law and supervisory regulations.

The reporting to the corporate bodies on the Affiliated Banks has been supplemented by providing information not only on the banks listed among those with priority for intervention because they are the subject of a merger project and/or a relaunch plan, but also on the Affiliated Banks identified for reasons relating to their business model and/or governance structure.

From an organisational point of view, the process of adapting the structure to the increased operational complexity and the role of Parent Company of Cassa Centrale Banca continued with the establishment of the Human Resources Department, previously part of the Planning Department. The Human Resources Department is dedicated to the entire life process of people in the company with the aim of developing a global management of resources, also through supportive digital tools (HR *Digital Transformation* platforms). The Human Resources Department takes on an increasingly strategic and business-enabling role, taking responsibility for the opportunity to create a motivating and people-friendly working environment. The Institutional Relations Department was also set up with the aim of providing support to the management body and the General Management in the supervision of specific projects, in the development and consolidation of profitable relations with Affiliated Banks and Group companies and in relations with public and private institutions to promote and enhance the Cooperative Banking Group model. The External Relations, Events and Media Relations Service and the Marketing Service were merged into the new Department. Subsequently, as part of the gradual strengthening of the Institutional Relations Department, the Market and Regulation Service was established, previously under the Management and Chairmanship, whose operating scope was expanded. The Service's objective is to coordinate relations with customer banks, companies and institutions in the banking, financial and cooperation market, with a focus on banks not affiliated to the Group, for which it handles institutional relations and strategic projects. Furthermore, in collaboration with the Head of the Institutional Relations Department and the support of specific internal offices, it monitors the evolution of the legislative framework by providing analysis of regulatory changes impacting on the Group, through a process of evaluation of proposed legislation and possible amendments in coordination with trade associations.

The Board of Statutory Auditors acquired knowledge on and supervised the adequacy of the organisational structure through the information obtained during meetings with the heads of the relevant corporate functions. It monitored the implementation of regulations and policies by the Affiliated Banks and Subsidiaries with the assistance of the Compliance Function; it supervised the directives provided by the Parent Company to the Affiliated Banks and Subsidiaries through direct observation of the circulars issued; it obtained information on specific instructions given to individual Group entities through its participation in board meetings and in the work of the internal board committees.
With regard to the principles of proper administration, the Board of Statutory Auditors, through meetings with Top Management, the Heads of the business areas, the Administration and Financial Statements Manager, the Heads of the Control Functions and the Independent Auditors, as well as through observation of the information flows to the Board of Directors, can reasonably affirm that the transactions carried out during the year are based on principles of sound and prudent administration and have been approved after obtaining adequate information flows that have enabled the strategic supervisory body to appreciate the related risk profiles.

On the basis of the information received in the course of its supervisory activities, the Board of Statutory Auditors did not find any anomalous and/or unusual transactions with third parties, related parties or within the group.
The Board acknowledges that Part H, Paragraph 2 of the Explanatory Notes to the separate financial statements and to the Group's consolidated financial statements explains intra-group and related-party transactions.

3. Corporate governance

In compliance with the Regulatory Provisions and the guidelines expressed at European level on the composition and appointment of corporate bodies with regard to the requirements of experience, integrity, conflicts of interest and independence of judgement, availability of time and overall suitability, in May/June 2020 the Board of Directors carried out its self-assessment on the functioning and qualitative and quantitative composition of the body, as well as of the Internal Board Committees. The outcome of the same was submitted to the Board of Directors for approval on 23 June 2020 and made available to shareholders at the Shareholders' Meeting of 23 July 2020.

The Board, in compliance with the Regulatory Provisions and the aforementioned European guidelines, and in line with the Rules of Conduct of the Board of Statutory Auditors issued by the CNDCEC, carried out its own self-assessment on the functioning and the quali-quantitative composition of the control body. The results of the process led to a positive opinion on the collective suitability, the qualitative and quantitative composition and the functioning of the control body. The related report, as collectively approved by the control body, was brought to the attention of the Board of Directors on 23 June 2020 and made available to the shareholders at the Shareholders' Meeting of 23 July 2020.

4. Monitoring of the adequacy, effectiveness and functionality of the overall internal control and risk management system

The Corporate Control Functions for the affiliated cooperative credit banks are outsourced by the Parent Company in accordance with the Supervisory Provisions for Banks in the Cooperative Banking Group issued by the Bank of Italy.
The organisational model of Cassa Centrale Banca provides for the figure of the "Internal contact representative" at the individual user companies who reports functionally to the heads of the Parent Company's Control Functions and, in the case of the Compliance and Anti-Money Laundering Functions, carries out centrally planned verification activities under the direct supervision of the respective Functional Departments. For the Luxembourg subsidiary NEAM, reports and annual reports have been acquired from the external companies in charge and the status of implementation of remedial actions is monitored in response to the findings.

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The Board of Statutory Auditors oversaw the adequacy of the internal control and risk management systems through:

- the acquisition of information from Top Management;
- the checks carried out in accordance with the action plan defined and reformulated during the year;
- periodic meetings with the Internal Audit, Risk Management, Compliance and Anti-Money Laundering functions (hereinafter the Control Functions) and with the Independent Auditors;
- the analysis of the annual plans and annual reports of the Control Functions prepared in compliance with the regulations in force;
- the analysis and discussions of the reports prepared by the Control Functions as a result of the verification and monitoring activities carried out;
- the monitoring of the implementation and effectiveness of the remedial actions planned by the Managers of the areas subject to verification in light of the findings emerging from the reports of the Control Functions, through direct intervention or examination of the periodic reports on the progress of such remedial actions prepared by the same Control Functions;
- participation in the meetings of the internal board committees and the Board of Directors during which the aforementioned reports and annual reports were presented and examined;
- the exchange of information with the control bodies of the Group entities.

During the year, at the request of the European Supervisory Authority, the Internal Audit Function carried out an assessment of the overall internal control system at Group level in order to verify the adequacy of governance arrangements and their implementation at BCC level, with particular regard to the activities of the Internal Representatives and the resources dedicated to internal controls in the Parent Company.
The activity carried out concluded with a judgement of partial adequacy, highlighting areas for improvement, in respect of which an action plan was prepared and subsequently approved by the Board of Directors. Also at the request of the Supervisory Authority, the Board of Auditors examined the action plan that it deemed suitable for overcoming the weaknesses identified and for which it considered the following aspects to be particularly significant:

- harmonisation and standardisation of processes and line controls at Group level;
- the completion of the Datawarehouse project, aimed at achieving a single database for the Group and a high level of assurance in relation to data quality, deemed indispensable for the implementation of IT tools aimed at enhancing the effectiveness of the Control Functions, also thanks to an increasingly widespread adoption of remote controls;
- the strengthening of the resources of the Control Functions, to be defined taking into account the need to comply with the time schedules for carrying out the activities, as well as the declination and graduation of the direct interventions of the Parent Company Functions in accordance with the characteristics of the individual Affiliates;
- the refinement, within the scope of the powers provided for in the Cohesion Contract, of the processes for intervention by the Parent Company's Board of Directors in cases of critical issues encountered at the Affiliated Banks with the aim of increasing, on the basis of constant monitoring of the governance plans proposed by the Corporate Control Functions, their incisiveness and timeliness;
- raising awareness of Group entities to the culture of risk and enhancing the role of Internal Representatives, mainly by assigning objectives and strengthening coordination when planning activities.

The Board monitors the implementation of the action plan described above.

<u>Internal Audit Function</u>
The annual report of the Internal Audit Function, in order to better represent to the corporate bodies the risk areas on which the Function's action has focused, reports the activities carried out according to an interpretation that reflects the four SREP macro areas: business model, governance and risk management, capital risk, liquidity and funding risk.
The activities carried out by the Function in 2020 in accordance with the Plan approved by the Board of Directors on 31 March 2020 were affected by a certain number of requests for targeted checks by the Supervisory Authorities; therefore, taking into account the available resources and

the extension of the audit times related to the prolonged health emergency, it was necessary to reschedule several audits provided for in the approved Plan, according to a risk-based approach. In consideration of the results of the activities carried out and of the initiatives currently underway, and while underlining the presence of areas for improvement, the Function's report finds an overall "strengthening of both the Group's Internal Control System and the risk management process".

Compliance Function

The annual report of the Compliance Function, in accordance with Bank of Italy Circular no. 285/2013, acknowledges the substantial completion, including through the Internal contact representatives of the individual Affiliated Banks, of all the checks planned in accordance with the Function's activity plan approved and updated in view of the continuation of the pandemic and of extraordinary factors occurring subsequently. The report acknowledges the overall strengthening of the non-compliance risk controls thanks to the progress of the Group's projects despite the fact that there are still areas for improvement, in particular with reference to the need to complete and make available, on a single platform, the mapping of the Group's processes and controls and to implement further IT solutions in several areas of the Bank's and the Group's operations.

The report of the Compliance Function prepared pursuant to Article 89 of the Intermediaries Regulation adopted by Consob Resolution no. 20307 of 15 February 2018, regarding the compliance and effectiveness of the safeguards in implementation of the investment services regulations, highlights the need to complete the action of several measures to comply with MiFID II provisions and to comply with Regulations (EU) no. 2008/ 2018 and 852/2020 in relation to sustainability disclosures in the financial services industry and support for "Environmental, Social and Governance" (ESG) investments, which will be implemented in the current year. The project to review the customer profiling questionnaire is also underway.
The Compliance Function monitors the progress of these measures and the Board of Statutory Auditors is committed to monitoring their thorough implementation and effectiveness.

Risk Management Function

The Risk Management Function completed its internal reorganisation activities resulting from the consolidation of the first year of the Group's experience, also following the new responsibilities assigned to it in relation to the Supervisory Review & Evaluation Process (SREP), the public disclosure, as well as projects related to the provisions on Calendar Provisioning and New Definition of Default. At the same time, the Department contributed to complying with the requirements of the Supervisory Authority in the area of Covid-19, and in particular to periodic reporting and constant monitoring of the evolution of risks, with an emphasis on credit risk, by updating the macroeconomic scenarios to be incorporated into the IFRS 9 impairment models and carrying out second-level checks on credit moratoria.
As part of the monitoring of SREP activities, the Function found several delays with respect to the deadlines set by the Supervisory Authority, with particular reference to the implementation of a Group Fund Transfer Pricing system, the updating of the Group credit regulations to strengthen the monitoring of credit risk and the fine-tuning of data quality controls to monitor IT risk.
The report of the Risk Management Department drawn up in accordance with the Bank of Italy's Circular no. 285 /2013, shows the substantial achievement of its objectives, although there are margins for progress with particular reference to credit monitoring activities on a homogeneous basis at Group level and to data governance and data quality systems connected to important IT projects across the entire organisation, the completion of which goes beyond the short term.
The Board of Statutory Auditors monitored, through periodic meetings with the Operations Department, the progress of IT projects, in particular with regard to the development of applications necessary to increase the effectiveness of the action of the Control Functions. It regularly monitored the implementation of the action plan ("SREP Adaptation Plan"), approved by the Board of Directors on 11 February 2020 and subsequently notified to the Authority, through periodic reporting provided by the Risk Management Department and participation in the work of the Risk Committee.
The Board of Statutory Auditors examined the self-assessment reports on the adequacy of current and prospective capital (ICAAP) and liquidity (ILAAP), submitted to the Board of Directors on 29 April 2020.
Through the examination of the reports, supported by the results of supervisory activities and interaction with the Control Functions, it was able to appreciate the progressive strengthening of the RAF, ICAAP and ILAAP processes, in accordance with the recommendations of the Supervisory

Authority, and the gradual alignment with the best practices of "significant" groups. In particular, the processes were subjected to initial validation by the Unit in charge, which was set up at the beginning of 2020, which carried out the equipment and operating controls, of the IT and data quality systems, contemplated in the Methodological Manual for the validation of the Group's ICAAP and ILAAP processes, concluding with a judgment of partial adequacy. Delays in making available the documentation of the numerical results for processes led to a delay in the execution of a number of checks by the Internal Validation Unit; delays due to the ongoing health emergency that required an adjustment of the macroeconomic scenarios to reflect its impacts.
The governance of the RAF, ICAAP and ILAAP processes was strengthened through the adoption of a methodology for the identification of significant risks for the Group based on a univocal taxonomy and the assessment and monitoring of the same according to an integrated and consistent approach. At the same time, the integrated risk reporting to the corporate bodies has been enhanced with RAF, ICAAP and ILAAP indicators, also processed in stress scenarios, and is made available on a quarterly basis.

Anti-Money Laundering Function
During the year, Cassa Centrale's Anti-Money Laundering (AML) Function carried out a major revision of the structural and methodological framework of the control system aimed at consolidating the governance of money laundering and terrorist financing risks at Group level and at strengthening the effectiveness of AML action and controls.
As part of its efforts to consolidate the management of money laundering risk, the Function has developed and adopted an AML rating system based on the ratings assigned by the Function to the individual Affiliated Banks in the areas covered by the relevant regulations; these ratings are based on objective and quantitative criteria and express the individual bank's exposure to money laundering risk. The system is the result of a statistical processing of the total information assets centralised at the Parent Company concerning the internal and external risk factors and the vulnerabilities attributable to each bank.
Within the individual rating classes, the combination of the overall risk and vulnerability assessments determines the assignment of a score according to a scale of values suitable to express the level of overall exposure to AML risk.
The distribution of the risk profile of the Affiliated Banks resulting from the rating model will allow them to orient their action and at the same time direct the monitoring controls carried out by the Group AML Function in a targeted manner.
The Board of Statutory Auditors has been kept regularly updated by the AML Department with regard to the requests for clarification received from the Supervisory Authority, the inspections undertaken at the Affiliated Banks, their evolution, their results and the consequent corrective actions planned and/or implemented.

On 6 April 2021, Cassa Centrale Banca was notified of the commencement of an inspection concerning regulations in relation to the transparency of transactions and fairness of relationships with customers and regulations on combating money laundering and terrorist financing.

The Control Functions monitor the progress of remedial actions and related projects, reporting periodically to the corporate bodies of Cassa Centrale Banca. The Functions, also as a result of the assessment of the adequacy of the overall internal control and risk management system required by the European Supervisory Authority, are also engaged in recruiting resources in order to achieve the optimal qualitative and quantitative size that the centralisation of controls at the Parent Company requires; due to the Coronavirus health emergency, this activity has slowed down in recent months.

During the year, the Board of Statutory Auditors interacted with the Internal Audit Function on an ongoing basis; it acquired the reports produced by the same in a timely manner and discussed their outcomes and planned remedial actions in dedicated meetings.
The Board of Statutory Auditors also monitored the compliance of the remuneration policies of the Control Functions with supervisory regulations by attending all the meetings of the Remuneration Committee.

The Board of Statutory Auditors, on the basis of the activities carried out and the overall favourable opinion of the Group Internal Audit Function, considers that there are no critical elements such as to affect the overall internal controls and risk management system.

5. Monitoring of the administrative and accounting system and the financial reporting process

The Board of Statutory Auditors, in its role as Internal Control and Audit Committee, audited the effectiveness of the internal control and risk management system relating to financial reporting and monitored the related process, pursuant to Article 19, paragraph 1, letter c) of Legislative Decree no. 39/2010.
The Administration and Financial Statements Manager oversees the process of preparing the separate and consolidated financial statements in accordance with an articulated process on which centralised controls are in place at the Affiliates and Subsidiaries that provide reasonable assurance of the reliability of financial reporting. The consolidation process is organised according to a programme of activities that provides for the sending of specific half-yearly and annual instructions to Group entities.
The ongoing pandemic and the consequent limitation of physical presence in the company made it necessary to reschedule the deadline for the implementation of the convergence project towards the SIB 2000 target information system; to date, six Affiliated Banks continue to operate on another platform. The lack of standardisation in the process of preparing financial reports and the related control activities, which are currently differentiated, does not allow for the desired efficiency gains to be fully achieved.
Also due to the Coronavirus emergency, the European Supervisory Authorities (ECB, EBA and ESMA), through several communications addressed to credit institutions during the year and published on their respective websites, provided recommendations to ensure that the valuation of loans to customers correctly reflected the impacts of the pandemic while avoiding the incorporation of excessively pro-cyclical assumptions in the models for determining expected losses; they also detailed the criteria that must be met by moratoria on loans so that they do not result in the classification of forbearance. In the interests of transparency, recommendations were also made to ensure that, as far as possible, operators reflected in their financial reporting the qualitative and quantitative impacts of the pandemic on their financial and economic situations; lastly, they recommended assessing whether the pandemic was likely to generate a decline in value on intangible assets recorded in the financial statements.
The Board of Statutory Auditors monitored, including by participating in the work of the Risk Committee, meetings with the heads of the Functions concerned and with the independent auditors, the Bank's implementation of the recommendations of the aforementioned Authorities.
Cassa Centrale Banca has provided the relevant information in Part A.1. "General Part", Section 5. point d) "Methods of application of international accounting standards in the context of the Covid-19 pandemic" of the Explanatory Notes to the consolidated financial statements.

The Heads of the appointed independent auditors did not report any shortcomings in the administrative-accounting internal control system during their periodic meetings with the Board of Statutory Auditors.
On the basis of the evidence gathered as shown above, no gaps have emerged that could affect the reliability of the internal control system that oversees the process of preparing financial reports and the suitability of the administrative-accounting system to correctly detect and represent operations.

6. Supervisory Body

The supervisory task pursuant to Legislative Decree 231/2001 was entrusted to the Board of Statutory Auditors by resolution of the Board of Directors on 2 October 2019.
In 2020, the Body carried out its supervisory activity in relation to the Organisation, Management and Control Model of Cassa Centrale Banca in force.
The Covid-19 emergency has increased the risks of resilience of the model and for this reason the Body has monitored the evolution of the situation, in particular for the area of occupational health

and safety, through the acquisition of the minutes of the meetings of the Emergency Management Unit concerning the progress of infections and the measures adopted in the workplace, the meetings with the Head of Safety, Prevention and Protection in order to examine the state of application of the anti-infection protocols and the summary documentation on the monitoring of the phenomenon presented by the Operations Department in the board meetings of 16 December 2020 and 13 January 2021.
As part of the information flows provided for in the "Guidelines on the administrative liability of entities within the Group", the Body has received communications from the counterparts of certain Affiliated Banks.
Following the enactment of Legislative Decree no. 75/2020, which extended the catalogue of predicate offences, the Body reported the need to adjust the model to Cassa Centrale, which carried out an analysis of the impact on the Model adopted, integrating the mapping of activities that pose a risk of committing offences and identifying the relevant controls and the necessary information flows. On completion of the activities, the Organisation, Management and Control Model, in its updated version, was adopted by the Board of Directors by resolution of 31 March 2021.
The Body reported on the activities carried out during the year without identifying any significant critical issues. The report of the Supervisory Body was submitted to the Board of Directors on 14 April 2021.
During the period under review, the Supervisory Body received no reports of unlawful conduct or violations of the model.

7. Coordination with the Boards of Statutory Auditors of Affiliated Banks and Subsidiaries

During the year, on the basis of a risk-based approach, the Board of Statutory Auditors exchanged information and news, both orally and in writing, with the Boards of Statutory Auditors of the Affiliated Banks and Subsidiaries, carrying out the in-depth analyses deemed necessary with reference to aspects of internal control and risk governance.
The Board of Statutory Auditors has taken into account the information acquired through coordination with the control bodies of the Affiliated Banks and Subsidiaries in the exercise of its supervisory duties and has been able to ascertain the constructive spirit and cooperation of the Representatives of the control bodies of the aforementioned entities.

8. Monitoring of transactions with associated parties/related parties

In relation to the issue of conflicts of interest with associated and related parties, the Board of Statutory Auditors monitored the overall suitability of internal procedures to comply with the rules set out in Bank of Italy Circular no. 285/2013, - which transposed the previous rules set out in Circular no. 263/2006 by introducing amendments to bring them into line with the European regulatory framework - by attending all meetings of the Independent Directors' Committee and periodically receiving and analysing information on the transactions carried out. The Board of Statutory Auditors has no transactions with related parties in conflict with the interest of Cassa Centrale Banca.
In part H of the Explanatory Notes to the separate and consolidated financial statements, the directors provided adequate information on transactions with related parties.
In the second half of the year, the organisational unit completed a series of IT solutions to facilitate the exchange of information flows relating to transactions with related parties between Group entities and Cassa Centrale Banca; it also updated the registration forms in order to rationalise the collection of data as regards related and connected parties. Further IT implementations and regulatory adjustments are planned for the next year as remedial actions to mitigate certain critical issues highlighted by the Compliance Function. The Board of Statutory Auditors will monitor the progress of these projects.

9. Supervisory activities in relation to the statutory audit pursuant to Articles 16 and 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016 transposing Directive (EU) 2014/56

The separate and consolidated financial statements are audited by the independent auditors KPMG S.p.A.
The audit assignment also includes verifying that the company's accounts are properly kept and the operations are correctly recorded in the accounting records, the limited audit of the consolidated financial statements prepared for the determination of the half-yearly result for the purpose of calculating Common Equity Tier 1 capital as provided for in Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and the checks connected with the signing of tax returns and the verification procedures for the issue of the certification for the National Guarantee Fund provided for by Article 62, paragraph 1 of Legislative Decree no. 415 of 23 July 1996.
The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, monitored the statutory audit of the separate and consolidated financial statements of the Cassa Centrale Banca Group through constant dialogue and periodic meetings with the Persons responsible for auditing during the year and until the date of completion of the audit, during which it examined:

- the planning and progress of the limited audit of the consolidated financial statements at 30 June 2020, the main accounting issues relating to the aforementioned financial reporting and any difficulties encountered;
- the strategy and planning for the statutory audit of the separate and consolidated financial statements as at 31 December 2020 with an indication of the subsidiaries included in the scope of consolidation and audited by KPMG or other independent auditors;
- the status of the preliminary intervention of the audit activity and in particular the analysis of the internal control system that oversees the preparation of financial information for the purposes of assessing audit risk; the audit approach to the potential risk of fraud;
- key aspects of the audit, namely the classification and valuation of receivables also in the light of possible repercussions on credit quality generated by the pandemic and the valuation of financial assets and liabilities measured at fair value;
- the outcome of checks on the proper keeping of accounts and the correct recording of management events;
- planning and carrying out the limited review of the Consolidated Non-Financial Statement;
- the acquisition of the audit and the key aspects that the auditor considers to be most relevant to the presentation of his/her audit opinion;
- analysis of the contents of the additional report.

In the course of the meetings held, the Board of Statutory Auditors updated the Persons responsible for auditing in relation to the supervisory activities carried out and the relevant outcomes and significant events of Cassa Centrale Banca.
In its reports on the audit of the separate and consolidated financial statements issued on 15 April 2021, the Independent Auditors expressed an opinion stating that:

- the separate and consolidated financial statements provide a true and fair view of the equity and financial position of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. and of the Cassa Centrale Cooperative Banking Group as at 31 December 2020, as well as the results of operations and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures issued in implementation of Article 43 of Legislative Decree no. 136/15;
- the reports on operations, which are the responsibility of the directors, are consistent with the separate and consolidated financial statements of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. and the Cassa Centrale Cooperative Banking Group as at 31 December 2020 and are prepared in accordance with the law.

In its reports on the audit of the separate and consolidated financial statements, the Independent Auditors also certified:

- to have nothing to report, based on the knowledge and understanding of the company and of the related context acquired during the audit activity, with reference to the declaration referred to in Article 14, paragraph 2, letter e) of Legislative Decree no. 39/10 on significant errors in the reports on operations accompanying the financial statements;
- that it has verified the Directors' approval of the Non-Financial Statement.

On 15 April 2021, the Independent Auditors also submitted to the Board of Statutory Auditors the Additional report required by Article 11 of Regulation (EU) no. 537/2014, which does not reveal any weaknesses in the internal control system inherent in the financial reporting process, nor any circumstances to be reported as a result of the checks carried out on the regular keeping of the Company's accounts and the correct recording of operations in the accounting records. Attached to the Report is the annual confirmation of independence referred to in Article 6, paragraph 2, letter a) of the same Regulation in which the Independent Auditors stated that, on the basis of the information obtained and the checks carried out in the period from 1 January 2020 until today, no situations were found that compromised its independence pursuant to Articles 10 and 17 of Legislative Decree no. 39/2010 and Articles 4 and 5 of Regulation (EU) no. 537/2014.
Cassa Centrale Banca has adopted a "Group Policy for conferring tasks upon the person responsible for the statutory audit and/or other companies belonging to the reference network." In accordance with the Group Policy, additional engagements with respect to the statutory audit activity pursuant to Article 14 of Legislative Decree No. 39/2010, where allowed insofar as they are not incompatible, are subject to prior authorisation by the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, in accordance with the provisions of Article 5, paragraph 4 of Regulation (EU) No. 537/2014, in order to supervise and monitor the independence of the auditor. Such additional engagements may not exceed 70 per cent of the average of the fees paid in the last three years for the statutory audit, in accordance with Article 4(2) of the European Regulation (fee cap). The "*fee cap*" rule is applicable for the first time starting from the year ended 31 December 2020.
During the course of the year, the Board of Statutory Auditors complied with the provisions of current legislation and the Group Policy in relation to the approval of services other than the statutory audit conferred upon the Independent Auditors or other entities belonging to its network.
The costs for non-audit services charged to the Group's consolidated Income Statement - Annex A to the consolidated Explanatory Notes - amounted to approximately EUR 2,161 thousand for certification services and approximately EUR 457 thousand for other services.
Certification services relate to engagements that are conferred on the Statutory Auditor by law or regulation or in accordance with Authority measures on the grounds that, by their nature, they are similar to an extension of audit activity and, as such, do not compromise the Statutory Auditor's independence and are not counted for the purpose of determining the ceiling under the fee cap rule.
The Board of Auditors acquired additional audit services from the statutory auditors in order to verify the consumption of the annual ceiling defined according to the fee cap rule.
The Board of Statutory Auditors, taking into account the nature of the engagements, other than audit and certification services, conferred by Cassa Centrale and the Group entities on KPMG S.p.A. and its network in the 2020 financial year, did not identify any critical issues regarding the independence of the Statutory Auditor.
The Board of Statutory Auditors has also acquired the Transparency report for the year ended 30 September 2020, available on the KPMG S.p.A. website which contains the information required by Article 13, paragraph 2, letters d), g) and h) of European Regulation no. 537/2014 relating to the year ended 30 September 2020 on the internal control and quality system, compliance with independence requirements and continuous training of the Independent Auditors.

10. Consolidated Non-Financial Statement

Cassa Centrale Banca is required to draw up the Consolidated Non-Financial Statement (NFS) in compliance with Article 2 of Legislative Decree no. 254/2016 and the Consob Regulation implementing the Decree adopted with Resolution no. 20267 of 18 January 2018.
The Consolidated Non-Financial Statement, approved by the Board of Directors of Cassa Centrale on 31 March 2021, was presented as a separate document in relation to the Report on Operations to the consolidated financial statements as at 31 December 2020.
Pursuant to Article 3, paragraph 10, of Legislative Decree no. 254/2016, the task of carrying out the limited examination of the Consolidated Non-Financial Statement was assigned to the Statutory Auditor who, on 15 April 2021, certified that no evidence has come to his/her attention that the Consolidated Non-Financial Statement of the Cassa Centrale Group, relating to the financial year ended 31 December 2020, has not been drafted, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability

Reporting Standards", "core" option defined by the GRI - Global Reporting Initiative ("GRI Standards") and the "Financial Services Sector Supplements".
In the performance of its duties, the Board of Statutory Auditors has monitored compliance with the provisions of Legislative Decree no. 254/2016, with reference to the drafting process, the procedures and controls established and the contents of the Consolidated Non-Financial Statement through meetings with the Head of the function and the dedicated structure. During these meetings, the Board was able to learn about the process underlying the updating of the materiality matrix, an essential element for the drafting of the NFS, which identifies the relevant issues and indicators for measuring the Group's economic, social and environmental impacts capable of influencing stakeholders' decisions and therefore to be included in the relevant disclosures. The materiality matrix was approved by the Board of Directors on 20 January 2021.
In this regard, it should be noted that, at the beginning of the 2021 financial year, the Steering Committee on Sustainability and Identity was established with the main task of:

- expressing assessments and formulating proposals to the Board of Directors regarding the values and identity of the Group,
- monitoring sustainability issues related to the conduct of business and the dynamics of interaction of the latter with all *stakeholders*,
- assisting the Board of Directors in the assessment and approval of the Consolidated Non-Financial Statement and in the assessment of the measurement models, for the Group and for the individual Banks, functional to convey both the sustainability and the identity traits,
- expressing assessments and formulating opinions to the Board of Directors on sustainability strategies, policies and objectives, to be included in the Sustainability Plan, and on the related processes and periodic monitoring activities,
- supporting the Board of Directors in assessing the internal control and risk management system limited to sustainability issues (so-called ESG (*Environmental, Social & Governance*) risks),
- defining and proposing to the Board of Directors the guidelines on sustainability,
- monitoring the implementation of regulatory developments related to sustainability and non-financial reporting, its correct interpretation and assessment in terms of potential impact on the *business*.

The Committee consists of 6 directors, 4 of whom are representatives of the Affiliated Banks and 2 of whom are independent; at least 1 of the independent directors must be a member of the Risk Committee.
Like the other internal board committees, the functioning of the Steering Committee on Sustainability and Identity is governed by a Regulation recently approved by the Board of Directors. To date, the Committee has met twice and the Board of Statutory Auditors has attended the meeting.

11. Assignment of the statutory audit engagement for the nine-year period from 1 January 2021 to 31 December 2029

First of all, it should be noted that during the first months of 2019, in consideration of the fact that, with the approval of the financial statements for the year 2018, the mandate for the statutory audit of Cassa Centrale Banca, entrusted at the time to KPMG S.p.A., expired, and the procedure for the selection of the new statutory auditor of the newly formed Cassa Centrale Group, for the period 2019-2027, was commenced. Cassa Centrale Banca acts as the Parent Company of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (the "Cassa Centrale Group") pursuant to Article 61 of Legislative Decree no. 385/1993 ("TUB"), established with effect from 1 January 2019 and composed, in addition to the Parent Company, of cooperative credit banks (the "Affiliated Banks"), financial companies, companies instrumental to the Group's activities and other companies, directly and/or indirectly controlled by Cassa Centrale or the Affiliated Banks.
Since both the Parent Company and the Affiliated Banks fall within the category of Public Interest Entities (“PIE”) pursuant to Art. 16 of Legislative Decree no. 39/2010, the procedure for the selection and assignment of the engagement is governed by Art. 16 of Regulation (EU) no. 537/2014. Given the peculiarities of the Cassa Centrale Group and the need to have a single auditor, a single procedure was carried out for all Group companies, with the exception of the member banks of the Federazione Trentina della Cooperazione ("Banche Federate"), for which, pursuant to a regional

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law, the statutory audit is the responsibility of the association to which they belong. Pending the conclusion of the procedure, as a result of a request to Consob, submitted in order to obtain confirmation of certain interpretative aspects of the reference regulations, the mandate of statutory audit of Cassa Centrale Banca entrusted to KPMG S.p.A. was extended for a further two years, for the financial years 2019 and 2020, while for almost all the Affiliated Banks the same auditing firm was given a nine-year mandate for the period 2019 - 2027.
With the approval of the financial statements as at 31 December 2020, the mandate to audit Cassa Centrale Banca, entrusted to KPMG S.p.A., will expire, as per the resolution of the Shareholders' Meeting of 28 May 2019.
Based on current legislation, this mandate is not renewable. The Management of Cassa Centrale Banca, having informed the Board of Directors and the Board of Statutory Auditors, therefore commenced the selection procedure for the assignment of the statutory audit engagement for the nine-year period 2021 - 2029, in accordance with the *Group Policy* in force.
The Board of Statutory Auditors, in charge of the procedure for selecting the independent auditors, therefore formulated a justified proposal providing for two possible alternatives for the assignment of the engagement and indicating the preference for one of the two. For further details, please refer to the "Report of the Board of Statutory Auditors in its capacity as Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter a), of Legislative Decree no. 39 / 2010 - Appointment of the independent auditors for the period from 1 January 2021 to 31 December 2029".

12. Conclusions

Dear Shareholders,

The separate financial statements of Cassa Centrale Banca - Credito Cooperativo Italiano SpA as at 31 December 2020 closed with a profit for the year of EUR 35,867,789 and equity of EUR 1,133,925,698.
In addition to the approval of the separate financial statements of Cassa Centrale as at 31 December 2020, the Ordinary Shareholders' Meeting also includes the following items on the agenda:

- presentation of the consolidated financial statements as at 31 December 2020;
- presentation of the Consolidated Non-Financial Statement as at 31 December 2020;
- appointment of a Director to replace the director who has left office, pursuant to Art. 2386 of the Italian Civil Code and Art. 26.2 of the Articles of Association in force;
- assignment of the audit engagement pursuant to Art. 42.1 of the Articles of Association and determination of the relative remuneration, upon a reasoned proposal of the Board of Statutory Auditors;
- insurance policies of the corporate bodies: related and consequent resolutions;
- report to the Shareholders' Meeting on the implementation of the 2020 Remuneration and Incentive Policies;
- approval of the 2021 Remuneration and Incentive Policies, including the criteria for determining remuneration in the event of early termination of the employment relationship or early termination of office;
- corporate governance: disclosure of the results of the self-assessment of the corporate bodies.

The Board of Statutory Auditors, considering the supervisory activities carried out and the opinions expressed in the audit reports by the Independent Auditors, has no observations to make to the Shareholders' Meeting with regard to the approval of the separate financial statements as at 31 December 2020 accompanied by the Report on Operations, presented by the Board of Directors; likewise, having carried out the necessary in-depth analysis, it has no observations on the proposal for the allocation of the net profit for the year and the distribution of dividends put forward by the Board itself.

Trento, 15 April 2021

Elisabetta Caldirola — Chairperson of the Board of Statutory Auditors

Mariella Rutigliano — Standing Auditor

Claudio Stefenelli — Standing Auditor

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Independent auditors' report on the financial statements of Cassa Centrale Banca

KPMG

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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
Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Cassa Centrale Banca - Credito Cooperativo Italiano 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 Cassa Centrale Banca - Credito Cooperativo Italiano 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 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.

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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.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the separate financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the separate financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost"

Notes to the separate financial statements "Part C - Information on the income statement": paragraph 8.1 "Net impairment losses for credit risk on financial assets at amortised cost: breakdown"

Notes to the separate financial statements "Part E - Information on risks and related hedging policies": section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €3,936.9 million at 31 December 2020, accounting for 16.5% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €14.4 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, the borrower's estimated	Our audit procedures included: — gaining an understanding of the banks' processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; — analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); — analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the effects of the Covid-19 pandemic. We carried out these

Key audit matter	Audit procedures addressing the key audit matter
repayment ability, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate. The complexity of the directors' estimation process has increased in 2020 due to the Covid-19 emergency which has severely affected current economic conditions and potential future macroeconomic scenarios, requiring an adjustment to the valuation processes and methods. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	procedures with the assistance of experts of the KPMG network; — selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; — selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — analysing the significant changes in the financial asset categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

Classification and measurement of financial assets and liabilities at fair value

Notes to the separate financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets at fair value through profit or loss", A.2.2 "Financial assets at fair value through other comprehensive income", A.2.13 "Financial liabilities held for trading", A.2.14 "Financial liabilities at fair value" and A.4 "Information on fair value"

Notes to the separate financial statements - "Part B - Information on the statement of financial position - Assets": sections 2 "Financial assets at fair value through profit or loss " and 3 "Financial assets at fair value through other comprehensive income "

Notes to the separate financial statements - "Part B - Information on the statement of financial position - Liabilities": sections 2 "Financial liabilities held for trading" and 3 "Financial liabilities designated at fair value"

Notes to the separate financial statements "Part C - Information on the income statement": sections 4 "Net trading income (loss)" and 7 "Net gains (losses) on other financial assets and liabilities at fair value through profit or loss"

Notes to the separate financial statements "Part E - Risks and related hedging policies": sections 2 "Market risks" and 3 "Derivatives and hedging policies"

Key audit matter	Audit procedures addressing the key audit matter
Trading in and holding financial instruments are one of the bank's core activities. The separate financial statements at 31 December 2020 include financial assets and financial liabilities at fair value totalling €1,220.5 million and €199.9million, respectively. A portion thereof, equal to roughly €145.7 million and € 199.9 million, respectively, is made up of financial assets and liabilities at fair value without a quoted price on an active market. The bank's directors have classified them in levels 2 and 3 of the fair value hierarchy. Classifying and, especially, measuring financial instruments with fair value levels 2 and 3 require a high level of judgement by the directors due to the complex models and parameters used. This complexity has increased in 2020 due to the Covid-19 emergency which has severely affected current economic conditions and potential future macroeconomic scenarios. For the above reasons, we believe that the classification and measurement of financial assets and liabilities at fair value are a key audit matter.	Our audit procedures included: — gaining an understanding of the bank's processes and IT environment in relation to the trading, classification and measurement of financial instruments; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3, , also in the light of the financial effects of the Covid-19 pandemic. We carried out these procedures also through discussions with experts of the KPMG network; — checking, on a sample basis, that the financial instruments had been correctly classified on the basis of their fair value level; — for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the main parameters used by the directors for their measurement, also in the light of the financial effects of the Covid-19 pandemic. We carried out this procedure also through discussions with experts of the KPMG network; — analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about financial instruments and related fair value levels in the separate financial statements, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

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 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 22 May 2010, 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 2010 to 31 December 2018. With its resolution no. 20934 of 14 May 2019, Consob (the Italian Commission for listed companies and the stock exchange) approved the bank's request for extending the term of the statutory audit engagement to the years ending 31 December 2019 and 2020. The bank's shareholders approved the extension at their meeting of 28 May 2019.

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

The bank's directors are responsible for the preparation of a directors' report at 31 December 2020 and for the consistency of such report with the related separate financial statements and its 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 directors' report with the bank's separate financial statements at 31 December 2020 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the bank's separate financial statements at 31 December 2020 and has 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.

Verona, 15 April 2021

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit

Separate financial statements of Cassa Centrale Banca

FINANCIAL STATEMENTS

Financial statements

Statement of financial position - assets

	ASSET ITEMS	31/12/2020	31/12/2019
10.	Cash and cash equivalents	180,748,620	151,003,044
20.	Financial assets measured at fair value through profit or loss	300,678,468	108,942,695
	a) financial assets held for trading	35,462,576	25,036,339
	b) financial assets measured at fair value	166,850,800	3,187,102
	c) other financial assets obligatorily measured at fair value	98,365,092	80,719,254
30.	Financial assets measured at fair value through other comprehensive income	919,868,263	999,071,625
40.	Financial assets measured at amortised cost	21,965,816,757	6,814,348,811
	a) loans to banks	18,028,893,011	3,491,534,625
	b) loans to customers	3,936,923,746	3,322,814,186
50.	Hedging derivatives	-	-
60.	Adjustment of the financial assets subject to macro-hedging (+/-)	-	-
70.	Equity investments	248,001,902	240,738,628
80.	Tangible assets	22,554,655	21,913,141
90.	Intangible assets	1,646,500	1,928,502
	of which:		
	- goodwill	-	-
100.	Tax assets	28,143,014	27,339,093
	a) current	1,015,955	68,882
	b) deferred	27,127,059	27,270,211
110.	Non-current assets and groups of assets held for disposal	-	-
120.	Other assets	232,225,924	230,451,553
	Total assets	**23,899,684,101**	**8,595,737,092**

Statement of financial position - liabilities

	LIABILITIES AND EQUITY ITEMS	31/12/2020	31/12/2019
10.	Financial liabilities measured at amortised cost	22,199,860,927	7,060,783,683
	a) due to banks	20,718,443,472	4,711,196,285
	b) due to customers	1,471,329,610	2,339,500,147
	c) debt securities in issue	10,087,845	10,087,251
20.	Financial liabilities held for trading	36,076,552	24,163,201
30.	Financial liabilities measured at fair value	163,826,675	3,286,232
40.	Hedging derivatives	-	-
50.	Adjustment of the financial liabilities subject to macro-hedging (+/-)	-	-
60.	Tax liabilities	3,261,600	2,186,457
	a) current	539,321	1,467,676
	b) deferred	2,722,279	718,781
70.	Liabilities associated to assets held for disposal	-	-
80.	Other liabilities	340,250,890	351,638,925
90.	Provision for severance indemnity	1,951,183	2,368,026
100.	Provisions for risks and charges	20,530,577	17,129,598
	a) commitments and guarantees issued	4,159,862	5,084,955
	b) retirement and similar obligations	-	-
	c) other provisions for risks and charges	16,370,715	12,044,643
110.	Valuation reserves	(20,207,957)	929,862
120.	Repayable shares	-	-
130.	Equity instruments	-	-
140.	Reserves	147,205,024	131,293,399
150.	Share premium	19,029,034	19,029,034
160.	Share capital	952,031,808	952,031,808
170.	Own shares (-)	-	-
180.	Profit (loss) for the year (+/-)	35,867,789	30,896,867
	Total liabilities and equity	**23,899,684,101**	**8,595,737,092**

Income Statement

	ITEMS	31/12/2020	31/12/2019
10.	Interest income and similar revenues	109,294,373	61,942,040
	of which: interest income calculated with the effective interest method	108,799,792	61,694,362
20.	Interest expenses and similar charges paid	(67,542,490)	(30,354,739)
30.	**Interest margin**	**41,751,882**	**31,587,301**
40.	Commission income	157,476,682	148,429,040
50.	Commission expenses	(76,075,765)	(70,736,399)
60.	**Net commissions**	**81,400,918**	**77,692,641**
70.	Dividends and similar income	33,941,644	7,030,296
80.	Net result from trading	(1,316,048)	3,177,196
90.	Net result from hedging activities	-	-
100.	Profit (loss) from disposal/repurchase of:	16,476,945	19,725,963
	a) financial assets measured at amortised cost	10,513,089	14,139,278
	b) financial assets measured at fair value through other comprehensive income	5,963,856	5,586,685
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	312,352	6,711,909
	a) financial assets and liabilities measured at fair value	(96,763)	102,665
	b) other financial assets obligatorily measured at fair value	409,115	6,609,244
120.	**Net interest and other banking income**	**172,567,693**	**145,925,306**
130.	Net value adjustments/write-backs due to credit risk relative to:	(20,513,286)	950,551
	a) financial assets measured at amortised cost	(19,873,849)	(275,226)
	b) financial assets measured at fair value through other comprehensive income	(639,437)	1,225,777
140.	Profits/losses from contractual changes without derecognitions	(7,328)	(18,431)
150.	**Net income from financial activities**	**152,047,078**	**146,857,426**
160.	Administrative expenses:	(143,651,353)	(137,879,084)
	a) personnel costs	(49,518,987)	(45,280,243)
	b) other administrative expenses	(94,132,367)	(92,598,841)
170.	Net allocations to provisions for risks and charges	1,420,786	2,895,364
	a) commitments and guarantees issued	878,472	2,690,728
	b) other net allocations	542,314	204,636

	ITEMS	31/12/2020	31/12/2019
180.	Net value adjustments/write-backs to tangible assets	(2,841,913)	(2,464,364)
190.	Net value adjustments/write-backs to intangible assets	(927,716)	(597,767)
200.	Other operating charges/income	32,936,270	34,613,280
210.	**Operating costs**	**(113,063,926)**	**(103,432,571)**
220.	Profits (losses) on equity investments	(26,194)	1,548,290
230.	Net result of fair value measurement of tangible and intangible assets	-	-
240.	Value adjustments to goodwill	-	-
250.	Profit (loss) from disposal of investments	4,110	8
260.	**Profit (loss) before tax from current operating activities**	**38,961,069**	**44,973,153**
270.	Income taxes for the year on current operating activities	(3,093,281)	(14,076,286)
280.	**Profit (loss) after tax from current operating activities**	**35,867,789**	**30,896,867**
290.	Profit (loss) after tax from discontinued operations	-	-
300.	**Profit (loss) for the year**	**35,867,789**	**30,896,867**

Statement of Comprehensive Income

	ITEMS	31/12/2020	31/12/2019
10.	**Profit (loss) for the year**	**35,867,789**	**30,896,867**
	Other post-tax components of income without reversal to the income statement	**(25,477,080)**	**2,611,364**
20.	Equities measured at fair value through other comprehensive income	(25,487,724)	2,727,190
30.	Financial liabilities measured at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	10,644	(115,826)
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**4,339,260**	**(329,911)**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non designated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	4,339,260	(329,911)
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
170.	**Total other post-tax components of income**	**(21,137,819)**	**2,281,453**
180.	**Comprehensive income (Item 10+170)**	**14,729,970**	**33,178,320**

Statement of changes in equity

Statement of changes in equity as at 31/12/2020

	Balances as at 31/12/19	Adjustment to opening balances	Balances as at 01/01/20	Allocation of result from previous year		Changes during the year								Equity at 31.12.20
							0							
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Comprehensive income for 2020	
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) of profit	131,275,114		131,275,114	16,294,844	X	(383,218)	-	-	-	X	X	X	X	147,186,740
b) other	18,284		18,284	-	X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	929,861		929,861	X	X	-	X	X	X	X	X	X	(21,137,819)	(20,207,958)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	30,896,867		30,896,867	(16,294,844)	(14,602,023)	X	X	X	X	X	X	X	35,867,789	35,867,789
Equity	**1,134,180,968**	**-**	**1,134,180,968**	**-**	**(14,602,023)**	**(383,218)**	**-**	**-**	**-**	**-**	**-**	**-**	**14,729,970**	**1,133,925,697**

Statement of changes in equity as at 31/12/2019

	Balances as at 31/12/18	Adjustment to opening balances	Balance as at 01/01/19	Allocation of result from previous year		Changes during the year								Equity as at 31/12/19
							Equity transactions							
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Comprehensive income for 2019	
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) of profit	101,305,981	-	101,305,981	30,716,819	X	(747,686)	-	-	-	X	X	X	X	131,275,114
b) other	18,284	-	18,284	-	X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	(16,363,108)	15,011,516	(1,351,592)	X	X	-	X	X	X	X	X	X	2,281,453	929,861
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	31,016,819	-	31,016,819	(30,716,819)	(300,000)	X	X	X	X	X	X	X	30,896,867	30,896,867
Equity	**1,087,038,818**	**15,011,516**	**1,102,050,334**	**-**	**(300,000)**	**(747,686)**	**-**	**-**	**-**	**-**	**-**	**-**	**33,178,320**	**1,134,180,968**

Cash Flow Statement

Indirect method

	Amount	
	31/12/2020	31/12/2019
A. OPERATING ASSETS		
1. Operations	**61,310,449**	**42,395,169**
- income for the period (+/-)	35,867,789	30,896,867
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value through profit or loss (-/+)	(538,943)	(4,484,927)
- gains/losses on hedging activities (-/+)	-	-
- net value adjustments/write-backs due to credit risk (+/-)	20,513,286	(950,551)
- net value adjustments/write-backs to tangible and intangible assets (+/-)	**3,769,629**	**3,062,130**
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	(1,420,786)	(204,636)
- taxes, duties and tax credits not settled (+/-)	3,093,281	14,076,286
- net value adjustments/write-backs from discontinued operations net of tax (+/-)	-	-
- other adjustments (+/-)	26,193	-
2. Cash flows generated/used by the financial assets	**(15,284,100,101)**	**(1,675,848,245)**
- financial assets held for trading	(10,426,237)	(9,366,443)
- financial assets measured at fair value	(163,663,698)	(89,092)
- other financial assets obligatorily measured at fair value	(17,645,838)	(10,587,383)
- financial assets measured at fair value through other comprehensive income	60,257,281	403,645,485
- financial assets measured at amortised cost	(15,150,043,317)	(2,065,136,467)
- other assets	(2,578,292)	5,685,656
3. Cash flows generated/used by the financial liabilities	**15,278,427,877**	**1,698,966,388**
- financial liabilities measured at amortised cost	15,139,077,244	1,737,981,979
- financial liabilities held for trading	11,913,351	12,566,458
- financial liabilities measured at fair value	160,540,443	(6,162,793)
- other liabilities	(33,103,161)	(45,419,256)
Net cash flow generated/used by operating activities	**55,638,226**	**65,213,312**

	Amount	
	31/12/2020	31/12/2019
B. INVESTMENT ASSETS		
1. Cash flows generated by	**1,665,078**	**10,113,393**
- sales of equity investments	267,821	3,082,970
- dividends collected on equity investments	-	7,030,295
- sales of tangible assets	1,397,257	128
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used by	**(12,955,704)**	**(48,196,570)**
- equity investment acquisitions	(7,531,095)	(36,235,719)
- tangible asset acquisitions	(4,778,895)	(10,489,679)
- intangible asset acquisitions	(645,714)	(1,471,172)
- purchases of business units	-	-
Net cash flow generated/used by investment activities	**(11,290,626)**	**(38,083,178)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(14,602,023)	(300,000)
Net cash flow generated/used by funding activities	**(14,602,023)**	**(300,000)**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**29,745,577**	**27,130,134**

KEY:

(+) generated

(-) used

Reconciliation

ITEMS	Amount	
	31/12/2020	31/12/2019
Cash and cash equivalents at the beginning of the year	151,003,044	123,872,910
Total net cash flows generated/used during the year	29,745,577	27,130,134
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	180,748,620	151,003,044

Separate Financial Statements of Cassa Centrale Banca

EXPLANATORY NOTES

Part A - Accounting policies

A.1 - General part

Section 1 - Statement of compliance with international accounting standards

Following the issue of Italian Legislative Decree 38/2005, Cassa Centrale Banca must prepare the separate financial statements according to the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB), as transposed by the European Union. The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The sixth update, issued on 30 November 2018 and supplemented by the Bank of Italy's Communication of 15 December 2020 concerning the impacts of Covid-19 and measures to support the economy and amendments to the IAS/IFRS, is currently in force.

These separate financial statements were prepared in compliance with the international accounting standards issued by IASB and endorsed by the European Union according to the procedure per Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in force at the date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), limited to those applied for the drafting of the separate financial statements as at 31 December 2020.

In interpreting and applying the new international accounting standards, reference was also made to the Framework for the Preparation and Presentation of Financial Statements (so-called Conceptual Framework or the Framework), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Bank uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the financial statements give a true and fair view of the Bank's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases.

Section 2 - General preparation criteria

The separate financial statements are drafted by applying the general principles set out in IAS 1, essentially revised in 2007 and endorsed by the European Commission in December 2008, and specific accounting standards approved by the European Commission, as well as in compliance with the general assumptions set forth in the aforementioned Framework prepared by the IASB for the preparation and presentation of financial statements. No derogations to the application of IAS/IFRS were applied.

The separate financial statements consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these Explanatory Notes, together with the director's report on operations and the situation of the Bank.

In addition, IAS 1 'Presentation of financial statements', requires the representation of a 'statement of comprehensive income' also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 2005 and subsequent updates, the Bank chose, as permitted by the accounting standard in question, to use two statements to provide the statement of comprehensive income: a first statement highlighting the traditional components of the income statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the statement of comprehensive income.

In compliance with the provisions of Art. 5 of Legislative Decree 38/2005, the separate financial statements are drafted using the euro as the accounting currency.

In preparing the separate financial statements, the formats and rules of preparation set forth in Bank of Italy Circular no. 262/2005 were used, based on the latest update in force.

The Communication of 15 December 2020 of the Bank of Italy concerning the impacts of Covid-19 and measures to support the economy and amendments to IAS/IFRS was also considered.

The accounts of the statement of financial position and the income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the income statement and the related section of the Explanatory notes, revenues are recorded without sign, while the costs are indicated in brackets. In the statement of comprehensive income the negative amounts are stated in brackets.

Furthermore, the complementary information deemed suitable to supplement the financial statements data was provided in the Explanatory Notes, also when not specifically required by the legislation.

The statement of financial position and the income statement as well as the statement of comprehensive income, the statement of changes in equity and the cash flow statement are expressed in euros, while the Explanatory Notes are expressed in thousands of euros unless specified otherwise. Any difference found between the amounts in the Explanatory Notes and the financial statements are attributable to rounding up.

The separate financial statements are drafted according to the going concern basis. In particular, the joint cooperation between the Bank of Italy, Consob and Isvap concerning the application of IAS/IFRS, with document no. 2 of 6 February 2009 "Information to be provided in the financial reports in relation to going concern, financial risks, the checks on the impairment of the assets and the uncertainties as to the use of estimates", as well as subsequent document no. 4 of 4 March 2010 "Information to be provided in financial reports in relation to the impairment test, the contractual clauses of the financial payables, debt restructuring and fair value hierarchy", required Directors to perform especially accurate valuations as regards the going concern assumption.

On this point, paragraphs 25-26 of IAS 1 establish that: 'When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to interrupt activities, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the company and its easy access to financial resources may not be sufficient in the current context. On this point, having examined the risks and uncertainties connected with the current macroeconomic context, it is reasonable to expect that the Bank will continue its operations in the foreseeable future. These separate financial statements were consequently prepared in the assumption of going concern.

It should be noted that, in the valuation of the company's assets at 31 December 2020 and with particular reference to unlisted financial assets, in accordance with the most recent recommendations of the regulators, all available information concerning the implications of the Covid-19 pandemic on the relevant variables affecting their value was taken into account.

Furthermore, estimation processes are based on past experience and other factors considered reasonable in this case, and were adopted to estimate the carrying amount of assets and liabilities that cannot be easily inferred from other sources. In particular, estimation processes were adopted that support the carrying amount of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are largely based on estimates of future recoverability of amounts recognised in the financial statements and have been carried out on a going concern basis. The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of impairment losses on loans and, in general, on other financial assets;
- the determination of the fair value of financial instruments;
- the assessment of congruity in the value of goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the separate financial statements. For further details on the breakdown and relative carrying amounts of the specific statement captions affected by said estimates, see the relevant sections of the Explanatory Notes. The processes adopted support the carrying amounts on the date of preparing these separate financial statements. The measurement process turned out to be particularly complex in consideration of the persisting uncertainty of the macroeconomic and market context, characterised by both significant levels of volatility in decisive financial parameters for valuation purposes as well as indicators of impairment of the credit quality that remain high. These parameters and the information used to check the mentioned values are significantly affected by these factors, which may undergo rapid and unforeseeable changes.

The separate financial statements also make reference to the general preparation criteria listed below, where applicable:

- principle of truth and fairness and completeness in the presentation of the statement of financial position, income statement and financial position (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of substance over form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Section 3 - Subsequent events

In the period between the date of the separate financial statements and their approval by the Board of Directors, no events occurred which result in an amendment of the figures approved. The accounting estimates as at 31 December 2020 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

Given the above, a description of the main events occurred after the end of the year is provided below.

Comprehensive Assessment

At the end of February 2021, the so-called “Transparency Phase” was completed, during which the Supervisory Authority provided visibility to the first partial results of the AQR exercise, and which will be followed by the transparency phase on the results of the Join-up between AQR and Stress Test, in order to arrive at the official publication of the results of the Comprehensive Assessment during the month of April 2021.

CARIGE transaction

Due to the extraordinary and uncertain context due to the Covid-19 crisis, and in response to the requests received for the expression of an opinion regarding the exercise of the call option on Carige shares, the Board of Directors of Cassa Centrale Banca has resolved, at the meeting of 15 March 2021, to provide a mandate to the Chairperson and the Chief Executive Officer to define with FITD and SVI the economic-legal conditions for the mutual termination of option contracts and related agreements.

Centrale Trading Report

It should be noted that in the meeting of 10 March 2021, the Board of Directors of Cassa Centrale Banca approved the acquisition of a 10% share in the Company Centrale Trading S.r.l., at the price of EUR 40,846.

Following this acquisition, Cassa Centrale will own 42.50% of the Company: an interest which, added to the 10% already held by the subsidiary Allitude, will lead to the assumption of control of the Company with a total interest of 52.50%.

Section 4 - Other matters

a) Newly applied accounting standards in 2020

During 2020, the following standards and interpretations entered into effect:

- amendments to IFRS 16: concessions on fees related to Covid-19 (Regulation (EU) 2020/1434), in order to provide for an optional and temporary operational support related to Covid-19 for lessees who benefit from suspension of payments due for leasing;
- amendments to IFRS 3: definition of a business activity (Regulation (EU) 2020/551), in order to respond to the concerns highlighted by the post-implementation review of IFRS 3 Business combinations regarding the difficulties encountered in the practical application of the definition of "Business activity";
- amendments to IFRS 9, IAS 39 and IFRS 7 on hedge accounting with a view to regulating the effects of the Interest Rate Benchmark reform on existing hedges and the designation of new hedging relationships (Regulation (EU) 2020/34);
- amendments to IAS 1 Presentation of Financial Statements and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors with the aim of clarifying the definition of material information and to improve its understanding (Regulation (EU) 2019/2104);
- amendments to the references to the IFRS Conceptual Framework aimed at updating existing references to the previous Conceptual Framework in various accounting standards and interpretations, replacing them with references to the revised Conceptual Framework (Regulation (EU) 2019/2075).

The above amendments had no impact on these consolidated financial statements.

b) Approved accounting standards that will come into force on 1 January 2021

There are no standards and interpretations endorsed with effect after 1 January 2021.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current (January 2020);
- IAS 16 Property, plant and equipment;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements Cycle (May 2020);
- IFRS 3 Business combinations;
- IFRS 17 Insurance contracts (May 2017).

d) Methods of application of the international accounting standards in the context of the Covid-19 pandemic

The European regulatory and supervisory bodies, as well as the standard setters, have published a series of interventions aimed also at clarifying the methods of application of the international accounting standards, with particular reference to IFRS 9, in the current context of the Covid-19 pandemic.

With particular reference to European regulatory and supervisory bodies, the main interventions are reported below.

At the monetary policy meeting of 12 March 2020, the Governing Council of the ECB decided to adopt a complex set of monetary policy measures to support liquidity and financing conditions for households, businesses and banks, as well as to help preserve the smooth provision of credit to the real economy.

On 1 April 2020, with the letter "IFRS 9 in the context of the coronavirus (COVID-19) pandemic", the ECB urges banks to opt for the application of the transitional provisions of IFRS 9 envisaged by the CRR and provides certain important indications to avoid the use of excessively pro-cyclical assumptions in determining expected credit losses pursuant to IFRS 9.

In particular, in the aforementioned letter of 1 April 2020, the ECB draws attention to the opportunity to assess the significant increase in credit risk on a collective basis if the institution is not able to identify the credit risk indicators with reference to the individual financial instruments, thus seeking, in accordance with the provisions of the accounting standard (IFRS 9 B5.5.1-6), to best approximate the effects that would have been obtained with a specific valuation. With reference to the definition of macroeconomic scenarios for the purposes of forward-looking conditioning of the expected loss, the ECB highlighted, among other things, several key aspects mentioned below:

- broadening the historical time period on which macroeconomic forecasts are made, using information covering at least one or more economic cycles, in order to reduce the distorting effect of the most recent period;
- identification of an adequate weighting factor in order to reflect in the model the probability of occurrence of each scenario used ("mild", "baseline", "adverse");
- identification of a smoothing process of the weighting factor, which is carried out by applying a higher weighting to the short-term prospects and then systematically and progressively reducing it according to the loss of relevance over more distant time periods.

Regarding the use of macroeconomic projections, the ECB recommends using as an Anchor Point the projections formulated by its staff on 12 March 2020 and subsequently updated on 4 June 2020, for the accounting periods ending 31 March 2020 and 30 June 2020 respectively. The projections of 4 June 2020 show, with reference to the baseline scenario, a drastic reduction in the GDP of the Eurozone in 2020, in the order of 8.7% and a subsequent rebound of 5.2% and 3.3%, respectively in 2021 and 2022. On 5 June 2020, the Bank of Italy released the baseline forecasts included in the aforementioned projections issued by the ECB on 4 June 2020, highlighting a more pronounced reduction in Italian GDP, in the order of 9.2% in 2020 and a subsequent rebound of 4.8% and 2.5%, respectively in 2021 and 2022. Finally, after an interim update of its forecasts in September 2020, on 10 December 2020, the ECB revised its projections for the macroeconomic variables mentioned above, forecasting, in its baseline scenario, a contraction in GDP in 2020 of 7.3%, followed by growth of approximately 3.9% in 2021 and 4.2% in 2022. On 11 December 2020, the Bank of Italy in turn updated its macroeconomic forecasts (also an integral part of the projections issued by the ECB the previous day), showing a more pronounced reduction in Italian GDP, in the order of 9.2% in 2020 and a subsequent rebound of 4.8% and 2.5%, respectively, in 2021 and 2022.

In a different respect, on 25 March 2020, with the document "Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of COVID-19 measures", the EBA provides guidelines and clarifications on the subject of loans subject to moratoria, regardless of whether they are legal or private, in relation to the aspects of classification as default, forbearance measures and finally IFRS 9 staging. In particular, the EBA clarifies in the abovementioned document that the moratorium event, per se, does not automatically trigger the classification of the borrower as default and excludes that large-scale moratoria granted to customers that were performing at the date of the moratorium and in conditions of financial equivalence may be considered as forbearance measures. Also in the document in question, the EBA clarifies that the moratoria of this type do not in themselves indicate a significant increase in credit risk, thus determining a shift to stage 2 of the loan.

Also on 25 March 2020, with the public statement "Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9", ESMA, in line with the guidelines and clarifications provided by the other supervisory (ECB) and regulatory

(EBA) bodies, clarifies that the measures to suspend payments granted to debtors in response to the pandemic crisis do not automatically determine a significant increase in credit risk and therefore the relative shift to stage 2 of the position. With the document in question, ESMA also highlighted certain crucial issues regarding the measurement of losses on loans, such as: the impacts on the expected loss related to the sudden change in the macroeconomic scenario; uncertainty of estimates due to the lack of available and reliable information; the inclusion in the assessments of the measures launched by governments to support the real economy.

Lastly, on 2 April 2020, with the document "Final Report on Payment Moratoria - Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis", the EBA detailed the criteria that must be met by the these moratoria so that they do not activate the forbearance classification.

After that date, the same body ratified the following decisions:

- on 18 June 2020, it initially extended the deadline for the granting of moratoria until 30 September 2020;
- on 2 December 2020, it further extended the above deadline to 31 March 2021.

With regard to the transparency of financial statements, ESMA, with the document of 11 March 2020 "ESMA recommends action by financial market participants for COVID-19 impact", provided guidelines and recommendations so that the financial reporting of issuers provides the current and potential, qualitative and - as far as possible - quantitative impacts of the pandemic scenario on the respective financial and economic situations. These disclosures must be provided on the basis of the information available at the date of approval of the half-yearly financial statements by the management body.

With reference to the main interventions of the standard setters, the IFRS Foundation, with the document of 27 March 2020 "Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic", while not modifying the current standard, reaffirms, in line with the EBA guidelines that government support measures to the real economy do not represent a trigger event for a significant increase in credit risk and that, therefore, it is necessary for reporting entities to perform an analysis of the conditions under which such measures are implemented, distinguishing the different possible evolving behaviours of the credit risk profiles exhibited by the individual counterparties targeted by such measures. Following this principle, the IFRS Foundation, recognising the difficulties of incorporating the effects of the pandemic and the related support measures in the models, also invites consideration of any top-down adjustments to the IFRS 9 impairment model used.

Finally, with its communication of 15 December 2020, the Bank of Italy incorporated a series of quantitative and qualitative additions to the financial statement disclosures required within the sixth update of Circular 262 "Bank financial statements: layouts and compilation rules", in order to provide the market with detailed information on the effects that Covid-19 and the measures to support the economy have had on the economic and financial situation of intermediaries.

Cassa Centrale Banca, in preparing the financial statement disclosures as at 31 December 2020, adopted the guidelines and recommendations from the aforementioned European regulatory bodies, supervisory bodies and standard setters, and at the same time took into account the assessments of the significant business activities and the support measures put in place by the Government in favour of households and businesses.

The main areas of the financial statements most affected by the effects of the pandemic and the related accounting decisions made by Cassa Centrale Banca as at 31 December 2020 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

For the purpose of calculating the Expected Loss as at 31 December 2020, Cassa Centrale Banca incorporated in its IFRS 9 impairment model the macroeconomic scenarios integrating the effects of the Covid-19 health emergency, as indicated by the European Central Bank in the aforementioned letter of 1 April 2020.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank ("Identification and measurement of credit risk as part of the coronavirus pandemic (COVID-19)").

In particular, for the purposes of the valuation of loans to customers as at 31 December 2020, the macroeconomic forecasts relating to the growth prospects of the Eurozone countries prepared by the ECB together with the individual Central Banks, including the Bank of Italy, were used and published on 4 June 2020, as the "anchoring point" of internal forecasts. The decision to confirm, also for 31 December 2020, the use of the macroeconomic forecasts released on 4 June 2020 and consequently of the probability of default (PD) and loss given default (LGD) levels already assessed as consistent on that occasion, rather than the updated forecasts released in December 2020, was dictated by forward-looking considerations which, from a more conservative and prudential viewpoint, postponed the incorporation of economic growth forecasts for the next three years into the models, due to the growing uncertainties regarding their prospective confirmation. This approach is based on the need to process the impairment data at 31 December 2020, anchoring the development of the forward-looking perspective of the risk parameters that influence its determinations to a scenario (among those issued by the European Central Bank or Bank of Italy) as close as possible to the economic and health conditions existing at the date of application, and capable of factoring into its dynamics the recent new lockdowns and social distancing due to the resurgence of the pandemic crisis that has severely affected the economic system during 2020, which were not adequately reflected in the latest available scenarios released at the beginning of December by the ECB and Bank of Italy.

The forecasts produced by the central authorities primarily refer to a 'baseline' scenario, but an alternative 'adverse' scenario was also issued, while only a few indications of a 'mild' scenario were provided. In this regard, the "mild" scenario was implemented following the information contained in the ECB and Bank of Italy documents, applying the GDP growth profile of the Eurozone indicated and maintaining the unemployment and inflation rate for Italy on values compatible with those specified for the Eurozone.

In order to limit the volatility inherent in short-term forecasts, as recommended by the ECB itself, the forecast period was extended to 2023-2024 by incorporating the information included in the aforementioned ECB/Bank of Italy forecasts, limited to the 2020-2022 period, as a constraint in the internally developed forecast dataset, which is consistent with Prometeia's May 2020 Forecast Report. In particular, the deviation at the end of 2022 between the ECB/Bank of Italy scenario and that of Prometeia was kept constant.

For the purpose of calculating the expected loss as at 31 December 2020, the Bank used the three aforementioned scenarios ("mild", "baseline", "adverse"), appropriately averaging their contributions.

In order to meet the need to attribute different weights to short and medium/long-term scenarios, favouring medium/long-term scenarios over time, the Bank has adopted a variable weighting mechanism between the short-term and medium/long-term forecast components aimed at encouraging convergence towards the long-term average.

In 2020, Cassa Centrale Banca implemented several changes to the models for quantifying flat-rate analytical impairment provisions for credit risk in response to the effects of the Covid-19 health emergency, in compliance with the requirements of IFRS 9 to incorporate the guidance resulting from ECB publications (SSM-2020-0154 and SSM-2020-0744) and GL EBA (EBA-GL-2020-02) as well as other Standard Setters. The measures implemented, guided primarily by a conservative approach, pursued the objective of limiting potential future "cliff effects" as well as identifying the economic sectors at greatest risk, while ensuring the reduction of elements of potential distortion in estimates.

In order to reflect in a forward-looking perspective the higher riskiness developed during the year as well as the uncertainty on forward-looking dynamics, in line with ECB provisions, IFRS 9 credit risk factors were included (with effects on staging and ECL). The expectations and projections of the scenarios published by the ECB were penalised (by downgrading of creditworthiness) in certain economic sectors and geographical areas most exposed to the negative effects of the pandemic crisis.

For the purposes of calculating expected losses, access to support measures such as government guarantees issued as part of new lending or past positions have been consistently factored into the ECL calculation by taking into account a specific LGD linked to the expected loss assessment of the government as guarantor (in a kind of LGD substitution of the internal model) as a fraction of the guaranteed portion of the exposure, also for the residual portion assessed on the basis of the internal LGD model (these approaches have no effect in terms of stage allocation).

The positions with access to support measures, such as moratorium measures, were consistently assessed through internal rating systems, with the aim of accurately capturing the level of risk at the reference date, as well as identifying any significant increases in the risk of credit for classification in stage 2.

In compliance with the requirements of Article 14 of the "Guidelines on Legislative and Non-Legislative Moratoria on Loan Payments Applied in the Light of the Covid-19 Crisis" issued by the EBA (EBA/GL/2020/02), the Bank has set up an enhanced monitoring system aimed at verifying punctually the positions that have benefited from a Covid-19 moratorium.

This test was focused on exposures to customers that benefited from the Covid-19 moratorium and that present risk indicators such as to determine a potential downgrading of the same to unlikely to pay.

The above considerations had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Accounting treatment of Covid-19 moratoria

The Cassa Centrale Group has adopted a policy that governs, among other aspects, the accounting treatment of contractual amendments relating to financial assets. This policy states that changes made to exposures for which the borrower has been found to be in financial difficulty (known as Forborne) lead to a change in the carrying amount of the financial asset, resulting in the need to recognise a gain or loss in item 140. "Profits/losses from contractual changes without derecognition" in the income statement (so-called Modification accounting).

On the basis of the indications provided by the European Banking Authority in the document "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" of 4 April 2020 (EBA/GL/2020/02), the moratoria granted to customers ex lege (mainly Law-decree 18 of 17.03.2020) and in application of trade agreements (ABI Agreements), have not been considered as an expression of the financial difficulty of the debtor, for all cases granted by 30.09.2020. Therefore, the aforementioned positions were not classified as Forborne exposures. In the case of concessions that also refer to legislation or national agreements, but were granted after 01.10.2020, Cassa Centrale Banca made a specific assessment of whether or not the requirements for the assignment of the Forborne attribute were met, given that with the communication of 21.09.2020, EBA declared the interruption of the exemptions, previously provided for the moratoria granted as a result of the health emergency, to 30.09.2020. However, the subsequent reoccurrence of the pandemic prompted a change in the EBA's stance, as expressed in the Amendment of 02.12.2020, from which date moratoria based on national law or agreements were further exempted from the requirement to assess the counterparty's distress status. This benefit therefore refers to the moratoria granted between 2 December 2020 and 31 March 2021, fully assimilating them to those granted before 30 September 2020.

Based on the various guidelines issued by the European Banking Authority during 2020, the conduct adopted by Cassa Centrale Banca in granting moratoria can be outlined as follows:

- from 17/03/2020 to 30/09/2020, there was a complete exclusion of the moratoria from the scope of assessment and application of forbearance for all suspensions based on law or general agreements;
- from 01/10/2020 to 01/12/2020, the forborne attribute was assigned by applying the ordinary rules envisaged by the "Group Policy for the classification and valuation of loans";
- finally, from 2 December 2020, the same conduct was adopted for the Covid-19 moratoria between 17/03/2020 and 30/09/2020.

In relation to the above, therefore, all moratoria granted to customers in the first and third points have not been treated according to modification accounting as they do not qualify as forbearance measures.

For all other moratoria granted by Cassa Centrale Banca on the basis of common initiatives promoted, or in any case in the absence of the objective and subjective requirements provided for by legislation or general agreements of national scope, the criteria for distinguishing between commercial renegotiations (non-forborne) and forbearance measures (forborne) were applied, as provided for by the aforementioned "Group Policy for the classification and measurement of loans".

Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO III)

At the balance sheet date, Cassa Centrale Banca had outstanding refinancing operations through the Eurosystem related to the TLTRO-III programme for a book value of EUR 11,923 million, which resulted in a positive contribution to the interest margin of EUR 17,471 million during the year.

Cassa Centrale Banca has assessed that the transactions of the TLTRO-III program cannot be assimilated to loans at an interest rate lower than the market rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the reporting date, as the monitoring time window for the achievement of the performance targets for credit disbursements under the TLTRO-III programme was still open, and as the European Central Bank, at the meeting of the Governing Council on 10 December 2020, introduced a new monitoring time window for credit disbursements expiring on 31 December 2021, Cassa Centrale Banca prudentially assessed that there were no elements for attributing economic conditions other than standard ones to the existing TLTRO-III operations.

Consequently, the methodology used to apply the interest rate to the existing TLTRO-III transactions envisaged the following assumptions:

- failure to achieve the performance objectives of loan disbursements over the envisaged time windows;
- stability of the reference rates of the European Central Bank until the maturity of the operations;
- maintenance of transactions until natural maturity.

Measurement of securities at fair value

The Bank's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets measured at fair value through other comprehensive income, exceeding certain thresholds, were measured as at 31 December 2020. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to normalise the impacts of significant short-term fluctuations in stock market prices due to the context of high market volatility, in the application of market methods (stock market multiples and regression analysis), it was considered appropriate to extend the time period of the stock market capitalisations of the comparable companies used as a reference for the valuations to at least 6 months.

e) Audit of the annual accounts

The financial statements are audited by the independent auditors KPMG S.p.A., in execution of the Resolution of the Shareholders' Meeting of 22 May 2010, which assigned this company the task of auditing the accounts for the period 2010-2018. With CONSOB resolution no. 20934 of 14 May 2019, the request for an extension of the duration of the statutory audit assignment for two years (2019 and 2020) for Cassa Centrale Banca was accepted, pursuant to Article 17, para. 6 of Regulation (EU) no. 537/2014. The Shareholders' Meeting of Cassa Centrale Banca on 28 May 2019 therefore appointed KPMG S.p.A. for the financial years 2019 and 2020.

f) Government Grants Received

In this regard, it should be noted, also in accordance with the provisions of so-called 'Annual Market and Competition Law' (Law no. 124/2017), that the Bank did not receive in the 2020 financial year contributions from the Public Administrations tied to exposure.

g) Transfer of the "Tax bonus" tax credit - Law no. 77 of 17 July 2020

In order to counter the negative economic effects of the spread of the Covid-19 pandemic, the Italian Government issued a series of measures in Law no. 77 of 17 July 2020, converting, with amendments, the 'Rilancio' law-decree, which, among other things, allows, under certain conditions, for a tax deduction for expenses incurred on certain cases.

The law also allows the taxpayer to opt, in place of the direct use of the deduction, to transfer the corresponding tax credit to other parties, including credit institutions and financial intermediaries who, in turn, may make subsequent transfers.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 "Income taxes" as it cannot be assimilated to taxes that affect the ability of the company to produce income;
- does not fall within the scope of the definition of government grants according to IAS 20 "Accounting for government grants and disclosure of government assistance" as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 "Financial instruments" as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 "Intangible assets", as the tax credits in question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/Consob/Ivass Document No. 9 ("Accounting treatment of tax credits related to the "Cura Italia" and "Rilancio" Law-decrees acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. In the case of Cassa Centrale Banca, the Hold To Collect business model was chosen, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortised cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the tax credit, equal the purchase price of the same receivables;
- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses;
- the reference business model at Group level, as already mentioned above, is the Hold to Collect (HTC), as the intention of the purchasing Bank is normally to hold them until maturity, offsetting them against tax credits over a period of five years; this consideration is always verified if the purchases of the transferee Bank fall within the limits of the Group's ceiling;
- SPPI Test: The mechanism of compensation in fifths ensures that the test is passed because each fifth offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of the separate financial statements are shown below.

1 - Financial assets measured at fair value through profit or loss

Classification criteria

Financial assets measured at fair value through profit or loss include:

- financial assets which, according to the business model of the Bank, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets measured at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item "b) financial assets measured at fair value";
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are measured at fair value as per mandatory requirements. These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item "c) other financial assets obligatorily measured at fair value".

Therefore, the Bank recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity security at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the Senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the income statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the income statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are valued at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with “customers” counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph “A.4 - Information on fair value” of this part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (so-called fair value option), are entered in the income statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the income statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss for instruments mandatorily measured at fair value and for instruments measured at fair value.

2 - Financial assets measured at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
    - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (Hold to Collect and Sell business model);
    - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid;
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
    - shall be made at the time of initial recognition of the instrument;
    - must be carried out at the level of the individual financial instrument;
    - is irrevocable;
    - is not applicable to instruments that are held for trading or represent contingent consideration recognised by an acquiror in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the Senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been valued at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets measured at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross carrying amount. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the repayment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

With reference to the methods used to determine the fair value of financial assets, please refer to paragraph "A.4 - Information on fair value" of this Part A.

It should also be noted that financial assets measured at fair value through other comprehensive income, both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as financial assets measured at amortised cost. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables - calculated on the basis of the effective interest rate - is recognised in the income statement on an accruals basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the income statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve are reversed, wholly or partly to the income statement (recycling).

With reference to equity instruments, the only component that is recognised in the income statement is dividends. The latter are recognised in the Income Statement only when (para. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be subsequently transferred to the income statement even if they are realised (no recycling).

3 - Financial assets measured at amortised cost

Classification criteria

Assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually (Hold to Collect business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Bank recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Also included are loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included under item "10. Cash and cash equivalents";
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model - which in any case should very rarely happen - must be decided by the Senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets measured at fair value through other comprehensive income or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification which, in fact, coincides with the first day of the first financial year following that in which the change to the business model was approved.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the income statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases the financial asset is considered impaired upon initial recognition (so-called impaired financial assets acquired or originated), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the Income Statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered impaired financial assets acquired or originated on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is not maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. Distinguishments can be made between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They entail the recognition in the income statement of any differences between the carrying amount of the derecognised financial asset and the carrying amount of the newly recognised asset;

- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment carrying amount and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under item "10. Interest income and similar revenues" and is recorded on an accruals basis, based on the effective interest rate, i.e. applying the latter to the gross carrying amount of the financial asset, except for:

- impaired financial assets acquired or originated. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are performing financial assets acquired or originated but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in letter b) above, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross carrying amount.

It should be noted that the Bank applies the criterion referred to in letter b) above only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at each reporting date in the income statement under item "130. Net value adjustments/write-backs due to credit risk". Profits and losses resulting from the sale of receivables are recorded in the income statement under item "100. Profit (loss) from disposal/repurchase".

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the income statement items relating to interest.

Profits and losses relating to securities are recognised in the income statement under item "100. Profit (loss) from disposal/repurchase" at the time the assets are sold.

Any impairment of securities is recognised in the income statement under item "130. Net value adjustments/write-backs due to credit risk". If the reasons that led to the evidence of the decline in value are removed, the write-back is included with recognition in the income statement in the same item.

4 - Hedging transactions

With regard to hedging transactions, the Bank avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a statement of financial position entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk associated to a highly probable present or future statement of financial position entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non Euro country or currency.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the statement of financial position asset or liability item, depending on whether, as at the reporting date, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the income statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The hedging derivatives are cancelled when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the income statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the income statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the statement of financial position, respectively, in the financial statements item "60. Adjustment of the financial assets subject to macro-hedging" or item "50. Adjustment of the financial liabilities subject to macro-hedging".

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and that which would have been its carrying amount if the hedge had never existed, is amortised in the income statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non interest bearing financial instruments, it is recorded immediately in the income statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the income statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the income statement when the flows relating to the risk originally hedged occur.

5 - Equity investments

Equity investments means stakes in the capital of other companies, generally represented by shares or holdings and classified as controlling interests, interests carrying significant influence and joint ventures.

The following definitions in particular apply:

- subsidiary: equity investments in companies as well as investments in entities over which the parent company exercises control of the relevant activities in compliance with IFRS 10. More specifically, 'an investor controls an investment when it is exposed, or has rights, to variable returns from its involvement with the investment and has the ability to affect those returns through its power over the investment'. The power requires the investor to have existing rights that give the current ability to direct the activities that significantly affect the investee's returns. Power is based on an ability, whether or not that power is used in practice. Control is analysed on a continuous basis. The investor must redetermine whether it controls an investee when facts or circumstances indicate changes in one or more elements of control;

- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Bank, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investee company. Such influence is presumed (relative presumption) to exist for companies in which the Bank owns at least 20.00% of the voting rights of the investee company;
- jointly controlled companies (joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Equity investments that in the separate financial statements of individual participating entities do not have the characteristics to be considered as investments in subsidiaries or associates, but instead, at a consolidated level, qualify as such, already in the separate financial statements of the individual Group entities, as equity investments subject to significant influence and are consistently classified in the Equity investments item, being valued accordingly at purchase cost. In such cases, the significant influence is demonstrated by the fact that the equity investment of the individual Group entity is instrumental in achieving control or connection at Group level.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Equity investments in subsidiaries, associates and jointly controlled companies are valued using the cost method as measurement criterion, net of any impairment losses.

If there is objective evidence of impairment, an estimate is made of the recoverable value of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable value of the asset is lower than its carrying amount, the impairment loss is recognised in the income statement under item "220. Profits (losses) on equity investments".

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flow from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recorded under the item "70. Dividends and similar income". The latter are recognised in the Income Statement only when (para. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item "220. Profits (losses) on equity investments".

6 - Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

"Property for business use" is defined as those tangible fixed assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are entered under 'Other Assets' and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the income statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the right of use model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the long-lasting reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and the value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for long-lasting value impairment is recorded for an amount corresponding to the excess in the carrying amount compared to the recoverable value. The recoverable value of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the income statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value, it being understood that the carrying amount of the asset is compared with its recoverable value if there is any indication that the asset may have suffered an impairment. Any adjustments are recognised in the income statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the statement of financial position at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the carrying amount of the asset; they are recorded in the income statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments for impairment and write-backs of tangible assets is recorded in the income statement item “180. Net value adjustments/ write-backs to tangible assets”.

In the first year the amortisation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the carrying amount might not be recoverable. These impairment losses are recognised in the income statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In item “250. Profit (Loss) from disposal of investments”, the positive or negative balance between the profits and losses on investments is recognised.

7 - Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the income statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with finite useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the amortisation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable value of the asset. The amount of the impairment, recorded in the income statement, is equal to the difference between the carrying amount of the asset and its recoverable value.

Derecognition criteria

Intangible assets are eliminated from the statement of financial position at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the carrying amount of the asset and entered in the income statement.

Criteria for the recognition of the income components

In the first year the amortisation is recorded proportionally to the effective period of using the asset.

In item "190. Net value adjustments/write-backs to intangible assets", the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In item "250. Profit (Loss) from disposal of investments", the positive or negative balance between the profits and losses on investments is recognised.

8 - Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose carrying amount will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

For the sale to be highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a buyer and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups held for disposal, as well as 'discontinued operations', and related liabilities are reported under specific asset items ('Non-current assets and groups of assets held for disposal') and liability items ('Liabilities associated to assets held for disposal').

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the carrying amount and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their carrying amount and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the statement of financial position at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable value at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

The income taxes, calculated in compliance with current taxation regulations, are recorded in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the related taxation is recognised, for consistency, in equity.

Criteria for the recognition of the income components

Income and expenses, valuation results and profits/losses on sale (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant income statement item "290. Profit (loss) after tax from discontinued operations".

9 - Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under 'Current tax liabilities' of the Statement of financial position.

In case of overpayment, which gave rise to a recoverable receivable, this is accounted for among the 'Current tax assets' of the statement of financial position.

In accordance with IAS 12, the Bank compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the so-called balance sheet liability method, taking into account the temporary differences between the carrying amount of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the statement of financial position and its value recognised for tax purposes. These differences are distinguished between 'deductible temporary differences' and 'taxable temporary differences'.

Deferred tax assets

Deductible temporary differences indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

Deferred tax assets are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

Taxable temporary differences indicate a future increase in taxation and consequently generate Deferred tax liabilities, since these differences give rise to taxable amounts in the following years to those when they are attributed to the statutory income statement, determining a deferment of the taxation compared to the economic-statutory accrual.

Deferred tax liabilities are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting and are booked in item "100. Tax assets b) deferred" and in item "60. Tax liabilities b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the income statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the income statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

10 - Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- Provision for credit risk relative to commitments and financial guarantees issued: the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- Provision for other commitments and guarantees issued: the value of the total provisions in respect of other commitments and other guarantees issued which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- Provisions for retirement and similar obligations includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- Other provisions for risks and charges: these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and Seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the income statement, in item "170. Net allocations to provisions for risks and charges".

The item includes the positive or negative balance between the allocations and any re-attributions to the income statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11 - Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than Financial liabilities held for trading and Financial liabilities measured at fair value.

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) valued at amortised cost. Securities that, at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the income statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the income statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the income statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding carrying amount of the liability is entered in the income statement, under item "100. Profit (loss) from disposal/repurchase of: c) Financial liabilities".

12 - Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, paragraph 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the statement of financial position date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the statement of financial position; if the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets measured at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For further details on how fair value is determined, please refer to paragraph below "A.4 - Information on fair value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the income statement under item "80. Net result from trading".

13 - Financial liabilities measured at fair value

Classification criteria

Classified in this item are those financial liabilities measured at fair value with valuation results entered in the income statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is measured at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities measured at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the income statement.

Measurement criteria

Liabilities are measured at fair value. The income components are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve ('Statement of comprehensive income');
- the remaining changes in fair value are recognised in the income statement, under item "110. Net result of other financial assets and liabilities measured at fair value through profit or loss".

For further details on how fair value is determined, please refer to paragraph below "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial liabilities measured at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the carrying amount of the liability and the amount paid to purchase is recorded in the income statement.

The re-placement on the market of own shares after their repurchase is considered as a new issue with entry at the new placement price, without any effect on the income statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the interest expense and similar charges of the income statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve ('Statement of comprehensive income');
- the remaining changes in fair value are recognised in the income statement, under item "110. Net result of other financial assets and liabilities measured at fair value through profit or loss".

14 - Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

Transactions in foreign currencies are recorded, at the time of initial recognition, in a currency account, by applying the exchange rate in force at the transaction date to the amount in a foreign currency.

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items valued at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the income statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the equity, the exchange rate difference relating to this element is also recorded in the equity.

When a profit or loss is recorded in the income statement, the related exchange rate difference is also recorded in the income statement.

15 - Other information

15.1 SALES AND REPURCHASE CONTRACTS (REPOS)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or down payments to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 PROVISION FOR SEVERANCE INDEMNITY AND SENIORITY BONUSES

Provision for severance indemnity (TFR) is similar to a "post-employment benefit" of the "defined benefit plan" type for which, according to IAS 19, its value must be determined using actuarial methods.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the T.F.R. accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee T.F.R. was carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Italian Legislative Decree 252/2005, the portions of the provision for severance indemnity (T.F.R.) accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to complementary pension plans or the INPS fund.

The latter were therefore recognised in the income statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the T.F.R. paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the income statement sub-item "190. a) Personnel costs".

These cases are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among 'Other liabilities') for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the "Statement of comprehensive income".

The 'other long-term benefits' described by IAS 19 include the Seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the Seniority bonus is recorded under the provisions for risks and charges of the statement of financial position.

The allocation, as the reattribution to the Income Statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the Income Statement among the "Personnel costs".

15.3 RECOGNITION OF REVENUES AND COSTS

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;

- recognition of revenues when (or as) the obligation to do is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

- at a given time, when the entity meets its obligation to do so by transferring the promised good or service to the customer; or
- over a period of time, as the entity meets its obligation to do by transferring the promised good or service to the customer.

With reference to point b) above, a 'performance obligation' is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer receives and consumes the benefits at the same time as the entity carries out the performance;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are i) the payment obligation ii) the legal title to the right for the consideration accrued iii) the physical possession of the asset iv) the transfer of the risks and benefits connected with ownership v) acceptance of the asset.

With regards to revenues realised over a period of time, the Bank adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Bank are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the income statement only at the time of its actual collection;
- the dividends are recorded in the income statement in the period in which their distribution is resolved, which coincides with the period when they are collected;
- the commissions for revenues from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered.

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the income statement according to the accrual principle; the costs relating to the obtainment and fulfilment of the contracts with the customer are recognised in the income statement in the periods in which the associated revenues are recognised.

15.4 IMPROVEMENTS TO THIRD-PARTY ASSETS

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the 'Other assets' and are amortised for a period not exceeding the duration of the lease.

15.5 METHODS OF RECOGNITION OF IMPAIRMENT LOSSES

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment - to be carried out at each reporting date - to verify whether there are any indicators that these assets may be impaired (so-called impairment indicators).

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model adopted by the Bank, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

As a result of the Covid-19 pandemic, during the year Cassa Centrale Banca implemented several refinements to the IFRS 9 impairment model to reflect the guidance and recommendations contained in the various guidelines issued by the regulators. For more details on the aforementioned refinements, please refer to paragraph "d) Methods of application of international accounting standards in the context of the Covid-19 pandemic" included in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'Low Credit Risk';
- in stage 3, non-performing positions.

More specifically, the Bank made provision for the allocation of the individual credit, cash and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
  - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
  - positions which, at valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- rating class of less than or equal to 4.

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;

- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset (lifetime expected loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, Cassa Centrale Banca has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks has been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Bank adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The risk parameters (PD and EAD) are calculated by the impairment model.

The LGD parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the first stage of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In the second stage, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments falling within stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events took place as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- The 12-month ECL represents the expected value of the loss estimated on an annual basis;
- The lifetime ECL is the estimate of expected loss until maturity of the security;
- The estimate parameters of the ECL are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Bank to determine allocations for impaired loans (stage 3) measured at amortised cost or at FVOCI requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- cash exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- cash exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- cash exposures classified as unlikely to pay that exceed the size threshold;
- cash exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 200,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable value (valuation component), the Bank adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- going concern approach, which applies only to business counterparties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
  - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
    - updated, complete and regular official financial statements;
    - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of

the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;

  - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;

- the debtor's future operating cash flows are adequate to repay the financial debt to all creditors.

- gone concern approach, which applies mandatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable value (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable value of the investment is lower than its carrying amount.

The recoverable value is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the carrying amount.

For the valuation methods used to determine fair value, reference should be made to paragraph "A.4 - Information on fair value" in this part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable value is higher than the carrying amount of the equity investment, no impairment loss is recognised; otherwise, an impairment loss is recognised in item "250. Profits (losses) on equity investments".

Should the recoverable value subsequently be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at fair value (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by para. 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property that hosts the Management (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets - and not a single asset - that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable value (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative carrying amount.

If and only if the recoverable value of an asset or of the CGU is lower than its carrying amount, the latter must be reduced to the recoverable value, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Bank is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress);

Other intangible assets (e.g. those with a defined useful life such as core deposits acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by para. 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable value is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite life, represented mainly by goodwill, as mentioned above, are tested annually for recoverability. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable value, which will be compared with their carrying amount in order to quantify any impairment. The recoverable value is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36, at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the carrying amount of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit (CGU) in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A CGU is written down when its carrying amount is higher than its recoverable value. In substance, it is necessary to write down the asset or the CGU because it suffers an impairment loss either because the cash flows deriving from the use of the asset are not sufficient to recover the carrying amount of the asset, or because the asset would be sold at a value lower than its carrying amount.

15.6 BUSINESS COMBINATIONS

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the parent company (acquiror) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the acquiror and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the acquiror's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the income statement.

15.7 ACCRUALS AND DEFERRALS

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 OWN SHARES

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity.

15.9 PAYMENTS BASED ON SHARES

This case does not apply as Cassa Centrale Banca does not have a so-called stock option plan in place on bank-issued shares.

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

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

The Bank has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

Type of financial instrument (1)	Portfolio of origin (2)	Destination portfolio (3)	Fair value as at 31/12/2020 (4)	Gains/losses in the absence of transfer to the income statement (before tax)		Gains/losses in the absence of transfer to equity (before tax)	
				31/12/2020 (5)	31/12/2019 (6)	31/12/2020 (7)	31/12/2019 (8)
A	**DEBT SECURITIES**		**-**	**-**	**-**	**-**	**(3,076)**
010	Financial assets held for trading	Financial assets measured at amortised cost	-	-	-	-	-
020	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	-	-	-	-	-
050	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	-	-	-	-	(3,076)

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

The Bank has nothing to report for the year covered by these financial statements.

A.4 - Information on fair value

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value policy of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the fair value hierarchy.

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Bank has equipped itself with tools to identify and monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on valuation models.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

a. Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Bank has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. The prices that are recorded on these markets to which the Bank has access are considered level 1 prices. For example, the following are classified at this level of fair value:

    - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
    - shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
    - UCITS mutual funds.

b. Level 2: fair value is determined on the basis of valuation techniques that envisage:

- reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
- valuation models using inputs observable on active markets.

More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Bank refers to prices in markets where the stringent requirements of the active market are not met or to valuation models - also developed by info providers - aimed at estimating the price at which a regular sale or transfer of a liability between market operators would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:

- the prices of similar financial assets/liabilities;
- interest rates and yield curves observable at commonly quoted intervals;
- implied volatility;
- credit spread;
- inputs corroborated by the market based on observable market data.

The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

- non-governmental bonds for which a price is available on a non-active market;
- securities for which the valuation is provided by a third party provider using inputs observable on active markets;
- securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
- shares that are not listed on an active market;
- OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.

c. Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:

- unlisted minority equity investments;
- insurance investment products;
- unlisted non-UCITS funds;
- Junior securitisation securities;
- unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

Information of a qualitative nature

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal model is used to determine fair value.

The valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same Seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by Affiliated Banks or other cooperative credit banks, the rating class is determined on the basis of the creditworthiness of the Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used.

Given the predominant use of observable inputs, the fair value thus determined is classified at level 2.

Derivatives

The fair value of Over the Counter (OTC) derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in statement of financial position assets, IFRS 13 confirmed the rule of applying the Credit Valuation Adjustment - CVA. With regard to financial liabilities involving OTC derivatives, IFRS 13 introduces the Debit Valuation Adjustment (DVA), i.e. an adjustment to fair value which aims to reflect its own default risk on those instruments.

The Bank therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA - Minimum Transfer Amount (that is the difference between the fair value of the contract and the value of the guarantee) under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Bank, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (Market Approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples).

- income methodologies (income approach): these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) Discounted Cash Flow (DCF); ii) Dividend Discount Model (DDM); iii) Appraisal Value.
- Adjusted Net Asset Value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Bank verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Bank uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the Fair Value Policy approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and AIFs are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

For this reason, the NAV used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI test or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the IFRS 9 model used to estimate value adjustments.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a Discounted Cash Flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the Seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 PROCESSES AND SENSITIVITIES OF THE VALUATIONS

The Bank generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euroswap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

A.4.3 FAIR VALUE HIERARCHY

For a description of the fair value hierarchy levels envisaged by the Bank, please refer to paragraph "A.4 - Information on fair value" above.

With reference to assets and liabilities measured at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 OTHER INFORMATION

The Bank does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Bank, with reference to derivatives concluded with financial counterparties with which it stipulated framework offsetting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

The CVA/DVA calculated at portfolio level is allocated to the individual derivative contracts based on the fair value of the said individual contracts forming the object of the offsetting agreements.

Information of a quantitative nature

A.4.5 FAIR VALUE HIERARCHY

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

	31/12/2020			31/12/2019		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets measured at fair value through profit or loss	221,095	35,763	43,821	56,002	28,223	24,717
a) financial assets held for trading	-	35,463	-	-	25,036	-
b) financial assets measured at fair value	146,250	300	20,301	-	3,187	-
c) other financial assets obligatorily measured at fair value	74,845	-	23,520	56,002	-	24,717
2. Financial assets measured at fair value through other comprehensive income	853,726	-	66,142	899,899	-	99,173
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,074,821**	**35,763**	**109,963**	**955,901**	**28,223**	**123,890**
1. Financial liabilities held for trading	-	36,077	-	-	24,163	-
2. Financial liabilities measured at fair value	-	-	163,827	-	3,286	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**36,077**	**163,827**	**-**	**27,449**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) other financial assets obligatorily measured at fair value				
1. OPENING BALANCES	**24,717**	**-**	**-**	**24,717**	**99,173**	**-**	**-**	**-**
2. INCREASES	**20,319**	**-**	**20,301**	**18**	**1,521**	**-**	**-**	**-**
2.1. Purchases	20,016	-	20,000	16	559	-	-	-
2.2. Profit attributed to:	303	-	301	2	762	-	-	-
2.2.1. Income Statement	303	-	301	2	762	-	-	-
- of which capital gains	184	-	184	1	-	-	-	-
2.2.2. Equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	200	-	-	-
3. DECREASES	**1,216**	**-**	**-**	**1,216**	**34,552**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	6,050	-	-	-
3.2. Repayments	-	-	-	-	-	-	-	-
3.3. Losses attributed to:	182	-	-	182	28,501	-	-	-
3.3.1. Income Statement	182	-	-	182	-	-	-	-
- of which capital losses	182	-	-	182	-	-	-	-
3.3.2. Equity	-	X	X	X	28,501	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1,034	-	-	1,034	-	-	-	-
4. CLOSING BALANCES	**43,821**	**-**	**20,301**	**23,520**	**66,142**	**-**	**-**	**-**

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

	Financial liabilities held for trading	Financial liabilities measured at fair value	Hedging derivatives
1. OPENING BALANCES	**-**	**-**	**-**
2. INCREASES	**-**	**163,827**	**-**
2.1 Issues	-	162,019	-
2.2. Losses attributed to:	-	1,808	-
2.2.1. Income Statement	-	1,808	-
- of which capital losses	-	1,808	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. DECREASES	**-**	**-**	**-**
3.1. Repayments	-	-	-
3.2. Repurchases	-	-	-
3.3. Profit attributed to:	-	-	-
3.3.1. Income Statement	-	-	-
- of which capital gains	-	-	-
3.3.2. Equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. CLOSING BALANCES	**-**	**163,827**	**-**

At the balance sheet date, the Bank holds financial liabilities measured at fair value on a recurring basis (Level 3) relating to the funding from the Affiliated Banks of readily available funds to establish the “ex-ante portion” of the cross-guarantee, as set out in Annex A to these Explanatory Notes.

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

ASSETS/LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2020				31/12/2019			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	21,965,817	2,726,911	127,032	19,285,154	6,814,349	2,242,668	149,618	4,498,360
2. Tangible assets held for investment purposes								
3. Non-current assets and groups of assets held for disposal								
Total	**21,965,817**	**2,726,911**	**127,032**	**19,285,154**	**6,814,349**	**2,242,668**	**149,618**	**4,498,360**
1. Financial liabilities measured at amortised cost	22,199,861		10,088	22,189,773	7,060,784		10,087	7,050,696
2. Liabilities associated to assets held for disposal								
Total	**22,199,861**	**-**	**10,088**	**22,189,773**	**7,060,784**	**-**	**10,087**	**7,050,696**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 - Information on ‘day one profit/loss’

A.5 Information on ‘day one profit/loss’

DAY ONE PROFIT/LOSS	
1. Opening balances	**2,080**
2. Increases	**0**
2.1 New operations	0
3. Decreases	**(54)**
3.1 Income Statement releases	(54)
4. Closing balances	**2,026**

In accordance with the provisions of IFRS 9, the initial recognition of financial instruments must be at fair value. Normally, the fair value of a financial instrument at the date of initial recognition coincides with the "transaction price" which in turn is equal to the amount disbursed for financial assets or the amount collected for financial liabilities.

In residual cases in which the fair value of a financial instrument does not coincide with the "transaction price", it is necessary to estimate the same fair value through the use of valuation techniques. The 'day one profit/loss' information included in this section refers to any differences between the transaction price and the fair value obtained using valuation techniques that arise on initial recognition of a financial instrument and that are not immediately recognised in profit or loss, in accordance with paragraph B5.1.2 A of IFRS 9.

With regard to the above, under IFRS 7, paragraph 28, the Bank does not recognise a gain or loss on initial recognition of the financial asset or financial liability because the fair value is not evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) nor is it based on a valuation technique that uses only observable market data (see paragraph B5.1.2 A of IFRS 9). The difference between the fair value at the time of initial recognition and the transaction price reflects a change in the factors (including time) that market participants would take into account in determining the price of the asset or liability (see paragraph B5.1.2 A, letter b) of IFRS 9).

In the present case, the day one loss arose on the subordinated T2 bond issued by Cassa Padana and subscribed by Cassa Centrale Banca in the context of a support intervention carried out in application of the Cross Guarantee (IPS) scheme. The aforementioned bond loan was subscribed on 15 September 2020 for a nominal value of EUR 20 million at a coupon rate of 2% and maturing on 15 September 2027. The financial instrument in question, constituting part of the separate assets constituted through the financing destined for a specific business, pursuant to Articles 2447-bis, letter b) and 2447-decies of the Italian Civil Code, was designated at fair value. The carrying amount as at 31 December 2020 was EUR 20,301 thousand. The fair value is level 3 because the fair value measurement model of this financial instrument uses as input the interest rate curve of the T2 subordinated interbank loan market which, in this case, is not considered representative of an observable input for the valuation of a T2 subordinated loan underwritten by the Parent Company as part of a support intervention carried out in application of the Cross Guarantee (IPS) scheme.

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	174,430	151,003
b) Deposits on demand at central banks	6,318	-
Total	**180,749**	**151,003**

The sub-item "Cash" includes foreign currencies for a value equal to EUR 8,669 thousand.

The sub-item "Deposits on demand at central banks" includes liquidity - forming part of the "ex-ante portion" of the cross-guarantee - deposited in the dedicated Bank of Italy account.

For further details, please refer to the Annex "Statement of Guarantee Scheme as at 31/12/2020".

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

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	35,463	-	-	25,036	-
1.1 trading	-	35,463	-	-	25,036	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 Connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**35,463**	**-**	**-**	**25,036**	**-**
Total (A+B)	**-**	**35,463**	**-**	**-**	**25,036**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2020	Total 31/12/2019
A. CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS	**-**	**-**
a) Central counterparties	-	-
b) Other	35,463	25,036
Total (B)	**35,463**	**25,036**
Total (A+B)	**35,463**	**25,036**

2.3 Financial assets measured at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1.DEBT SECURITIES	**146,250**	**300**	**20,301**	**-**	**3,187**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	146,250	300	20,301	-	3,187	-
2. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**146,250**	**300**	**20,301**	**-**	**3,187**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Item "1. Debt securities - Other debt securities" includes the investments forming part of the "ex-ante portion" of the cross-guarantee:

the breakdown of the investments of the "ex ante portion" through the loan allocated as at 31 December 2020 is shown below:

- Italian Government bonds for EUR 146,250 thousand;
- Subordinated debt securities deriving from support interventions for EUR 20,301 thousand.

For further details, please refer to the Annex "Statement of Guarantee Scheme as at 31/12/2020".

2.4 Financial assets measured at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2020	Total 31/12/2019
1. DEBT SECURITIES	**166,851**	**3,187**
a) Central Banks	-	-
b) Public bodies	146,250	-
c) Banks	20,601	3,187
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. LOANS	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**166,851**	**3,187**

2.5 Other financial assets obligatorily measured at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	43	-	-	41
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	43	-	-	41
2. Equities	-	-	-	335	-	-
3. UCITS units	74,845	-	121	55,667	-	288
4. Loans	-	-	23,356	-	-	24,388
4.1 Repos	-	-	-	-	-	-
4.2 Others	-	-	23,356	-	-	24,388
Total	**74,845**	**-**	**23,520**	**56,002**	**-**	**24,717**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes the following securities related to securitisation transactions:

- Mezzanine for EUR 4 thousand;
- *Junior for EUR 39 thousand.*

2.6 Other financial assets obligatorily measured at fair value: breakdown by debtors/issuers

	Total 31/12/2020	Total 31/12/2019
1.EQUITIES	**-**	**335**
of which: banks	-	48
of which: other financial companies	-	35
of which: non-financial companies	-	252
2. DEBT SECURITIES	**43**	**41**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	43	41
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS UNITS	**74,966**	**55,955**
4. LOANS	**23,356**	**24,388**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	15,092	15,957
of which: insurance companies	-	-
e) Non-financial companies	8,131	8,276
f) Households	133	155
Total	**98,365**	**80,719**

The item 'UCITS units' is composed of the following main categories of funds:

- bonds totalling EUR 35,875 thousand;
- stocks totalling EUR 6,120 thousand;
- balanced totalling EUR 32,850 thousand;
- real estate totalling EUR 121 thousand.

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

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

ITEMS/VALUES	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	853,726	-	-	899,899	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	853,726	-	-	899,899	-	-
2. Equities	-	-	66,142	-	-	99,173
3. Loans	-	-	-	-	-	-
Totale	**853,726**	**-**	**66,142**	**899,899**	**-**	**99,173**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Item 2. Equities also include equities relating to Cassa Centrale Banca’s participation in the share capital increase of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia (hereinafter also referred to as “Carige”) for EUR 37,500 thousand (representing an 8.34% interest in the share capital).

3.2. Financial assets measured at fair value through other comprehensive income: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2020	Total 31/12/2019
1. DEBT SECURITIES	**853,726**	**899,899**
a) Central Banks	-	-
b) Public bodies	853,726	899,899
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. EQUITIES	**66,142**	**99,173**
a) Banks	60,263	99,173
b) Other issuers:	5,879	-
- other financial companies	906	-
of which: insurance companies	-	-
- non-financial companies	4,973	-
- other	-	-
3. LOANS	**-**	**-**
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**919,868**	**999,072**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value				Total value adjustments			Overall partial write-offs
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	853,901	853,901	-	-	175	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31/12/2020	**853,901**	**853,901**	**-**	**-**	**175**	**-**	**-**	**-**
Total 31/12/2019	**900,383**	**900,383**	**-**	**-**	**484**	**-**	**-**	**-**
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

The division by stage of risk of financial assets measured at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and part E - Information on risks and related hedging policies.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total value adjustments

The Bank does not hold any positions attributable to this case.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown by category of loans to banks

TIPOLOGIA OPERAZIONI/ VALORI	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	dof which: impaired acquired or originated	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**2,089,457**	**-**	**-**	**-**	**-**	**2,089,457**	**455,354**	**-**	**-**	**-**	**-**	**455,354**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	2,089,457	-	-	X	X	X	455,354	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. LOANS TO BANKS	**15,939,436**	**-**	**-**	**87,739**	**127,032**	**15,732,106**	**3,036,181**	**-**	**-**	**78,169**	**149,618**	**2,812,540**
1. Loans	**15,690,544**	**-**	**-**	**-**	**-**	**15,690,207**	**2,812,540**	**-**	**-**	**-**	**-**	**2,812,540**
1.1 Current accounts and deposits on demand	63,968	-	-	X	X	X	68,196	-	-	X	X	X
1.2. Fixed-term deposits	372,679	-	-	X	X	X	134,617	-	-	X	X	X
1.3. Other loans	15,253,897	-	-	X	X	X	2,609,727	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	15,253,897	-	-	X	X	X	2,609,727	-	-	X	X	X
2. Debt securities	**248,892**	**-**	**-**	**87,739**	**127,032**	**41,900**	**223,641**	**-**	**-**	**78,169**	**149,618**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	248,892	-	-	87,739	127,032	41,900	223,641	-	-	78,169	149,618	-
Total	**18,028,893**	**-**	**-**	**87,739**	**127,032**	**17,821,900**	**3,491,535**	**-**	**-**	**78,169**	**149,618**	**3,267,894**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item 1.3 “Other loans” represents loans guaranteed by ECB eligible securities offered to the Affiliated Banks as part of the “Collateral Account” service, activated in order to broker the Affiliated Banks themselves not only in relation to the European Central Bank’s refinancing operations, but also in relation to the repo market.

In these services, based on the financial guarantee agreements pursuant to Italian Legislative Decree no. 170 of 21 May 2004, Cassa Centrale Banca obtained the transfer of legal ownership of eligible securities from the Affiliated Banks. These securities can therefore be used by the Bank to guarantee the participation in the refinancing operations of the European Central Bank and for the stipulation of transactions on the repo market.

The balance of "Other debt securities" includes the subscription, by Cassa Centrale Banca, of the subordinated bond issued by Carige at an annual rate of 8.25%, with a nominal value of EUR 12.4 million.

4.2 Financial assets measured at amortised cost: breakdown by category of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
1. LOANS	**1,372,528**	**9,126**	**-**	**-**	**-**	**1,459,172**	**1,151,575**	**15,984**	**-**	**-**	**-**	**1,227,907**
1.1. Current accounts	488,779	77	-	X	X	X	53,997	1,482	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	772,020	9,034	-	X	X	X	602,315	13,846	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5 Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	111,729	14	-	X	X	X	495,264	656	-	X	X	X
2. DEBT SECURITIES	**2,555,270**	**-**	**-**	**2,639,172**	**-**	**4,081**	**2,155,255**	**-**	**-**	**2,164,499**	**-**	**2,559**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	2,555,270	-	-	2,639,172	-	4,081	2,155,255	-	-	2,164,499	-	2,559
Total	**3,927,798**	**9,126**	**-**	**2,639,172**	**-**	**1,463,254**	**3,306,830**	**15,984**	**-**	**2,164,499**	**-**	**1,230,467**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item 1.7 "Other loans" consists of:

- fixed-term subsidies for EUR 6,674 thousand;
- security deposits in own name for EUR 95,061 thousand;
- initial margins relating to transactions with Cassa Compensazione e Garanzia for EUR 9,579 thousand;

- loans for advances of bills and other documents subject to payment in due course for EUR 78 thousand;
- subsidies repayable in instalments for EUR 325 thousand;
- other entries totalling EUR 26 thousand.

Item 2. Debt securities include Senior securities related to "third party" securitisation transactions (Lucrezia Securitisation) for a carrying amount of EUR 340,000 and Senior securities from own securitisations (Nepal and Buonconsiglio 3) for a carrying amount of EUR 3,383,000.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2020			Total 31/12/2019		
	First and second stage	Third stage	of which: impaired assets acquired or originated	First and second stage	Third stage	of which: impaired assets acquired or originated
1. DEBT SECURITIES	**2,555,270**	**-**	**-**	**2,155,255**	**-**	**-**
a) Public bodies	2,551,547	-	-	2,152,916	-	-
b) Other financial companies	3,723	-	-	2,339	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. LOANS TO:	**1,372,528**	**9,126**	**-**	**1,151,575**	**15,984**	**-**
a) Public bodies	325	-	-	22,457	-	-
b) Other financial companies	591,150	-	-	535,106	187	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	754,242	8,280	-	566,406	13,354	-
d) Households	26,810	846	-	27,606	2,443	-
Total	**3,927,798**	**9,126**	**-**	**3,306,830**	**15,984**	**-**

4.4 Financial assets measured at amortised cost: gross value and total value adjustments

	Gross value				Total value adjustments			Overall partial write-offs*
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities								-
Loans	19,070,050	-	104,412	44,003	16,911	5,023	34,878	3,908
Total 31/12/2020	**21,874,670**	**-**	**107,475**	**44,003**	**19,687**	**5,766**	**34,878**	**3,908**
Total 31/12/2019	**6,747,472**	**2,237,792**	**62,533**	**52,949**	**9,168**	**2,472**	**36,965**	**7,829**
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information on the impairment model, please refer to Part A - Accounting policies in paragraph “15.5 Methods of recognition of impairment losses” and Part E - “Information on risks and related hedging policies”

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total value adjustments

	Gross value				Total value adjustments			Overall partial write-offs
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
1. Loans subject to concession compliant with GL	106,450	-	17,355	-	1,224	1,079	-	-
2. Loans subject to other forbearance measures	-	-	373	1,078	-	25	525	-
3. New loans	40,173	-	21,607	-	117	458	-	-
Total 31/12/2020	**146,623**	**-**	**39,335**	**1,078**	**1,342**	**1,562**	**525**	**-**
Total 31/12/2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 5 - Hedging derivatives - Item 50

As at the reporting date, the Bank had not entered into hedging transactions. This section does not contain any evaluation and is therefore omitted.

Section 6 - Adjustment of the financial assets subject to macro-hedging - Item 60

As at the reporting date, there are no financial assets subject to macro-hedging. This section does not contain any evaluation and is therefore omitted.

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investment ratios

NAME	Registered office	Operating headquarters	% interest	Votes available %
A. WHOLLY-OWNED SUBSIDIARIES				
Assicura Agenzia S.r.l.	Udine	Udine	100.00%	100.00%
Centrale Credit&Real estate Solutions S.r.l.	Trento	Trento	100.00%	100.00%
Centrale Soluzioni Immobiliare S.r.l.	Trento	Trento	100.00%	100.00%
Centrale Casa S.r.l.	Trento	Trento	100.00%	100.00%
Nord Est Asset Management S.A.	Lussemburgo	Lussemburgo	100.00%	100.00%
Claris Leasing S.p.A.	Treviso	Treviso	100.00%	100.00%
Allitude - Informatica Bancaria S.p.A.	Trento	Trento	96.40%	96.40%
Prestipay	Udine	Udine	60.00%	60.00%
B. JOINTLY CONTROLLED COMPANIES				
Casse Rurali Raiffeisen Finanziaria S.p.A.	Bolzano	Bolzano	50.00%	50.00%
C. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE				
Centrale Trading S.r.l.	Trento	Trento	32.50%	32.50%
Servizi e finanza Friuli Venezia Giulia S.r.l.	Udine	Udine	24.51%	24.51%
Partecipazioni cooperative S.r.l.	Trento	Trento	13.92%	13.92%
Scouting S.p.A.	Bellaria Igea Marina	Bellaria Igea Marina	8.26%	8.26%
Cabel Holding S.p.A.	Empoli	Empoli	7.66%	7.66%
Finanziaria Trentina della cooperazione S.p.A.	Trento	Trento	4.08%	4.08%

7.2 Significant equity investments: carrying amount, fair value and dividends received

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.3 Significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.4 Non significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.5 Equity investments: annual changes

	Total 31/12/2020	Total 31/12/2019
A. OPENING BALANCES	**240,739**	**207,586**
B. INCREASES	**7,557**	**49,039**
B.1 Purchases	7,557	30,192
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	18,848
C. DECREASES	**294**	**15,886**
C.1 Sales	-	3,083
C.2 Value adjustments	-	-
C.3 Write-downs	-	-
C.4 Other changes	294	12,803
D. CLOSING BALANCES	**248,002**	**240,739**
E. TOTAL REVALUATIONS	**-**	**-**
F. TOTAL ADJUSTMENTS	**-**	**-**

The main changes in the item "Equity investments" during the current year are summarised below:

Purchases of additional shares already in the portfolio:

- Allitude S.p.A. for EUR 5,547 thousand (increase following the merger by incorporation of Cesve S.p.A., Centro Servizi Direzionali, Servizi Bancari Associati S.p.A. and IB fin.);
- Centrale Soluzioni Immobiliari S.p.A. totalling EUR 2,000 thousand.

Reimbursements following settlement:

- Formazione Lavoro Società Consortile EUR 294 thousand.

7.6 Commitments referring to equity investments in subsidiaries under joint control

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.7 Commitments referring to equity investments in companies subject to a significant influence

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.8 Significant restrictions

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.9 Other information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

Section 8 - Tangible assets - Item 80

8.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2020	Total 31/12/2019
1. ASSETS OWNED	**13,346**	**13,880**
a) land	3,665	3,665
b) buildings	5,421	5,703
c) furniture	1,509	1,679
d) electronic systems	1,522	1,431
e) other	1,229	1,402
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**9,209**	**8,033**
a) land	-	-
b) buildings	8,942	7,650
c) furniture	-	-
d) electronic systems	-	-
e) other	267	384
Total	**22,555**	**21,913**
di cui: ottenute tramite l'escussione delle garanzie ricevute	-	-

8.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

There are no tangible assets held for investment purposes valued at cost.

8.3 Tangible assets for business use: breakdown of the revalued assets

There are no revalued tangible assets for business use.

8.4 Tangible assets held for investment purposes: breakdown of the assets measured at fair value

There are no tangible assets held for investment purposes measured at fair value.

8.5 Inventories of tangible assets disciplined by IAS 2: breakdown

There are no tangible assets disciplined by IAS 2.

8.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. GROSS OPENING BALANCES	**3,665**	**22,180**	**6,820**	**6,287**	**7,360**	**46,312**
A.1 Total net impairment	-	8,828	5,141	4,857	5,574	24,399
A.2 NET OPENING BALANCES	**3,665**	**13,352**	**1,679**	**1,431**	**1,786**	**21,913**
B. INCREASES:	**-**	**3,581**	**127**	**636**	**435**	**4,779**
B.1 Purchases	-	3,581	127	636	435	4,779
- of which business combinations	-	-	-	-	-	-
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. DECREASES:	**-**	**2,571**	**297**	**544**	**725**	**4,137**
C.1 Sales	-	1,279	-	1	9	1,289
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	1,285	297	543	716	2,842
C.3 Value adjustments for impairment charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and groups of assets held for disposal	-	-	-	-	-	-
C.7 Other changes	-	6	-	-	-	6
D. NET CLOSING BALANCES	**3,665**	**14,363**	**1,509**	**1,522**	**1,496**	**22,555**
D.1 Total net impairment	-	10,062	5,437	5,378	6,261	27,139
D.2 GROSS CLOSING BALANCES	**3,665**	**24,425**	**6,947**	**6,900**	**7,757**	**49,694**
E. Valuation at cost	-	-	-	-	-	-

It should be noted that the gross and net opening balances of tangible assets include the effects of the first-time adoption of IFRS 16 for Buildings and other assets.

The item "E. Valuation at cost" is not measured since its compilation is only set for tangible assets measured at fair value in the financial statements. This case does not apply to the Bank.

Below are the annual changes in the rights of use acquired through lease.

8.6 bis Assets by right of use

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total
Balance as at 1 January	**-**	**384**	**-**	**-**	**7,626**	**23**	**-**	**-**	**-**	**8,033**
Of which:										
- Historical cost	-	528	-	-	8,350	26	-	-	-	**8,904**
- Depreciation fund	-	(144)	-	-	(724)	(2)	-	-	-	**(870)**
Increases	-	80	-	-	3,503	69	-	-	-	**3,653**
Decreases	-	(9)	-	-	(1,279)	-	-	-	-	**(1,288)**
Depreciation	-	(188)	-	-	(995)	(6)	-	-	-	**(1,189)**
Impairment	-	-	-	-	-	-	-	-	-	**-**
Balance as at 31 December	**-**	**267**	**-**	**-**	**8,855**	**87**	**-**	**-**	**-**	**9,209**
Of which:										
- Historical cost	-	596	-	-	10,516	95	-	-	-	**11,207**
- Depreciation fund	-	(329)	-	-	(1,661)	(8)	-	-	-	**(1,998)**

The item "Increases" includes rights of use relating to contracts signed during the period. Changes in assets per right of use due to contractual changes are recorded under "Increases" and "Decreases".

As at the reporting date, the Bank had not entered into leaseback transactions.

8.7 Tangible assets held for investment purposes: annual change

There are no tangible assets held for investment purposes.

8.8 Inventories of tangible assets disciplined by IAS 2: annual changes

As at the reporting date, there were no such circumstances.

8.9 Commitments for tangible asset purchases

As at the reporting date, the Bank had not assumed any commitment to purchase tangible assets.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2020		Total 31/12/2019	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 GOODWILL	**X**	**-**	**X**	**-**
A.2 OTHER INTANGIBLE ASSETS	**1,646**	**-**	**1,929**	**-**
A.2.1 Assets valued at cost:	1,646	-	1,929	-
a) intangible assets generated internally	-	-	-	-
b) other assets	1,646	-	1,929	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**1,646**	**-**	**1,929**	**-**

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

In compliance with the relevant accounting regulations:

- the amortisation rates used for software are 33.3%.

No internally generated intangible assets were posted.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**-**	**-**	**-**	**10,278**	**-**	**10,278**
A.1 Total net impairment	-	-	-	8,349	-	**8,349**
A.2 NET OPENING BALANCES	**-**	**-**	**-**	**1,929**	**-**	**1,929**
B. INCREASES	**-**	**-**	**-**	**646**	**-**	**646**
B.1 Purchases	-	-	-	646	-	**646**
B.2 Increase in internal intangible assets	X	-	-	-	-	**-**
B.3 Write-backs	X	-	-	-	-	**-**
B.4 Positive fair value changes	-	-	-	-	-	**-**
- to Equity	X	-	-	-	-	**-**
- to Income Statement	X	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. DECREASES	**-**	**-**	**-**	**928**	**-**	**928**
C.1 Sales	-	-	-	-	-	**-**
C.2 Value adjustments	-	-	-	928	-	**928**
- Amortisation	X	-	-	928	-	**928**
- Write-downs	-	-	-	-	-	**-**
+ equity	X	-	-	-	-	**-**
+ income statement	-	-	-	-	-	**-**
C.3 Negative fair value changes:	-	-	-	-	-	**-**
- to Equity	X	-	-	-	-	**-**
- to Income Statement	X	-	-	-	-	**-**
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	**-**
C.5 Negative exchange rate differences	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. NET CLOSING BALANCES	**-**	**-**	**-**	**1,646**	**-**	**1,646**
D.1 Total net value adjustments	-	-	-	9,277	-	**9,277**
E. GROSS CLOSING BALANCES	**-**	**-**	**-**	**10,924**	**-**	**10,924**
F. Valuation at cost	-	-	-	-	-	-

KEY:

DEF = with definite duration

INDEF = with indefinite duration

The intangible assets described were entirely acquired externally and valued at cost.

The sub-item "F. Valuation at cost" is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

9.3 Intangible assets: other information

In accordance with the requirements of IAS 38, it should be noted that the Bank does not have any:

- impediments to the distribution to shareholders of capital gains on revalued intangible assets (see IAS 38, paragraph 124, letter b));
- established intangible assets to secure its debts (see IAS 38, paragraph 122, letter d));
- outstanding intangible assets acquired by government concession (see IAS 38, paragraph 122, letter c));
- commitments to purchase intangible assets (see IAS 38, paragraph 122, letter e));
- outstanding intangible assets subject to lease operations;
- outstanding allocation of goodwill among the various cash generating units (see IAS 36, paragraph 134, letter a)).

Section 10 - Tax assets and tax liabilities - Item 100 of assets and Item 60 of liabilities

10.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2020			31/12/2019		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Loans	16,525	2,017	**18,542**	17,470	2,340	**19,810**
Tangible fixed assets	-	-	**-**	19	16	**35**
Provisions for risks and charges	5,480	1,063	**6,543**	3,314	566	**3,880**
Tax losses	-	-	**-**	-	-	**-**
Administrative expenses	33	-	**33**	21	-	**21**
Other items	198	31	**228**	2,624	472	**3,096**
Total	**22,235**	**3,111**	**25,346**	**23,449**	**3,394**	**26,842**

THROUGH EQUITY	31/12/2020			31/12/2019		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	177	1,574	**1,751**	270	131	**400**
Severance indemnity (TFR)	30	-	**30**	27	-	**27**
Other items	-	-	**-**	-	-	**-**
Total	**207**	**1,574**	**1,781**	**297**	**131**	**428**

The item "Loans" in the table above shows deferred tax assets ("DTA") relating to write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (so-called "Qualified DTA") for EUR 16,733 thousand;

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans and intangible assets into tax credits, in providing "certainty" to the recovery of qualified DTAs, affect the "probability test" provided for by IAS 12, making it automatically satisfied for all the aforementioned DTAs.

10.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2020			31/12/2019		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Tangible fixed assets	0	0	**-**	0	0	**-**
Capital gains by instalments	0	0	**-**	0	0	**-**
Other items	0	0	**-**	0	0	**-**
Total	**0**	**0**	**0**	**0**	**0**	**0**

THROUGH EQUITY	31/12/2020			31/12/2019		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Positive reserves for HTCS financial assets	2,257	466	**2,722**	572	147	**719**
Other items	0	0	**0**	0	0	**-**
Total	**2,257**	**466**	**2,722**	**572**	**147**	**719**

10.3 Changes in advance taxes (through the income statement)

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**26,842**	**28,357**
2. INCREASES	**25,346**	**26,842**
2.1 Advance taxes recorded in the year	25,346	26,842
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	25,346	26,842
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**26,842**	**28,357**
3.1 Advance taxes cancelled in the year	26,842	28,357
a) reversals	26,842	28,357
b) write-downs for uncollectable amounts	-	-
c) changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:	-	-
a) transformation into tax credits under Law no. 214/2011	-	-
b) other	-	-
4. CLOSING AMOUNT	**25,346**	**26,842**

The deferred tax assets recognised during the year, amounting to EUR 25,346 thousand, derive mainly from the recognition of the following deferred tax assets referring to:

- non-deductible provisions for risks and charges;
- value adjustments to properties deductible in subsequent years;
- provisions for severance indemnities;
- administrative expenses

The decreases in advance taxes mainly include the discharge of their balance prior to the reporting date.

The portion of deferred tax assets arising from tax losses carried forward to subsequent years amounts to EUR 11 thousand.

10.3bis Changes in advance taxes according to Law 214/2011

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**19,398**	**19,064**
2. INCREASES	**-**	**333**
3. DECREASES	**2,676**	**-**
3.1 Reversals	2,676	-
3.2 Transformation into tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**16,722**	**19,398**

Table 10.3 bis shows the changes in deferred tax assets recognised on adjustments to loans to customers under Law no. 214/2011, including those relating to the transformation of tax losses/negative production value due to the reversal under Law no. 214/2011 of loan write-downs not deducted in the past.

10.4 Changes in deferred taxes (through the income statement)

During the year, and in the previous year, no changes were recorded with respect to the zero balance at the start of the period.

10.5 Changes in advance taxes (through Equity)

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**428**	**-**
2. INCREASES	**1,781**	**428**
2.1 Advance taxes recorded in the year	1,781	428
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	1,781	428
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**428**	**9,104**
3.1 Advance taxes cancelled in the year	428	9,104
a) reversals	428	9,104
b) write-downs for uncollectable amounts	-	-
c) due to changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**1,781**	**428**

10.6 Changes in deferred taxes (through Equity)

	Total 31/12/2020	Total 31/12/2019
1. OPENING AMOUNT	**719**	**481**
2. INCREASES	**2,722**	**719**
2.1 Deferred taxes recorded in the year	2,722	719
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	2,722	719
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**719**	**481**
3.1 Deferred taxes cancelled in the year	719	481
a) reversals	719	481
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**2,722**	**719**

Deferred tax assets and liabilities recognised during the year refer to taxes calculated on the write-downs and revaluations of "Financial assets measured at fair value through other comprehensive income".

These changes have a contra-entry in the reserve on 'Financial assets measured at fair value through other comprehensive income'.

10.7 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	OTHER	TOTAL
Current tax liabilities	(4,919)	(3,105)	-	**(8,023)**
Advances paid/tax credits	5,570	2,543	-	**8,113**
Withholding taxes incurred	318	-	-	**318**
Other tax credits	-	23	-	**23**
Tax credits under Law 214/2011	-	-	25	**25**
of which debt balance of item 60 a) of liabilities	**-**	**(539)**	**-**	**(539)**
of which credit balance of item 100 a) of assets	**970**	**-**	**25**	**995**
Tax credits that cannot be offset: capital portion	-	21	-	**21**
Tax credits that cannot be offset: interest portion	-	-	-	**-**
of which credit balance of item 100 a) of assets	**970**	**21**	**25**	**1,016**

With regard to the Bank's tax position, for the financial years not yet prescribed, there have been no assessment notices received to date.

Information on the deferred tax assets probability test

The international accounting standard IAS 12 provides that the recognition of tax liabilities and assets must be carried out on the basis of the following criteria:

- a deferred tax liability must be recognised for all taxable temporary differences;
- a deferred tax asset must be recognised for all deductible temporary differences if it is probable that sufficient taxable income will be realised with respect to the deductible temporary differences.

Tax assets - as known - are quantified according to the tax rates that are expected to be applicable in the year in which they will be realised; they are periodically subject to verification in order to ascertain the degree of recoverability and the level of applicable rates as well as any obligation to recognise, so-called reassessment, assets not recorded or derecognised due to the lack of requirements in previous years.

To this end, it should be noted that, starting from 2017, an additional IRES tax rate of 3.5% has been applied to credit institutions, which therefore determines, limited to the banking sector, a total IRES rate of 27.5%.

As at 31 December 2020, deferred tax assets recognised by Cassa Centrale Banca S.p.A. under item "100 Tax assets b) deferred" totalled EUR 27,127 thousand and refer to the following generating events:

- excess of adjustments to loans pursuant to Art. 106, paragraph 3, of the TUIR for EUR 16,734 thousand (of which EUR 2,017 thousand recorded for IRAP purposes);
- provisions and expenses not deductible on an accrual basis, in accordance with the TUIR, for EUR 8,612 thousand;

- write-downs of securities in the FVOCI portfolio and actual gain reserve of EUR 1,781 million (in addition to EUR 2,722 thousand of deferred taxes).

In carrying out the Probability Test on deferred tax assets recognised in the financial statements as at 31 December 2020, those deriving from deductible temporary differences relating to write-downs and losses on receivables (so-called "qualified deferred tax assets"), amounting to EUR 16,734 thousand, were considered separately.

Starting from the tax period ended 31 December 2011, deferred tax assets (IRES) recorded in the financial statements are converted into tax credits upon the realisation of operating losses, as well as upon the realisation of tax losses deriving from the deferred deduction of temporary differences relating to the aforementioned adjustments to the value of loans to customers (Article 2, paragraph 56-bis of Law Decree no. 225 of 29 December 2010, introduced by Article 9 of Law Decree no. 201 of 6 December 2011). Starting from the 2013 tax period, a similar conversion is established, if the IRAP return shows a negative net production value, relating to deferred tax assets (IRAP) that refer to the aforementioned temporary differences that contributed to the determination of the negative net value of production. (Art. 2, paragraph 56-bis.1, Law Decree no. 225 of 29 December 2010, introduced by Law no. 147/2013).

The convertibility of deferred tax assets on IRES tax losses and on the negative net production value for IRAP purposes, determined by qualified temporary differences, is therefore a sufficient condition for recognising these deferred tax assets in the financial statements, implicitly making the relative probability test passed.

On the basis of these assumptions, the Bank identified deferred tax assets, other than the so-called qualified ones, which at the same time as the deferred taxes recognised in the financial statements, were separated for IRES and IRAP purposes by type and foreseeable timing of their re-absorption and quantified a forecast of future profitability, aimed at verifying their absorption capacity.

The analysis carried out showed that, at both the IRES and IRAP levels, Cassa Centrale Banca's income prospects are such as to allow the full recovery of the recognised DTAs in the future

Section 11 - Non-current assets and groups of assets held for disposal and associated liabilities - Item 110 of assets and Item 70 of liabilities

11.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

No non-current assets or groups of assets held for disposal and related associated liabilities were present on the date of the financial statements.

11.2 Other information

As at the reporting date there is no significant additional information.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

ITEMS	Total 31/12/2020	Total 31/12/2019
Tax receivables from tax authorities and other tax bodies	26,691	26,618
Cheques to be settled at the Clearing House or with Associates	-	-
Items in transit - other	-	-
Work in progress	121,191	131,138
Adjustments for illiquid items in the portfolio	39,942	31,190
Other debtors for security transactions	-	1
Customers and revenues to be collected	8,375	7,941
Prepayments and accrued income not capitalised	2,645	3,355
Improvement and enhancement expenses on non-separable third-party assets	432	433
Advances to suppliers	-	20
Intrinsic value of securities transactions and exchanges to be settled	15	39
Other lenders	32,935	29,716
Total	**232,226**	**230,452**

The sub-item "Work in progress" refers mainly to the positive balance of electronic flows related to transactions not settled yet by Cassa Centrale Banca on behalf of its Affiliated Banks from and to the interbank system.

The sub-item "Adjustments for illiquid items in the portfolio" shows the imbalance between the debt adjustments and the credit adjustments of the portfolio "subject to payment in due course", for which details are stated in the specific table "Other information" of part B of these Explanatory Notes.

The sub-item "Other lenders" mainly includes the contra-entry of revenues recorded on an accrual basis during the year but not yet collected for EUR 25,550 thousand and EUR 4,111 thousand in VAT receivables from VAT Group participants.

Liabilities

Section 1 - Financial liabilities measured at amortised cost - Item 10

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2020				Total 31/12/2019			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**15,317,837**	**X**	**X**	**X**	**675,269**	**X**	**X**	**X**
2. DUE TO BANKS	**5,400,607**	**X**	**X**	**X**	**4,035,927**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	4,252,616	X	X	X	2,461,354	X	X	X
2.2 Fixed-term deposits	1,136,428	X	X	X	1,104,401	X	X	X
2.3 Loans	9,595	X	X	X	468,809	X	X	X
2.3.1 Repos payables	9,595	X	X	X	468,809	X	X	X
2.3.2 Others	-	X	X	X	-	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Payables for leases	-	X	X	X	-	X	X	X
2.6 Other payables	1,969	X	X	X	1,363	X	X	X
Total	**20,718,443**	**-**	**-**	**20,718,443**	**4,711,196**	**-**	**-**	**4,711,196**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost, included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section E - Disposal Transactions in the Explanatory Notes.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2020				Total 31/12/2019			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	658,917	X	X	X	497,048	X	X	X
2. Fixed-term deposits	38,627	X	X	X	35,220	X	X	X
3. Loans	298,142	X	X	X	1,494,266	X	X	X
3.1 Repos payables	295,844	X	X	X	1,491,343	X	X	X
3.2 Other	2,299	X	X	X	2,923	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	9,438	X	X	X	8,144	X	X	X
6. Other payables	466,205	X	X	X	304,822	X	X	X
Total	**1,471,330**	**-**	**-**	**1,471,330**	**2,339,500**	**-**	**-**	**2,339,500**

KEY:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "6. Other payables" represents:

- outstanding balances on prepaid cards in circulation issued by the Bank for EUR 136,754 thousand;
- countervalue of banker's drafts in circulation issued by the Bank for EUR 329,451 thousand.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section E - Disposal Transactions in the Explanatory Notes.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/ VALUES	Total 31/12/2020				Total 31/12/2019			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. bonds	10,088	-	10,088	-	10,087	-	10,087	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	10,088	-	10,088	-	10,087	-	10,087	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**10,088**	**-**	**10,088**	**-**	**10,087**	**-**	**10,087**	**-**

KEY:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

This item includes issued securities measured at amortised cost. Securities that as at the reporting date are expired but still not repaid are included. The portion of own issue debt securities not yet placed with third parties is excluded.

The fair value valuation of the debt securities in issue in the table above is presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process.

For more details, please refer to Part A – Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

Sub-item "A.1.1.2 Bonds - Other" includes a subordinated bond loan subscribed by:

- Allitude for the amount of EUR 7 million;
- Fondo Comune delle Casse Rurali Trentine for EUR 3 million.

1.4 Details of subordinated debts/securities

ITEMS	31/12/2020	31/12/2019
a. Due to banks	-	-
b. Due to customers	-	-
c. Debt securities in issue	10,088	10,087
Total	**10,088**	**10,087**

A subordinated nature characterises the securities whose right to reimbursement, in the event of liquidation of the issuing entity or if it is subject to other bankruptcy proceedings, can be exercised by the creditor only after other creditors who are not equally subordinated. Equity instruments which, according to international accounting standards, have equity characteristics, are excluded.

As at the reporting date, there are subordinated relationships with customers for EUR 10,088 thousand.

1.5 Details of structured debts

As at the reporting date, there are no structured debts.

1.6 Payables for leases

Financial lease liabilities

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total
Balance as at 1 January	-	380	-	-	7,740	-	-	23	-	**8,144**
New contracts	-	80	-	-	3,503	-	-	69	-	**3,652**
Repayments	-	-	-	-	-	-	-	-	-	**-**
Other non-monetary movements*	-	(190)	-	-	(868)	-	-	(6)	-	**(1,064)**
Terminated contracts for modification/ revaluation	-	(9)	-	-	(1,285)	-	-	-	-	**(1,294)**
Balance as at 31 December	**-**	**261**	**-**	**-**	**9,090**	**-**	**-**	**87**	**-**	**9,438**

*includes increments for indexing

The item “New contracts” includes the lease liability relating to contracts signed into during the period. Changes in the financial lease liability due to contractual changes are recorded under “New contracts” and “Terminated contracts for modification/revaluation”.

The table below shows the maturity date of financial payables for leases, as required by IFRS 16, para. 58.

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Other	Buildings	Total
Within 12 months	-	-	-	-	-	-	-	-	-	**-**
Between 1-5 years	-	261	-	-	-	-	-	-	-	**261**
Beyond 5 years	-	-	-	-	9,090	-	-	87	-	**9,177**
Total lease liabilities as at 31 December	**-**	**261**	**-**	**-**	**9,090**	**-**	**-**	**87**	**-**	**9,438**

As at the reporting date, the Bank is subject to contractual obligations with reference to lease contracts for EUR 9,438 thousand, of which EUR 271 thousand between one and five years and EUR 9,177 thousand after five years.

During 2020, the Bank’s lease contracts involved a cash outlay of EUR 1,426 thousand, mainly due to branch leases.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/VALUES	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	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	36,077	-	X	X	-	24,163	-	X
1.1 Trading	X	-	36,076	-	X	X	-	24,162	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	1	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**36,077**	**-**	**X**	**X**	**-**	**24,163**	**-**	**X**
Total (A+B)	**X**	**-**	**36,077**	**-**	**X**	**X**	**-**	**24,163**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value* = Fair value calculated excluding the changes in value due to change in credit quality of the issuer with respect to the date of issue.

2.2 Details of 'Financial liabilities held for trading': subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of 'Financial liabilities held for trading': structured debts

As at the reporting date, there are no financial liabilities held for trading related to structured debts.

Section 3 - Financial liabilities measured at fair value - Item 30

3.1 Financial liabilities measured at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2020					Total 31/12/2019				
	NV	Fair value			Fair Value*	NV	Fair value			Fair Value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	**162,019**	**-**	**-**	**163,827**	**163,827**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	162,019	-	-	163,827	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees issued	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees issued	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**3,117**	**-**	**3,286**	**-**	**3,286**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	3,117	-	3,286	-	X
Total	**162,019**	**-**	**-**	**163,827**	**163,827**	**3,117**	**-**	**3,286**	**-**	**3,286**

LEGENDA:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value* = Fair value calculated excluding the changes in value due to change in credit quality of the issuer with respect to the date of issue.

Item 1.2 Other includes the total value of the "ex-ante portions" contributed by the Affiliated Banks through the loan instrument intended for a specific business.

For further details, please refer to the annex "Report on the Guarantee Scheme as at 31/12/2020".

3.2 Details of 'Financial liabilities measured at fair value': subordinated liabilities

As at the reporting date, there are no financial liabilities measured at fair value with a subordination restriction.

Section 4 - Hedging derivatives - Item 40

As at the reporting date, the Bank had not entered into hedging transactions. This section does not contain any evaluation and is therefore omitted.

Section 5 - Adjustment of the financial liabilities subject to macro-hedging - Item 50

As at the reporting date, there are no financial assets subject to macro-hedging. This section does not contain any evaluation and is therefore omitted.

Section 6 - Tax liabilities - Item 60

For information on tax liabilities reference is made to Section 10 of the Assets.

Section 7 - Liabilities associated to assets held for disposal - Item 70

For information on liabilities associated with assets held for disposal, reference is made to Section 11 of the assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

ITEMS	31/12/2020	31/12/2019
Tax payables to tax authorities and other tax bodies for indirect taxes	21,752	19,808
Temporary items Centralised Treasury management	652	1,854
Wire transfers to be settled	-	-
Housing contributions - Public bodies	1,582	1,819
Due to suppliers and expenses to be settled	36,367	26,057
Collection on behalf of third parties and amounts available to customers or third parties	5,261	6,760
Payables for guarantees issued and commitments	-	-
Due to employees	6,716	10,314
Due to social security institutions and external pension funds	1,672	1,539
Other work in progress	250,590	258,938
Accrued expenses and deferred income not attributable to own items	920	12,483
Intrinsic value of securities transactions and exchanges to be settled	224	132
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	-	-
Debit items in transit	-	-
Advances received from third parties for property disposals to be completed	-	-
Payables for educational, cultural, charitable and social purposes	-	-
Sundry creditors - other	14,514	11,936
Total	**340,251**	**351,639**

This item includes the liabilities that are not attributable to other items in the statement of financial position liabilities.

The sub-item “Other work in progress” mainly includes the negative balance of electronic flows related to transactions not settled yet and that Cassa Centrale Banca sorts on behalf of Affiliated Banks towards the interbanking system and in the opposite direction.

Other liabilities include deferred income from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128, for EUR 69 thousand.

Section 9 - Provision for severance indemnity - Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2020	Total 31/12/2019
A. OPENING BALANCES	**2,368**	**2,384**
B. INCREASES	**17**	**117**
B.1 Allocation for the year	17	17
B.2 Other changes	-	100
C. DECREASES	**433**	**(133)**
C.1 Payments made	(426)	-
C.2 Other changes	(8)	(133)
D. CLOSING BALANCES	**1,951**	**2,368**
Total	**1,951**	**2,368**

As at the reporting date, the Bank recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation – DBO).

The sub-item "B.1 Allocation for the year" consists exclusively of interest cost equal to EUR 17 thousand.

Sub-item "C.1 Payments made" concerns decreases for Benefits paid for EUR 426,000.

The sub-item "C.2 Other changes" includes the actuarial gains amounting to EUR 7 thousand.

The amount of the "Interest Cost" is included in the income statement in table "10.1 Personnel costs".

The actuarial gain was recognised in the "Valuation reserves" in accordance with IAS 19.

Finally, it should be noted that according to Law no. 296 of 27 December 2006 (2007 Finance Law), companies with at least 50 employees pay on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary pension funds referred to in Legislative Decree no. 252/05 or to a special fund for the payment to private sector employees of severance pay pursuant to Article 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Other information

ITEMS	31/12/2020	31/12/2019
CHANGES IN THE YEAR	**(409)**	**(116)**
- Service cost related to current employment benefits	-	-
- Interest expense on the defined benefit obligation	17	17
- Profits and losses from reductions or settlements	-	-
- Service cost related to past employment benefits	-	-
- Transfers	-	-
- Decreases	(426)	(133)
ACTUARIAL PROFITS (LOSSES) RECOGNISED IN VALUATION RESERVES (OCI)	**(8)**	**100**
Description of the main assumptions		
- Discount rate	0.34%	0.77%
- Expected inflation rate	0.80%	1.20%

Description of the main actuarial assumptions for the valuation of severance indemnity

The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of para. 83 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase has been determined on the basis of the amounts recorded by Group companies.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 0.34%;
- annual rate of increase in provision for severance indemnity: 2.1%;
- annual inflation rate: 0.8%;
- annual rate of actual salary increase:

- Executives: 2.5%;;
- Middle managers: 1.0%;
- Office staff: 1.0%;
- Blue-collar workers: 1.0%.

With reference to the demographic technical bases used, the relevant references are provided below:

- death: RG48 mortality tables published by the State General Accounting Office;
- disability: INPS tables separated by age and gender;
- retirement: 100% upon attainment of the AGO requirements as per Law Decree no. 4/2019.

The annual frequency of advances (3.00%) and turnover (1.00%) are deduced from the Bank's historical experience and frequencies triggered by the experience of the actuary in charge of a significant number of similar companies.

In conclusion, we provide the sensitivity analyses on the Actuarial Value (Defined Benefit Obligation – DBO) for the end of the period using:

- **a discount rate of +0.25% and of -0.25% compared to the one applied:**
    - in the event of an increase of 0.25%, the TFR provision would equal EUR 1,915 thousand;
    - in the event of a decrease of 0.25%, the TFR provision would equal EUR 1,988 thousand;
- **an inflation rate of +0.25% and of -0.25% compared to the one applied:**
    - in the event of an increase of 0.25%, the TFR provision would equal EUR 1,974 thousand;
    - in the event of a decrease of 0.25%, the TFR provision would equal EUR 1,929 thousand;
- **an inflation rate of +1.00% and of -1.00% compared to the one applied:**
    - in the event of an increase of 1%, the TFR provision would equal EUR 1,941 thousand;
    - in the event of a decrease of 1%, the TFR provision would equal EUR 1,962 thousand.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/VALUES	Total 31/12/2020	Total 31/12/2019
1. Provision for credit risk relative to commitments and financial guarantees issued	4,160	5,085
2. Provision for other commitments and guarantees issued	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	16,371	12,045
4.1 legal and tax disputes	825	1,893
4.2 personnel expenses	327	248
4.3 others	15,218	9,904
Total	**20,531**	**17,130**

The item 'Provision for credit risk relative to commitments and financial guarantees issued' includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

The item 'Provision for other commitments and guarantees issued', where applicable, includes the value of the total allocations in respect of other commitments and other guarantees issued, which are not subject to the impairment rules of IFRS 9 (IFRS 9, paragraph 2.1, letters e) and g)).

The item "Other provisions for risks and charges" under the sub-item "other" includes the value of provisions for potential requests by the National Resolution Fund for EUR 8,431 thousand and the provision for charity and mutuality, which originates from the Company's Articles of Association, for EUR 604 thousand, as well as the provision for bonuses/awards to employees for EUR 5,657 thousand.

10.2 Provisions for risks and charges: annual changes

	Provision for other commitments and guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. OPENING BALANCES	**-**	**-**	**12,045**	**12,045**
B. INCREASES	**-**	**-**	**6,809**	**6,809**
B.1 Allocation for the year	-	-	6,402	6,402
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	-	-	407	407
C. DECREASES	**-**	**-**	**2,483**	**2,483**
C.1 Use for the year	-	-	2,483	2,483
C.2 Changes due to modifications in the discount rate	-	-	-	-
C.3 Other changes	-	-	-	-
D. CLOSING BALANCES	**-**	**-**	**16,371**	**16,371**

It should be noted that the table above shows the annual changes in the provisions for risks and charges with the exception of those in the item "Provision for credit risk relative to commitments and financial guarantees issued", which are shown in Table A.1.4 in Part E.

With reference to "Other provisions for risks and charges":

- the sub-item "B.1 - Allocation for the year" includes the increase in future estimated debt related to both existing provisions and provisions established in the year;
- the sub-item "B.4 - Other increases" includes:
  - the portion of the profit for the previous year to be allocated to the provision for charity;
  - the reclassification of the residual amount allocated for bonuses/awards for employees, previously allocated to 'other liabilities';
- the sub-item "C.1 - Use for the year" refers to payments made

10.3 Provision for credit risk relative to commitments and financial guarantees issued

	Provision for credit risk relative to commitments and financial guarantees issued			
	First stage	Second stage	Third stage	Total
1. Commitments to issue funds	2,607	1,212	177	3,996
2. Financial guarantees issued	116	-	48	164
Total	**2,722**	**1,212**	**225**	**4,160**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees issued which are subject to the impairment rules of IFRS 9, including therein the financial guarantees issued and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A - Accounting policies, paragraph "15.5 Methods of recognition of impairment losses" and Part E - Information on risks and related hedging policies.

10.4 Provision for other commitments and guarantees issued

As at the reporting date, the Bank has no provisions of this kind.

10.5 Defined benefit company pension funds

The Bank does not have defined benefit pension funds.

10.6 Provisions for risks and charges - other provisions

ITEMS	31/12/2020	31/12/2019
OTHER PROVISIONS FOR RISKS AND CHARGES		
1. Provision for risks on revocatory actions	-	-
2. Provision for charity	604	489
3. Personnel risks and expenses	327	248
4. Legal and tax disputes	825	1,893
5. Other provisions for risks and charges	14,614	9,415
Total	**16,371**	**12,045**

Provision for charity for EUR 604 thousand.

The provision for charity, which originates from the Articles of Association (Article 49), is included under other provisions. The allocation is determined on an annual basis, at the time of allocation of profits, by the Shareholders' Meeting; the relative use is decided by the Board of Directors. The provision has not been discounted as its use is anticipated in the course of the following year.

Personnel expenses for EUR 327 thousand.

The amount recorded in sub-item 4.2 'personnel expenses' - of Table 10.1 refers to: Seniority/loyalty bonuses regarding the financial charge that the Bank must incur in future years in favour of the employees in relation to Seniority of service.

In terms of operations, the application of the Project Unit Credit Method required the defined demographic and economic-financial hypotheses applied analytically to each employee.

Provision for future charges for legal disputes, for EUR 825 thousand.

The "Provision for future charges for legal disputes" protects the Bank from probable negative outcomes deriving from court procedures against the Bank and complaints still pending. In particular, as at 31 December 2020 it only includes provisions for presumed losses on lawsuits.

The nature of legal court procedures against the Bank is wide ranging and diversified. In fact, even though they generally have in common a demand for compensation from the Bank, they arise from events which can be very different from each other. Simply put, the most frequent reasons relate to the disputes on interests (compound interest, usury, rate not agreed, etc.), the implementation of investment services and the erroneous negotiation of cheques.

The timings of judgements are difficult to predict. With regard to the amounts of foreseeable disbursements, the hypothesis formulated for judgements with likely negative outcome refers to the overall estimate disbursement. It is specified, also in relation to that stated earlier, that both the amounts and the time of foreseeable disbursement of every individual dispute must necessarily be considered to be indicative as, especially for judgements of a compensatory nature, the judge's discretion in the assessment of the damage is very wide.

Revocatory action disputes are promoted to obtain, with reference to the periods before subjecting the customer to insolvency procedures, an order for the Bank to return sums deposited on current accounts or the declaration of ineffectiveness of acquired guarantees. In relation to negative outcomes provisions are made, on the occurrence of adverse events that may lead to determine reliable predictions of a negative outcome, to the extent of the amount of the anticipated disbursement.

On 16 January 2020 the financial holding company Malacalza Investimenti S.r.l. (hereinafter "Malacalza Investimenti") brought a civil action against Carige, the Interbank Deposit Protection Fund, the Voluntary Intervention Scheme and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the shareholders of Carige at the Shareholders' Meeting held on 20 September 2019 and submitting a claim for damages of EUR 550 million.

The reasons for the disputed invalidity of the shareholders' resolution consist essentially in the alleged illegitimate exclusion of option rights, failure to comply with the principle of accounting parity and a determination of the issue price of the new shares that does not comply with the criteria set out in the company's regulations.

Compensation for damages is claimed because of the allegedly hyperdilutive nature of the resolution (with a reduction of Malacalza Investimenti's shareholding from 27.555% to 2.016%), as the cancellation of the shareholders' resolution can no longer be requested since it was already carried out with the subscription of the capital increase (as a result of which, Cassa Centrale Banca acquired an 8.34% shareholding).

The first appearance hearing, originally scheduled for 19 May 2020, has been postponed due to the health emergency.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for compensation totalling a further EUR 11.4 million, plus revaluation and interest.

The assumptions and the arguments underlying the claims for damages are essentially the same as those put forward by Malacalza Investimenti.

During the course of the 2020 financial year, the Civil Court of Genoa ordered the joinder of all the lawsuits filed for which the Interbank Deposit Protection Fund, the Voluntary Scheme, Banca Carige and Cassa Centrale Banca entered an appearance on 24 July 2020.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the unlikely risk of losing the case, decided not to make provisions for risks and charges.

Other provisions for risks and charges amounting to EUR 14,614 thousand.

The amount shown refers to provisions made in previous years for potential requests for intervention by the National Resolution Fund for EUR 8,432; the provision for DGS for EUR 525 thousand and provisions for bonuses/awards for employees for EUR 5,657.

Contingent liabilities

There are no contingent liabilities at the year-end for which a financial outlay is not probable.

Section 11 - Repayable shares - Item 120

11.1 Repayable shares: breakdown

The Bank has issued no repayable shares.

Section 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Capital" and "Own shares": breakdown

ITEMS	31/12/2020			31/12/2019		
	Number of shares issued	Number of shares subscribed and not yet paid-up	Total	Number of shares issued	Number of shares subscribed and not yet paid-up	Total
A. SHARE CAPITAL						
A.1 Ordinary shares	18,158,304	-	18,158,304	18,158,304	-	18,158,304
A.2 Preference shares	150,000	-	150,000	150,000	-	150,000
A.3 Other shares	-	-	-	-	-	-
Total A	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**
B. OWN SHARES						
B.1 Ordinary shares	-	-	-	-	-	-
B.2 Preference shares	-	-	-	-	-	-
B.3 Other shares	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total A+B	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**

There are no shares subscribed and not yet paid-up.

There are no own shares in the portfolio.

12.2 Capital - Number of shares: annual changes

ITEMS/TYPES	Ordinary	Preference
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. OUTSTANDING SHARES: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

12.3 Capital: other information

ITEM	31/12/2020	31/12/2019
NOMINAL VALUE PER SHARE		
Fully paid-up		
Number	18,308,304	18,308,304
Value	52.00	52.00
Existing contracts for the sale of shares		
Number of shares under contract	-	-
Total value	-	-

The nominal value per share has not changed and amounts to EUR 52.

The Bank's share capital consists of 18,308,304 shares, including 150,000 preference shares and 18,158,304 ordinary shares. There are no dividend distribution restrictions or capital reimbursement restrictions on these shares.

The Bank does not hold, directly or indirectly, through subsidiaries or associates, own shares.

12.4 Profit reserves: other information

ITEMS/COMPONENTS	Amount	Portion available	Possibility of use
a) Legal reserve	28,797	28,797	B: to cover losses
b) Extraordinary reserve	-	-	-
c) Statutory reserve	-	-	-
d) Other reserves	118,390	118,390	B: to cover losses
Total	**147,187**	**147,187**	**-**

The "Legal reserve" is formed with an allocation of at least 5% of the net profit for the year.

The "Legal reserve" is available to the Bank to cover losses for the year, in the same way as the other profit reserves recognised in equity, due to legal and statutory constraints.

"Other reserves" also includes the portion of the residual net profits after the allocations established by law and the Articles of Association and resolved by the shareholders' meeting.

With reference to the valuation reserves, unavailable, where positive, pursuant to Article 6 of Italian Legislative Decree no. 38/2005, the following should be mentioned:

- the valuation reserves of financial instruments measured at fair value through other comprehensive income represent the gains or losses deriving from a change in fair value of the quoted financial activity;
- the reserves for the hedging of financial flows include changes in fair value of the hedging derivative for the effective portion of the hedge;
- the reserves from IAS 19 actuarial gains/losses relate to the valuation of severance indemnity and defined provisions for retirement.

Pursuant to Article 2427, paragraph 22-septies, of the Italian Civil Code, for the proposed allocation of the profit for the year, reference should be made to the information contained in the Report on Operations (document accompanying these financial statements) in the chapter “Proposed appropriation of the result for the year”.

12.5 Equity instruments: breakdown and annual changes

There are no equity instruments other than the capital and reserves.

12.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Other information

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

	Nominal value of commitments and financial guarantees issued			Total 31/12/2020	Total 31/12/2019
	First stage	Second stage	Third stage		
1. COMMITMENTS TO ISSUE FUNDS	**14,258,359**	**6,096**	**402**	**14,264,856**	**15,995,521**
a) Central Banks	-	-	-	-	-
b) Public bodies	1,960	-	-	1,960	1,960
c) Banks	13,862,030	-	-	13,862,030	15,242,202
d) Other financial companies	228,702	1,097	-	229,798	610,939
e) Non-financial companies	152,026	4,848	402	157,276	132,448
f) Households	13,641	151	-	13,792	7,972
2. FINANCIAL GUARANTEES ISSUED	**63,684**	**-**	**95**	**63,779**	**49,482**
a) Central Banks	-	-	-	-	-
b) Public bodies	-	-	-	-	-
c) Banks	30,713	-	-	30,713	22,781
d) Other financial companies	7,285	-	-	7,285	7,698
e) Non-financial companies	19,880	-	95	19,975	14,741
f) Households	5,807	-	-	5,807	4,263

This table shows the commitments to disburse funds and the financial guarantees issued which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees issued that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees issued that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

The item "Commitments to disburse funds" includes:

- purchases (spot and forward) of securities not yet settled for EUR 391 thousand;
- margins usable on irrevocable credit facilities granted for EUR 14,263 thousand.

The item "Financial guarantees issued" mainly includes guarantees securing the regular fulfilment of the debt service by the ordering party.

2. Other commitments and guarantees issued

	Nominal value Total 31/12/2020	Nominal value Total 31/12/2019
1. Other guarantees issued	**2,584**	**2,352**
of which: impaired	-	-
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	2,584	2,352
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**-**	**-**
of which: impaired	-	-
a) Central Banks	-	-
b) Public bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

This table shows the nominal value of other commitments and other guarantees issued which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2020	Amount 31/12/2019
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-
3. Financial assets measured at amortised cost	823,018	1,188,407
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

Item “3. Financial assets measured at amortised cost” include the values of securities pledged as collateral for:

- issues of banker’s drafts for EUR 80,331 thousand;
- repurchase agreements with Cassa di Compensazione e Garanzia for EUR 125,826 thousand;
- daily margining on positions in derivatives for EUR 5,038 thousand;
- guarantee agreement with the Affiliated Banks for EUR 8,711 thousand;
- guarantee agreement with the Affiliated Banks ex post EUR 137,502 thousand;
- Pool Bankit/BCE account for EUR 445,254 thousand;
- Collateral derivatives for EUR 20,356 thousand.

4. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	**36,424**
a) purchases	4,319
1. settled	4,319
2. not settled	-
b) sales	32,104
1. settled	31,954
2. not settled	150
2. INDIVIDUAL PORTFOLIO MANAGEMENT	**8,053,437**
3. CUSTODY AND ADMINISTRATION OF SECURITIES	**87,926,350**
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by the bank that prepares the financial statements	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	42,467,135
1. securities issued by the bank that prepares the financial statements	1,070,267
2. other securities	41,396,869
c) third-party securities deposited with third parties	41,391,192
d) own securities deposited with third parties	4,068,022
4. OTHER TRANSACTIONS	-

The Bank provides brokerage services on behalf of third parties.

With regard to the asset management described in point 2, the following should be noted:

- the amounts refer to the value of assets under management at the end of the year, at market values;
- the amounts refer to both the securities component of management and the liquidity component (current accounts and deposits), which amounted to EUR 249,236 thousand in the current year;
- the amounts in point 3. refer to the nominal value of the securities and sub-item b) also includes securities on deposit as collateral.

5. Financial assets which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2020	Net amount 31/12/2019
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	34,590	-	34,590	-	35,260	670	(338)
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 31/12/2020	**34,590**	**-**	**34,590**	**-**	**35,260**	**670**	**X**
Total 31/12/2019	**24,728**	**-**	**24,728**	**-**	**24,390**	**X**	**(338)**

6. Financial liabilities which are offset or subject to framework offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2020	Net amount 31/12/2019
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	33,530	-	33,530	-	34,340	(810)	1,278
2. Repos	10,086	-	10,086	10,466	380	(760)	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2020	**43,616**	**-**	**43,616**	**10,466**	**34,720**	**(1,569)**	**X**
Total 31/12/2019	**492,964**	**-**	**492,964**	**468,895**	**22,791**	**X**	**1,278**

With regard to the disclosures required by IFRS 7 about financial instruments that have been offset in the statement of financial position in accordance with IAS 32 or that are potentially offsettable, if certain conditions are met, but are presented in the statement of financial position without offsetting because they are governed by "framework offsetting agreements or similar" that do not meet all the criteria set out in IAS 32 paragraph 42, it should be noted that Cassa Centrale Banca does not have offsetting agreements in place that meet the requirements of IAS 32 para. 42 for offsetting in the financial statements.

With regard to the instruments that can potentially be offset when certain events occur, shown in Tables 5 and 6, Cassa Centrale Banca uses bilateral netting agreements that allow for, in the event of default by the counterparty, the offsetting of credit and debit positions relating to financial derivatives, as well as SFT (Securities Financing Transactions). In particular, there are ISDA (for derivative transactions) contracts and GMRA (for repurchase agreements) contracts.

For the purposes of compiling the tables and in line with the provisions of IFRS 7, please note that:

- the effects of potential offsetting of the financial statements values of financial assets and liabilities are shown in column (d) "Financial instruments", together with the fair value of financial collateral represented by securities;
- the effects of the potential offsetting of the exposure against the related cash guarantees are shown under column (e) 'Cash deposits received/issued as guarantee';
- repos are shown in the tables according to the amortised cost measurement criterion, while the related financial collateral is shown at its fair value;
- derivative transactions are represented at fair value.

The effects of offsetting shall be calculated individually for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

Netting agreements between financial instruments and related guarantees significantly reduce the credit/debit exposure to the counterparty, as can be seen in column (f) "Net amount". The effects shall be calculated for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

7. Securities lending transactions

The Bank has not carried out securities lending transactions.

8. Information on joint operations

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

PART C - Information on the Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial assets measured at fair value through profit or loss:				**495**	**248**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets measured at fair value	457	-	-	457	207
1.3 Other financial assets obligatorily measured at fair value	2	36	-	37	41
2. Financial assets measured at fair value through other comprehensive income	**2,418**	**-**	**X**	**2,418**	**4,140**
3. Financial assets measured at amortised cost:	**15,748**	**16,462**	**X**	**32,211**	**28,795**
3.1 Loans to banks	5,353	1,981	X	7,334	5,215
3.2 Loans to customers	10,395	14,481	X	24,876	23,581
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**-**	**-**	**-**
6. Financial liabilities	**X**	**X**	**X**	**74,171**	**28,758**
Total	**18,625**	**16,498**	**-**	**109,294**	**61,942**
of which: interest income from impaired financial assets	-	773	-	773	286
of which: interest income from finance lease	-	-	-	-	-

Item “6. Financial liabilities” comprises interest income accrued on funding transactions at negative rates.

The line “of which: interest income from impaired financial assets” shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates to loans to customers.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets in foreign currency

ITEMS	31/12/2020	31/12/2019
Interest income from financial assets in foreign currency	271	789

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Payables	Securities	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial liabilities measured at amortised cost				**(33,659)**	**(22,825)**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(5,543)	X	X	(5,543)	(4,691)
1.3 Due to customers	(27,816)	X	X	(27,816)	(17,835)
1.4 Debt securities in issue	X	(301)	X	(301)	(300)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**(1)**
3. Financial liabilities measured at fair value	**-**	**(175)**	**-**	**(175)**	**(418)**
4. Other liabilities and provisions	**X**	**X**	**(1)**	**(1)**	**-**
5. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
6. Financial assets	**X**	**X**	**X**	**(33,707)**	**(7,110)**
Total	**(33,359)**	**(476)**	**(1)**	**(67,542)**	**(30,355)**
of which: interest expense on payables for leases	-	-	(125)	(125)	(98)

Items “1.2 Due to banks” and “1.3 Due to customers” also include interest on repos, even if carried out against securities recorded as assets.

The item “Financial assets” includes negative interest accrued on financial assets.

1.4 Interest expenses and similar charges paid: other information

1.4.1 Interest expenses from liabilities in foreign currency

ITEMS	31/12/2020	31/12/2019
Interest expenses from liabilities in foreign currency	(365)	(1,667)

1.5 Differentials relative to hedging transactions

The Bank does not have hedging transactions in place.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2020	Total 31/12/2019
a) guarantees issued	347	369
b) credit derivatives	-	-
c) management, trading and consulting services:	76,072	68,783
1. trading of financial instruments	39	36
2. foreign currency trading	34	38
3. individual portfolio management	55,238	50,085
4. custody and administration of securities	3,804	3,088
5. custodian bank	-	-
6. placement of securities	2,943	2,365
7. order receipt and transmission	7,836	6,107
8. consulting	133	150
8.1. pertaining to investments	133	150
8.2. pertaining to financial structures	-	-
9. distribution of third party services	6,045	6,914
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	44	36
9.3. other products	6,001	6,878
d) collection and payment services	59,530	59,371
e) servicing activities for securitisation operations	-	-
f) services for factoring operations	-	-
g) collection and receiving operations	-	-
h) activities for the management of multilateral trading systems	-	-
i) current account maintenance and management	160	143
j) other services	21,368	19,763
Total	**157,477**	**148,429**

It should be noted that revenues deriving from commissions (other than the amounts included in the calculation of the effective interest rate) from financial assets not measured at fair value through profit or loss for the year are not recorded.

The amount shown under the sub-item "other services" is composed of commissions mainly relating to:

- payment intermediation services related to the participation in UCITS;
- centralised securities database;
- provision of financial information;
- strategic planning and coordination (SPC);
- *Value at Risk;*
- valuation of unlisted securities prices;
- lease and factoring brokerage;
- structured finance;
- credit line and other residual services.

2.2 Commission income: distribution channels of products and services

CHANNELS/VALUES	Total 31/12/2020	Total 31/12/2019
A) WITHIN ITS OWN COUNTERS:	**64,226**	**59,364**
1. portfolio management	55,238	50,085
2. placement of securities	2,943	2,365
3. third party services and products	6,045	6,914
B: OFFERS OUTSIDE THE BRANCH	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-
C) OTHER DISTRIBUTION CHANNELS:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-

2.2 bis. Commission income: type and timing of recognition

TYPE OF SERVICES	31/12/2020			31/12/2019		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) guarantees issued	-	347	**347**	-	369	**369**
b) credit derivatives	-	-	-	-	-	-
c) management, trading and consulting services	76,072	-	**76,072**	68,783	-	**68,783**
d) collection and payment services	59,530	-	**59,530**	59,371	-	**59,371**
e) servicing activities for securitisation operations	-	-	-	-	-	-
f) services for factoring operations	-	-	-	-	-	-
g) collection and receiving operations	-	-	-	-	-	-
h) activities for the management of multilateral trading systems	-	-	-	-	-	-
i) current account maintenance and management	160	-	**160**	143	-	**143**
j) other services	21,368	-	**21,368**	19,763	-	**19,763**
Total	**157,130**	**347**	**157,477**	**148,060**	**369**	**148,429**

2.3 Commission expense: breakdown

SERVICES/VALUES	Total 31/12/2020	Total 31/12/2019
a) guarantees received	(40)	(58)
b) credit derivatives	-	-
c) management and trading services:	(43,119)	(39,043)
1. trading of financial instruments	(1,624)	(1,287)
2. foreign currency trading	-	-
3. portfolio management:	(39,935)	(36,403)
3.1 own portfolios	(39,935)	(36,403)
3.2 delegated to third parties	-	-
4. custody and administration of securities	(1,502)	(1,236)
5. placement of financial instruments	(58)	(117)
6. out-of-branch offer of financial instruments, products and services	-	-
d) collection and payment services	(30,279)	(28,466)
e) other services	(2,638)	(3,169)
Total	**(76,076)**	**(70,736)**

It should be noted that no costs deriving from commissions (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value recognised in profit or loss for the year are recognised (IFRS 7, paragraph 20, letter c (i)).

Section 3 - Dividend and similar income - Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2020		Total 31/12/2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	42	-
B. Other financial assets obligatorily measured at fair value	1	-	64	-
C. Financial assets measured at fair value through other comprehensive income	443	-	409	-
D. Equity investments	33,498	-	6,515	-
Total	**33,942**	**-**	**7,030**	**-**

The item "D. Equity investments" includes the dividends relative to controlling interests and shareholdings in associates measured at cost and distributed by:

- Allitude SpA for EUR 24,103 thousand;
- Claris leasing for EUR 4,486 thousand;
- Assicura Agenzia S.r.l. for EUR 2,388 thousand;
- Centrale Credit Solutions S.r.l. for EUR 1,500 thousand;
- Nord Est Asset Management S.A. for EUR 1,000 thousand;
- Finanziaria Trentina della Cooperazione S.p.A. for EUR 18 thousand;
- Scouting S.p.A. for EUR 2 thousand.

The item "Financial assets measured at fair value through other comprehensive income" includes dividends distributed by:

- Etica S.g.r. for EUR 411 thousand.

Section 4 - Net result from trading - Item 80

4.1 Net result from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**3**	**-**	**(17)**	**(14)**
1.1 Debt securities	-	3	-	(17)	(14)
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**3.204**
4. DERIVATIVE INSTRUMENTS	**13,461**	**4,785**	**(13,425)**	**(4,655)**	**(4,506)**
4.1 Financial derivatives:	13,461	4,785	(13,425)	(4,655)	(4,506)
- On debt securities and interest rates	13,461	4,785	(13,425)	(4,655)	167
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	(4,673)
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**13,461**	**4,788**	**(13,425)**	**(4,672)**	**(1,316)**

Section 5 - Net result from hedging - Item 90

5.1 Net result from hedging: breakdown

The Bank did not carry out any hedging transactions during the year.

Section 6 - Profit (loss) from disposal/repurchase - Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 31/12/2020			Total 31/12/2019		
	Profit	Loss	Net result	Profit	Loss	Net result
A. FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	11,553	(1,040)	10,513	14,169	(30)	14,139
1.1 Loans to banks	534	-	534	-	-	-
1.2 Loans to customers	11,019	(1,040)	9,979	14,169	(30)	14,139
2. Financial assets measured at fair value through other comprehensive income	5,964	-	5,964	5,616	(29)	5,587
2.1 Debt securities	5,964	-	5,964	5,616	(29)	5,587
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**17,517**	**(1,040)**	**16,477**	**19,785**	**(59)**	**19,726**
B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

The table reports the economic result deriving from the sale of financial assets/liabilities other than those held for trading and those measured at fair value, as well as the result derived from the repurchase of the company's own financial liabilities. In particular:

- the net amount of EUR 9,979 thousand specified in line 1.2 refers to the net profit resulting from the disposal of a portfolio of non-performing loans (EUR 625 thousand) and bonds (EUR 9,354 thousand) (in particular, Italian government bonds B.T.P., C.C.T., B.E.I.);
- the amount of EUR 5,964 thousand specified in line 2.1 represents the profit relative to the transfer of bond securities (in particular, Italian government bonds C.T.Z., B.T.P., C.C.T.);
- item "1.2 Loans to customers" includes the net loss, equal to EUR 457 thousand, relating to the sale of non-performing loans at amortised cost, which took place in 2020 (the so-called Buonconsiglio 3-GACS transaction). For further details, please refer to the information in Part E "Information on risks and related hedging policies", Section 1 "Credit risk", Subsection E "Disposal transactions".

Section 7 - Net result of other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**1,734**	**-**	**(49)**	**(144)**	**1,542**
1.1 Debt securities	1,668	-	(20)	(144)	1,504
1.2 Loans	67	-	(29)	-	38
2. FINANCIAL LIABILITIES	**-**	**170**	**(1,808)**	**-**	**(1,638)**
2.1 Debt securities in issue	-	170	-	-	170
2.2 Due to banks	-	-	(1,808)	-	(1,808)
2.3 Due to customers	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**1,734**	**170**	**(1,857)**	**(144)**	**(97)**

The capital losses reported in sub-item 2.2 Due to banks represent the allocation to the lending parties (Affiliated Banks) of the operating result of the cross-guarantee scheme, which takes place through an accounting entry adjusting the fair value of the financial liability recorded against the funds received as "ex-ante portion" from the lending parties themselves.

For further details, please refer to the Annex "Statement of Guarantee Scheme as at 31/12/2020".

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets obligatorily measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains (A)	Profit on sale (B)	Capital losses (C)	Loss on sale (D)	Net result [(A+B) - (C+D)]
1. FINANCIAL ASSETS	**1,522**	**16**	**(874)**	**(254)**	**409**
1.1 Debt securities	1	-	(15)	-	(15)
1.2 Equities	-	1	-	(164)	(162)
1.3 UCITS units	1,113	14	(561)	(91)	476
1.4 Loans	408	-	(298)	-	110
2. FINANCIAL ASSETS DENOMINATED IN FOREIGN CURRENCY: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**1,522**	**16**	**(874)**	**(254)**	**409**

Section 8 - Net value adjustments/write-backs due to credit risk - Item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown

TRANSACTIONS/INCOME COMPONENTS	Value adjustments (1)			Write-backs (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-offs	Other				
A. LOANS TO BANKS	**(9,852)**	**-**	**-**	**4,342**	**-**	**(5,510)**	**1,679**
- Loans	(8,377)	-	-	3,259	-	(5,118)	2,854
- Debt securities	(1,475)	-	-	1,083	-	(392)	(1,175)
of which: impaired loans acquired or originated	-	-	-	-	-	-	-
B. LOANS TO CUSTOMERS	**(10,939)**	**(49)**	**(18,970)**	**2,413**	**13,182**	**(14,364)**	**(1,955)**
- Loans	(9,985)	(49)	(18,970)	1,161	13,182	(14,661)	(2,748)
- Debt securities	(954)	-	-	1,251	-	297	794
of which: impaired loans acquired or originated	-	-	-	-	-	-	(1,275)
Total	**(20,791)**	**(49)**	**(18,970)**	**6,755**	**13,182**	**(19,874)**	**(275)**

8.1a Net value adjustments for credit risk relating to loans valued at amortised cost subject to Covid-19 support measures: breakdown

TRANSACTIONS/INCOME COMPONENTS	Net value adjustments			Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage			
		Write-offs	Other		
1. Loans subject to concession compliant with GL	(1,252)	-	(1,154)	(2,407)	-
2. Loans subject to other forbearance measures	(23)	-	(224)	(248)	-
3. New loans	(576)	-	-	(576)	-
Total	**(1,851)**	**-**	**(1,379)**	**(3,230)**	**-**

8.2 Net value adjustments due to credit risk relative to financial assets measured at fair value through other comprehensive income: breakdown

TRANSACTIONS/INCOME COMPONENTS	Value adjustments (1)			Write-backs (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-offs	Other				
A. DEBT SECURITIES	**(907)**	**-**	**-**	**268**	**-**	**(639)**	**1,226**
B. LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-
of which: impaired financial assets acquired or originated	-	-	-	-	-	-	-
Total	**(907)**	**-**	**-**	**268**	**-**	**(639)**	**1,226**

8.2a Net value adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

The Bank does not hold any positions attributable to this case.

Section 9 - Profits/losses from contractual changes without derecognitions - Item 140

9.1 Profits (losses) from contractual changes: breakdown

Under this item, losses from contractual changes without derecognitions were recorded for EUR 7 thousand.

Section 10 - Administrative expenses - Item 160

10.1 Personnel costs: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2020	Total 31/12/2019
1) Employees	**(46,247)**	**(42,391)**
a) salaries and wages	(31,584)	(27,003)
b) social security charges	(8,492)	(8,132)
c) severance indemnity	(1,903)	(1,603)
d) social security expenses	-	-
e) provision for severance indemnity	(174)	(157)
f) allocation to retirement and similar obligations:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary pension funds:	(1,333)	(1,220)
- with defined contribution	(1,333)	(1,220)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other benefits in favour of employees	(2,760)	(4,276)
2) Other operating personnel	**(6)**	**(129)**
3) Directors and Auditors		**(2,063)**
4) Retired personnel	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**351**	**190**
6) Reimbursement of expenses for third party employees seconded to the company	**(1,188)**	**(887)**
Total	**(49,519)**	**(45,280)**

The increase in costs compared to the previous year reflects the increase in the average number of employees that also occurred in the 2020 financial year in connection with the establishment of the Group.

10.2 Average number of employees by category

	31/12/2020	31/12/2019
EMPLOYEES (A+B+C)	**513**	**433**
a) executives	28	21
b) middle managers	203	163
c) remaining employees	282	249
OTHER PERSONNEL	**18**	**18**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies.

In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

10.3 Defined benefit company pension funds: costs and revenue

For information on this point, please refer to that described in the Liabilities in the Statement of financial position, Section 9, paragraph "9.2 Other information".

10.4 Other benefits in favour of employees

ITEMS	31/12/2020	31/12/2019
Miscellaneous personnel costs: allocation of loyalty bonus	(79)	(8)
Miscellaneous personnel costs: insurance	(883)	(692)
Miscellaneous personnel costs: staff leaving incentives	(1,116)	(2,590)
Miscellaneous personnel costs: meal vouchers	(210)	(445)
Miscellaneous personnel costs: training courses	(266)	(376)
Miscellaneous personnel costs: other benefits	(206)	(165)
Other benefits in favour of employees	**(2,760)**	**(4,276)**

10.5 Other administrative expenses: breakdown

ITEMS	31/12/2020	31/12/2019
ICT expenses	**(17,759)**	**(10,213)**
Outsourced ICT expenses	(16,186)	(7,481)
ICT expenses other than outsourced ICT expenses	(1,573)	(2,733)
Taxes and levies (other)	**(12,661)**	**(11,565)**
Expenses for professional and consulting services	**(39,792)**	**(42,694)**
Advertising and entertainment expenses	**(3,692)**	**(3,240)**
Expenses related to debt collection	**(258)**	**(261)**
Litigation expenses not covered by allocations	**-**	**-**
Expenses for real estate	**(1,552)**	**(1,939)**
Lease fees	**-**	**-**
Other administrative expenses - Other	**(18,419)**	**(22,688)**
Total administrative expenses	**(94,132)**	**(92,599)**

The increase in IT costs is attributable to new services provided by Allitude, in particular “Facility management” related to the needs of the Banking Group.

Section 11 - Net allocations to provisions for risks and charges - Item 170

11.1 Net allocations for credit risk relative to commitments to disburse funds and financial guarantees issued: breakdown

ITEMS	31/12/2020			31/12/2019		
	Phase 1	Phase 2	Phase 3	Phase 1	Phase 2	Phase 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(1,910)	(338)	(461)	-	-	-
FINANCIAL GUARANTEES ISSUED						
Financial guarantee contracts	(50)	(37)	-	-	-	-
Total allocations (-)	**(1,959)**	**(376)**	**(461)**	**-**	**-**	**-**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	2,028	773	708	2,599	-	-
FINANCIAL GUARANTEES ISSUED						
Financial guarantee contracts	40	101	25	91	-	-
Total reallocations (+)	**2,068**	**874**	**733**	**2,691**	**-**	**-**
	Net allocation			Net allocation		
Total	**108**	**498**	**272**	**2,691**	**-**	**-**

11.2 Net allocations relative to other commitments and guarantees issued: breakdown

The Bank does not hold any positions attributable to this case.

11.3 Net allocations to other provisions for risks and charges: breakdown

ITEMS	31/12/2020			31/12/2019		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
Allocations and reallocations to other provisions for risks and charges						
1. for risks on revocatory actions	-	-	-	-	-	-
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	-	-	-	-	-	-
4. for legal and tax disputes	(228)	1,295	1,067	-	205	205
5. for other risks and charges	(525)	-	(525)	-	-	-
Total	**(753)**	**1,295**	**542**	**-**	**205**	**205**

Section 12 - Net value adjustments/write-backs to tangible assets - Item 180

12.1. Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a + b - c)
A. TANGIBLE ASSETS				
1. For business use	**(2,842)**	**-**	**-**	**(2,842)**
- Owned	(1,659)	-	-	(1,659)
- Rights of use acquired through lease	(1,182)	-	-	(1,182)
2. Held for investment purposes	**-**	**-**	**-**	**-**
- Owned	-	-	-	-
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**
Total	**(2,842)**	**-**	**-**	**(2,842)**

The Bank has no tangible assets classified as held for sale in accordance with IFRS 5.

For this reason, the table above does not include the specific item "B. Assets held for sale" in which the result of the related valuation is reported.

For other information, please refer to the corresponding "Tangible Assets" section of the statement of financial position assets.

Section 13 - Net value adjustments/write-backs to intangible assets - Item 190

13.1 Net value adjustments to intangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
A.1 OWNED	**(928)**	**-**	**-**	**(928)**
- Generated internally by the company	-	-	-	-
- Other	(928)	-	-	(928)
A.2 RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**
Total	**(928)**	**-**	**-**	**(928)**

Section 14 - Other operating income/charges - Item 200

14.1 Other operating charges: breakdown

ITEMS	31/12/2020	31/12/2019
Amortisation of improvements to non-separable third-party assets	(40)	(64)
Charges for treasury contracts with public bodies	-	-
Charges for transactions and indemnities	(11)	(15)
Non-existent items and contingencies not ascribable to own items	(113)	(45)
Allowances payable and rounding down	(4)	(5)
Other operating charges - other	-	-
Total other operating charges	**(168)**	**(130)**

14.2 Other operating income: breakdown

ITEMS	31/12/2020	31/12/2019
Recovery of taxes	12,348	11,230
Charges to third parties for costs on deposits and current accounts	-	-
Recovery of insurance premiums	-	-
Receivable rents and payments	-	1
Recovery of other expenses	715	205
Non-existent items and contingencies not ascribable to own items	765	387
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	19,277	22,920
Total other operating income	**33,104**	**34,743**

The item “Other operating income - other” is mainly due to the recovery of administrative expenses incurred by the Parent Company on behalf of the Affiliated Banks. These include, in particular, revenues from centralised services relating to the performance of the activities of the corporate control functions, as well as the recovery of expenses relating to the European Supervisory Authority.

Section 15 - Profits (losses) on equity investments - Item 220

15.1 Profits (losses) on equity investments: breakdown

INCOME COMPONENT/VALUES	Total 31/12/2020	Total 31/12/2019
A. INCOME	**-**	**1,548**
1. Revaluations	-	-
2. Gains from disposal	-	1,548
3. Write-backs	-	-
4. Other Income	-	-
B. CHARGES	**(26)**	**-**
1. Write-downs	-	-
2. Value adjustments for impairment	-	-
3. Losses from disposal	(26)	-
4. Other charges	-	-
Net result	**(26)**	**1,548**

The amount of sub-item "B.3 Losses from disposal" derives from the voluntary liquidation of the investment in Formazione Lavoro Società consortile per Azioni.

Section 16 - Net result of fair value measurement of tangible and intangible assets - Item 230

16.1 Net result of fair value measurement (or revalued value) or estimated realisable value of tangible and intangible assets: breakdown

During the course of the year, no fair value measurement was implemented with respect to tangible or intangible assets.

Section 17 - Value adjustments to goodwill - Item 240

17.1 Value adjustments to goodwill: breakdown

The Bank has not registered any asset item as goodwill.

Section 18 - Profit (loss) from disposal of investments - Item 250

18.1 Profit (loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2020	Total 31/12/2019
A. REAL ESTATE PROPERTIES	**-**	**-**
- Gains from disposal	-	-
- Losses from disposal	-	-
B. OTHER ASSETS	**4**	**-**
- Gains from disposal	5	-
- Losses from disposal	(1)	-
Net result	**4**	**-**

Section 19 - Income taxes for the year on current operating activities - Item 270

19.1 Income taxes for the year on current operating activities: breakdown

	INCOME COMPONENTS/VALUES	Total 31/12/2020	Total 31/12/2019
1.	Current taxes (-)	(1,597)	(12,661)
2.	Changes in current taxes of previous years (+/-)	-	99
3.	Decrease in current taxes of the year (+)	-	-
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4.	Change in advance taxes (+/-)	(1,496)	(1,515)
5.	Change in deferred taxes (+/-)	-	-
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(3,093)**	**(14,076)**

Current taxes were booked in accordance with currently effective legislation:

- IRES: 27.5% including surcharge;
- IRAP: 5.57% for the Value of Production realised in the Province of Trento. Provincial law no. 21 of 30 December 2015 provides that only banking companies operating in the province of Trento shall have an IRAP rate of 5.57% for the year 2020.

19.2 Reconciliation between the theoretical fiscal charge and the effective fiscal charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (Item 260 of the Income Statement)	38,961
IRES income taxes - theoretical fiscal charge:	(10,197)
Effects of decreases in taxable income on IRES	14,549
Effects of increases in taxable income on IRES	(4,352)
A. EFFECTIVE FISCAL CHARGE – CURRENT IRES TAX	**-**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(1,214)
Increases in deferred tax liabilities	-
Decreases in deferred tax liabilities	-
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(1,214)**
C. CHANGES IN CURRENT TAXES OF PREVIOUS YEARS	**-**
D. TOTAL ACCRUED IRES (A+B+C)	**(1,214)**
Theoretical fiscal charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(2,393)
Effect of decreases in value of production	2,499
Effect of increases in value of production	(1,702)
Changes in current taxes of previous years	-
E. EFFECTIVE FISCAL CHARGE – CURRENT IRAP TAX	**(1,597)**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(283)
Increases in deferred tax liabilities -	-
Decreases in deferred tax liabilities -	-
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(283)**
G. TOTAL ACCRUED IRAP (E+F)	**(1,880)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**-**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**(1,597)**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**(3,093)**

Section 20 - Profit (loss) after tax from discontinued operations - Item 290

During the course of the year, the Bank did not proceed with disposals of groups of assets. This section does not contain any evaluation and is therefore omitted.

Section 21 - Other information

There is no further information other than that already provided.

Section 22 - Earnings per share

ITEMS	31/12/2020	31/12/2019
Risultato netto di competenza del Gruppo	35,868	30,897
Storno risultato di terzi	-	-
RISULTATO NETTO DI COMPETENZA DELLA CAPOGRUPPO	**35,868**	**30,897**
Numero azioni ordinarie della Capogruppo in circolazione	18,158,304	18,158,304
Numero azioni privilegiate della Capogruppo in circolazione	150,000	150,000
Numero azioni proprie	-	-
NUMERO AZIONI IN CIRCOLAZIONE	**18,308,304**	**18,308,304**
Risultato per azione ordinaria in circolazione (EPS base) in Euro	**1.98**	**1.70**
Risultato per azione in circolazione (EPS diluito) in Euro	**1.96**	**1.69**

With regard to the above, it should be noted that, given that the share capital is also represented by preference shares, the economic result which is attributable to parties owning ordinary equity instruments is given by the profit for the year minus the dividends paid to preference shares. The calculation of the basic EPS therefore differs from that of the diluted EPS.

22.1 Average number of ordinary shares with diluted capital

In view of that previously stated, this scenario is considered irrelevant.

22.2 Other information

In view of that previously stated, this scenario is considered irrelevant.

PART D - Comprehensive income

Analytical statement of comprehensive income

ITEMS		31/12/2020	31/12/2019
10.	**Profit (loss) for the year**	**35,868**	**30,897**
	Other income components without reversal to the Income Statement	**(25,477)**	**2,611**
20.	Equities measured at fair value through other comprehensive income:	(27,131)	3,375
	a) fair value change	(27,538)	3,375
	b) transfers to other components of equity	407	-
30.	Financial liabilities measured at fair value through profit or loss (changes in credit rating):	-	-
	a) fair value change	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) fair value change (hedged instrument)	-	-
	b) fair value change (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	8	(100)
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
100.	Income taxes on other income components without reversal to the Income Statement	1,646	(664)
	Other income components reversed to the Income Statement	**4,339**	**(330)**
110.	Hedging of foreign investments:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-

ITEMS		31/12/2020	31/12/2019
130.	Cash flow hedging:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non designated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	6,636	502
	a) fair value changes	8,360	1,596
	b) reversal to income statement	(1,725)	1,139
	- adjustments for credit risk	(309)	(1,226)
	- profits/losses on sale	(1,416)	2,364
	c) other changes	-	(2,232)
160.	Non-current assets and groups of assets held for disposal:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Quotas of valuation reserves relative to shareholdings measured with the equity method:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	- impairment adjustments	-	-
	- profits/losses on sale	-	-
	c) other changes	-	-
180.	Income taxes on other income components with reversal to the Income Statement	(2,297)	(832)
190.	**Total other income components**	**(21,138)**	**2,281**
200.	**Comprehensive income (Item 10+190)**	**14,730**	**33,178**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Bank pays particular attention to risk management and governance in ensuring the constant evolution of its organisational/procedural controls and methodological solutions. These functions are carried out with tools to support effective and efficient governance of risk controls, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at Cassa Centrale Banca by the Affiliated Banks of the Cooperative Banking Group has been made operational. It is therefore the task of Cassa Centrale Banca to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks, considering both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors, i.e. the reference framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

The framework is developed by Cassa Centrale Banca and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

The framework defines both the general principles in terms of the company's risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the company's risk-taking strategy are summarised below:

- the company's business model is focused on the traditional lending activity of a commercial bank, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the entire company's operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions.

In particular, overall risk management aims to maintain adequate levels of:.

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to provide on a periodic basis summary information on the evolution of the Bank's risk profile, taking into account the defined risk appetite. The relative system is designed to support the development of a holistic representation of the risk profiles to which the Bank is exposed; to highlight any deviations from risk objectives and violations of tolerance thresholds (where defined); to highlight the potential causes that have led to these deviations/violations through the results of the monitoring of operational limits and risk indicators.

The definition of the RAF is based on an articulated and complex process, which involves the various business units of the Bank. This process is developed in coherence with the ICAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

Specific policies and regulations have been adopted to strengthen the overall risk management and governance system.

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Bank is exposed, is part of the broader framework of the company's internal control system, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;;
- prevention of the risk that the Bank may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

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In line with the provisions issued by the Bank of Italy, the model adopted by the Bank outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Bank's Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34.2 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted through the approval of the ICAAP and the budget, ensuring mutual consistency with the internal control system and the organisation; all this in the context of the "business model" of cooperative credit. It should be noted that only a consolidated ICAAP/ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report. However, when updating the annual RAS, the Bank defines a forward-looking positioning in terms of capital and liquidity and other relevant risks, and compliance is verified on a quarterly basis. Furthermore, analyses relating to the Guarantee Agreement, which allow banks to be assessed in terms of capital and liquidity and thus define the Fund's allocation, and the quarterly monitoring of the risk-based model, which classifies banks according to different risk profiles, also provide support.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer, who takes part in the meetings of the Board of Directors. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee in the delegated areas;
- decisions of Chief Executive Officer and the structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Bank is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

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The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banks must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Bank intends to achieve in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Bank's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who - also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible - prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operating risk management activities.

Risk management - consequently - is articulated in the set of limits, delegations, rules, procedures, resources and controls - at line, second and third level - as well as operational activities through which risk management policies are implemented.

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The supervisory regulations require banks to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

During the year, audits focused on the following corporate processes:

- remuneration policies;
- ICAAP - ILAAP;
- *operational risk framework*;
- Risk-based model;
- Group RAF;
- credit processes;
- SCV;
- collection and payment systems;
- other topics.

SECTION 1 - CREDIT RISK

INFORMATION OF A QUALITATIVE NATURE

1. GENERAL ASPECTS

The objectives and strategies of the Bank's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Bank's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, Cassa Centrale Banca has the role of guiding and coordinating all the Affiliated Banks, in particular for the specific areas highlighted in this section. In particular, such objectives and strategies are targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Bank's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as and especially on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is geared to the financial support of the local economy, through collaboration with the Affiliated Bank that operates locally, only in the business segment. Unlike a cooperative credit bank, which is characterised by a high propensity to entertain trust and personal relationships with families, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders, Cassa Centrale intervenes on a subsidiary basis in relation to corporate customers, in particular for those more structured.

Small and medium-sized enterprises and, to a lesser extent, large enterprises represent the most important sectors for the Bank. In this context, the Bank's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial councils or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Bank's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Bank operates. The most important activity is the management of pooled loans, in which the Affiliated Banks participate and the loans are granted to customers by them.

Exposure to counterparty risk in non-speculative OTC derivative transactions is very limited as it is taken on exclusively with primary market institutions (Unicredit, Banca IMI) and balanced with specular but opposite transactions with Affiliated Banks; offsetting and collateralisation agreements have also been entered into in order to further mitigate counterparty risk.

Please refer to the public disclosure ("Third Pillar"), provided at consolidated level, in accordance with the provisions of the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis" published by the EBA (EBA/GL/2020/07).

2. POLICIES FOR MANAGING CREDIT RISK

2.1 Organisational factors

In carrying out its activities, the Bank is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts or endorsement credits) and the potential causes of default lie largely in the lack of liquidity of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Bank to credit risk (e.g.: subscription of non-speculative OTC derivative contracts).

Counterparties to such transactions may default due to lack of liquidity, operational weakness, economic events or other reasons. The organisational model adopted by the Bank complies with the Group Credit Regulation approved on 30 January 2019. In this document, also in compliance with the regulatory provisions on Internal Controls, a precise division of roles and responsibilities between the Credit Department and the Control Functions, including the Risk Management Department, has been defined.

As at 31 December 2020, the Bank had ten regional offices and one branch office in the country.

The Credit Department is the central body delegated to govern the entire performing credit process (granting and auditing; management and monitoring), as well as the coordination and development of credit transactions and loans in the territory.

The allocation of tasks and responsibilities within this area aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Service Unit is the central body responsible for managing the non-performing credit process (deliberation of concessions, definition of recovery strategies, management of litigation), the process of changing the classification from performing to non-performing and vice versa.

In light of the provisions on the internal control system (contained in Bank of Italy Circular no. 285/2013, Part One, Title IV, Chapter 3), the Bank has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the Group framework.

In addition to line controls, as first level activities, the functions in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operating risks) is carried out by the risk control function (Risk Management Department).

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Bank with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Unit ensure the supervision and coordination of the operational phases of the lending process, making decisions within the scope of their powers and carrying out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Credit Regulations and the Group Policy for the classification and valuation of loans, which define criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with related parties, the Bank has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating, among others, to the granting of loans. From this perspective, the Bank is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of related parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use within the Bank. The Group Regulation for the management of transactions with related parties was also adopted.

In compliance with the provisions of the Group credit regulation and the Group's credit classification and assessment policy, specific procedures have been put in place by the Bank for the investigation/deliberation, credit line revision and credit risk monitoring phases. Qualitative-quantitative methodologies for assessing the creditworthiness of the counterparty are used by the Bank in all the above mentioned phases, based or supported by IT procedures that are periodically checked and maintained.

The investigation/deliberation and revision of the credit lines are regulated by a deliberative process in which the various competent bodies, belonging to both the central structures and the network, intervene, in accordance with the levels of delegation provided for. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on technical data, as well as - as is usually the case - on personal knowledge and in-depth analysis of the specific economic and financial situation of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with formalities reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Bank, using internal management information and data acquired from external providers, makes it possible to periodically extrapolate all reports that may show symptoms of performance anomalies. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

Control of the activities carried out by the Credit Department is ensured by the Risk Management Department.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements, Central Credit Register, Relationship Performance, Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory. Therefore, this system responds to the need to give greater effectiveness and efficiency to the credit management process, especially through a more objective selection of customers and a more structured position monitoring process.

The use of the advanced system for assessing the creditworthiness and control of clients entrusted and to be entrusted has significant organisational implications that must be carefully examined and addressed as part of an overall review of the Bank's internal control system and the related organisational and regulatory structures.

At the same time, the functionalities for the evaluation of particular types of clients (companies in simplified accounting; companies with a multi-year cycle) have been activated.

In this regard, awareness-raising, training and education activities for both staff and the Bank's management will be of a permanent nature.

For the purposes of determining the minimum capital requirement for credit risk, the Bank adopts the standardised methodology and, in this context, has decided to:

- make use of rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers;[24]
- adopt the standardised methodology for the calculation of the capital requirements for credit risk (Pillar I).

Moreover, with reference to the ICAAP provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Bank has opted for the adoption of simplified methodologies.

In addition, as regards stress tests, the Board of Directors has adopted the management methods as established within the Group.

The Bank therefore periodically carries out such stress tests through sensitivity analyses that take the form of an assessment of the effects of specific events on the Bank's risks.

With reference to credit risk, stress tests are carried out by the Bank as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the securities portfolio in the Hold to Collect and Sell category.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Bank's Finance Department carries out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

[24] The rating models developed are subject to annual review by Cassa Centrale Banca. During the year, under the supervision of the Risk Management Department, credit risk models were refined and updated. For more details see paragraph 2.3.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in credit risk has occurred. [25] In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (so-called SICR) or that can be identified as low credit risk;
- in stage 2, positions that, at the reference date, present a significant increase of the credit risk or that do not present the characteristics to be identified as ‘low credit risk’;
- in stage 3, non-performing positions.[26]

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months; [27]
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;

[25] The application segments are ordinary customers, interbank segment and securities portfolio.

[26] Non-performing loans relate to: impaired past due and/or overrun, ‘unlikely to pay’ and non-performing exposures.

[27] The calculation of the expected loss for the purposes of calculating collective bad debt provisions for these exposures takes place on a 12-month point in time basis.

- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 200,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Bank's strategy for the management of impaired receivables.

The risk parameters (PD, LGD and EAD) are calculated by the impairment models; to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used. [28] It should be underlined that the Bank calculates the ECL based on the allocation stage, per individual position, with reference to cash and off-balance sheet exposures.

Ordinary customer segment

The drivers common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the geographical area in which the Bank operates;
- the inclusion of forward looking scenarios, through the application of multipliers defined in a satellite model to the PD point in time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The drivers common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the geographical area in which the Bank operates, which consists of two parameters: the danger rate (DR) and the non-performing LGD;
- the IFRS 9 danger rate parameter is estimated from a set of transition matrices between administrative states with an annual observation horizon. These matrices were calculated in relation to a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal non-performing LGD parameter is calculated as the arithmetic mean of the nominal non-performing LGD, segmented by type of guarantee, and then discounted based on the average of the observed recovery times per cluster of ratios consistent with those of the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs depending on the type of technical macro-form and on the stage to which the exposure belongs. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. A further element that influences the future values of the EAD, i.e. the progressive repayment of the instalment loans on the

[28] During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

basis of the contractual amortisation plan, is the prepayment rate (a parameter that collects the events of early and partial termination with respect to the contractual maturity date).

The Bank made provision for the allocation of the individual cash and off-balance sheet positions, in one of the 3 stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
    - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, above a certain threshold defined through a statistical approach on the basis of specific drivers such as risk segment, ageing and maturity of the relationship and geographic area;
    - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
    - presence of a 'forborne performing' attribute;
    - presence of past due amounts and/or overrun by more than 30 days;
    - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. performing positions that have the following characteristics at the valuation date: no lifetime PD at the origination date and rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment); [29]
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

Interbank segment

For interbank segment positions the PD parameter is provided by an external provider and extrapolated from quoted credit spreads or quoted bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model. It should be noted that a prepayment parameter has been applied to interbank positions consistent with the underlying technical forms and with the specificities of the underlying positions in this segment.

The Bank has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of

[29] The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD point in time less than 0.3%.

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of Seniority of the securities.

The Bank has allocated the individual tranches for the purchase of securities in three stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD at the valuation date with no significant increase in credit risk relative to the time of purchase).

In the second stage, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

With regard to the impacts of Covid-19 on the assessment of the significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

Transitory regime

With regard to the economic and equity impacts of IFRS 9, it should be noted that, on first-time adoption of the same, the main impacts arose from the application of the new accounting model of impairment based, as mentioned above, unlike the loss approach of IAS 39, on the concept of expected loss, and from the application of the rules for the transfer of exposures to the various stages of classification.

It should be noted that the Bank has adhered to the option introduced by Regulation (EU) No. 2395/2017 and partially supplemented by Regulation 2020/873, by which amendments were made to Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (so-called CRR), relating to the introduction of a specific transitional framework, from 2018 to 2024, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of expected credit losses (ECL) introduced by IFRS 9.

The provisions in question have made it possible to reintroduce in the CET1 the impact recorded following the application of the new valuation model introduced by IFRS 9 for financial assets measured at amortised cost or at fair value through other comprehensive income.

This standard allows for dilution until the end of 2024:

- the incremental impact of the write-down on performing and impaired exposures recognised at the date of transition to IFRS 9 following the application of the new impairment model (static A2, SA filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 31 December 2019 with respect to the impact measured at the date of transition to the new standard ("dynamic old" A4, SA old filter component);
- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 31 December 2019 ("dynamic new" A4, SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 - 95%;
- 2019 - 85%;
- 2020 - 70%;
- 2021 - 50%:
- 2022 - 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 - 100%;
- 2021 - 100%;
- 2022 - 75%;
- 2023 - 50%:
- 2024 - 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the Covid-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111(1) of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, adjustments and strengthening are also envisaged, based, among other things, on the implementation of automated and proactive processes and the development and/or refinement of early warning and trigger tools that make it possible to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures.

The Bank also refers to the guidelines defined within the Group with regard to the adoption of organisational and process solutions aimed at enabling the correct and integrated use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Bank would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Bank is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

In order to limit the risks of non-existence or termination of protection, specific safeguards are provided, such as: the reinstatement of the pledge in the presence of a decrease in the initial value of the property or, for mortgage guarantees, the obligation of insurance coverage against fire damage, as well as the presence of adequate monitoring of the value of the property.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to retail customers (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also "CRM") techniques.

The Bank has decided to use the following CRM tools:

- financial real guarantees involving cash and financial instruments, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- residential and non-residential real estate mortgages;
- other forms of real protection such as deposits in cash;
- personal guarantees represented by sureties, warranty bonds, guarantees – within the realm of authorised guarantors – from monitored intermediaries.

Collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company's policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Bank complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- compliance with the maximum ratio between the required loan and the value of the property pledged as collateral (loan to value): 80% for residential properties and 50% for non-residential properties;
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Bank's own funds) the valuation is in any case reviewed by an independent expert at least every 3 years.

For impaired exposures, the Policy adopted by the Bank provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Bank, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Bank has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

In cases where the value of the collateral is subject to market or exchange rate risks, the Bank uses the concept of 'haircuts', a measure expressed as a percentage of the value of the collateral offered, determined as a function of the volatility of the value of the security. Only the part of the loan covered by the value of the asset net of the 'haircut' is considered as secured.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

With reference to personal guarantees, the main types of guarantors are represented by entrepreneurs and corporate partners related to the debtor as well as, in the case of loans granted in favour of sole proprietorships and/or natural persons (consumers or not), also by relatives of the debtor. Less frequently the risk of insolvency is covered by personal guarantees provided by other companies (generally companies belonging to the same economic group as the debtor), or provided by financial institutions and insurance companies.

In the case of loans to parties belonging to certain economic categories (craft workers, traders, etc.) the Bank acquires specific guarantees (on first demand or subsidiary) provided by the credit consortia to which it belongs.

An exception is made for personal guarantees which meet all the requirements, provided by credit consortia registered on the special list pursuant to Article 106 of the TUB.

Where a financing proposal provides for personal guarantees from third parties, the investigation shall also extend to the latter. In particular, in relation to the type of loan guaranteed and the amount, the following is subject to verification and analysis:

- the guarantor's statement of financial position and income statement, including by consulting the appropriate databases;
- exposure to the banking system;
- the information present in the Bank's information system;
- potential membership of a group and the related overall exposure.

If necessary, at the discretion of the instructor in relation to the amount of the guarantee, the investigation will be extended to the Central Credit Register.

If the guarantor is represented by a company, and in any case when deemed necessary in view of the risk and the amount of the loan, in addition to the information produced by the network in the form reserved for the guarantor, the creditworthiness of the guarantor shall be developed in the same way as for the applicant.

Offsetting (and margining) agreements

The Bank has adopted bilateral offsetting agreements for contracts relating to OTC derivatives and long-term settlement transactions with leading counterparties (e.g. Unicredit, Banca IMI, Credit Suisse) which, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Bank has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral offsetting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Bank complies with the specific requirements set out in the regulations.

In this respect, the Bank plans to apply these techniques when calculating capital requirements.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Bank has margining agreements in place, both with the main market counterparties with which it operates and with the Affiliated Banks, which provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). Moreover, the minimum exposure thresholds amount to zero.

Guarantees (margins) may have as their subject:

- money;
- bonds (generally Italian government bonds).

For the purposes of Legislative Decree no. 170 of 21 May 2004, the collateralisation agreement is a financial guarantee contract and the margin is pledged in accordance with Article 5 of the same decree.

In this case too, the Bank plans to apply specific policies and procedures to ensure that the requirements of the relevant legislation for their recognition for prudential purposes are met.

3. IMPAIRED CREDIT EXPOSURES

3.1 Management strategies and policies

The Bank is organised with regulatory/IT structures and procedures for the management, classification and control of loans.

Consistent with IAS/IFRS regulations, at each reporting date the presence of objective elements of impairment on each instrument or group of financial instruments is verified.

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three main categories:

- non-performing loans: Bank's credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than non-performing loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;
- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun by more than 90 days and which reach or exceed the materiality threshold of 5%, in accordance with the criteria established by the Supervisory Authority in Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates.

The classification of positions among impaired assets is carried out both on the proposal of the proprietary structures of the commercial relationship and the central specialist functions in charge of credit control and management.

Classification is also carried out automatically if predetermined default conditions are exceeded, in particular with regard to past due and/or overrun exposures, depending on the extent and Seniority of continuous overdue/overrun exposures.

Exposures classified as impaired past due and/or overrun are automatically returned to performing status when the exposures fall below the thresholds that had led to their classification as impaired.

The responsibility and overall management of impaired loans is entrusted to the NPL Service Unit. This activity consists of:

- monitoring the aforementioned positions;

- taking steps to restore the regularity of performance in order to include exposures among performing loans;
- proposing to the competent decision-making bodies the granting of tolerance measures to make the reimbursement of the exposure sustainable;
- proposing to the competent decision-making bodies the transfer to non-performing of insolvent counterparties;
- carrying out judicial and extra-judicial activities aimed at recovering receivables classified as non-performing;
- determining the expected losses on positions and proposing them to the decision-making body in charge.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the credit policies adopted.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS 9.

3.2 Write-off

Write-off policies are governed by the Group's Policy for the Derecognition of Financial Assets. The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver by the Bank of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the total value adjustments, as a contra-entry to the gross value of the impaired exposure;
- for any portion exceeding the amount of the total value adjustments, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under contingent assets.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired claim.

During the year, the Bank carried out partial write-offs on 15 impaired credit positions for a total of EUR 3,205 thousand. It should be noted that the positions that had been written off had already been largely written down and therefore there was no impact on the income statement.

3.3 Impaired financial assets acquired or originated

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside - from the date of initial recognition - provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Bank's typical business model, so the above mentioned cases are to be considered residual.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND FORBORNE EXPOSURES

The category of 'forborne non-performing exposures' does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes cash exposures and commitments to disburse funds that are forborne ('forborne exposures'), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of 'credit deterioration' (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);
- the Bank agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of 'credit impairment' are instead classified in the category of 'forborne performing exposures' and are included among the 'other performing exposures', or among the 'performing past due exposures' if they meet the requirements for this classification.

In terms of the Bank's internal regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- forborne performing if both of the following conditions occur:
  - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
  - the debtor was not reclassified by the Bank as an impaired counterparty as a result of the forbearance granted;
- forborne non-performing if at least one of the following conditions occurs:
  - the debtor was classified as impaired prior to the granting of the forbearance;

- the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 1 year has passed since the attribution of the forborne non-performing attribute (so-called cure period);
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Bank;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance. This prospective capacity to repay is deemed to be fulfilled when both of the following conditions are met:
    - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
    - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the financed counterparty was brought back under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 2 years have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance. These payments must have been made in such a way as to ensure full compliance with contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the Bank at the end of the probation period.

During the year, the Bank applied forbearances in favour of 22 counterparties, 17 of which were already classified as impaired and 7 of which were performing. A total of 23 financing lines were involved, of which 3 were terminated during the year. The majority of positions are mortgage-backed.

Information of a quantitative nature

A. CREDIT QUALITY

A.1 Impaired and performing credit exposures: amounts, adjustments, trend and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

PORTFOLIOS/QUALITY	Non-performing	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	95	9,031	-	6,264	21,950,427	21,965,817
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	853,726	853,726
3. Financial assets measured at fair value	-	-	-	-	166,851	166,851
4. Other financial assets obligatorily measured at fair value	-	169	-	-	23,231	23,400
5. Financial assets held for disposal	-	-	-	-	-	-
Total 31/12/2020	**95**	**9,199**	**-**	**6,264**	**22,994,235**	**23,009,793**
Total 31/12/2019	**2,933**	**12,934**	**315**	**1,793**	**7,723,890**	**7,741,864**

As at the reporting date, forborne impaired exposures amounted to EUR 2,875 thousand.

As at the reporting date, forborne performing exposures amounted to EUR 5,118 thousand.

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	44,003	34,878	9,126	3,908	21,982,145	25,454	21,956,691	21,965,817
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	853,901	175	853,726	853,726
3. Financial assets measured at fair value	-	-	-	-	X	X	166,851	166,851
4. Other financial assets obligatorily measured at fair value	169	-	169	-	X	X	23,231	23,400
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2020	**44,172**	**34,878**	**9,294**	**3,908**	**22,836,046**	**25,629**	**23,000,499**	**23,009,793**
Total 31/12/2019	**53,146**	**36,965**	**16,181**	**7,829**	**7,710,387**	**12,124**	**7,725,683**	**7,741,864**

PORTFOLIOS/QUALITY	Assets with manifestly poor credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	35,463
2. Hedging derivatives	-	-	-
Total 31/12/2020	**-**	**-**	**35,463**
Total 31/12/2019	**-**	**-**	**25,036**

*Value to be displayed for information purposes

A.1.3 Distribution of financial assets by maturity bands (carrying amounts)

PORTFOLIOS/RISK STAGES	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	6,172	-	-	-	-	92	-	29	2,384
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-
Total 31/12/2020	**6,172**	**-**	**-**	**-**	**-**	**92**	**-**	**29**	**2,384**
Total 31/12/2019	**3**	**-**	**-**	**6**	**-**	**1,785**	**-**	**58**	**6,253**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total allocations

DESCRIPTIONS/RISK STAGES	Total value adjustments									
	First stage assets					Second stage assets				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehen-sive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehen-sive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**9,168**	**484**	**-**	**-**	**9,652**	**2,472**	**-**	**-**	**-**	**2,472**
Increases from financial assets acquired or originated	685	-	-	-	685	-	-	-	-	-
Derecognitions other than write-offs	(1,032)	-	-	-	(1,032)	-	-	-	-	-
Net value adjustments/write-backs due to credit risk (+/-)	10,876	(309)	-	-	10,567	3,294	-	-	-	3,294
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-
Other changes	(10)	-	-	-	(10)	-	-	-	-	-
FINAL OVERALL ADJUSTMENTS	**19,687**	**175**	**-**	**-**	**19,862**	**5,766**	**-**	**-**	**-**	**5,766**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-

DESCRIPTIONS/RISK STAGES	Total value adjustments						Total allocation for commitments to disburse funds and financial guarantees issued			Total
	Third stage assets					Of which: impaired financial assets acquired or originated				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs		First stage	Second stage	Third stage	
RETTIFICHE COMPLESSIVE INIZIALI	**36,965**	**-**	**-**	**36,965**	**-**	**-**	**2,831**	**1,757**	**497**	**54,174**
Increases from financial assets acquired or originated	-	-	-	-	-	-	-	-	-	**685**
Derecognitions other than write-offs	(3,561)	-	-	(3,160)	(401)	-	-	-	-	**(4,593)**
Net value adjustments/write-backs due to credit risk (+/-)	8,374	-	-	8,704	(330)	-	198	(99)	(247)	**22,089**
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	**-**
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	(3,469)	-	-	(3,423)	(45)	-	-	-	-	**(3,469)**
Other changes	(3,432)	-	-	(2,890)	(542)	-	(306)	(446)	(25)	**(4,220)**
FINAL OVERALL ADJUSTMENTS	**34,878**	**-**	**-**	**36,195**	**(1,318)**	**-**	**2,722**	**1,212**	**225**	**64,666**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	**-**
Write-offs recognised directly in the income statement	1,021	-	-	966	55	-	-	-	-	**1,021**

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Bank does not use the simplified method, as required by IFRS 9, para. 5.5.15, for the valuation to cover losses.

Therefore, the details required by IFRS 7 para. 35H, letter b, iii) are not provided.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the various stages of credit risk (gross and nominal values)

PORTFOLIOS/RISK STAGES	Gross value/nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	41,668	34,648	2,665	-	5,613	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	12	58,699	-	-	-	-
Total 31/12/2020	**41,680**	**96,389**	**2,665**	**-**	**5,613**	**-**
Total 31/12/2019	**58,446**	**686,258**	**1,498**	**17**	**4,940**	**-**

A.1.5a Loans subject to Covid-19 support measures: transfers between different stages of credit risk (gross values)

PORTFOLIOS/QUALITY	Gross value/nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**21,032**	**9,251**	**679**	**-**	**2,413**	**-**
a.1 subject to concession compliant with GL	20,659	9,251	679	-	2,413	-
a.2 subject to other forbearance measures	373	-	-	-	-	-
a.3 new loans	-	-	-	-	-	-
B. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**
b.1 subject to concession compliant with GL	-	-	-	-	-	-
b.2 subject to other forbearance measures	-	-	-	-	-	-
b.3 new loans	-	-	-	-	-	-
Total 31/12/2020	**21,032**	**9,251**	**679**	**-**	**2,413**	**-**
Total 31/12/2019	**-**	**-**	**-**	**-**	**-**	**-**

A.1.6 Cash and off-balance-sheet credit exposures to banks: gross and net values

TYPES OF EXPOSURES/VALUES	Gross exposure		Total value adjustments and total allocations	Net exposure	Overall partial write-offs*
	Impaired	Performing			
A. CASH CREDIT EXPOSURES					
a) Non-performing	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Impaired 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	18,058,445	8,951	18,049,494	-
- of which: forborne exposures	X	-	-	-	-
Total (A)	**-**	**18,058,445**	**8,951**	**18,049,494**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES					
a) Impaired	-	X	-	-	-
b) Performing	X	13,930,919	1,587	13,929,332	-
Total (B)	**-**	**13,930,919**	**1,587**	**13,929,332**	**-**
Total (A+B)	**-**	**31,989,364**	**10,538**	**31,978,826**	**-**

*value to be displayed for information purposes

A.1.7 Cash and off-balance-sheet credit exposures to customers: gross and net values

TYPES OF EXPOSURES/VALUES	Gross exposure		Total value adjustments and total allocations	Net exposure	Overall partial write-offs*
	Impaired	Performing			
A. CASH CREDIT EXPOSURES					
a) Non-performing	13,255	X	13,160	95	3,908
- of which: forborne exposures	8,913	X	8,896	17	1,068
b) Unlikely to pay	30,917	X	21,717	9,199	-
- of which: forborne exposures	18,702	X	15,844	2,858	-
c) Impaired past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	6,325	60	6,264	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	4,961,358	16,617	4,944,741	-
- of which: forborne exposures	X	5,433	316	5,117	-
Total (A)	**44,172**	**4,967,682**	**51,555**	**4,960,299**	**3,908**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES					
a) Impaired	497	X	225	272	-
b) Performing	X	444,924	2,348	442,576	-
Total (B)	**497**	**444,924**	**2,573**	**442,848**	**-**
Total (A+B)	**44,669**	**5,412,606**	**54,128**	**5,403,148**	**3,908**

*Valore da esporre a fini informativi

A.1.7a Loans subject to Covid-19 support measures: gross and net values

TYPES OF EXPOSURES/VALUES	Gross exposure	Total value adjustments and total allocations	Net exposure
A. NON-PERFORMING LOANS	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-
b) Subject to other forbearance measures	-	-	-
c) New loans	-	-	-
B. UNLIKELY TO PAY CREDIT EXPOSURES	**1,078**	**525**	**553**
a) Subject to concession compliant with GL	-	-	-
b) Subject to other forbearance measures	1,078	525	553
c) New loans	-	-	-
C. IMPAIRED PAST DUE CREDIT EXPOSURES	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-
b) Subject to other forbearance measures	-	-	-
c) New loans	-	-	-
D. PERFORMING PAST DUE EXPOSURES	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-
b) Subject to other forbearance measures	-	-	-
c) New loans	-	-	-
E. OTHER PERFORMING EXPOSURES	**185,958**	**2,904**	**183,054**
a) Subject to concession compliant with GL	123,805	2,304	121,501
b) Subject to other forbearance measures	373	25	348
c) New loans	61,780	576	61,205
Total (A+B+C+D+E)	**187,036**	**3,429**	**183,607**

A.1.8 Cash credit exposures to banks: trend in gross impaired exposures

The Bank has no impaired exposures of this type during the year.

A.1.8bis Cash credit exposures to banks: trend in gross forborne exposures broken down by credit quality

The Bank has no impaired exposures of this type during the year.

A.1.9 Cash credit exposures to customers: trend in gross impaired exposures

DESCRIPTIONS/CATEGORIES	Non-performing	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**24,717**	**27,646**	**783**
- of which: exposures transferred but not derecognised	-	-	-
B. INCREASES	**2,876**	**9,681**	**7**
B.1 transfers from performing exposures	-	8,308	-
B.2 transfers from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other categories of impaired exposures	2,408	442	-
B.4 contractual changes without derecognitions	-	7	-
B.5 other increases	469	924	7
C. DECREASES	**14,338**	**6,410**	**790**
C.1 transfers to performing exposures	-	-	-
C.2 write-offs	2,772	597	-
C.3 collections	4,552	3,128	347
C.4 gains from disposal	2,843	-	-
C.5 losses from disposal	1,216	-	-
C.6 transfers to other categories of impaired exposures	-	2,408	442
C.7 contractual changes without derecognitions	-	-	-
C.8 other decreases	2,956	277	1
D. GROSS FINAL EXPOSURE	**13,255**	**30,917**	**-**
- of which: exposures transferred but not derecognised	-	-	-

A.1.9 bis Cash credit exposures to customers: trend in gross forborne exposures broken down by credit quality

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**30,284**	**3,246**
- of which: exposures transferred but not derecognised	-	-
B. INCREASES	**2,750**	**4,310**
B.1 transfers from non-forborne performing exposures	-	4,035
B.2 transfers from forborne performing exposures	-	X
B.3 transfers from forborne impaired exposures	X	-
B.4 transfers from non-forborne impaired exposures	2,023	-
B.5 other increases	727	275
C. DECREASES	**5,420**	**2,123**
C.1 transfers to non-forborne performing exposures	X	1,176
C.2 transfers to forborne performing exposures	-	X
C.3 transfers to forborne impaired exposures	X	-
C.4 write-offs	820	-
C.5 collections	3,460	896
C.6 gains from disposal	618	-
C.7 losses from disposal	340	-
C.8 other decreases	182	51
D. GROSS FINAL EXPOSURE	**27,615**	**5,433**
- of which: exposures transferred but not derecognised	-	-

A.1.10 Impaired cash credit exposures to banks: trend in total value adjustments

The Bank has no impaired exposures of this type during the year.

A.1.11 Impaired cash credit exposures to customers: trend in total value adjustments

DESCRIPTIONS/CATEGORIES	Non-performing		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**21,785**	**8,282**	**14,712**	**9,901**	**468**	**315**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-
B. INCREASES	**6,932**	**4,013**	**10,889**	**7,637**	**-**	**-**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	3,704	3,244	10,250	7,322	-	-
B.3 losses from disposal	1,216	44	-	-	-	-
B.4 transfers from other categories of impaired exposures	1,998	725	315	315	-	-
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	15	-	325	-	-	-
C. DECREASES	**15,557**	**3,399**	**3,884**	**1,693**	**468**	**315**
C.1 value write-backs from valuations	2,392	487	576	476	-	-
C.2 value write-backs due to collection	2,279	781	696	302	-	-
C.3 gains from disposal	1,839	304	-	-	-	-
C.4 write-offs	2,772	632	597	188	-	-
C.5 transfers to other categories of impaired exposures	-	-	1,998	725	315	315
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 OTHER DECREASES	6,275	1,195	16	4	153	-
D. FINAL OVERALL ADJUSTMENTS	**13,160**	**8,896**	**21,717**	**15,844**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-

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

A.2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees issued 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 MEASURED AT AMORTISED COST	**133,239**	**-**	**2,575,496**	**67,871**	**-**	**11,061**	**19,238,481**	**22,026,148**
- First stage	133,239	-	2,575,496	67,871	-	11,061	19,087,003	**21,874,670**
- Second stage	-	-	-	-	-	-	107,475	**107,475**
- Third stage	-	-	-	-	-	-	44,003	**44,003**
B. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**853,726**	**-**	**-**	**-**	**175**	**853,901**
- First stage	-	-	853,726	-	-	-	175	**853,901**
- Second stage	-	-	-	-	-	-	-	**-**
- Third stage	-	-	-	-	-	-	-	**-**
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	**-**
- Second stage	-	-	-	-	-	-	-	**-**
- Third stage	-	-	-	-	-	-	-	**-**
Total (A+B+C)	**133,239**	**-**	**3,429,222**	**67,871**	**-**	**11,061**	**19,238,656**	**22,880,049**
of which: impaired financial assets acquired or originated	-	-	-	-	-	-	-	**-**
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED								
- First stage	-	-	-	-	-	-	14,322,043	**14,322,043**
- Second stage	-	-	-	-	-	-	6,096	**6,096**
- Third stage	-	-	-	-	-	-	497	**497**
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**14,328,635**	**14,328,635**
Total (A+B+C+D)	**133,239**	**-**	**3,429,222**	**67,871**	**-**	**11,061**	**33,567,291**	**37,208,684**

The Bank adopts the assessments of the Moody's rating agency on the reported portfolios.

MOODY'S	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

A.2.2 Distribution of financial assets, commitments to disburse funds and financial guarantees issued by internal rating classes (gross values)

As at the reporting date, the Bank does not use internal ratings in the calculation of capital requirements.

A.3 Distribution of secured credit exposures by type of guarantee

A.3.1 Cash and off-balance-sheet secured credit exposures to banks

			Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	
1. SECURED CASH CREDIT EXPOSURES:	**15,258,888**	**15,252,637**	**-**	**-**	**15,252,637**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,252,637**
1.1 totally secured	15,258,888	15,252,637	-	-	15,252,637	-	-	-	-	-	-	-	-	-	-	**15,252,637**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**2,605**	**2,595**	**-**	**-**	**-**	**2,595**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,595**
2.1 totally secured	2,605	2,595	-	-	-	2,595	-	-	-	-	-	-	-	-	-	**2,595**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Cash and off-balance-sheet secured credit exposures to customers

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other subjects	Public bodies	Banks	Other financial companies	Other subjects	Total (1)+(2)
1. SECURED CASH CREDIT EXPOSURES:	**695,665**	**652,673**	**361,220**	**-**	**-**	**68,633**	**-**	**-**	**-**	**-**	**-**	**97,059**	**108**	**11,788**	**18,701**	**557,509**
1.1 totally secured	519,034	477,595	361,220	-	-	45,345	-	-	-	-	-	28,470	13	3,698	14,708	**453,454**
- of which impaired	43,850	9,265	9,152	-	-	-	-	-	-	-	-	99	-	-	14	**9,265**
1.2 partially secured	176,631	175,078	-	-	-	23,288	-	-	-	-	-	68,589	95	8,090	3,994	**104,056**
- of which impaired	75	29	-	-	-	-	-	-	-	-	-	29	-	-	-	**29**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**29,483**	**29,372**	**-**	**-**	**-**	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**8,857**	**4,376**	**2,294**	**15,577**
2.1 totally secured	1,222	1,218	-	-	-	50	-	-	-	-	-	-	80	332	757	**1,218**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	28,261	28,154	-	-	-	-	-	-	-	-	-	-	8,777	4,044	1,537	**14,358**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

As at the reporting date, there were no financial or non-financial assets obtained through the enforcement of guarantees received.

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Distribution by sector of cash and off-balance-sheet credit exposures to customers

EXPOSURES/ COUNTERPARTIES	Public bodies		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. CASH CREDIT EXPOSURES										
A.1 Non-performing	-	-	-	-	-	-	95	12,341	-	819
- *of which: forborne exposures*	-	-	-	-	-	-	17	8,090	-	805
A.2 Unlikely to pay	-	-	-	-	-	-	8,353	19,733	846	1,985
- *of which: forborne exposures*	-	-	-	-	-	-	2,012	13,860	846	1,985
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
- *of which: forborne exposures*	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,551,849	678	610,008	5,732	-	-	762,204	10,155	26,944	112
- *of which: forborne exposures*	-	-	-	-	-	-	5,021	314	96	2
Total (A)		**678**	**610,008**	**5,732**	**-**	**-**	**770,652**	**42,229**	**27,790**	**2,916**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	-	-	-	-	272	225	-	-
B.2 Non-impaired exposures	1,944	16	235,945	1,472	-	-	185,140	792	19,548	68
Total (B)	**1,944**	**16**	**235,945**	**1,472**	**-**	**-**	**185,412**	**1,017**	**19,548**	**68**
Total (A+B) 31/12/2020	**3,553,793**	**694**	**845,953**	**7,204**	**-**	**-**	**956,064**	**43,246**	**47,337**	**2,984**
Total (A+B) 31/12/2019	**3,077,226**	**1,610**	**1,169,205**	**4,257**	**-**	**-**	**849,316**	**39,668**	**42,470**	**3,144**

B.2 Distribution by territory of cash and off-balance-sheet credit exposures to customers

EXPOSURES/ GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. CASH CREDIT EXPOSURES								
A.1 Non-performing	-	1,381	95	11,780	-	-	-	-
A.2 Unlikely to pay	989	715	8,210	19,030	-	-	-	1,973
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	167,970	2,687	1,089,506	10,777	3,419,880	3,117	6,622	67
Total (A)	**168,959**	**4,783**	**1,097,811**	**41,586**	**3,419,880**	**3,117**	**6,622**	**2,039**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	272	225	-	-	-	-
B.2 Non-impaired exposures	17,804	79	412,468	1,145	11,892	1,121	383	3
Total (B)	**17,804**	**79**	**412,740**	**1,371**	**11,892**	**1,121**	**383**	**3**
Total (A+B) 31/12/2020	**186,764**	**4,862**	**1,510,551**	**42,957**	**3,431,772**	**4,238**	**7,006**	**2,042**
Total (A+B) 31/12/2019	**117,614**	**3,251**	**1,807,138**	**39,855**	**2,967,417**	**4,505**	**8,883**	**763**

B.3 Distribution by territory of cash and off-balance-sheet credit exposures to banks

EXPOSURES/ GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. CASH CREDIT EXPOSURES								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,949,862	4,821	11,535,321	2,391	866,758	802	1,580,919	895
Total (A)	**3,949,862**	**4,821**	**11,535,321**	**2,391**	**866,758**	**802**	**1,580,919**	**895**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	3,410,763	693	7,221,251	496	1,137,877	147	2,152,493	240
Total (B)	**3,410,763**	**693**	**7,221,251**	**496**	**1,137,877**	**147**	**2,152,493**	**240**
Total (A+B) 31/12/2020	**7,360,626**	**5,514**	**18,756,572**	**2,886**	**2,004,636**	**949**	**3,733,411**	**1,135**
Total (A+B) 31/12/2019	**4,326,461**	**2,705**	**10,213,826**	**1,808**	**1,903,413**	**496**	**2,221,058**	**424**

B.4 Large exposures

ITEMS	31/12/2020	31/12/2019
A) AMOUNT OF LARGE EXPOSURES		
a1) carrying amount	36,021,306	24,379,919
a2) weighted value amount	135,464	168,667
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**7**	**8**

C. SECURITISATION TRANSACTIONS

This section does not cover securitisation transactions in which the bank is the originator and for which, at the time of issue, the Bank subscribes to all the liabilities issued (so-called self-securitisation transactions, a description of which is provided in Section 4 "Liquidity risk" of this Part E).

Information of a qualitative nature

1. "Own" securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Bank's loans and is part of the expectations of supporting the development of the local economy, in line with the company's strategic guidelines.

Below is information on own securitisations carried out during 2020.

"BUONCONSIGLIO 3" SECURITISATION

During 2020, the Bank participated in a securitisation of multi-originator loans pursuant to Law 130/99, involving non-performing loans arising from contracts with customers resident in Italy (so-called "Buonconsiglio 3"). The transaction envisages the acquisition of GACS or the guarantee of the State on the sale of bad loans.

More specifically, the transaction involved the assignment without recourse of portfolios of non-performing loans (secured and/or unsecured) granted by the Bank and 37 other financial institutions (31 belonging to the Cassa Centrale Group) to customers, for a total Gross Book Value of EUR 679,050,960.

The arrangers of the transaction were Banca IMI and Centrale Credit Solutions S.r.l. (a company of the Cassa Centrale Group): the latter also acted as advisor to the banks of the Cassa Centrale Group. The transaction involved the creation of a special purpose vehicle set up pursuant to Law no. 130/99, called Buonconsiglio 3, in which the Bank does not hold interests, nor do its employees hold corporate roles. The Master Servicer of the securitisation vehicle is Zenith Service S.p.A., while Guber Banca S.p.A. acts as Special Servicer.

The transaction was carried out mainly with the aim of improving the quality of the assets, as non-performing assets will be derecognised from the originators' financial statements. Following a specific technical analysis, it emerged that the transaction described meets the criteria for the derecognition of assets from the Bank's financial statements in accordance with IFRS 9.

The transaction was carried out by means of several related contracts, the outline of which is shown below:

- assignment without recourse, by the originator banks, of a portfolio of non-performing loans identified en bloc;
- acquisition of receivables by the transferee/issuer - the vehicle company Buonconsiglio 3 S.r.l. - and issue by the latter of securities (ABS - Asset Based Securities) characterised by a different degree of repayability in order to raise financial means;
- full subscription of Senior securities by the originator banks;

- subscription of Mezzanine and Junior securities by the Banks and subsequent sale of 95% of the securities to a third institutional investor (CRC). The residual part (5%) remains in the portfolio of the individual originators for the purpose of fulfilling the Retention Rule.

In order to build up the initial reserves necessary to start up the securitisation vehicle (Buonconsiglio 3 S.r.l.), the originator banks have decided on a credit line (a limited-recourse mortgage) whose repayment is envisaged with a Seniority slightly higher than that of the class A (Senior) securities.

As indicated, the special purpose vehicle financed the purchase of loans by issuing bonds divided into classes. The Senior securities are rated (BBB) by three agencies (Moody's, DBRS and Scope). The characteristics of the three types of securities issued are as follows:

- Class A securities (Senior securities): Bonds at a variable Euribor 6-month rate plus a spread of 0.50% per annum, for a total value of EUR 154 million and maturing in January 2041.
- Class B securities (Mezzanine securities): Bonds at a variable Euribor 6-month rate plus a spread of 9.50% per annum, for a total value of EUR 21 million and maturing in January 2041.
- Class J securities (Junior securities): 6-month Euribor floating rate bonds, plus a spread of 15.00% per annum plus a variable yield (residual after paying the Senior items) for a total value of EUR 4,541 million and maturing in January 2041.

On 14 December 2020, the aforementioned Senior, Mezzanine and Junior securities were subscribed for on a pro rata basis by the originator banks in proportion to the price received from each, and on 16 December 2020 (accounting settlement date 18 December 2020) 95% of the Mezzanine and Junior securities were sold to Christofferson Robb & C., a third-party institutional investor.

The different types of securities have been given a different degree of subordination in the definition of payment priorities, both for principal and interest.

The securities will be redeemed in pass through mode. At each payment date, the principal shares for the redemption of the assets are allocated primarily to the redemption of Senior securities. The second tranche of securities (Mezzanine) is subordinated in its redemption to the previous one and the third tranche of securities (Junior) is subordinated in its redemption to the first two.

The reimbursement of the principal of Class J securities is therefore last in the hierarchy of payments, both in the event of early repayment and in the event of natural redemption of the securities.

2. Third party securitisation transactions

The Bank retains, within its portfolio, at net carrying amount, securities from third party securitisation transactions for a total of EUR 340 thousand.

These are unrated securities issued by the special purpose vehicle Lucrezia Securitisation s.r.l. as part of the interventions of the Institutional Guarantee Fund:

- The securities "EUR 211,368,000 Asset-Backed Notes due October 2026", with ISIN code IT0005216392, were issued by the special purpose vehicle on 3 October 2016, following the securitisation of the portfolios of non-performing loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and BCC Irpina in A.S., they have a 10-year maturity and pay interest quarterly in arrears;
- The securities "EUR 78,388,000 Asset-Backed Notes due January 2027" with ISIN code IT0005240749, were issued by the special purpose vehicle on 27 January 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Crediveneto resolution, they have a 10-year maturity and pay interest quarterly in arrears;

- The securities “EUR 32,461,000 Asset-Backed Notes due October 2027” with ISIN code IT0005316846, were issued by the special purpose vehicle on 1 December 2017, following the securitisation of the portfolios of non-performing loans acquired as part of the intervention for the BCC Teramo resolution, they have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included in the Bank’s balance sheet assets under item “40. Financial assets measured at amortised cost - Loans to customers” of the Bank’s statement of financial position.

As far as the economic aspects are concerned, the securities involved the recognition of interest income at an annual rate of 1%, for EUR 9 thousand.

It should be noted that in relation to the above securitisation transactions, the Bank does not play any role as servicer and does not hold any interest in the special purpose vehicle.

During the year and those previous, value adjustments were made to the “Notes Padovana e Irpina” and “Notes Crediveneto” securities owned in the portfolio for a total of EUR 684 thousand.

Moreover, in compliance with the measures on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the bank must comply with the obligations of due diligence and monitoring.

In accordance with the aforementioned due diligence and monitoring requirements for the bank, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the investor bank, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the bank is exposed or would be exposed.

In particular, the bank has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;
- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities, definition of default used, rating, historical analysis of the performance of similar positions);
- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the bank has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;

- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

In relation to the above, periodic information flows have been agreed centrally with the servicer, to be made available to the Affiliated Banks that have subscribed to securities of this type, to ensure their compliance with the regulatory requirement that they must be "constantly aware of the composition of the portfolio of securitised exposures" pursuant to Article 253 of the CRR.

The periodic flows received from the Institutional Guarantee Fund are transmitted to all Affiliated Banks and supplement the Investor Report produced by the special purpose vehicle.

Information of a quantitative nature

C.1 Exposures deriving from primary "own" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS/ EXPOSURES	Cash exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs
A. Subject of full derecognition from the financial statements	**3,382**	**(1)**	**4**	**-**	**39**	**-**
IMPAIRED ASSETS	**3,382**	**(1)**	**4**	**-**	**39**	**-**
- Non-performing	3,382	(1)	4	-	39	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
B. Subject of partial derecognition from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

Off-balance-sheet: as at 31 December 2020 the scenario was not present.

C.2 Exposures deriving from primary "third party" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/ EXPOSURES	Cash exposures					
	Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs	Carrying amount	Value adjustments/ write-backs
Lucrezia Secutitisation S.r.l.- securities	340	(684)				

Off-balance-sheet: as at 31 December 2020 the scenario was not present.

C.3 Securitisation special purpose vehicles

SECURITISATION NAME/SPV NAME	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Lucrezia Securitisation S.r.l.- Padovana-Irpina	Roma Via m.Carucci 131	N	33,947			126,789		
Lucrezia Securitisation S.r.l.- Castiglione	Roma Via m.Carucci 131	N	5,462			32,461		
Lucrezia Securitisation S.r.l.- Crediveneto	Roma Via m.Carucci 131	N	23,739			47,277		

C.4 Unconsolidated securitisation special purpose vehicles

The table has not been filled in as it is reportable in the consolidated financial statements.

C.5 Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

The table has not been filled in because, as at the reporting date, there were no balances ascribable to the item in question.

D. DISCLOSURE ON STRUCTURED ENTITIES NOT CONSOLIDATED FROM AN ACCOUNTING VIEWPOINT (DIFFERENT FROM SECURITISATION SPECIAL PURPOSE VEHICLES)

This information is not provided given that the Bank drafts the consolidated financial statements.

E. DISPOSAL TRANSACTIONS

A. Financial assets sold and not fully derecognised

Information of a qualitative nature

Financial assets sold and not derecognised and financial liabilities related to assets sold and not derecognised shown in the tables of this section pertain mainly to repos carried out on own securities recognised as assets in the statement of financial position.

Information of a quantitative nature

E.1 Financial assets sold and recognised in full and associated financial liabilities: carrying amounts

	Financial assets sold and recognised in full				Associated financial liabilities		
	Carrying amount	of which: subject of securitisation transactions	of which: subject of repurchase agreements	of which impaired	Carrying amount	of which: subject of securitisation transactions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS OBLIGATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**125,799**	**-**	**125,799**	**-**	**125,383**	**-**	**125,383**
1. Debt securities	125,799	-	125,799	-	125,383	-	125,383
2. Loans	-	-	-	-	-	-	-
Total 31/12/2020	**125,799**	**-**	**125,799**	**-**	**125,383**	**-**	**125,383**
Total 31/12/2019	**832,965**	**-**	**832,965**	**-**	**827,432**	**-**	**827,432**

E.2 Financial assets sold and partially recognised and associated financial liabilities: carrying amounts

The information and the table are not provided because, as at the reporting date, there were no balances ascribable to this item.

E.3 Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Recognised in full	Partially recognised	Total	
			31/12/2020	31/12/2019
A. FINANCIAL ASSETS HELD FOR TRADING	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS OBLIGATORILY MEASURED AT FAIR VALUE	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS MEASURED AT FAIR VALUE	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**126,398**	-	**126,398**	**838,375**
1. Debt securities	126,398	-	126,398	838,375
2. Loans	-	-	-	-
Total financial assets	**126,398**	-	**126,398**	**838,375**
Total associated financial liabilities	**125,383**	-	**X**	**X**
Net value 31/12/2020	**1,015**	-	**126,398**	**X**
Net value 31/12/2019	**10,943**	-	**X**	**838,375**

B. Financial assets sold and fully derecognised with recognition of continuing involvement

Information of a qualitative nature

As at the reporting date, the Bank had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. Financial assets sold and fully derecognised

As at the reporting date, the Bank does not have any transactions attributable to this scenario.

E.4 Covered bond transactions

The information is not provided because, as at the reporting date, there were no balances ascribable to this item.

F. CREDIT RISK MEASUREMENT MODELS

As at the reporting date, the Bank does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to Section 1 - Credit Risk, Information of a qualitative nature, 2.2 Management, measurement and control systems.

SECTION 2 - MARKET RISKS

2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Information of a qualitative nature

A. General aspects

The Bank's Finance Department plans the investment choices relating to the trading book in accordance with the guidelines shared within the Group through the periodic portfolio management strategy documents and in compliance with any amounts of investment defined by the Board of Directors.

During the year, the Bank established that the trading book activity was limited to financial instruments held for trading with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for trading with customers or derivatives linked to the fair value option).

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book is supported by the daily reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming logarithmic variations in yields under the assumption of normal distribution of the same. The estimation of volatility is made starting from historical market data updated daily, then giving more weight to the most recent observations thanks to the use of the exponential moving average with a decay factor of 0.94, obtaining an indicator more responsive to market conditions, and using a length of the basic historical series equal to one year of findings. The exponential moving average approach is also used for correlation estimation.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out by weekly verification of the various models available over a time period of ten days and a confidence interval of 99% (in addition to the parametric method described above, the historical simulation, carried out by assuming a future distribution of risk factor returns equal to that shown at historical level over a given time period, and the Montecarlo method, which uses a procedure for simulating risk factor returns based on past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation).

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (effective duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR -

calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Finance Departments and periodically submitted to the Board of Directors. They are also analysed by the Finance Committee, which periodically assesses the Bank's exposure to market risk.

In addition, an automatic email alert is active if the attention thresholds and/or maximum limits defined in the Financial Risk Management Policy are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

The VaR calculations for the securities component of the regulatory trading book during the course of 2020 amounted to zero.

As at 31 December 2020 there were no longer any securities in the trading book, according to the strategy shared within the Group.

Information of a quantitative nature

1. Regulatory trading book: distribution by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

Euros

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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	-	-	-	-	-	-	-	-
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	610,200	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	391	391	-	-	-	-	-
+ Short positions	-	391	391	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	1,715	3,630	1,595	3,881	18,403	12,763	8,144	-
+ Short positions	1,715	3,630	1,595	3,881	18,403	12,763	8,144	-
- Other derivatives								
+ Long positions	33,636	377,148	48,693	23,957	97,425	103,499	126,790	-
+ Short positions	33,142	457,566	63,520	26,835	97,235	103,499	126,790	-

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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Borrowing reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	104,761	17,763	4,524	407	-	-	-
+ Short positions	495	25,687	3,618	1,714	593	-	-	-

2. Regulatory trading book: distribution of exposures in equities and stock market indices for the main countries of the listed market

The table is not reported given that a price risk sensitivity analysis for an internal model is supplied.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the banking book is supported by reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

VaR measurement is available on a daily basis for monitoring and operational assessments carried out by the Risk Management Department and the Finance Department and is calculated on different degrees of detail that, in addition to the total portfolio, consider the banking book, the business models, the various groupings by type of instrument (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for interest rate and price risk

The Bank's Finance Department defines the investment choices relating to the banking book in accordance with the guidelines set out in the periodic proprietary portfolio management strategy documents shared within the Group and approved by the Board of Directors.

Interest rate risk - Banking book

Primary sources of interest rate risk

The sources of the interest rate risk to which the Bank is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans and the various forms of funding from customers.

In particular, 'fair value' interest rate risk is derived from fixed-rate items while interest rate risk from cash flows is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Bank has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are codified in the corporate regulations aimed at designing monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, which trigger the activation of appropriate corrective actions.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Bank, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy.

From an organisational point of view, the Bank has identified the Finance Department as the structure responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

As regards the methodology for measuring risk in terms of changes in economic value and changes in interest margin, the Bank's Board of Directors has decided to use the framework chosen by the Group. The calculation methodology envisages the following logic, which is aligned with the provisions of the EBA guidelines (GL-2018-02):

- sensitivity analysis to economic value: the calculation engine allows for quantification of the difference in value between discounted cash flow of balance sheet items using a curve without shock and one with shock. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against a specific rate shock scenario, assuming the reinvestment of maturing or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (both value and margin); normally those for items on demand.

The Bank determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down).

The risk indicator is represented in the RAS by the ratio between the internal capital thus calculated and the value of Own Funds. At consolidated level, the Parent Company monitors the positioning of the Group also in relation to the value of CET1 and the attention threshold of 15% set by the EBA guidelines. If the risk indicator exceeds the thresholds set out in the RAS, the Bank shall activate the appropriate recovery initiatives.

Price risk - Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

VaR measurement is available on a daily basis for monitoring and operational assessments carried out by the Risk Management Department and the Finance Department and is calculated on different degrees of detail that, in addition to the total portfolio, consider the banking book, the business models, the various groupings by type of instrument (equities, funds, fixed-rate and variable-rate government securities, supranational securities and corporate securities), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2020 is reported below:

Figures rounded to nearest Euros

Value at Risk 31/12/2020	Value at Risk average	Value at Risk minimum	Value at Risk maximum
21,662,121	49,027,387	16,998,974	160,895,168

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. In the last reporting year, the deviations observed were mostly due to sudden and abrupt fluctuations in market factors (increase in spreads, collapse of stock markets, increase in volatility, etc.) mainly linked to the Covid-19 pandemic event.

The year 2020 saw a continuation, with respect to VaR, of the quantification of issuer risk for Italian government securities and therefore country risk, understood as VaR relating only to the risk factor expressed as the spread between the Italian and German government securities.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2020 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

Figures rounded to nearest Euros

Theoretical value at 31/12/20	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
3,842,764,999	34,352,647	-32,598,457	73,356,953	-64,253,658

Information of a quantitative nature

1. Banking book: distribution by residual duration (re-pricing date) of financial assets and liabilities

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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**326,838**	**4,507,016**	**1,807,446**	**2,656,410**	**12,832,741**	**392,322**	**414,714**	**-**
1.1 Debt securities	-	405,990	1,514,511	475,241	681,429	324,379	390,193	-
- with option of advance reimbursement	-	1,597	-	-	26,884	11,154	39	-
- other	-	404,393	1,514,511	475,241	654,545	313,225	390,155	-
1.2 Loans to banks	41,395	3,386,211	191,614	2,143,816	11,977,494	216	-	-
1.3 Loans to customers	285,443	714,815	101,322	37,353	173,818	67,727	24,520	-
- current accounts	120,980	367,070	85	11	710	-	-	-
- other loans	164,463	347,744	101,237	37,342	173,108	67,727	24,520	-
- with option of advance reimbursement	48,453	256,624	79,545	33,294	158,796	55,128	16,490	-
- other	116,011	91,120	21,692	4,047	14,312	12,599	8,030	-
2. CASH LIABILITIES	**5,265,395**	**1,168,637**	**150,112**	**3,295,513**	**12,130,556**	**39,960**	**168,284**	**-**
2.1 Due to customers	1,124,886	295,994	41	403	3,435	39,960	4,457	-
- current accounts	658,470	-	-	84	2,730	35,447	-	-
- other payables	466,416	295,994	41	319	705	4,513	4,457	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	466,416	295,994	41	319	705	4,513	4,457	-
2.2 Due to banks	4,140,509	872,643	150,071	3,285,022	12,127,120	-	163,827	-
- current accounts	3,860,534	-	-	-	-	-	-	-
- other payables	279,975	872,643	150,071	3,285,022	12,127,120	-	163,827	-
2.3 Debt securities	-	-	-	10,088	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	10,088	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

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	Beyond 10 years	Indefinite duration
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	6	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	1	7,931	19,092	23,533	155,178	60,795	688	-
+ Short positions	1,874	203,679	53,797	7,867	-	-	-	-
- Other derivatives								
+ Long positions	-	9	-	-	-	-	-	-
+ Short positions	-	5	-	5	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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	Beyond 10 years	Indefinite duration
1. CASH ASSETS	**22,638**	**13,290**	**3,292**	**47**	**-**	**33,039**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	33,039	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	33,039	-	-
1.2 Loans to banks	22,638	13,290	3,279	47	-	-	-	-
1.3 Loans to customers	-	-	13	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	13	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	13	-	-	-	-	-
2. CASH LIABILITIES	**116,306**	**15,786**	**10,421**	**2,717**	**-**	**-**	**-**	**-**
2.1 Due to customers	2,153	-	-	-	-	-	-	-
- current accounts	152	-	-	-	-	-	-	-
- other payables	2,001	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	2,001	-	-	-	-	-	-	-
2.2 Due to banks	114,153	15,786	10,421	2,717	-	-	-	-
- current accounts	114,153	-	-	-	-	-	-	-
- other payables	-	15,786	10,421	2,717	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance reimbursement	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

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	Beyond 10 years	Indefinite duration
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

For management purposes, the Bank quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses at 31 December 2020, assuming an increase in interest rates of +/-200 basis points, the effects relating to the change in the economic value and in the interest margin are shown, then compared to the value of Own Funds at the end of the year and to the value of the prospective interest margin (the latter calculated over a time period of 12 months and with the assumption of reinvestment of maturing items at the market conditions defined in the forecast scenario). The impacts relating to a scenario of +/- 100 basis points can be reasonably estimated by taking as reference the values shown in the table divided by 2.

Figures in Euro

CHANGE IN ECONOMIC VALUE	Scenario +200 basis points	Scenario -200 basis points
Banking book: loans	(429,805,127)	30,271,046
Banking book: securities	(270,519,339)	30,444,395
Other assets	(579,622)	159,837
Liabilities	433,070,908	(28,468,812)
Total	**(267,833,179)**	**32,406,466**
Regulatory capital	1,125,808,657,00	1,125,808,657,00
% Impact on own funds	(23.79%)	2.88%

Figures in Euro

CHANGE IN INTEREST MARGIN	Scenario +200 basis points	Scenario -200 basis points
Banking book: loans	102,116,650	(69,707,578)
Banking book: securities	21,241,481	(3,004,160)
Other assets	9,039,883	(2,411,675)
Liabilities	(154,827,723)	85,240,348
Total	**(22,429,710)**	**10,116,934**
Prospective interest margin	57,767,250,22	57,767,250,22
Impact % on prospective interest margin	(38.83%)	17.51%

2.3 EXCHANGE RATE RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for exchange rate risk

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics' applications and parametric methodology, over a ten-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, during 2020, the Bank has put in place hedging transactions of exchange rate risk using outright derivative instruments.

Information of a quantitative nature

1. Distribution of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	CHF	GBP	JPY	CAD	Other currencies
A. FINANCIAL ASSETS	**54,989**	**9,891**	**2,758**	**2,559**	**265**	**1,843**
A.1 Debt securities	33,039					
A.2 Equities						
A.3 Loans to banks	21,937	9,891	2,758	2,559	265	1,843
A.4 Loans to customers	13					
A.5 Other financial assets						
B. OTHER ASSETS	**4,037**	**1,617**	**1,852**	**443**	**611**	**2,112**
C. FINANCIAL LIABILITIES	**109,160**	**12,192**	**16,839**	**202**	**2,154**	**4,685**
C.1 Due to banks	107,032	12,192	16,817	202	2,154	4,682
C.2 Due to customers	2,128		22			3
C.3 Debt securities						
C.4 Other financial liabilities						
D. OTHER LIABILITIES	**-**					**-**
E. FINANCIAL DERIVATIVES						
- Options						
+ Long positions						
+ Short positions						
- Other derivatives						
+ Long positions	107,697	915	14,261	116	2,411	2,055
+ Short positions	24,465	234	2,032	2,915	1,127	1,334
Total assets	**166,723**	**12,424**	**18,871**	**3,118**	**3,287**	**6,010**
Total liabilities	**133,626**	**12,425**	**18,870**	**3,117**	**3,281**	**6,019**
Imbalance (+/-)	**33,098**	**(1)**	**1**	**2**	**6**	**(8)**

2. Internal models and other methodologies for sensitivity analysis

The Bank's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

SECTION 3 - DERIVATIVES AND HEDGING POLICIES

3.1 DERIVATIVES HELD FOR TRADING

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

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 offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. DEBT SECURITIES AND RATES	**-**	**831,330**	**41,765**	**-**	**-**	**857,105**	**48,045**	**-**
a) Options	-	90,971	-	-	-	106,641	-	-
b) Swaps	-	740,358	41,765	-	-	750,464	48,045	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND INDICES	**-**	**-**	**610,200**	**-**	**-**	**-**	**610,200**	**-**
a) Options	-	-	610,200	-	-	-	610,200	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**128,353**	**-**	**-**	**-**	**72,412**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	128,353	-	-	-	72,412	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**959,682**	**651,965**	**-**	**-**	**929,517**	**658,245**	**-**

The item “2 a) Equities and stock market indices” refers to the call option agreement, under which the Interbank Deposit Protection Fund and the Voluntary Intervention Scheme grant Cassa Centrale Banca an irrevocable option to purchase the ordinary shares of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia for a nominal value of EUR 610.2 million, held by the latter following the execution of the share capital increase. This option is exercisable between 1 July 2020 and 31 December 2021.

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	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 offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	34,590	255	-	-	24,560	308	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	618	-	-	-	168	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**35,207**	**255**	**-**	**-**	**24,728**	**308**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	33,530	5	-	-	23,587	8	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	2,541	-	-	-	569	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**36,071**	**5**	**-**	**-**	**24,155**	**8**	**-**

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
Contracts not part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	-	41,765
- positive fair value	X	-	-	255
- negative fair value	X	-	-	5
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	610,200	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) OTHER				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial companies	Other subjects
Contracts that are part of offsetting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	831.330	-	-
- positive fair value	-	34.590	-	-
- negative fair value	-	33.530	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) CURRENCIES AND GOLD				
- notional value	-	126.352	-	2.001
- positive fair value	-	550	-	68
- negative fair value	-	2.539	-	2
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) OTHER				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

With reference to the valuation of the call option granted to Cassa Centrale Banca on share packages of Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia, held by the Interbank Deposit Protection Fund (so-called FITD) and the Voluntary Intervention Scheme (so-called SVI), it should be noted that the instrument has a very specific connotation as it is strictly functional to the rescue operation of Banca Carige S.p.A. – Cassa di risparmio di Genova e Imperia. The same option is not listed on active markets and cannot be sold by Cassa Centrale Banca to third parties outside the Group without the prior consent of FITD and SVI. Based on the above considerations and taking into account that the call option cannot assume negative values, the directors of Cassa Centrale Banca have prudentially opted for a valuation of the call option as at 31 December 2020 equal to zero, which corresponds to the minimum value of the range of values of the valuation made by a leading consulting firm.

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

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	155,972	165,574	551,548	**873,094**
A.2 Financial derivatives on equities and stock market indices	610,200	-	-	**610,200**
A.3 Financial derivatives on currencies and gold	127,352	1,001	-	**128,353**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2020	**893,524**	**166,575**	**551,548**	**1,611,647**
Total 31/12/2019	**225,857**	**795,208**	**566,697**	**1,587,762**

B. Credit derivatives

This section is not filled out given that the Bank does not hold credit derivatives.

3.2 Accounting hedges

The Bank does not implement hedging transactions attributable to this type of situation.

In any case, the Bank has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of the Group's Hedge Accounting Policy.

3.3 OTHER INFORMATION ON DERIVATIVES (TRADING AND HEDGING)

A. Financial and credit derivatives

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

	Central counterparties	Banks	Other financial companies	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	831.330	-	41.765
- positive net fair value	-	34.590	-	255
- negative net fair value	-	33.530	-	5
2) Equities and stock market indices				
- notional value	-	-	610.200	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	126.352	-	2.001
- positive net fair value	-	550	-	68
- negative net fair value	-	2.539	-	2
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

SECTION 4 - LIQUIDITY RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the possibility that the Bank may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (funding liquidity risk), or that it may be forced to incur very high costs to meet these commitments (market liquidity risk). Funding liquidity risk, in turn, can be distinguished between: (i) mismatching liquidity risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) contingency liquidity risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) margin calls liquidity risk, i.e. the risk that the Bank, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter also "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Bank with net cash outflows (difference between gross outflows and inflows) expected over a thirty-day time period, the latter developed taking into account a predefined stress scenario. The DR-LCR entered into force on 1 October 2015 and, after a phasing-in from 1 January 2018, a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation (EU) no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Bank (e.g. deterioration of the Bank's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Bank (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;;
- the identification of:
  - items that do not have a defined due date (on demand and revocation items);
  - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
  - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);

- the analysis of the level of Seniority of financial instruments.

The processes in which the Bank's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the supervisory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Bank adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Board of Directors, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic supervisory body, the Board of Directors of the Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management - related to membership of the Cooperative Banking Group - by formalising its internal regulations on liquidity risk management and governance.

The Bank's liquidity is managed by the Finance Department in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department and is aimed at verifying the availability of sufficient liquidity reserves to ensure solvency in the short term and the diversification of funding sources as well as, at the same time, the maintenance of a substantial balance between lending and funding maturities in the medium/long term.

The Bank intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Bank's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Bank has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Bank uses the analysis reports available daily and monthly.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;;
- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;

- a set of summary indicators aimed at highlighting vulnerabilities in the Bank's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the reporting date, funding from the top 10 counterparties (private and non-financial companies) accounted for 35.3% of the Bank's total funding from customers; this figure was influenced by the presence of funding from companies belonging to the Group.

The Bank's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Bank operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Bank uses the analysis reports available monthly.

The net stable funding ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources and applying the percentages set out by the Basel Committee in its October 2014 document.

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Bank calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted using an approach that aims to worsen the percentages applied to the most significant items by referring to a regulatory methodology, contemplate two scenarios of liquidity crisis, market/systemic and specific to the individual bank. In particular, the Bank performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

During 2020, an additional scenario linked to the pandemic crisis was also introduced, which envisages the reduction of the inflow components compared to the standard ones to take into account the effect of the moratoria.

The results of the analyses carried out are periodically documented to the Board of Directors. The positioning of the Bank with regard to operational and structural liquidity is also reported to the Board of Directors on a quarterly basis.

In addition, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (hereinafter also referred to as the "CFP"), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management was centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group.

The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Bank has had a significant amount of liquid resources due to the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem.

As at the reporting date, the amount of cash reserves eligible for refinancing with the European Central Bank (ECB) totalled EUR 6.5 billion; this includes EUR 2.1 billion of reserves also held at the ECB and EUR 174 million of cash in coins and banknotes.

Recourse to refinancing with the ECB amounted to EUR 15,342 million and was mainly represented by funding from the participation in the lending operations known as Targeted Longer Term Refinancing Operations (TLTRO):

CLASSIFICATION	31/12/2020
TLTRO III financing	11,923,480,000
TLTRO II financing	185,730,000
ECB auctions	3,233,000,000
Total auctions	**15,342,210,000**

Information of a quantitative nature

1. Time-based distribution by residual contractual duration of financial assets and liabilities

Euro

ITEMS/TIME PERIOD BRACKETS	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	Beyond 5 years	Indefinite duration
A CASH ASSETS	**349,699**	**284,479**	**60,575**	**2,645,017**	**815,509**	**437,856**	**2,699,775**	**14,758,849**	**959,195**	**-**
A.1 Government securities	-	-	724	-	8,076	202,142	487,834	2,202,959	583,500	-
A.2 Other debt securities	-	287	12	3	699	1,339	3,224	149,000	92,954	-
A.3 UCITS units	74,966	-	-	-	-	-	-	-	-	-
A.4 Loans	274,733	284,192	59,840	2,645,014	806,735	234,375	2,208,717	12,406,889	282,741	-
- Banks	41,408	284,100	59,000	2,257,382	787,703	191,900	2,147,004	11,998,541	216	-
- Customers	233,326	92	840	387,633	19,031	42,475	61,712	408,348	282,525	-
B. CASH LIABILITIES	**5,265,407**	**125,830**	**8,024**	**183,840**	**850,967**	**150,111**	**3,295,600**	**12,148,022**	**205,369**	**-**
B.1 Deposits and current accounts	4,797,232	10,046	8,024	85,928	585,883	150,070	56,475	214,240	196,399	-
- Banks	4,138,543	10,046	8,024	85,928	585,751	150,070	56,089	211,500	160,952	-
- Customers	658,689	-	-	-	132	-	387	2,740	35,447	-
B.2 Debt securities	-	-	-	-	150	-	10,150	-	-	-
B.3 Other liabilities	468,174	115,784	-	97,912	264,933	41	3,228,974	11,933,783	8,971	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	495	13,784	1,829	1,130	6,158	4,099	611,928	593	-	-
- Short positions	-	26,159	26,135	20,755	30,270	18,926	4,612	403	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	34,862	-	-	-	-	-	-	-	-	-
- Short positions	33,553	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Other currencies

ITEMS/TIME PERIOD BRACKETS	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	Beyond 5 years	Indefinite duration
A. CASH ASSETS	**22,641**	**1,014**	**1,699**	**3,829**	**6,773**	**3,561**	**312**	**-**	**32,597**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	265	265	-	32,597	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	22,641	1,014	1,699	3,829	6,773	3,296	47	-	-	-
- Banks	22,641	1,014	1,699	3,829	6,773	3,283	47	-	-	-
- Customers	-	-	-	-	-	13	-	-	-	-
B. CASH LIABILITIES	**116,306**	**540**	**1,016**	**6,210**	**8,026**	**10,447**	**2,727**	**-**	**-**	**-**
B.1 Deposits and current accounts	114,305	540	1,016	6,210	8,026	10,447	2,727	-	-	-
- Banks	114,153	540	1,016	6,210	8,026	10,447	2,727	-	-	-
- Customers	152	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2,001	-	-	-	-	-	-	-	-	-
C. OFF-BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	25,685	25,905	22,970	30,200	17,763	4,524	407	-	-
- Short positions	495	13,552	1,861	3,579	6,695	3,618	1,714	593	-	-
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 disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Securitisation transactions

The Bank did not implement any self-securitisation transactions.

SECTION 5 - OPERATING RISKS

Information of a qualitative nature

A. GENERAL ASPECTS, MANAGEMENT PROCESSES AND MEASUREMENT METHODS FOR OPERATING RISK

Operating risk, as defined by prudential regulations, is the “risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events”.

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operating risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operating risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operating risk are internal fraud, external fraud, workplace employment and safety reports, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the breakdown of IT systems and deficiencies in the handling of transactions or process management, as well as losses due to positions with commercial counterparties and suppliers.

The following subcategories of risk are significant in terms of operating risks, as set out in the same supervisory instructions:

- IT risk, i.e. the risk of incurring economic losses, reputation and market share losses in relation to the use of Information and Communication Technology (ICT);
- outsourcing risk, i.e. the risk associated with the choice to outsource the performance of one or more business activities to third-party suppliers.

Given that it is a transversal risk across processes, operating risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes).

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operating risk management process consists of the following steps:

- **identification and assessment,** which includes the detection, collection and classification of quantitative and qualitative information relating to operating risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement,** which includes the activity of determining operating risk exposure based on information collected at the identification stage;
- **monitoring and control,** which includes activities concerning the regular monitoring of the operating risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management,** which includes activities aimed at containing operating risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- **reporting,** activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During the year, the Bank implemented a framework for the recognition of operating loss events and the related economic effects.

Finally, there are the third level controls carried out by the Internal Audit Department, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Bank mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Bank in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Bank internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operating risks, the Bank, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the year-end situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

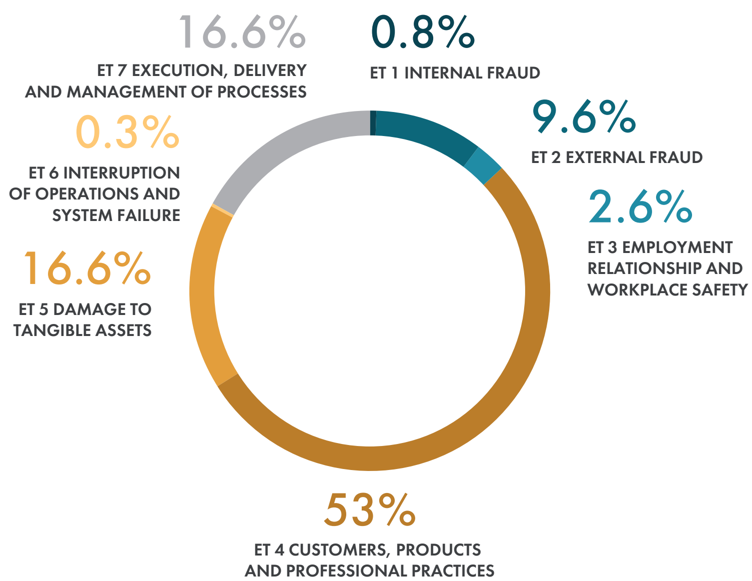
The adoption of a Business Continuity and Emergency Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

YEAR	Amount
Year T	189,240
Year T-1	157,548
Year T-2	116,442
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**154,410**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**23,162**

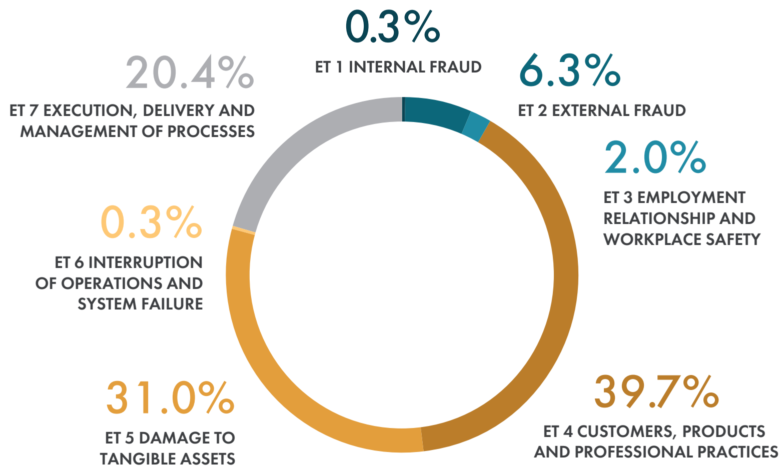
Information of a quantitative nature

In continuation of the activity already started last year, in relation to the structured process of Loss Data Collection, the distribution by Event Type for Cassa Centrale Banca is shown below.

Number of operational loss events with effects recorded in 2020



Net operating losses recognised in 2020



With reference to quantitative information, during the year the operational losses of Cassa Centrale Banca were mainly concentrated in the event type ET 5 Damage to tangible assets (14.3% of frequencies and 66.2% of the total impacts detected) followed by ET 7 Execution, delivery and management of processes (28.6% of frequencies and 26.1% of the total impacts detected).

Total operating losses recorded in 2020 for Cassa Centrale Banca amounted to EUR 1,158 thousand and related to seven events.

The Covid-19 pandemic event had an impact of 66% on total operating losses of Cassa Centrale Banca. The losses concerned the purchase of masks, gloves, protection and sanitation devices, PCs and mobile phones for the activation of Smart-Working, sanitation and extraordinary cleaning of the work areas. Among the effects generated by the Covid-19 pandemic, we note:

- Paid leave (non-contractual): recognition of paid leave, in addition to that envisaged by the CCNL;
- Activation of the insurance policy in favour of employees (amount not included in the calculation of the operating loss since it is a company decision linked to the emergency);
- Tax credit for sanitation costs Dl 34 - Ref. Circ. Prot. 588/2020 of 21/07/2020.

During 2020, operating loss effects were recognised in relation to court procedures with an impact of 27% on the total operating loss. In terms of Event Type, the losses concerned:

- ET 2.02 External fraud;
- ET 7.05 Events attributable to disputes with non-customer counterparties (e.g. due to non-compliance by the same with contractual provisions).

PART F - Information on equity

SECTION 1 - THE COMPANY’S CAPITAL

A. Information of a qualitative nature

Equity is the main safeguard against corporate risks associated with the Bank’s activities. It represents a fundamental reference parameter for solvency assessments, conducted by the supervisory authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Bank’s exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

To this end, the international and local supervisory bodies have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Bank refers is that defined by EU Regulation no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital – (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Bank;
- prudent management of investments, which takes into account the risk of counterparties;
- a possible capital strengthening plan by issuing equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Bank operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Institution.

Moreover, at least every quarter, compliance with the minimum capital requirements, envisaged by the provisions in force, as per Art. 92 of the CRR shall be verified.

As at the reporting date, the Bank presents:

- a ratio of Common Equity Tier 1 - CET1 - to risk-weighted assets (CET 1 ratio) of 58.79%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 58.79%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 58.81%.

The amount of own funds is fully sufficient on all three binding capital levels, and also adequate to cover the Capital Conservation Buffer.

The Bank has drawn up and maintains its Recovery Plan in line with the relevant regulatory provisions and in line with the Risk Appetite Framework adopted.

B. Information of a quantitative nature

B.1 Company's capital: breakdown

ITEMS OF EQUITY	Amount 31/12/2020	Amount 31/12/2019
1. Capital	952,032	952,032
2. Share premium	19,029	19,029
3. Reserves	147,205	131,293
- of profit	147,187	131,275
a) legal	28,797	27,252
b) statutory	-	-
c) own shares	-	-
d) other	118,390	104,023
- other	18	18
4. Equity instruments	-	-
5. (Own shares)	-	-
6. Valuation reserves:	(20,208)	930
- Equities measured at fair value through other comprehensive income	(26,354)	(866)
- Hedging of equities measured at fair value through other comprehensive income	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	5,662	1,323
- Tangible assets	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedging	-	-
- Hedging instruments [non designated elements]	-	-
- Exchange rate differences	-	-
- Non-current assets and groups of assets held for disposal	-	-
- Financial liabilities measured at fair value through profit or loss (changes in credit rating)	-	-
- Actuarial gains (losses) from defined benefit plans	(412)	(423)
- Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
- Special revaluation laws	896	896
7. Profit (loss) for the year	35,868	30,897
Total	**1,133,926**	**1,134,181**

The share capital of the Bank is composed of 18,158,304 ordinary shares and 150,000 preference shares with a nominal value of EUR 52 each and totalling EUR 952,031,808.

The reserves pursuant to point 3. include already existing profit reserves as well as the positive and negative reserves from the first-time adoption of IAS/IFRS (so-called FTA reserves) not recognised in other equity items.

The valuation reserves included in point 6. are detailed in Table B.2 below.

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: composition

ASSETS/VALUES	Total 31/12/2020		Total 31/12/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	5,662	-	1,855	(533)
2. Equities	150	(26,504)	550	(1,416)
3. Loans	-	-	-	-
Total	**5,812**	**(26,504)**	**2,405**	**(1,949)**

The significant change in the negative reserve referred to in point 2. Equities is attributable to the gross negative reserve of EUR 25.5 million (reserve net of taxation of EUR 24.05 million) relating to the FVOCI investment held in Banca Carige.

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**1,323**	**(866)**	**-**
2. POSITIVE CHANGES	**12,507**	**2,242**	**-**
2.1 Fair value increases	9,767	43	-
2.2 Value adjustments for credit risk	907	X	-
2.3 Reversals of negative reserves to the income statement: from sale	1,156	X	-
2.4 Transfers to other components of equity (equities)	-	407	-
2.5 Other changes	678	1,792	-
3. NEGATIVE CHANGES	**8,168**	**27,730**	**-**
3.1 Fair value decreases	1,406	27,581	-
3.2 Write-backs for credit risk	1,216	-	-
3.3 Reversals of positive reserves to the income statement: from sale	2,572	X	-
3.4 Transfers to other components of equity (equities)	-	-	-
3.5 Other changes	2,974	149	-
4. CLOSING BALANCES	**5,662**	**(26,354)**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

ITEMS	Total 31/12/2020	Total 31/12/2019
1. OPENING BALANCES	**(423)**	**(307)**
2. POSITIVE CHANGES	**38**	**27**
2.1 Actuarial gains (losses) from defined benefit plans	8	-
2.2 Other changes	30	27
2.3 Business combinations	-	-
3. NEGATIVE CHANGES	**(27)**	**(143)**
3.1 Actuarial losses from defined benefit plans	-	(100)
3.2 Other changes	(27)	(44)
3.3 Business combinations	-	-
4. CLOSING BALANCES	**(412)**	**(423)**

Section 2 - Own funds and adequacy ratios

With regard to the content of this section, please refer to the information on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), prepared on a consolidated basis by the Parent Bank Cassa Centrale Banca Credito Cooperativo Italiano S.p.A. pursuant to Regulation (EU) No. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 - Transactions implemented during the year

During the course of the year, the Bank did not implement business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations with entities subject to common control (so-called Business combinations between entities under common control).

Section 2 - Transactions implemented after the close of the year

After the end of the 2020 financial year and until the date of approval of the draft financial statements by the Board of Directors, the Bank did not carry out business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations between entities under common control.

Section 3 - Retrospective adjustments

No adjustments relating to business combinations that occurred in the same year or in previous years were recorded during 2020.

PART H - Transactions with related parties

The Bank, in compliance with the procedures provided for by sector regulations, has adopted the Group Regulations for the management of transactions with related parties.

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates, is intended to govern the identification, approval and execution of transactions with related parties carried out by the Group, as well as the organisational structure and internal control system that Cassa Centrale Group uses in order to preserve the integrity of decision-making processes in transactions with related parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For stricter accounting purposes, the provisions of IAS 24 - Related Party Disclosures also apply, for which the Bank has taken into account the information provided at Group level with regard to the identification of the related scope of consolidation.

More specifically, under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives with strategic responsibilities (including Directors) of the entity preparing the financial statements:
    - Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives with strategic responsibilities":
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - the children and the spouse (even if legally separated) or cohabitant of that person;
        - the children of that person's spouse or cohabitant;
        - the dependants of that person or of that person's spouse or cohabitant;
        - the brothers, sisters, parents, grandparents and grandchildren - even if not living together - of that person.

- person who has significant influence over the entity preparing the financial statements.

Legal persons:

- entity who has significant influence over the entity preparing the financial statements;
- entity over which a person identified in the previous paragraph (natural persons) has significant influence or is one of the executives with strategic responsibilities of the same (or one of its parent companies);
- entity that has control or joint control over the entity which drafts the financial statements;
- entity controlled or jointly controlled by one of the entities referred to in the previous point (natural persons);
- the companies/Affiliated Banks belonging to the Cassa Centrale Group (controlled and directly and/or indirectly jointly controlled);
- associates and joint ventures and their subsidiaries;
- entity that is part of a joint venture of another entity and the entity that prepares the financial statements is an associate of the other entity;
- post-employment benefit plans for employees of the Group or a related entity.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

These include the following:

- Chief Executive Officer;
- Deputy General Managers;
- Chairperson of the Board of Directors;
- members of the Board of Directors;
- Chairperson of the Board of Statutory Auditors and the Standing Auditors;
- executives who report directly to the Board of Directors or the Chief Executive Officer.

The table below shows, in compliance with the requirements of IAS 24, paragraph 17, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AS AT 31/12/2020	
	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid	Amount pertinent	Amount paid
Salaries and other short-term benefits	2,116	1,996	313	273	4,208	3,992	6,637	6,262
Benefits relative to the post-employment period (social security, insurance, etc.)	-	-	-	-	183	-	183	-
Other long-term benefits	-	-	-	-	-	-	-	-
Compensation for termination of employment	-	-	-	-	-	-	-	-
Payments in shares	-	-	-	-	-	-	-	-
Total	**2,116**	**1,996**	**313**	**273**	**4,391**	**3,992**	**6,820**	**6,262**

2. Information on transactions with related parties

The table below provides information on the statement of financial position and income statement transactions with related parties during the period.

	Assets	Liabilities	Guarantees issued	Guarantees received	Revenues	Costs
Parent Company	-	-	-	-	-	-
Subsidiaries	16,232,953	5,176,892	-	9,772	69,954	80,964
Associates	32,174	45	-	20	35	71
Directors and Executives	187	1,479	-	-	-	6,507
Other related parties	-	3,783	-	34	-	-
Total	**16,265,314**	**5,182,200**	**-**	**9,826**	**69,990**	**87,542**

It should be noted that "Other related parties" include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, joint ventures and associates of the same parties or their close relatives.

During the year there were no analytical value adjustments or losses for receivables from related parties. Only the collective write-down was applied to receivables from related parties in accordance with IFRS 9.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties do not have a significant incidence on the financial situation, economic result and cash flows of the Bank.

PART I - Payment agreements based on own equity instruments

As at the reporting date, the Bank had no payment agreements in place based on its own equity instruments.

This section does not contain any evaluation and is therefore omitted.

PART L - Segment reporting

Since the Bank is not listed or an issuer of widely distributed securities, it is not required to complete the segment reporting required by IFRS 8.

PART M - Information on leasing

Section 1 - Lessee

Qualitative information

With reference to the qualitative aspects of the adoption of IFRS 16, reference should be made to the paragraph "Transition to IFRS 16" included in "Part A - Accounting Policies, Section 4 - Other matters, a) Newly applied accounting standards in 2019" and these Explanatory Notes to the 2019 Financial Statements.

Quantitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically:

- information on rights of use acquired through lease is provided in Part B - Information on the statement of financial position, Assets, Section 8 - Tangible assets and Section 9 - Intangible assets;
- information on payables for leases is provided in Part B - Information on the statement of financial position, Liabilities, Section 1 - Financial liabilities measured at amortised cost;
- the information on interest expense on payables for leases and other charges related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in Part C - Information on the income statement, in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

It is hereby declared that at the closing date of the financial year there were no commitments formally entered into by the Bank on lease contracts not yet concluded.

Section 2 - Lessor

This is not applicable to the Bank.

Annexes to the financial statements of Cassa Centrale Banca

Annex A) Report on the guarantee scheme

Report on the Guarantee Scheme

The financial soundness of the Group is assured through the signing of the Guarantee Agreement, whereby the Parent Company and the Affiliated Banks (hereinafter also "the Parties") jointly and severally guarantee, within the limits of their free capital, the external creditors and provide each other with support to preserve the solvency and liquidity of each Affiliated Bank and the Parent Company.

To this end, Cassa Centrale Banca and the Affiliated Banks have established, each for its own share, the financial resources readily available for the proper functioning of the guarantee scheme. The contributions to the readily available financial means are determined using the results of the stress tests expressed in terms of the probability of default and loss in the event of default by each party to the Guarantee Agreement, calculated by applying the methodology defined in a specific Regulation on the cross-guarantee system methodology. This regulation was updated by resolution of the Board of Directors of Cassa Centrale Banca of 10 June 2020. The main change to the regulation is the updated share allocation methodology, which no longer considers the adjusted RWA method but is based solely on the bank's RWA without the correction for the bank's free capital weight.

The readily available financial funds, as determined above, have been divided between the ex-ante and ex-post portions of the cross-guarantee.

The ex-ante portion represents the portion of the Parent Company's pre-established financial funds readily available to the Parties for the implementation of intra-group support measures, while the ex-post portion represents the portion of the financial resources allocated to the Parties' financial statements but subject to readily available constraints, which may be called by the Parent Company if the ex-ante portion is not available, as well as in the other cases indicated in the Guarantee Agreement.

As of 1 July 2020, the readily available financial means relating to the "ex-ante portion" have been constituted through the instrument of financing allocated to a specific business pursuant to Article 2447-bis, letter b) and Article 2447-decies of the Italian Civil Code. This instrument is governed by a loan agreement entered into between the Parent Company and the Affiliated Banks whereby the lending parties (Affiliated Banks) make available to the beneficiary (the Parent Company) the "ex-ante portion" pertaining solely to the business. In this case, the purpose of the business is to establish and manage the "ex-ante portion" for the implementation of intra-group support measures aimed at safeguarding the solvency and liquidity of each party. With the conclusion of the financing contract for a specific business and the registration of the contract at the Companies' Register, the segregation effects provided for in Article 2447-decies of the Italian Civil Code are applied and produced, according to which the sums collected with the financing itself, as well as the proceeds and profits of the business, constitute separate assets of the company, protected from the availability and actions of the company's creditors. The separation of assets corresponds to a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in Article 2447-decies of the Italian Civil Code.

The portion was invested by the Parent Company exclusively in liquid assets and/or assets which can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, which supplements Regulation (EU) no. 575/2013 (so-called "Level 1 assets").

The ex-post portion, in order to make it immediately usable if required, has been incorporated directly in the financial statements of Cassa Centrale Banca, partly with the liquidity collected by the Affiliated Banks through a term deposit maturing over 12 months and bearing interest at an annual rate of 0.25% and the remainder with the liquidity made available by the Parent Company itself. This portion was invested, as was the case for the ex-ante portion, in Level 1 assets.

Having said all this, the Parent Company, following the stress tests mentioned above, determined the need for a total amount of readily available funds, for the 12-month period (1 July 2020 - 30 June 2021), of EUR 309 million, broken down as follows:

- Ex-ante portion amounting to EUR 171 million;
- Ex-post portion amounting to EUR 138 million.

Intra-group support measures implemented in 2020

The use of readily available financial resources set up at the Parent Company for the implementation of intra-group support measures is subject to the assessment and consequent decision to activate the guarantee system by the body with strategic supervisory functions of the Parent Company, in compliance with the rules set out in the "Regulation on the cross-guarantee system methodology" and the "Regulation on the Risk Based Model".

Before adopting the aforementioned resolution, the Parent Company is required to analyse all further possible recovery actions and, only if these are not feasible, will it be able to activate the guarantee system.

The activation of the guarantee measures can be expressed through different initiatives such as:

- Capital initiatives, through the issuance by the Affiliated Bank of financing shares qualifying as CET 1 or additional capital instruments qualifying as AT1 and Tier 2;
- Liquidity intervention, through the subscription of ordinary bond loans issued by the Affiliated Bank or the subscription of term deposits.

During the 2020 financial year, the Parent Company made only one capital intervention in favour of Cassa Padana, subscribing on 15 September 2020 to a subordinated bond loan qualifying as Tier 2 issued by the Affiliated Bank itself for a nominal amount of EUR 20 million. The intervention is linked to Cassa Padana's recovery plan approved by the Board of Directors of Cassa Centrale Banca in March 2020 and aimed at restoring a situation of normality in the main technical capital parameters, asset quality and business model, including through a series of capital interventions during the plan period by activating the cross-guarantee system.

The main characteristics of the subordinated bond loan issued by Cassa Padana and subscribed by Cassa Centrale Banca are as follows:

ISIN	IT0005421851
Description	CASSA PADANA 15/09/2027 2% SUB T2
Fixed rate	2%
Coupon expiry	Annual deferred
Issue date	15/09/2020
Expiry date	15/09/2027
Nominal value	20,000,000

Breakdown of investments in the "ex-ante portion"

Until 30 June 2020, the "ex-ante portion" consisted of readily available funds resulting from the subscription by the Affiliated Banks of newly issued ordinary shares of the Parent Company, eligible for recognition as Common Equity Tier 1 capital (CET 1).

The breakdown of the investments of the "ex ante portion" established through CET1 of the Parent Company as at 31 December 2019 and 30 June 2020 is shown below:

ASSETS/VALUES	31/12/2019	30/06/2020
Italian government securities	125,782,324	124,059,243
Support measures	-	-
Liquidity	48,378,115	50,198,419
Total	**174,160,440**	**174,257,662**

The investments in Italian government bonds that make up the "ex-ante portion" as at 31 December 2019 and as at 30 June 2020 are measured at amortised cost, as they are allocated to the hold to collect business model.

As of 1 July 2020, the readily available financial means relating to the "ex-ante portion" have been constituted ex novo through the instrument of financing allocated to a specific business pursuant to Article 2447-bis, letter b) and Article 2447-decies of the Italian Civil Code. Consequently, the liquidity and investments previously tied up until 30 June 2020 to the "ex-ante portion" set up with CET 1 of the Parent Company were released.

The following table shows the breakdown of the investments of the "ex ante portion" established through the loan allocated to 1 July 2020 and 31 December 2020:

ASSETS/VALUES	01/07/2020	31/12/2020
Italian government securities	-	146,249,872
Support measures	-	20,300,914
Liquidity	170,961,599	6,318,309
Total	**170,961,599**	**172,869,095**

The investments in Italian government bonds, as well as the instruments deriving from support measures, which make up the "ex-ante portion" as at 31 December 2020 are measured at fair value through the income statement as the instruments are designated at fair value.

Performance of the "ex-ante portion" value

The value of the "ex-ante portion" as at 31 December 2019 and as at 30 June 2020 is provided below, showing the portion contributed by the Parent Company and the Affiliated Banks:

	Ex ante portion		
	of which portion contributed by the Parent Company	Of which portion contributed by Affiliated Banks (Intended Funding)	Total ex ante portion
31/12/2019	80,962,433	93,198,007	174,160,440
30/06/2020	81,007,629	93,250,033	174,257,662
Change in ex ante portion 31/12/2019 - 30/06/2020	**45,196**	**52,026**	**97,222**

The change in the "ex-ante portion" from 31 December 2019 to 30 June 2020 is due exclusively to the valuation and/or realised income components, as detailed below, relating to the investments constituting the "ex-ante portion":

	Economic components making up the ex ante portion		
	of which change in portion contributed by the Parent Company	Of which change in portion contributed by Affiliated Banks (Intended Funding)	Change in total ex ante portion
Interest income	110,485	127,182	237,667
Interest expense	(52,987)	(60,995)	(113,982)
Trading profits	12,504	14,394	26,898
Net value adjustments on government bonds	(24,806)	(28,555)	(53,361)
Total	**45,196**	**52,026**	**97,222**

The value of the “ex-ante portion” as at 1 July 2020 and as at 31 December 2020 is shown below, showing the portion contributed by the Parent Company and the Affiliated Banks:

	Ex ante portion		
	of which portion contributed by the Parent Company	Of which portion contributed by Affiliated Banks (Intended Funding)	Total ex ante portion
01/07/2020	8,942,817	162,018,782	170,961,599
31/12/2020	9,042,419	163,826,675	172,869,095
Change in ex ante portion 01/07/2020 - 31/12/2020	**99,606**	**1,807,893**	**1,907,496**

The change in the “ex-ante portion” from 1 July 2020 to 31 December 2020 is due exclusively to the valuation and/or realised income components, as detailed below, relating to the investments constituting the “ex-ante portion”:

	Economic components making up the ex ante portion		
	of which change in portion contributed by the Parent Company	Of which change in portion contributed by Affiliated Banks (Intended Funding)	Change in total ex ante portion
Interest income	15,011	272,473	287,484
Interest expense	(2,426)	(44,031)	(46,457)
Commission expenses	(66)	(1,201)	(1,267)
Profit from valuation	87,084	1,580,653	1,667,736
Total	**99,603**	**1,807,893**	**1,907,496**

Accounting statements of the loan allocated to a specific business

The special statutory financing rules intended for a specific business provide for a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in Article 2447-decies of the Italian Civil Code.

This accounting segregation has been implemented in the accounts of Cassa Centrale Banca through the keeping of specific balance sheet and profit and loss accounts in the name of:

- investments in financial assets in which the liquidity collected through the intended loan is invested;
- the liquidity present on the deposit on demand at the Bank of Italy dedicated to managing the liquidity of the intended loan;
- the financial liability to the Affiliated Banks for the intended loan;
- any positive or negative component of income deriving both from the valuation of the assets and liabilities making up the separate equity and from income or expenses referable to the management of the specific business.

All positive or negative income components for the year attributable to the business determine the operating result of the business. This operating result is attributed to the lending parties through an accounting entry adjusting the fair value of the financial liability recorded as a contra-entry to the funds received as an "ex-ante portion" from the lending parties themselves.

The accounting statements of the loan earmarked for a specific transaction at 31 December 2020, consisting of the balance sheet, the income statement for the management of the business and further details, correspond to the results of Cassa Centrale Banca's accounting entries made on the specific accounts in the name of the intended funding.

The statement of financial position and income statement as at 31 December 2020 for the management of the business are set out below in Euro

STATEMENT OF FINANCIAL POSITION

	ASSET ITEMS	31/12/2020
10.	Cash and cash equivalents	6,318,309
20.	Financial assets measured at fair value through profit or loss	166,550,786
	b) financial assets measured at fair value	166,550,786
	Total assets	**172,869,095**

The item "cash and cash equivalents" includes the amount of cash and cash equivalents deposited in the Target 2 deposit on demand at the Bank of Italy dedicated to managing the liquidity of the intended loan.

The item "financial assets measured at fair value" includes:

- the fair value of the financial assets which can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, supplementing Regulation (EU) No 575/2013 (so-called "Level 1 assets");
- the fair value of the financial assets subscribed in implementation of the support measures.

The following table shows the breakdown of the portfolio of financial assets designated at fair value, as well as the related gains/(losses) from fair value measurement and interest income for the year:

ISIN	Security	Expiry date	Nominal value	Carrying amount	Profit (loss) from valuation	Interest income
IT0005384497	BTP-15GE23 0.05% 19/23 EUR	15/01/2023	75,000,000	75,732,722	940,500	18,149
IT0005412348	C.T.Z. 30/05/2022	30/05/2022	60,000,000	60,357,600	399,066	127,735
IT0005105843	BTP ITALIA-20AP23 0.50%	20/04/2023	10,000,000	10,159,550	144,517	24,341
IT0005421851	CASSA PADANA 15/09/2027 2% SUB	15/09/2027	20,000,000	20,300,914	183,654	117,260
Total			**165,000,000**	**166,550,786**	**1,667,736**	**287,484**

	LIABILITIES	31/12/2020
30.	Financial liabilities measured at fair value	163,826,675
80.	Other liabilities	9,042,419
	Total liabilities	**172,869,095**

The item “Financial liabilities measured at fair value” includes the value of the “ex-ante portions” contributed by the Affiliated Banks, adjusted to take into account the allocation of the portion of the operating result of the separate assets attributable to the lending parties.

The item “Other liabilities” includes the value of the “ex-ante portion” of Cassa Centrale Banca, adjusted to take into account the allocation of the portion of the operating result of the segregated capital attributable to the Parent Company.

INCOME STATEMENT

	ITEMS	31/12/2020
10.	Financial liabilities measured at fair value	287,484
20.	Other liabilities	(46,457)
30	**Interest margin**	**241,027**
50	Commission expenses	(1,267)
60	**Net commissions**	**(1,267)**
110	Net result of other financial assets and liabilities measured at fair value through profit or loss	(140,156)
	a) financial assets and liabilities measured at fair value	(140,156)
120	**Net interest and other banking income**	**99,603**
150	**Net income from financial activities**	**99,603**
200	Other operating charges/income	(99,603)
210	**Operating costs**	**(99,603)**
260	**Profit (loss) before tax from current operating activities**	**-**
300	**Profit (loss) for the year**	**-**

The item "Interest and similar revenues" includes the interest pertaining to financial assets measured at fair value.

The item "Interest expenses and similar charges paid" includes the negative interest accrued on the cash and cash equivalents deposited in the Target 2 deposit on demand at the Bank of Italy dedicated to the management of the liquidity of the intended funding.

The item "Net result of financial assets and liabilities measured at fair value" includes valuation gains on financial assets measured at fair value and the change in fair value of financial liabilities to Affiliated Banks resulting from the allocation of the share of the operating result for the year to the lending parties. The table below shows the breakdown of the item:

110 a)	NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: A) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	(140,156)
	- of which financial assets measured at fair value	1,667,736
	- of which, change in the fair value of the intended funding contributed by the Affiliated Banks	(1,807,893)

The item "other operating charges/income" includes the change in the "ex-ante portion" deriving from the allocation of the portion of the operating profit for the year pertaining to the Parent Company.

Annex B) Audit and non-audit fees

Audit and non-audit fees

TYPE OF SERVICES	Fees (thousands of euros)
Auditing	940
Certification services	467
Other services	95
Total	**1,502**

Please note that the fees indicated do not include VAT and out-of-pocket expenses.

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