BANCA PROMOS

Financial Statements at 31 december 2019

39° year

www.bancapromos.it

Cover: Banca Promos Headquarters – Ph Peppe Maisto

Table of contents

Call of Ordinary Meeting

BANCA PROMOS S.p.A.

Registered Office in Naples, Viale Gramsci 19

Share Capital € 7,740,000.00 fully paid-up - Economic and Administrative Index no. 329424

The Shareholders are convened for the Ordinary Shareholders' Meeting which will be held at the registered office in Naples, viale A. Gramsci 19, where the secretary taking minutes will be present, **on 26 June 2020 on first call at 11:30 am** and, if necessary, on second call on 03 July 2020 at 10:00 am, at the same place, to discuss and vote on the following:

AGENDA

1. Approval of the financial statements at 31 December 2019, Directors' Report, report of the Board of Statutory Auditors and subsequent resolutions according to law provisions;
2. Renewal of the Board of Directors and determination of their remuneration;
3. Resolution as per article 10 of the Corporate By-Laws concerning the remuneration of the Chairman of the Board of Directors;
4. Remuneration policies;
5. Disclosures on the implementation of remuneration policies year 2019;
6. Disclosure on “Internal policy on the control of risky activities and conflicts of interest vis-à-vis connected parties”;
7. Any other business.

In consideration of the epidemiological emergency related to COVID-19, the Bank decided to exercise the option introduced by art.106 of Law Decree no. 18 of 17 March 2020, according to which the Shareholders' Meeting will take place only remotely by telecommunication means, ensuring in any case the identification of participants, their participation and exercise of their voting rights.

To participate in the Shareholders' Meeting, the Shareholders must express their intention to attend it by sending - by email to the address segreteriagenerale@bancapromos.it - the certificate of participation accompanied by a valid identity document of the shareholder, or for companies, by an updated chamber of commerce certificate accompanied by a valid identity document of the beneficial owner as well as any proxy received from any other shareholder, also accompanied by the documents described above.

Voting will be by roll call and the secretary will collect any vote declarations.

The Chairman of the Board of Directors

Ugo Malasomma

Management and Independent Auditors

Board of Directors

Ugo Malasomma (Chairman)

Tiziana Carano (CEO)

Stefano de Stefano

Umberto De Gregorio

Luigi Gorga

Board of Statutory Auditors

Ugo Mangia (Chairman)

Sergio Vilone *(Standing Auditor)*

Pasquale Mauro *(Standing Auditor)*

Riccardo Pascucci *(Alternate Auditor)*

Giorgio Gargiulo *(Alternate Auditor)*

Independent Auditors

KPMG S.p.A.

General aspects

The financial statements of Banca Promos SpA, pursuant to Legislative Decree no. 38 of 28 February 2005, were drafted in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the pertinent interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission in compliance with the EC Regulation no. 1606 dated 19 July 2002 – and in force at the reporting date.

These financial statements have been prepared on the basis of the instructions contained in Banca d'Italia's Circular no. 262 of 22 December 2005 entitled "Banks' financial statements: formats and drafting instructions": 6th update of 30 November 2018.

It is noted that as of 1 January 2019 the new accounting standard IFRS 16 "Leases" entered into force, which, as it replaces the previous IAS 17, impacts on how entities account for leases as well as for rentals and free loans, by introducing a new lease definition based on the "right of use" of the leased asset. The new accounting standard prescribes that all lease contracts are recognized by the lessee as assets and liabilities in the balance sheet. A different method of accounting for costs is also introduced: while under IAS 17 lease payments were recorded in the Income Statement under administrative expenses, according to IFRS 16 this cost is recognized both by way of depreciation of the "right of use" asset and as interest expense on the payable amount. For an in-depth analysis of the regulatory aspects relating to the accounting standard, the choices made by the Bank in this regard and the subsequent effects of first-time adoption, please refer to the comments provided in Section A.1, paragraph 4.6 "Transition to the IFRS 16" - Part A "Accounting Policies" of these Financial Statements.

With specific regard to how the IFRS 16 first time adoption effects are accounted for, the Bank has chosen to adopt the "Modified retrospective" approach, which gives the option, envisaged by the standard, to recognize the cumulative effect from adoption of the standard on the date of first application rather than to restate the comparative data in the IFRS 16 first time adoption financial statements. Therefore, the financial statements data for FY 2019 and the related details of the explanatory notes are not comparable with the previous financial year with regard to the valuation of the rights of use and the corresponding lease payable, as well as with regard to the related income statement components.

It is noted that in order to complement the income statement and the balance sheet data, the schedules in this Directors' Report were slightly modified compared to those published in the previous year, to take account of the IFRS 16 adoption. More specifically, in the reclassified balance sheet, specific sub-items were added respectively under property, plant and equipment and intangible assets, in order to separately report the rights of use acquired through leases, and in the items Trade payables and Outstanding securities to separately report the Lease payables.

In order to allow for a uniform comparison of balance sheets items, despite the Bank's choice to first apply the IFRS 16 according to the modified retrospective approach, which does not require the restatement of comparative data, nevertheless, the balance sheet data impacted by the principle were restated. More specifically, in the reclassified balance sheet and in the related detailed tables of the Directors' Report, the balance sheet data as at 31 December 2019 are compared with the corresponding values as at 1 January 2019, therefore inclusive of the effects of the IFRS 16 first time adoption.

Note, however, that with reference to the comparative income statement data, the income statement items were not restated.

Financial Highlights and Ratios

Financial Highlights and Performance Ratios

Data (€/000)	31/12/2019	31/12/2018	Change in absolute terms	Change in % terms
Net interest income	**712**	994	(282)	(28.4)
Net commissions	**(29)**	233	(262)	
Net result of financial assets/liabilities measured at fair value(*)	**3,120**	1,809	1,311	72.5
Net operating income	**4,290**	3,440	850	24.7
Operating costs	**(3,998)**	(4,424)	(426)	(9.6)
Net adjustments to receivables (**)	**48**	(249)	297	
Net result	**458**	(1,284)	1,742	

Ratios	31/12/2019	31/12/2018	Absolute changes	Change in % terms
Net result / Shareholders' equity (ROE)	**3.9**	(11.2)	15.1	
ROA	**0.7**	(2.2)	2.9	
Cost / income ratio (Operating costs/Brokerage margin)	**91.5**	135.4	(43.9)	(32.4)
Net interest income / Brokerage margin	**18.7**	32.7	(14.0)	(42.8)
Net result of financial operations / Total assets	**7.1**	4.5	2.6	57.8

(*) The item includes items 80 , 100 b) and (c) 110 of the Income Statement
(**) The item includes items 130 a) and 140 of the Income Statement

Financial Highlights and Equity Ratios

Data (€/000)	31/12/2019	01/01/2019	Change in absolute terms	Change in % terms
Loans to customers	**16,902**	23,331	(6,429)	(27.6)
Financial assets other than loans (securities):	**13,792**	20,056	(6,264)	(31.2)
- of which securities measured at fair value through profit or loss	***108***	*7,395*	(7,287)	(98.5)
- of which securities measured at fair value through other comprehensive income	***10,240***	*8,416*	1,824	21.7
- of which securities measured at amortised cost	***3,444***	*4,245*	(801)	(18.9)
Customer financial assets:	**80,495**	92,793	(12,298)	(13.3)
- Direct deposits	***32,915***	*39,234*	(6,319)	(16.1)
- Indirect deposits including institutional customers	***47,580***	*53,559*	(5,979)	(11.2)
Total assets	**54,764**	61,311	(6,547)	(10.7)
Shareholders' Equity	**11,666**	11,466	200	1.7

RISK RATIOS	31/12/2019	01/01/2019	Change in absolute terms	Change in % terms
Gross NPL ratio	**24.6**	21.0	3.6	17.1
Net NPL ratio	**16.4**	14.5	1.9	13.1
Texas Ratio	**35.5**	41.5	(6.0)	(14.5)
Overall adjustments to receivables/gross loans(hedging ratio)	**10.9**	10.6	0.3	2.8
Net non-performing loans / Loans to customers	**7.4**	5.7	1.7	29.8
Unlikely to pay / Loans to customers	**5.9**	4.6	1.3	28.3
Past due and overdrawn loans / Loans to customers	**3.1**	4.2	(1.1)	(26.2)

Capital ratios

Data (€/000)	31/12/2019	31/12/2018	Change in absolute terms	Change in % terms
Total RWA	**36,790**	46,839	(10,049)	(21.5)
Own Funds	**11,355**	11,742	(387)	(3.3)
Common Equity Tier 1 Ratio (Equity Tier 1/Risk-weighted assets)	**30.86**	25.07	5.8	23.1
Tier 1 Ratio (Equity Tier 1/Risk-weighted assets)	**30.86**	25.07	5.8	23.1
Total Capital Ratio	**30.86**	25.07	5.8	23.1
CET1 surplus compared to Minimum Requirement (4.50%)	**9,700**	9,634	66	0.7
T1 surplus compared to Minimum Requirement (6.00%)	**9,148**	8,932	216	2.4
Own funds surplus compared to Minimum Requirement (8.00%)	**8,412**	7,995	417	5.2

Structure Data

Structure Data (units)	31/12/2019	31/12/2018	Change in absolute terms	Change in % terms
Number of employees (FTE=1)	**33**	37	(4)	(10.8)
Bank branches	**2**	2	-	-

Directors' Report

Dear Shareholders,

The draft Financial Statements at 31 December 2019, which we submit to the attention of today's Meeting, were drawn up according to the IAS/IFRS international accounting standards on a going concern basis, the own funds of your Institute being also adequate to cover the risks to which it is exposed, and in compliance with the additional prudential requirements established by Banca d'Italia.

As usual, we open this report by briefly illustrating the events and trends that have characterized the global economic and financial landscape, in order to set the activities and results of our Bank within context and then proceed with a specific analysis in the subsequent sections of this document, in the financial statements and in the Explanatory Notes.

We cannot, however, ignore the health emergency that we are currently experiencing. The rapid spread of the Covid-19 epidemic, which marked the first months of 2020, has already had serious repercussions on economies worldwide.

This event, unprecedented in recent history, puts a strain on the current economic and social structure of our country and, above all, on the prospects of an entire development model.

In this situation of extraordinary difficulty, our Bank acted promptly and efficiently to get to grip with the emergency. It is thanks to the commitment and effort of all those who work within our organization, in their respective roles and responsibilities, whom we heartfully thank, that we were able to continue providing our services while also protecting our employees' and customers' health.

The Reference Framework

In 2019 the international economy was characterized by a contained development. General uncertainties and geopolitical tensions certainly affected the entire period, although, at an international level, the agreement reached between the United States and China on the tariff dispute started in 2018, made a significant contribution to easing the general climate and to facilitating a recovery in global trade, after a somewhat sluggish first half of the year.

In any case, the overall economic situation appeared such that monetary authorities have once again pursued an "expansionary" monetary policy, in order to provide greater stimulus to spending and to support economic and financial growth around the globe.

The major central banks therefore maintained a largely accommodative stance: the Chinese Central Bank, for example, decreased its medium-term refinancing rate and, similarly, the central banks of other emerging countries (including Brazil, India, Russia) have lowered the main reference rates.

Also in the Euro area, the ECB Governing Council confirmed the same direction by keeping its policy rates at the minimum values already set (the ECB has set its main refinancing rate at 0% since 2016).

In the EU area, economic activity was slowed down by a weak manufacturing sector, which, given its vulnerability to world trade, especially affected Germany, while the service sector in the Eurozone as a whole recorded moderate growth.
In Italy, again wrought by political uncertainty, the general economic development and GDP results were dragged down by the weakness of its industrial sectors, in line with the European trend.

The Capital Market

After a long period of stagnation, finally in 2019 financial markets showed moderate vibrancy. The rediscovered agreement in trade relations between the two giants of the world economy, the United States and China, together with the expansionary monetary policies of central banks, have created favourable conditions for a revival of the stock markets, with several international stock exchanges attaining record levels. The MSCI World index, which summarizes the performances of world stock exchanges, ended the year up 26%.
In Europe, the Italian stock exchange posted one of its best performances (+28%) in line with both the French (+26%) and German (+27%) exchanges, and with Wall Street (+ 28%). Gold prices appreciated by 15%.
The bond sector benefited from the interest rate cuts implemented by the major central banks, in terms of both capitalization (with YoY growth of around 7,000 billion USD) and volumes. Long-term yields also rose slightly, reflecting a generally improved market sentiment. The 10-Year German Bund rose 8%, the US Treasury by more than 10%.
In Italy, the spread between 10-year government bonds and the corresponding German Bund was, as always, also influenced by internal political events and, it was certainly no coincidence that the spread peaked in early August at the inception of the government crisis. However, the greater stability afforded with the Conte-bis government and the favourable international environment pushed the spread back to 150bp as early as October.

The Banking Sector in Italy and in the Campania Region

For Italian banks, and for the entire international credit system, 2019 was the year in which the profound changes occurring in the traditional banking model became clearly manifest, in the aftermath of most recent economic-financial crisis that began in 2008.
The impact of new digital technologies, the entry into the market of world tech and fintech giants, and the continuous flow of new regulations, have called into question the very model of the traditional universal bank.
Furthermore, on the domestic front, regulatory measures were added, within the framework of EU regulations, to cope with difficulties faced by the domestic banks, difficulties that, after the Venetian and Tuscan banks, lastly concerned Banca Popolare di Bari.

Although of different origins, all these factors contributed to a rapid and radical change in the environment in which banks carry on their business, requiring, among other things, strategic choices that are not always easy, but certainly necessary.
In the scenario just described, 2019 was again a year of moderate growth for the credit market in Italy, supported by low interest rates and recovered stability. The total amount of household loans outstanding, for example, increased by 2.4% yoy, while loans to businesses were down (-1.9% yoy). Interest rates remained at ultra-low levels: ABI data reveal that in December 2019 interest rates on euro-denominated loans to households for house purchases stood at 1.44%, down from 1.95% in January 2019. The average rate on new euro-denominated loans to non-financial companies fell to 1.37% in December from 1.47% in January; and the weighted average rate on total loans to households and non-financial companies was 2.48% in December 2019 (2.58% at the beginning of 2019).

The ongoing improvement in terms of credit quality also continued in 2019. Non-performing loans net of write-downs and provisions already made by banks with own funds, amounted to 27.5 billion euros in December 2019, down 13.7% compared to the 32 billion in December 2018. Considering the peak of almost 89 billion reached in November 2015, net non-performing loans decreased by around 67%.

Data on funding recorded a positive trend in 2019, although in Italy, in line with the trend of recent years, there is still a divergence in the performances of the main components: deposits from resident customers (current accounts, certificates of deposit, repurchase agreements) grew 5.8% on an annual basis, while medium and long-term deposits, that is through bonds, fell 1.9% in the last 12 months. As a result, funding grew overall by 4.8%.

In Campania, the economic activity in 2019 weakened, which was partially offset by some positive factors. In the industrial sector there was a slowdown in investments, held back by general factors of uncertainty. The construction sector, on the other hand, showed signs of recovery, although activity levels are far from pre-crisis figures. At the same time, the good performance of foreign demand boosted exports in the main specialized sectors of the region and, in line with the trend of recent years, international tourism also continued to grow. The critical issue of unemployment persists, with a further contraction against the slight increase in the national figure. The decline is widespread across the various sectors but is accentuated in the construction sector.

The credit market in our region has seen a reduction in loans to businesses, while as regards households, both the demand for mortgage loans for house purchases, in keeping with the trend in the real estate market, and consumer credit increased.

However, there is still a gap in credit quality compared to the national trend: the quality of loans to Campanian residents was indeed worse than the average of both the South of Italy and Italy overall. On the other hand, funding was in line with data for the overall credit system.

*(Sources: **Banca d'Italia**: Economic Bulletin no. 1, January 2020; Regional economies no. 37 November 2019; ABI : monthly report January 2020)*

Banca Promos Core Operations

Dear Shareholders, after four years, in 2019 your bank was back in black. In fact, the financial year closed with a net profit of € 458,345.

An encouraging result, which of course is attributable to various factors, some of which linked to the strategic choices made while others to a favourable market situation.

First of all, vibrant equity markets, but above all bond markets, the company's historic core business, which allowed the bank to take advantage of the high level of specialization acquired over time. Our experienced and qualified operating room was fast in seizing the opportunities offered by a finally active and reactive market.

The operators' profile redefinition at the end of 2018 by getting rid of the traditional division between traders and sales, and the strong push towards the use of market platforms proved to be a winning choice that met expectations: business volumes almost touched 14.5 billion euros at the end of 2019, an improvement of 23.6% compared to the previous year, while trading profits increased by 70.6%.

The setting up of the Investment banking unit and in particular the implementation of the research desk with the objective of analysing markets and issuers, was highly appreciated by institutional customers and contributed to the development of commercial relations. The new model was supported by the introduction of an advanced trading platform as part of the regulatory framework introduced by Mifid II.

At the same time, we applied the further strategic guidelines outlined in the 2019-2021 business plan (approved in November 2018) that redefined the business model to cope with the new challenges faced by the banking system and which began producing its first effects. These challenges are mainly connected with the rapid digitalization, which also forced our Bank to review its organizational model and its market approach with a view to greater specialization and with the main objective of returning to profitability.

A strong and not always painless restructuring which, after the closure of the via Manzoni branch in Naples at the end of 2018, led to a reduction in loans to customers, implemented in a rigorous but gradual manner, in order to achieve our disengagement from existing lines, while safeguarding the operational and financial needs of our customers.

On the one hand, new disbursements were suspended; on the other hand, existing credit lines were managed with the main objective of supporting customers all along the closure of said lines, in a flexible way tuned to the peculiarities of the individual cases, in order to stick to our strategy without compromising business relationships.

In line with the new business model outlined in the business plan, the "Smart Branch" project continued, which aims to strategically strengthen the "self-banking” component at the branches; in April the Deposit Account Remote Opening service was launched; the service offers customers who already have a current account with Banca Promos the possibility of remotely requesting the opening of a Deposit account through the Inbank platform. This initiative is in addition to the Remote Account Opening service already active since December 2018.
In addition, in order to ensure adequate visibility to the new services, the company website was partially reorganized, with the addition of a special section that groups the remote services offered by the bank and where customers can simulate the interest that can be obtained through a simple calculator. In just a few clicks the bank remotely verifies the prerequisites necessary for using the service, using the most advanced IT security protocols. We therefore continue pursuing the path of operational innovation, which is increasingly oriented towards highly digitized solutions.

Again with a view to increasing our presence through the digital channel, we entered into business relations with the German Raisin group that manages a multi-national web platform specialized in the offer of funding products, such as time deposit, via the web, in several European states.
Through the platform, private customers from all over Europe can access the savings products of various EU banks, which in turn are given the opportunity to display their offers to a wider audience, with significant opportunities to diversify their funding sources.
Banca Promos has launched the official procedure for joining the platform, by notifying the Supervisory Authorities of Spain, the Netherlands and Germany, through the Bank of Italy, that it had commenced the banking activities hosted by the platform, specifically deposit accounts / time deposits, under the freedom to provide services regime. Therefore, on the one hand the agreement with Raisin was defined, on the other a round table was set up which involved, for our Bank, various departments (Compliance, Risk Management, Internal Audit, Anti-money laundering, Organization, IT) in order to analyse and manage the activity from a regulatory, technical and operational standpoint. The agreement then resulted in the start of operations in the early months of 2020.

During the year, "Promos Fintech S.r.l." was formed, an innovative start-up 90% owned by the Bank, created for the purpose of developing high-tech projects for the banking and financial industry. The company will also manage the Fintech platforms designed and under construction by Banca Promos Research and Development Laboratory, which has always been a centre of excellence for the Bank.

The activity of the aforementioned Laboratory notoriously involves developing technical-scientific projects: from critical analysis to operational planning, through the definition of all necessary assumptions for research, development, technical-operational coordination and experimentation, according to the declinations provided for in protocol Industria 4.0.
In order to ensure competent support in carrying out the entire project, a consulting company with R&D experience was selected by the Bank. For more details, reference is made to subsequent comments in the *"Research and development activities"* paragraph of this Report.

Results of efforts undertaken to rationalize and optimize costs, which also involved a significant staff reduction, were up to expectations already in the first year of implementation. The main objective of returning to profitability has been achieved which means the future now looks brighter.

As regards the main events of the year, Bank of Italy inspection, commenced in February 2019 and designed to check the reliability of the Bank's anti-money laundering controls, was completed in March 2019. The substantially favourable outcome of the inspection was followed by the response of the corporate bodies which illustrated the nature and timing of implementation of the improvement measures identified by the Control Body. All the planned actions were then carried out during the year.

In April, the Bank was also the subject of an audit by the Supervisory Body concerning the treatment of cash, which was completed with a favourable outcome for the bank.

****

The changes in the main balance sheet and income statement items are described below, with specific information on the circumstances that participated in the result for the year.

Balance Sheet Items

Introduction

To allow for a more straightforward reading of the Bank's financial position, a summary balance sheet has been prepared.
In particular, to facilitate comparison on a homogeneous basis, the reclassified balance sheet shown below compares the figures for the year with the figures for December 2018 restated at 1/1/2019 on the basis of IFRS 16 (First Time Adoption).

Reclassified Balance Sheet

Tab.1.1 (€/000)

Activities	31/12/2019	01/01/2019	Change in absolute terms	Change in % terms
Loans to banks	**12,407**	8,218	4,189	51.0
Loans to customers	**16,902**	23,331	(6,429)	(27.6)
Financial assets other than loans (securities):	**13,792**	20,056	(6,264)	(31.2)
- Financial assets measured at amortised cost, other than loans	***3,444***	*4,245*	*(801)*	*(18.9)*
- Financial assets measured at fair value through profit or loss	***108***	*7,395*	*(7,287)*	*(98.5)*
- Financial assets measured at fair value through other comprehensive income	***10,240***	*8,416*	*1,824*	*21.7*
Equity investments	**78**	33	45	
Tangible and intangible assets:	**5,602**	6,305	(703)	(11.1)
- Own assets	***5,330***	*5,980*	*(650)*	*(10.9)*
- Rights of use acquired through leases	***272***	*325*	*(53)*	*(16.3)*
Other assets	**5,983**	3,693	2,290	62.0
Total assets	**54,764**	**61,636**	**(6,872)**	**(11.1)**

Tab.1.2 (€/000)

Liabilities	31/12/2019	01/01/2019	Change in absolute terms	Change in % terms
Payables to banks	**7,123**	6,562	561	8.5
Payables to customers and outstanding securities	**32,915**	39,559	(6,644)	(16.8)
- of which lease payables	**273**	325	(52)	(16.0)
Other liabilities	**3,052**	3,925	(873)	(22.2)
Provisions for liabilities and charges	***8***	*125*	*(117)*	*(93.6)*
of which: for commitments and financial guarantees	***8***	*38*	*(30)*	*(78.9)*
Share capital	***7,740***	*7,740*	-	-
Reserves	**4,103**	5,386	(1,284)	(23.8)
Valuation reserves	**(635)**	(377)	258	68.4
Net result	**458**	(1,284)	1,742	
Total liabilities and shareholders' equity	**54,764**	**61,636**	**(6,872)**	**(11.1)**

With respect to the format envisaged by Bank of Italy Circular no. 262/2005, some items were grouped as follows:

Assets (table 1.1):

- inclusion of Cash and cash equivalents, Tax assets and Other Assets under the residual item Other asset items;
- separate reporting of financial assets consisting of Loans to banks and Loans to customers;
- separate reporting of financial assets other than loans, broken down between financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. These items are net of the aggregate items Loans to banks and Loans to customers;
- grouping into a single item of tangible and intangible assets. divided into the sub-items Owned assets and Rights of use acquired through leases.

Liabilities (table 1.2):

- separate reporting of Payables to banks at amortised cost;
- grouping into a single item of Outstanding securities and of the amount of Payables to customers at amortized cost, separately showing the specific sub-item Lease payables;
- inclusion of the items Tax liabilities, Other liabilities, Employee severance indemnity under the residual item Other liability items;
- aggregated reporting of the items Reserves and Share premium reserves.

Net interbank position

The **net interbank position** (shown below in **table 1**), at 31 December 2019, positive for € 5,284 thousand, showed an increase, compared to the comparison figure, of about € 3.6 million mainly due to the increase in interbank assets (+ 51%, 4,189 thousand euros). Payables to banks, of 7,123 thousand, included the exposure of € 5 million to the European Central Bank following our participation in Open Market Operations (OMA).

Table 1 Net interbank position

€/000	31/12/2019	Weight in % terms	01/01/2019	Weight in % terms	Changes in absolute terms	Change in % terms
Loans to banks	**12,407**		**8,218**		**4,189**	**51.0**
a) Demand deposits at banks	10	0.1	10	0.1	-	-
b) Time deposit for the Mandatory Reserve	233	1.9	226	2.8	7	3.1
C) current accounts held with other banks	12,164	98.0	7,982	97.1	4,182	52.4
Payables to banks	**7,123**		**6,562**		**561**	**8.5**
a) Current accounts and sight deposits	121	1.7	61	0.9	60	98.4
b) Term deposits	7,002	98.3	6,501	99.1	501	7.7
Net interbank position	**5,284**		**1,656**		**3,628**	

Loans to customers

At 31 December 2019 loans to customers amounted to € 16,902 thousand, net of adjustments made as part of credit risk monitoring, showing a decrease of 27.6% compared to 1 January 2019 (€ 23,331 thousand). Beyond the reduction that resulted from the natural expiration of loan positions at the reporting date, the change in the overall aggregate at the end of the year (-7,119 thousand in gross loan volumes and -6,429 thousand in net exposures) essentially reflects the aforementioned strategic initiatives defined by Management in the 2019-2021 Business Plan, which pursue a loan reduction policy and containment of the related risk.

The trend on an annual basis of the technical forms of the Bank's loans to customers is reported below (**table 1**).

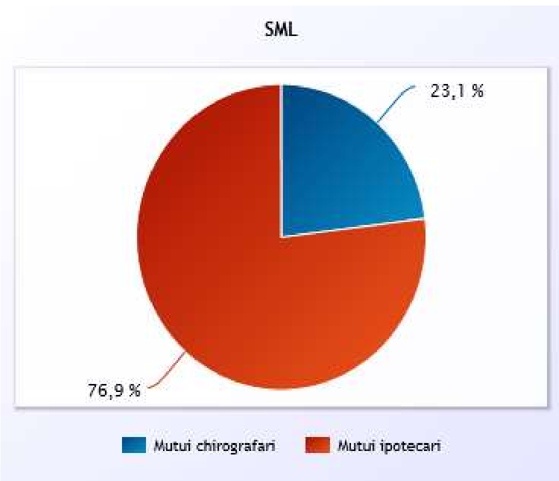
Table 1 Breakdown of Loans to customers

€/000	31/12/2019				01/01/2019				Change	
	Performing	Non-Performing	Total	Incidence in % terms	Performing	Non-Performing	Total	Incidence in % terms	in absolute terms	in % terms
Current accounts	1,988	353	**2,341**	13.8	2,992	472	**3,464**	14.9	(1,123)	(32.4)
Mortgage loans	10,965	2,346	**13,311**	78.8	13,807	2,830	**16,637**	71.3	(3,326)	(20.0)
Personal loans and credit cards	263	33	**296**	1.8	273	40	**313**	1.3	(17)	(5.4)
Other loans	913	41	**954**	5.6	2,878	39	**2,917**	12.5	(1,963)	(67.3)
Total	**14,129**	**2,773**	**16,902**		**19,950**	**3,381**	**23,331**		**(6,429)**	**(27.6)**

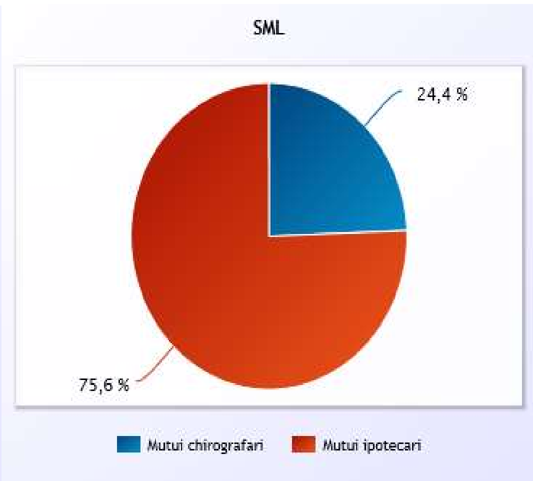
At 31 December 2019, the trend in volumes on an annual basis showed a general decline: loans to customers were mainly driven by the decline in the mortgage loan sector (-3,326 thousand, -20%) and in other loans (-1,963 thousand, -67.3%), including self-liquidating forms of financing in the latter case. The overall contraction of the aggregate also reflects the drop in non-performing loans, which decreased by € 608 thousand at the end of the year.

With regard to the loan sector, which accounts for 79% of the credit portfolio, Management Control results showed a clear prevalence of mortgage loans accounting for 77%; the remaining 23% was made up of unsecured loans, as shown in (**table 2**).

Table 2 Classification of loans by nature



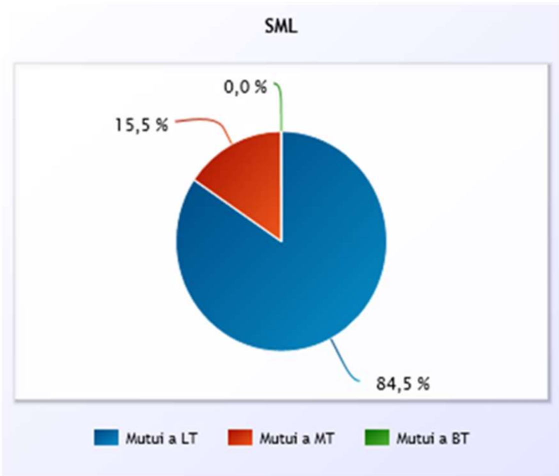
Figures at 31/12/2019

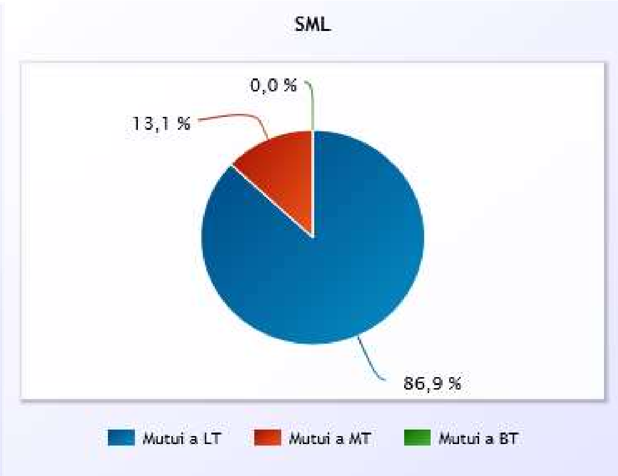


Figures at 01/01/2019

In terms of maturities that characterize the loans in the portfolio (Table 3), there was a greater concentration in the long term, which accounted for 85% of the total.

Table 3 Classification of loans by maturity

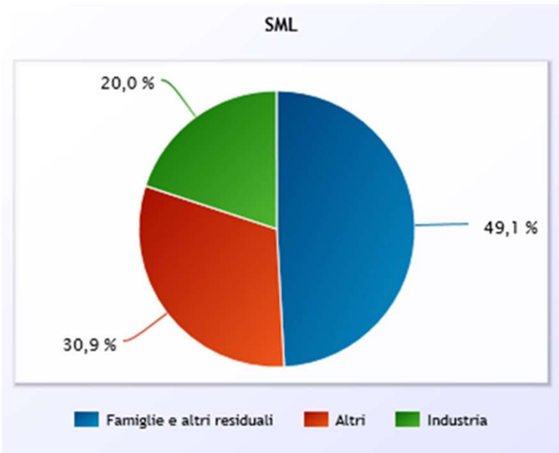


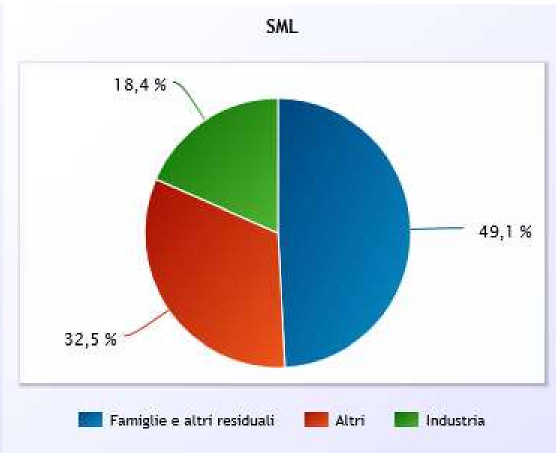


Figures at 31/12/2019 Figures at 01/01/2019

Finally, **table 4** shows the classification of loans by debtor, highlighting a prevalence of the "Households and other residual debtors" sector.

Table 4 Classification of loans by code of economic activity (ATECO)





Figures at 31/12/2019 Figures at 01/01/2019

Key:

Industry : this figure includes exposures that, based on ATECO classification, refer to counterparties engaged in the "manufacturing" (food, textile, beverage, leather goods and similar industries, etc.), "constructions" and "supply of electricity, gas, steam and air" sectors.

Others : this figure includes exposures that, based on ATECO classification, refer to counterparties engaged in "wholesale and retail trade", "transport and storage", "real estate activities", "professional, scientific and technical activities", "health" and social care", etc.

Loans to customers: credit quality

The trend of the customer loan portfolio (loans to customers) in the course of 2019 is reported below (**table 1**) in terms of gross and net amounts, allocation to the various stages and associated coverage ratio and weight.

Table 1 Credit quality: breakdown

Items	31/12/2019					01/01/2019					Change
€/000	Gross exposure	Overall adjustments	Net exposure	Coverage ratio	Weight	Gross exposure	Overall adjustments	Net exposure	Coverage ratio	Weight	Net exp.
Non-performing loans	2,524	-1,267	1,257	50.2	7.4	2,840	-1,504	1,336	53.0	5.7	(79)
Unlikely to pay	1,589	-592	997	37.3	5.9	1,514	-442	1,072	29.2	4.6	(75)
Past due/overdrawn loans	548	-29	519	5.3	3.1	1,129	-156	973	13.8	4.2	(454)
Impaired loans (Stage 3)	**4,661**	**-1,888**	**2,773**	**40.5**	**16.4**	**5,483**	**-2,102**	**3,381**	**38.3**	**14.5**	**(608)**
Performing loans	**14,310**	**-181**	**14,129**	**1.3**	**83.6**	**20,607**	**-657**	**19,950**	**3.2**	**85.5**	**(5,821)**
Loans in Stage 2	2,436	-114	2,322	4.7	13.7	11,137	-578	10,559	5.2	45.3	(8,237)
Loans in Stage 1	11,874	-67	11,807	0.6	69.9	9,470	-79	9,391	0.8	40.3	2,416
Loans to customers	**18,971**	**-2,069**	**16,902**	**10.9**		**26,090**	**-2,759**	**23,331**	**10.6**		**(6,429)**
of which Forborne Performing	***843***	***-33***	***810***	***3.9***		***1,962***	***-172***	***1,790***	***8.8***		***(980)***
of which Forborne Non Performing	***871***	***-145***	***726***	***16.6***		***1,114***	***-326***	***788***	***29.3***		***(62)***

The levels recorded by the indicators in question in this section were significantly affected by the trend of progressive reduction that affected the denominator of the ratio: the overall contraction of loan stocks, recorded at the end of the year, showed a decrease of € 7,119 thousand (-27.3 %) in the bank's gross credit exposures while in terms of net exposures the reduction was 6,429 thousand (-27.6%).

At 31 December 2019, net impaired loans amounted to € 1,773 thousand, down around € 608 thousand on the comparison figure at (3,381 thousand).

The weight of net impaired exposures on total net loans disbursed (NPE Ratio) stood at 16.4%, an increase compared to the figure at the beginning of the year (14.5%), against a coverage of impaired loans that stood at 40.5%, up compared to the figure as at 1 January 2019 (38.3%).

More specifically, with reference to loans to customers allocated in stage 3, there was firstly a reduction in all three sub-categories and specifically:

- gross and net non-performing loans dropped of € 316 thousand and € 79 thousand respectively at 31 December 2019. At 31 December 2019, their coverage ratio was 50.2%;
- net unlikely to pay decreased (- € 75 thousand) compared to the figure at the beginning of the year. The coverage ratio stood at 37.3% at 31 December 2019;
- net overdue/overdrawn loans were down € 454 thousand compared to the comparison figure. At 31 December 2019, coverage was 5.3%. The trend in the level of coverage of impaired

past due loans (from 13.8% at the beginning of the year to 5.3% at the end of 2019) was partly attributable to the transfer of gross credit exposures to other impaired loan categories for a total of € 552 thousand, with associated total value adjustments of € 84 thousand. The change in the coverage level was also attributable to the refinement and updating of the credit risk models implemented by the outsourcer during the current year. For further details, see comments in Section 1 - Credit risk of Part E of these financial statements.

- forborne exposures, generated by concessions granted to debtors who found it difficult to meet their financial commitments and a sub-category of impaired loans, amounted to 726 thousand with a 16.6% coverage level.

To complete the above, below is a summary table (**table 2**) of impaired loans sustainability ratios, which compares the results as at 31 December 2019 and those at the beginning of the year, showing an improvement for all ratios.

Table 2 Sustainability of impaired loans

Impaired loans sustainability ratios	31/12/2019	01/01/2019	Change
Net impaired loans / CET 1	**24.4**	28.8	(4.4)
Net non-performing loans and unlikely to pay / CET1	**19.9**	20.5	(0.6)
Net non-performing loans / CET 1	**11.1**	11.4	(0.3)
Net unlikely to pay / CET 1	**8.8**	9.1	(0.3)
Texas Ratio (*)	**35.5**	41.5	(6.0)

(*) Gross Impaired Loans / (Tangible Net Assets + Value adjustments on loans)

At 31 December 2019, performing loans, amounting to € 14,129 thousand net of value adjustments, showed a 29% decrease (-5,821 thousand) with respect to the comparison figure (19,950 thousand). Overall, the coverage of performing loans was 1.3%, down on the comparison figure (3.2%). The reduction in the coverage ratio on performing loans was mainly due to the already mentioned refinement and updating of the impairment models implemented by the outsourcer during the year.
With regard to the allocation of performing loans to the "stages" required by IFRS 9, the breakdown of the performing loan portfolio, which accounted for 83.6% of total outstanding loans, was as follows as at 31 December 2019:

- **Stage 1**: loans included in this risk stage, net of the associated value adjustments, totalled € 11,807 thousand. The Stage 1 portfolio accounts for 84% of the Bank's performing loans and 70% of total net credit exposures. At the reporting date, the hedging ratio stood at 0.6%.
- **Stage 2**: loans included in this risk stage, net of the associated value adjustments, totalled € 2,322 thousand. The Stage 2 portfolio accounts for 16% of performing loans and 14% of total loans. The significant reduction in the weight of exposures classified in stage 2 on the overall portfolio of loans to customers, from 45% at the beginning of the year to 14% at 31 December 2019, is essentially attributable to the refinement of impairment models implemented by the

outsourcer in 2019. Specifically, in this respect, in order to improve the coverage of originally unrated loans originated after 2006, the default rates made available by the Bank of Italy were used[1]. As a result of using these rates, originally unrated exposures classified in stage 2 decreased from € 7,023 thousand at the beginning of 2019 to € 157 thousand at the end of the year.

At 31 December 2019, the coverage ratio on stage 2 exposures was 4.7%.

At 31 December 2019, the composition of the Bank's Stage 2 portfolio, essentially attributable to automatic classification triggers, was broken down as follows:

- 6% consists of positions without rating as of their origination, for a gross amount of € 157 thousand;
- 35% consists of forborne positions gross amount of € 834 thousand;
- 31% consists of positions that are past due by over 30 days, for a gross amount of € 762 thousand;
- The residual amount (28%, gross value € 674 thousand) was attributable to exposures that recorded an increase in their Lifetime PD with respect to origination.

The forborne exposures included in performing loans amounted to € 810 thousand.

The allocation of gross credit exposures to customers in the stages envisaged by IFRS 9, and the associated coverage level, is shown below (**Table 3**).

Tab.3 Loans to customers: Stage Allocation

Figures at 31/12/2019	*Stage 1*	*Stage 2*					*Stage 3*
		Forborne	Past due 30 days	Missing Orig. rating	Change PD	Total	
% exposure	62.6%	34.6%	31.3%	6.4%	27.7%	12.8%	24.6%
Gross exposure	*11,874*	*843*	*762*	*157*	*674*	*2,436*	*4,661*
PA	0.6%	3.9%	6.9%	0.7%	4.3%	4.7%	40.5%

Figures at 01/01/2019	*Stage 1*	*Stage 2*					*Stage 3*
		Forborne	Past due 30 days	Missing Orig. rating	Change PD	Total	
% exposure	36.3%	17.6%	7.4%	63.1%	11.9%	42.7%	21.0%
Gross exposure	*9,470*	*1,962*	*827*	*7,023*	*1,325*	*11,137*	*5,483*
PA	0.8%	8.8%	10.3%	3.2%	7.1%	5.2%	38.3%

[1] For further details, see comments in Section 1 - Credit risk of Part E of these financial statements.

Financial assets other than loans (financial assets as securities)

Financial assets measured at amortised cost

€/000	31/12/2019	01/01/2019	Change in absolute terms	Change in % terms
Debt securities	**3,444**	**4,245**	**(801)**	**(18.9)**
of which Stage 1	*3,444*	*4,245*	*(801)*	*(18.9)*
of which Stage 2	-	-	-	-
of which Stage 3	-	-	-	-

At 31 December 2019, debt securities measured at amortized cost and classified under item "Financial assets measured at amortized cost" amounted to € 3,444 net of value adjustments recognized to reflect credit risk pursuant to IFRS 9.
The Bank's Hold to Collect (HTC) portfolio, at the reporting date, was made up of 5 bonds of Italian issuers for a total nominal amount of € 3,410,000.
All the securities included in the Bank's HTC portfolio are allocated in Stage 1, based on the adopted stage allocation approach. The pertinent provision for bad debts was around € 4 thousand at 31 December 2019.
The composition of the portfolio by debtors / issuers is characterized by a prevalence of variable rate government bonds, which account for 53% of the overall portfolio; 27% consists of a single corporate exposure and the remaining part (20%) by an exposure to banks.
The yield to maturity of the portfolio, calculated as at 31 December 2019, was 1.36% against a Modified Duration of 0.38 years.

Financial assets measured at fair value through profit or loss

€/000	31/12/2019	Weight in % terms	01/01/2019	Weight in % terms	Change in absolute terms	Change in % terms
Financial assets held for trading	**103**		**7,384**		**(7,281)**	**(98.6)**
a) Public Administrations	-	-	423	5.7	(423)	(100.0)
b) Banks	-	-	3,797	51.4	(3,797)	(100.0)
c) Other issuers	**103**	100.0	3,164	42.9	(3,061)	(96.7)
Financial assets mandatorily measured at fair value	**5**		**11**		**(6)**	**(54.5)**
Total financial assets measured at fair value through profit or loss	**108**		**7,395**		**(7,287)**	**(98.5)**

Financial assets measured at fair value through profit or loss amounted to € 108 thousand at 31 December 2019 and mainly consisted of financial instruments held for trading (€ 103 thousand).
At the reporting date, the Bank's Trading book was made up of only two securities, for a total nominal amount of € 103,000.00. Specifically, the exposure included a variable rate bond issued by Cassa Depositi e Prestiti (for a nominal amount of € 100,000.00) and by a position in fixed rate bonds issued by Unipol Gruppo S.p.A.

The yield to maturity of the portfolio, calculated as at 31 December 2019, was 0.24% against a Modified Duration of 0.25 years.

At 31 December 2019, the market risk corresponding to the maximum potential loss with a 99% confidence interval, estimated through the VaR Monte Carlo, was 1,423.71 (1.38%) over a 1-month time horizon and 2,409.24 (2.34%) over a 3-month time horizon.

At the same date, the portfolio's reactivity under exceptional and sudden stress, evaluated against a positive/negative change in market rates of 100 bps equalled € -242.53 (-0.24%) in the presence of a rise in rates, while a contraction in rates would lead to € 248.26 (+0.24%).

In 2019, the management of the trading component of the Bank's bond portfolio was directly influenced by the performance of the wider reference market.

The first three quarters of the year were characterized by a continuing downward trend in bond yields in the Eurozone which had begun in the last quarter of 2018. Purchases by investors were driven by the gloomier outlook for the global and European economy, mainly due to the accumulation of downside risks on the international trade front (due to the conflict between the United States and China) and in relation to Brexit.

Subsequently, starting from September 2019, the European bond market showed a turnaround, resulting from the progressive easing of geopolitical tensions as well as from cautious investor optimism in light of a potentially more accommodative fiscal stance by European states with greater budget margins. Sales in the fixed income segment fuelled the rise in bond yields from the historic lows of the summer.

Against this backdrop and with reference to the Bank's trading book, purchases made in the final part of 2018 at extremely depressed market values - in the wake of the resolution of the clash between the Italian Government and the European Commission on the budget plan - resulted in significant capital gains already during the first three months of 2019.

The more tactical than strategic nature of the aforementioned investment positions, combined with a progressive lack of attractive investment opportunities (given the low level achieved in the meantime by market returns), led to gradual profit-taking of realized capital gains in the two central quarters of the year, rather than taking on additional risk through new purchases.

As the year was drawing to a close, maintaining a conservative and prudent approach was further justified, in order to protect previously made profits and keeping a highly liquid composition of the trading book. In the first months of the new year this circumstance turned out to be favourable as financial markets became highly volatile due to the global spread of the Covid-19 epidemic.

The net result generated by the entire bond portfolio during the year was € 3,104 thousand.

Financial assets measured at fair value through other comprehensive income

€/000	31/12/2019	01/01/2019	Change in absolute terms	Change in % terms
Equity securities	**543**	**913**	**(370)**	**(40.5)**
Debt securities	**9,697**	**7,503**	**2,194**	**29.2**
of which Stage 1	**9,697**	6,543	3,154	48.2
of which Stage 2	**-**	960	(960)	(100.0)
of which Stage 3	**-**	-	-	-
Total financial assets measured at fair value through other comprehensive income	**10,240**	**8,416**	**1,824**	**21.7**

At 31 December 2019, securities measured at fair value through other comprehensive income stood at € 10,240 thousand. At the reporting date, the Bank's bond portfolio was made up of 16 securities (all from Italian issuers) for a total nominal amount of € 9,700 thousand.

The composition of the portfolio was characterized by a prevalence of bonds from bank, financial and insurance issuers (65% of the total) and, for the remaining part, by Sovereign, Supranational & Agency (SSA) issuers, the latter in the form of Italian government bonds (20%) and bonds issued by Cassa Depositi e Prestiti (15%).

The yield to maturity of the portfolio, calculated as at 31 December 2019, was 0.60% against a Modified Duration of 0.61 years.

With regard to the impairment of these types of financial assets under IFRS 9, the entire portfolio of debt securities is allocated in Stage 1 based on the adopted stage allocation approach. The pertinent provision for bad debts, classified in “Valuation equity reserves”, was around € 8 thousand.

Equity instruments, € 543 thousand, included the shares of Banca Regionale di Sviluppo S.p.A. subscribed by the Bank in 2016. The negative change of € 370 thousand compared to the comparison amount at beginning of the year is attributable to the impairment recognized in the specific equity reserve when measuring the related equity securities. For further details, reference should be made to the special section of the Notes.

Equity investments

At 31 December 2019, equity investments recorded in the financial statements amounted to € 78 thousand.

More specifically, pursuant to IFRS 10, this item includes - in addition to the equity investment in the subsidiary Promos Corporate Consulting S.r.l. - the equity investment in the innovative start-up Promos Fintech S.r.l., incorporate in July 2019, 90% controlled by the bank.

For further details, reference should be made to the special Section of the Notes.

Tangible and intangible assets

At 31 December 2019, property, plant and equipment, amounting to € 5,160 thousand, recorded a 13% reduction (-805 thousand) compared to the figure at the beginning of the year (5,965 thousand). As already mentioned in the General Aspects of this Report, the comparison figure (€ 5,965 thousand) is affected by the effects of the transition to the new accounting standard IFRS 16 which, based on the modified retrospective approach adopted by the bank, led to an increase of € 325 thousand in property, plant and equipment as of 1 January 2019, following the recognition of the new rights of use, and - for the same amount - of financial liabilities (payable to lessor). The book value of the rights of use recorded under property, plant and equipment amounted to € 272 thousand as at 31 December 2019.

The annual changes recorded in the item in question (-805 thousand), apart from the decrease resulting from the depreciation charge for the year (€ 228 thousand), mainly reflected the transfer of a property to asset item "Non-current assets held for sale and discontinued operations" in the balance sheet pursuant to IFRS 5, which includes assets intended for divestment and no longer pertaining to ordinary operations.

The aforementioned transfer resulted in a negative change in the bank's property, plant and equipment of € 581 thousand in total.

At 31 December 2019, intangible assets stood at € 442 thousand, versus € 340 thousand at the beginning of the year.

Apart from the decrease in assets as a result of the amortization charge for the year (€139 thousand), the most significant annual changes were mostly attributable to the category of internally generated intangible assets. Indeed a total increase of € 225 thousand was recorded in this asset class as at 31 December 2019, pursuant to IAS 38, broken down as follows: € 66 thousand refer to the recognition of a new software developed by the Research and Development Laboratory of the Bank; the remaining part of € 159 thousand refers to development activities that continued during the current year in relation to the platforms already recognized in the previous financial statements. Such software, aimed at supporting the various business lines of the Bank, is therefore able to produce future economic benefits.

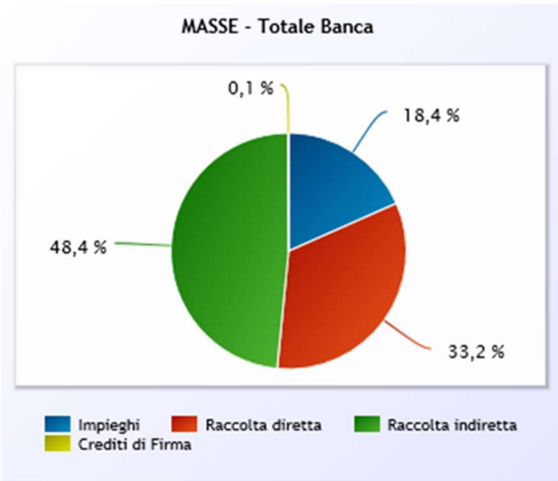
In compliance with the applicable accounting standard, research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet: these costs mainly refer to the cost of personnel involved in the individual projects concerning the development of individual IT platforms. Recognized intangible assets are amortized on the basis of their expected technological obsolescence.

Funding

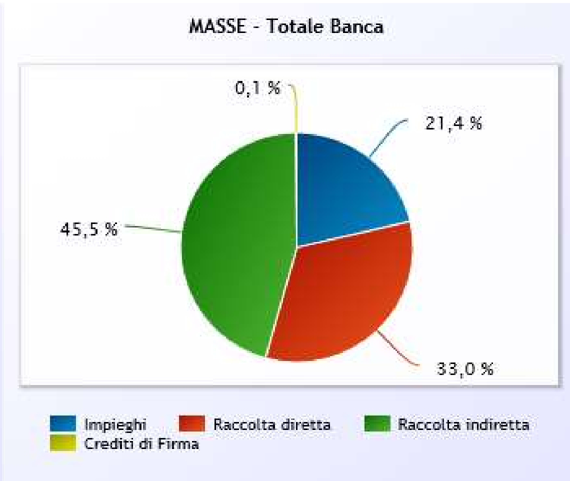
At 31 December 2019, the Bank's direct funding amounted to € 32,915 thousand, down 16% (-6,319 thousand) from the beginning of the year. A comparison of annual data shows in particular that the balance of the item Outstanding securities was down to zero as the two bonds issued by the bank reached maturity during the year. Payables to customers, amounting to 32,915 thousand, showed a reduction of 1,890 thousand (-5%) compared to the figure at the beginning of the year.

Based on an analysis of evidence by Management Control, overall funding - accounting for approximately 82% of the total volume of loans and funding managed by the Bank (table 1) – decreased by around € 12.2 million (-13.2%), from € 92.4 million at the beginning of the year to € 80.2 million at 31 December 2019. The decrease recorded in total funding is attributable to both its components, as shown below.

Table 1 Volume of loans and funding managed by the Bank



Figures at 31/12/2019



Figures at 01/01/2019

Table 1 shows the yearly data regarding the trend in total funding of the Bank.

Table 1 Overall funding performance

€/000	31/12/2019	Weight in % terms	01/01/2019	Weight in % terms	Change In absolute terms	in % terms
SICAV and funds	5,593	11.8	5,367	10.0	226	4.2
Managed:	41,987	88.2	48,192	90.0	(6,205)	(12.9)
- Shares	*35,713*	*75.1*	*36,064*	*67.3*	*(351)*	*(1.0)*
- Bonds	*6,274*	*13.2*	*12,128*	*22.7*	*(5,854)*	*(48.3)*
Indirect funding	**47,580**	**59.3**	**53,559**	**57.9**	**(5,979)**	**(11.2)**
Current accounts	23,874	73.1	26,437	68.0	(2,563)	(9.7)
Time deposits	7,748	23.7	6,168	15.8	1,580	25.6
Savings accounts	725	2.2	1,547	4.0	(822)	(53.1)
Bonds issued to clients	-	-	4,340	11.2	(4,340)	(100.0)
Funding from foreign customers	304	0.9	376	1.0	(72)	(19.1)
Direct funding	**32,651**	**40.7**	**38,868**	**42.1**	**(6,217)**	**(16.0)**
Total funding	**80,231**		**92,427**		**(12,196)**	**(13.2)**

Indirect funding accounted for around 59% of total funding, the remainder (41%) consisting of direct funding.

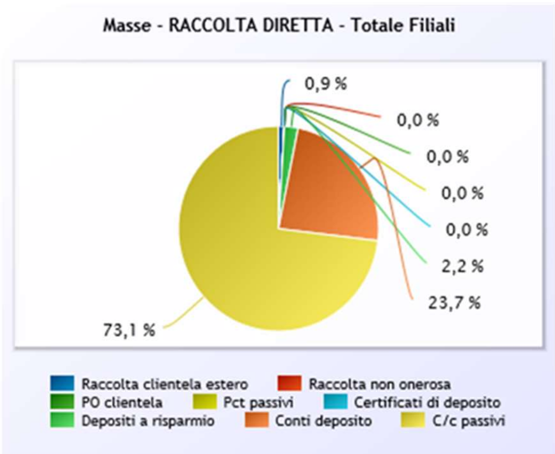
The comparison of data shows similar performances in direct and indirect funding compared to data recorded at the beginning of the year.

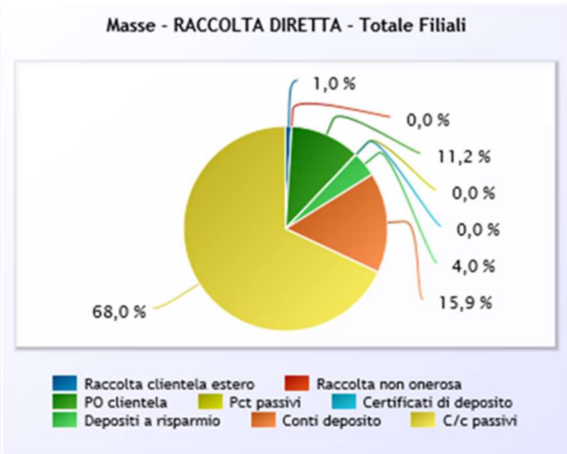
Specifically, indirect funding recorded a decrease of € 5.9 million (-11%) with respect to the comparative figure. The decrease was essentially influenced by the decrease in assets under administration, and more specifically in the bonds segment, which fell by about € 5.8 million. Vice versa, although to a relatively less significant extent, assets relating to Funds and Sicavs (+ 4%) showed a positive trend, recording an increase of € 226 thousand at the end of the year.

Direct funding showed a reduction of approximately € 6.2 million (-16%) compared to the comparative figures. Specifically, the main changes resulting in the decrease for the year were largely attributable to the outstanding securities area (-4.3 million), with, as mentioned above, the two bonds issued by the Bank reaching maturity, and to the current accounts sector, which contracted by about 2.6 million. As a counterbalance, albeit partial, to the above declines, time deposits showed a € 1.6 million increase (+26%) at year-end.

Concerning the various types of direct funding used by the Bank, management data show (**Table 2**) a significant incidence of customer current accounts (73%) compared to other forms of funding. For a breakdown of direct funding see the tables.

Table 2 Breakdown of Direct Funding



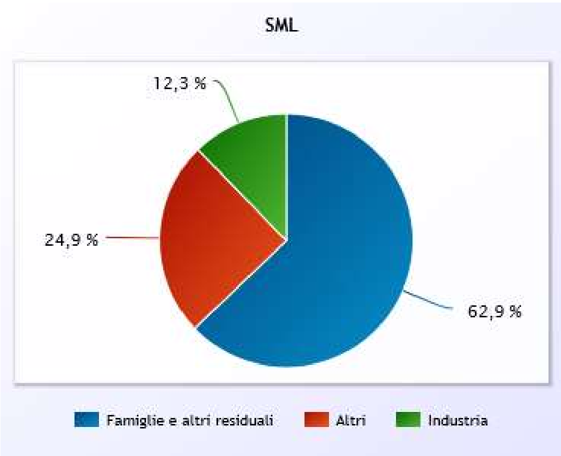


Figures at 31/12/2019

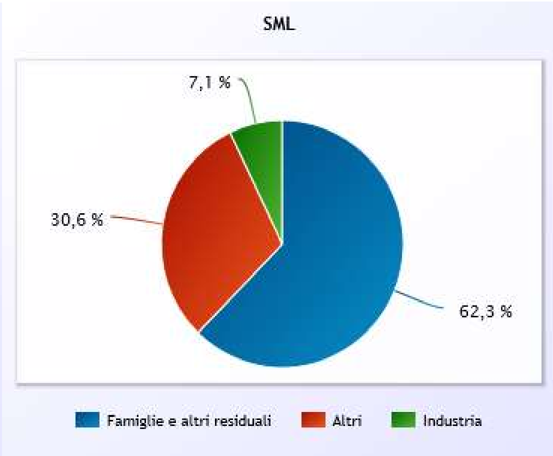
Figures at 01/01/2019

Customer current accounts, which account for the majority of direct funding used by the bank, are especially concentrated in the household segment, as reported in (**Table 3**).

Table 3 Classification of customer current accounts by economic activity code (ATECO)



Figures at 31/12/2019



Figures at 01/01/2019

Shareholders' Equity

At 31 December 2019 the Bank's shareholders' equity, including the profit for the year, stood at 11.7 million compared to the 11.5 million recorded at the beginning of the year.

€/000	31/12/2019	01/01/2019	Change In absolute terms	Change in % terms
Share capital	7,740	7,740	-	-
Treasury shares (-)	-	-	-	-
Share premium account	1,071	1,071	-	-
Reserves	3,032	4,316	(1,284)	(29.8)
Valuation reserves	(635)	(377)	258	68.4
Equity instruments	-	-	-	-
Profit (loss) for the year	458	(1,284)	1,742	
Shareholders' equity	**11,666**	**11,466**	**200**	**1.7**

The changes in shareholders' equity are detailed in the specific statement to which reference is made.

With a view to ensuring prudent and constant control and compliance with regulatory capital requirements, it is specified that the Bank - in order to also implement the Recommendations received from the Supervisory Bodies and safeguard its assets in light of the crisis that could persist following the spread of the pandemic - decided to comply with the Supervisory Authority guidelines, strengthening its capital position and therefore foregoing the distribution of dividends out of its reserves.

Own Funds and capital ratios

Table 1 Own Funds and capital ratios

Own Funds and capital ratios (€/000)	31/12/2019		31/12/2018	
	IFRS 9 Transitional arrangements	IFRS 9 Fully Loaded	IFRS 9 Transitional arrangements	IFRS 9 Fully Loaded
Own Funds				
CET1 net of regulatory adjustments	**11,355**	**10,616**	**11,742**	**10,917**
AT1 net of regulatory adjustments	-	-	-	-
TIER 1 CAPITAL (TIER 1)	**11,355**	**10,616**	**11,742**	**10,917**
T2 net of regulatory adjustments	-	-	-	-
TOTAL OWN FUNDS	**11,355**	**10,616**	**11,742**	**10,917**
Risk-weighted assets				
Credit and counterparty risk	29,451	28,556	30,957	30,289
Market risks	106	106	8,234	8,234
Operating risks	7,233	7,233	7,648	7,648
RISK-WEIGHTED ASSETS	**36,790**	**35,895**	**46,839**	**46,171**
Capital ratios %				
Common Equity Tier 1 Ratio	30.86%	29.58%	25.07%	23.64%
Tier 1 ratio	30.86%	29.58%	25.07%	23.64%
Total capital ratio	30.86%	29.58%	25.07%	23.64%

Own Funds, risk-weighted assets and capital ratios as at 31 December 2019 were calculated on the basis of the harmonized framework for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, which implement in the EU the standards defined by the Basel Committee for Banking Supervision (Basel 3 Framework) and on the basis of the pertinent Banca d'Italia's Circulars.
The relevant regulatory provisions, which provided for the gradual introduction of the Basel 3 framework through a transitional period, are fully in force as the aforementioned transitional period came to an end in FY2018[2].

Following the introduction of IFRS 9, the Bank chose to apply the 'Phase-in' regime, introduced by Regulation (EU) 2017/2395. Specifically, the 'Phase-in' involves the introduction of a prudential filter that mitigates - in the 2018-2022 period (the transitional period) - the potential negative impact on CET1 arising from greater value adjustments upon application of the new IFRS9 impairment model:

- a static approach: to be applied to the impact of the FTA only, resulting from the comparison between IAS 39 value adjustments at 31 December 2017 and IFRS value adjustments at 1 January 2018 (including adjustments to the Stage 3 position);

[2] Conversely, for the subordinated instruments that do not comply with the regulatory requirements under Basel 3, there are still specific transitional provisions (grandfathering) designed to gradually exclude from own funds (until 2022) the instruments that are no longer eligible.

- a dynamic approach: to be applied to the impact resulting from the comparison between the value adjustments at 1 January 2018 and the subsequent reporting periods up to 31 December 2022, limited however to the increases in value adjustments of exposures classified in stage 1 and 2 (thus excluding adjustments to stage 3 positions).

The Bank application of the transitional regime (Phase-in) allows for the re-inclusion in CET1, during the 2018-2022 period, of the impact (both the static and the dynamic components) to the extent shown below, for each of the 5 years comprised in the transitional period:

- 2018: 95%
- 2019: 85%
- 2020: 70%
- 2021: 50%
- 2022: 25%

This adjustment to CET1 requires a symmetrical adjustment to the amounts of the exposures pursuant to Article 111, paragraph 1, of the CRR for the purpose of determining the credit risk capital requirements under the standardized approach.

Regulation (EU) 2017/2395 also governs the disclosure obligations that banks are required to comply with, while specific guidelines on the subject are issued by EBA. By implementing the regulatory provisions, EBA issued specific guidelines requiring entities that opt for the transitory treatment to provide the market with, among others, "Fully Loaded" information (as if the aforementioned transitional treatment had not been applied) on Common Equity Tier 1 capital (CET1), Tier 1 Capital, Total Capital, Total Risk-weighted assets, Capital Ratios and Leverage Ratio.

The figures shown in (**tab. 1**) show that the bank's capital is more than adequate to cover the exposure to the risks assumed, as evidenced by the level of the main Basel 3 ratios, which show the ratio between primary capital and the bank's exposure to risk.

Specifically, at 31 December 2019, taking into account the transition regime adopted to mitigate the impact of IFRS 9, Own Funds amounted to € 11,355 thousand, compared to weighted assets of € 36,790 thousand, predominantly reflecting credit and counterparty risks, and to a lesser extent, market and operational risks.

Therefore, capital ratios at 31 December 2019, calculated considering the above-mentioned transitional regime for IFRS 9 impacts ("IFRS 9 – Transition Regime"), were the following: Total Capital Ratio at 30.86%; Tier 1 ratio at 30.86%; Common equity ratio at 30.86%.

Considering the full inclusion of the IFRS9 impact ("Fully Loaded"), at the same reporting date, Own Funds amounted to € 10,616 thousand, against risk-weighted assets of € 35,895 thousand.

It follows that the solvency ratios as at 31 December 2019, calculated according to the "fully loaded" criteria, were as follows: Common Equity ratio 29.58%, Tier 1 ratio 29.58% and Total capital ratio 29.58%.

Please note that, as established by Banca d'Italia pursuant to art. 53-bis, paragraph 1, letter d) of Legislative Decree No. 385/93 (TUB) - for capital adequacy purposes the Bank is required to comply with specific capital requirements (illustrated in **tab. 2**) as defined at the outcome of the SREP, in addition to the minimum capital metrics[3] provided for in the current regulations. The capital ratios quantified taking into account the additional requirements are mandatory ("target ratio").

Table 2 Additional capital requirements

	CET1 Common Equity Tier 1 Capital Ratio	T1 Tier 1 Capital Ratio	Total Capital Ratio
OCR ratio (former SREP)	7.832%	9.615%	11.986%
Capital target (OCR + target element)	8.707%	10.490%	12.861%
Bank's ratios at 31/12/2019 (Transition Regime)	30.864%	30.864%	30.864%
Bank's surplus vs. Capital target	22.157%	20.374%	18.003%

Therefore, the capital requirements based on the Bank's risk profile, pursuant to Banca d'Italia measure of 03/12/2018, consist of mandatory capital requirements (i.e. the sum of the minimum requirements pursuant to Article 92 of the CRR and the additional mandatory requirements determined as a result of the SREP) and of the capital conservation buffer applicable under the current provisions of 2.5%[4]), overall making up the *overall capital requirement ratio - OCR* , as indicated below:

- 7.832% with reference to CET 1 ratio (made up of 5.332% as binding amount and of the capital conservation buffer for the remainder);
- 9.615% with reference to TIER 1 ratio (made up of 7.115% as binding amount and of the capital conservation buffer for the remainder);
- 11.986% with reference to Total Capital Ratio (made up of 9.486% as binding amount and of the capital conservation buffer for the remainder.

In addition, to ensure that the mandatory measures are complied with even when the economic / financial situation deteriorates, the Bank is also subject to the following capital guidance measures as against a greater risk exposure under stress conditions:

- 8.707% with reference to CET 1 ratio (made up of an OCR CET 1 ratio of 7.832% and a

[3] For minimum capital requirements, please refer to the mandatory parameters provided for in the regulatory provisions in force (art. 92 of CRR), according to which CET 1 must satisfy at least the 4.5% requirement on total risk-weighted assets (CET1 capital ratio), Tier 1 must represent at least 6% of total risk-weighted assets (Tier 1 capital ratio) and the Bank's overall own funds must be at least 8% of total risk-weighted assets (Total capital ratio).
[4] As of 1 January 2019, the CCB is 2.5% (See Circular No. 285, Part I, Title II, Chapter 1, Section II).

Target amount, due to a higher risk exposure in stress conditions, of 0.875%);
- 10.490% with reference to TIER 1 ratio (made up of an OCR CET 1 ratio of 9.615% and a Target amount, due to a higher risk exposure in stress conditions, of 0.875%);
- 12.861% with reference to Total Capital ratio (made up of an OCR CET ratio of 11.986% and a Target amount, due to a higher risk exposure in stress conditions, of 0.875%).

In addition, it should be noted that on 18 February 2020, the bank received the Bank of Italy's decision on capital requirements to be complied with as of 31 March 2020, following the results of the Supervisory Review and Evaluation Process (SREP) . The overall mandatory capital requirements in terms of CET1 ratio, Tier 1 ratio and Total Capital Ratio are respectively 10.25%, 12.17% and 14.73%.

As regards the leverage ratio, which reflects the quantitative assessment of exposure to the risk of excessive leverage, in 2019 the “transitional” and "fully loaded" leverage ratios were 20.46% and 19.39% respectively.

The Bank carefully monitored the Liquidity Coverage Ratio (LCR), which aims to ensure that an adequate level of high-quality, readily marketable and unencumbered liquid assets is maintained during the year; this indicator, standing at 453% at the end of 2019, was steadily higher than the 100% minimum threshold for 2019.

For a complete quantitative information on the Bank's assets, please refer to the information provided in Part F - Information on Equity of the Notes.

Income Statement Items

Introduction

To allow for a more straightforward reading of the Bank's income statement a summary income statement has been prepared.

Table 1 Reclassified Income Statement (€/000)

Items	31/12/2019	31/12/2018	Change	
			in absolute terms	in % terms
Net interest	712	994	(282)	(28.4)
Net commissions	(29)	233	(262)	
Net result of financial assets/liabilities measured at fair value	3,120	1,809	1,311	72.5
Other operating income (expenses)	487	404	83	20.5
Net operating income	**4,290**	**3,440**	**850**	**24.7**
Personnel costs	(2,035)	(2,355)	(320)	(13.6)
Administrative expenses	(1,596)	(1,723)	(127)	(7.4)
Amortization and depreciation of intangible and tangible fixed assets	(367)	(346)	21	6.1
Operating costs	**(3,998)**	**(4,424)**	**(426)**	**(9.6)**
Result from operations	**292**	**(984)**	**1,276**	
Allocations to provisions for liabilities and charges	30	(91)	121	
Net impairment losses on loans and receivables	48	(249)	297	
- Net adjustments to financial assets measured at fair value through other comprehensive income	30	(33)	63	
Current result before taxes	**400**	**(1,357)**	**1,757**	
Income taxes on current operations	58	73	(15)	(20.5)
Net result	**458**	**(1,284)**	**1,742**	

With respect to the format envisaged by Bank of Italy Circular no. 262/2005, some items were grouped as follows:

- Net income from trading activities, the net income on other financial assets and liabilities measured at fair value through profit or loss as well as gains and losses on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on disposal or repurchase of financial liabilities, are reallocated to the single item Net income of financial assets and liabilities at fair value.
- Net impairment /reversal of impairment losses for credit risk relating to financial assets measured at amortised cost and the economic effects of contractual changes are included under the single item Net impairment losses on loans.
- Grouping in a single item of depreciation and amortization of tangible and intangible assets.

Result from operations

Comparison of the economic performance on a yearly basis shows a net operating profit of € 458 thousand compared to an operating loss of € 1,284 thousand at the end of 2018.

More specifically, income from operations was a positive € 292 thousand compared to a negative figure of € 984 thousand in the previous year. The positive performance recorded at the end of 2019 benefited, in particular, from the increase in net operating income (+25%, € 850 thousand) essentially attributable to the significant increase (+73%, +1,311 thousand) of income from trading activities. The result recorded, in addition to reflecting the aforementioned management of the trading book influenced by the performance of the reference market, also reflects the strategic intentions defined in the 2019-2021 Business Plan and aimed at strengthening the bank's operations in the Finance sector. In this respect, it is worth noting the reorganization implemented for the Bank's Finance Area in the last quarter of 2018, in line with the strategies undertaken, with focus of the Investment Banking Business Unit on the management of the liquidity portfolio (banking book) and concentration of the management of the other securities portfolios (trading) - to seize market opportunities (taking advantage of market volatility), structurally increasing the overall contribution of the management of the securities portfolio to the bank's revenues.

Income from operations was also affected by the decrease in operating costs which were down € 426 thousand with respect to the comparison figure (-10%). The decrease recorded compared to 2018, as shown below, is largely attributable to the positive trend in operating costs that continued in 2019, especially with regard to staff costs (-14%, -320 thousand) thanks to the reduction in workforce implemented by the Bank already in the previous year.

Net Interest

Net interest income, which accounts for about 17% of net operating income, amounted to € 712 thousand at 31 December 2019, down 28% (-282 thousand) compared to the same period in 2018. As interest rates remained in negative territory, the result was also affected by the volume effect attributable to the reduction in loans to customers.

Table 1 Breakdown of net interest (000)

Breakdown of Item 10 Income Statement Interest income	31/12/2019	31/12/2018	Change in absolute terms	Change in % terms
Loans to ordinary customers	**712**	**924**	**(212)**	**(22.9)**
Current accounts	247	319	(72)	(22.6)
Subject to collection	21	28	(7)	(25.0)
Advance on invoices	37	53	(16)	(30.2)
Mortgage loans	406	523	(117)	(22.4)
Foreign loans	1	1	-	-
Loans to banks	**-**	**6**	**(6)**	**(100.0)**
Bank current accounts	-	6	(6)	(100.0)
Demand deposits with banks	-	-	-	-
Loans to foreign banks	-	-	-	-
Securities	**215**	**338**	**(123)**	**(36.4)**
Total loans	**927**	**1,268**	**(341)**	**(26.9)**

Breakdown of Item 20 Income Statement Interest expense	31/12/2019	31/12/2018	Change in absolute terms	Change in % terms
Funding from ordinary customers	**112**	**190**	**(78)**	**(41.1)**
Funding other than securities	**81**	**110**	**(29)**	**(26.4)**
Current accounts	6	7	(1)	(14.3)
Time deposits	68	98	(30)	(30.6)
Savings accounts	4	5	(1)	(20.0)
Total funding through securities	**34**	**80**	**(46)**	**(57.5)**
Certificates of deposit	-	-	-	-
Bonds	34	80	(46)	(57.5)
Banks	**100**	**84**	**16**	**19.0**
Bank current accounts	85	65	20	30.8
Central Banks	5	5	-	-
Bonds - banks and other institutions	10	14	(4)	(28.6)
Total funding	**215**	**274**	**(59)**	**(21.5)**

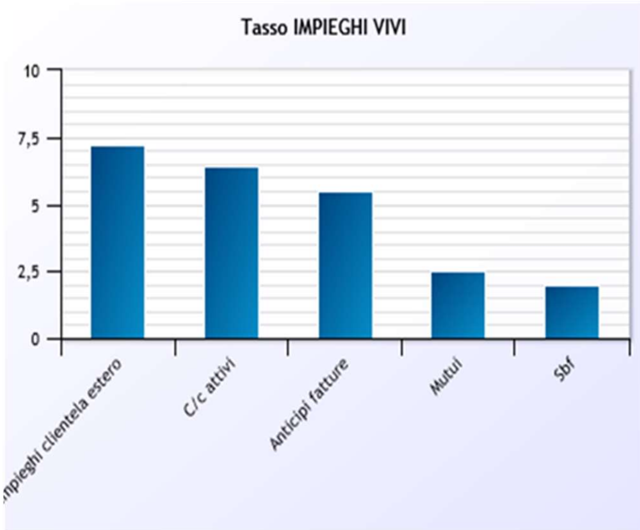
Net interest from customers	**636**	**814**	**(178)**	**(21.9)**
Net interest from banks	**(93)**	**(64)**	**29**	**45.3**
Net interest on securities	**169**	**244**	**(75)**	**(30.7)**
Total Item 30 Income Statement Net interest income	**712**	**994**	**(282)**	**(28.4)**

The analysis of the net macro-aggregates comprised in the item shows (**Table 1**) a general decline in interest income. Specifically, interest income from customers, which accounted for about 89% of net interest income at the end of 2019, showed a reduction of € 178 thousand with respect to the comparative figure, as the volumes of loans to customers decreased accompanied by a general decline in average rates.

The net figure related to Banks shows an increase of € 29 thousand compared to the previous figure. Net income on securities decreased by € 75 thousand compared to the end of 2018 mainly due to the positive component linked to financial assets, especially the securities trading component. On the other hand, there was a positive drop in the cost of funding made up of Outstanding securities, due to the repayment in 2019 of the two bonds issued by the bank.

Management data at 31 December 2019, compared to the same period in 2018, showed a decline in average volumes (€ 2,971 thousand) on the loans side, together with a decline in the average lending rate (from 3.190 at 31 December 2018 to 3.075 in December 2019, **Table 2**).

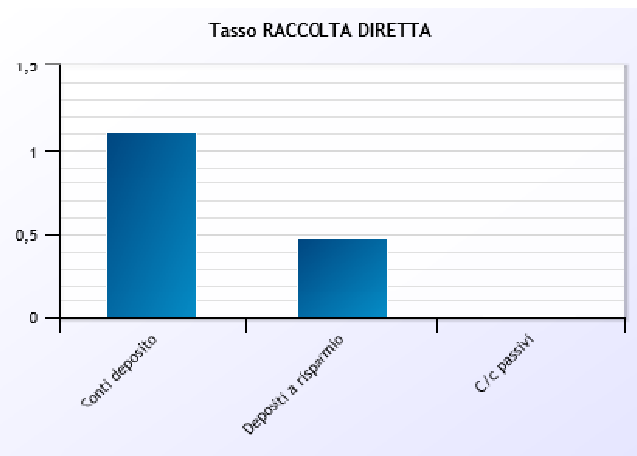
Table 2 Trend in rates on outstanding loans (average values)



Type of outstanding loans	Average gross rate at 31 December 2019
Current Accounts	6.440
Loans to foreign customers	7.250
Advance on invoices	5.529
Subject to collection	2.000
Mortgage loans	2.542

Direct funding from customers showed a decrease in average volumes of € 6,216 thousand and a decline in the average rate applied (from 0.327 at 31 December 2018 to 0.281 at 31 December 2019, **Table 3**).

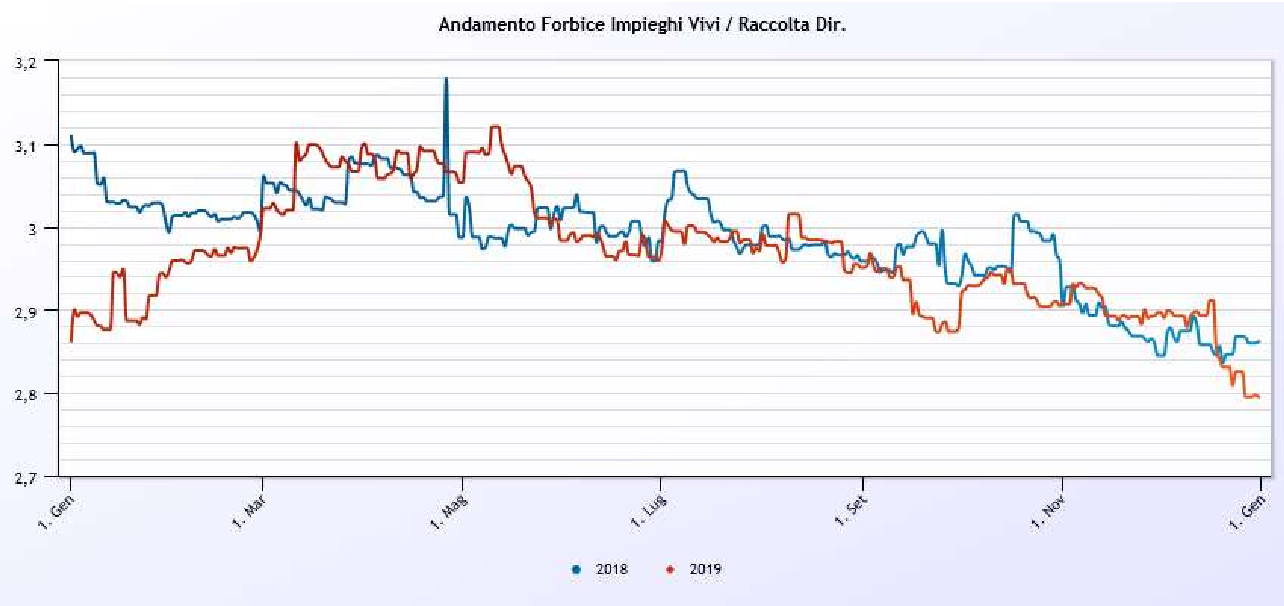
Table 3 Trend in rates on direct funding (average values)



Type of direct funding	Average gross rate at 31 December 2019
Bonds issued to customers	0.000
Time deposits	1.114
Savings accounts	0.482
Current accounts	0.008

The total differential between outstanding loans and direct funding decreased by about 6bps, from 2.862 at the end of 2018 to 2.795 at the end of 2019 (**Table 4**).

Table 4 Trend in rate differential



Net commissions

Net commissions at 31 December 2019 showed a negative result of € 29 thousand compared to € 233 thousand recorded in the previous FY.

Table 1 Breakdown of net commissions (figures/000)

Breakdown of Item 40 Income Statement Commission income	31/12/2019	31/12/2018	Change in absolute terms	Change in % terms
Trading of financial instruments and currencies	2	-	2	-
Placement	25	20	5	25.0
Receipt and transmission of orders	7	8	(1)	(12.5)
Distribution of third-party products	35	133	(98)	(73.7)
Collection and payment services	185	219	(34)	(15.5)
Current accounts management	275	335	(60)	(17.9)
Guarantees	4	4	-	-
Financial consultancy services	-	31	(31)	(100.0)
Custody and management of securities	22	29	(7)	(24.1)
Other	9	19	(10)	(52.6)
Total	**564**	**798**	**(234)**	**(29.3)**

Breakdown of Item 50 Income Statement Commissions expense	31/12/2019	31/12/2018	Change in absolute terms	Change in % terms
Trading of financial instruments and currencies	483	337	146	43.3
Custody and management of securities	31	30	1	3.3
Collection and payment services	30	32	(2)	(6.3)
Other services	49	166	(117)	(70.5)
Total	**593**	**565**	**28**	**5.0**

Total Item 60 Income Statement Net commissions	**(29)**	**233**	**(262)**	

The analysis of the items that make up the net commissions, summarized in (**table 1**), shows a decrease in commission margin mainly attributable to the reduction in commission income, which - as at 31 December 2019 - was down by approximately € 234 thousand, with specific regard to income from the distribution of third party products, whose decline was however offset by the reduction in commissions paid back to agents. The trend recorded by commission expense, slightly increasing (+ 5%, + 28 thousand) with respect to the comparison figure, was mainly influenced by the increase in the expense component arising from the trading of financial instruments (+ 146 thousand), which reflected the increase recorded by trading profits.

Net result of financial assets/liabilities measured at fair value

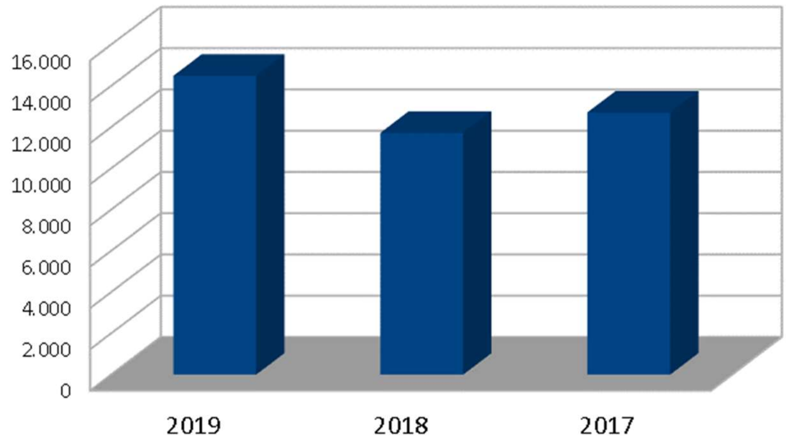
Financial assets and liabilities measured at fair value recorded in 2019 a result of € 3,120 thousand, considerably up (+73%) by € 1,311 thousand compared to the figure of 2018. The greater contribution is attributable to the net trading result which stood at € 3,104 thousand at 31 December 2019, up 71% on the comparison figure.

The result stems from the good recovery in volumes (+ 23.6%) and brokerage margins which benefited from market opportunities, given the greater volatility that characterized the market.

The positive performances reflect, among other things, the effects of the reorganization of the securities trading service - Finance Area implemented in the last quarter of 2018, in line with the strategies outlined in the Business Plan, with the objective of reintroducing specialization in the securities sector. Research and analysis carried out by the Investment Banking BU also contributed to the positive performance of portfolio management by the Bank, which also seeks to promote the Bank's reputation on the market.

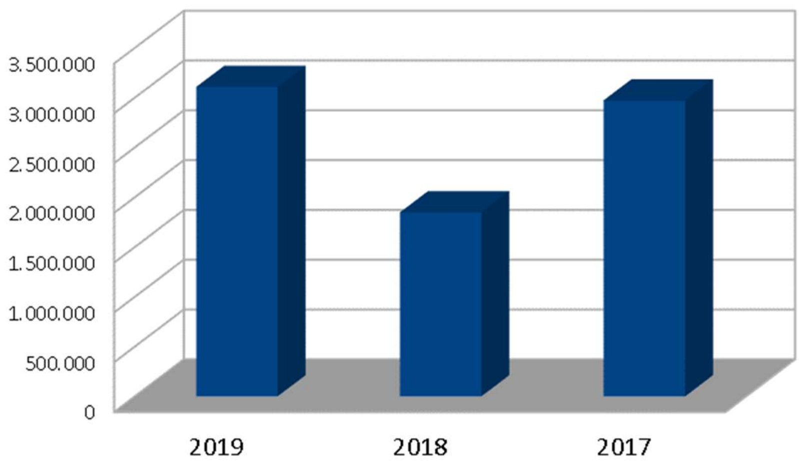
As shown in **table 1**, the result as at 31 December 2019 marks a turnaround with respect to the trend observed in the last three years.

Table 1 Trading profits in euros (Institutional Counterparties)

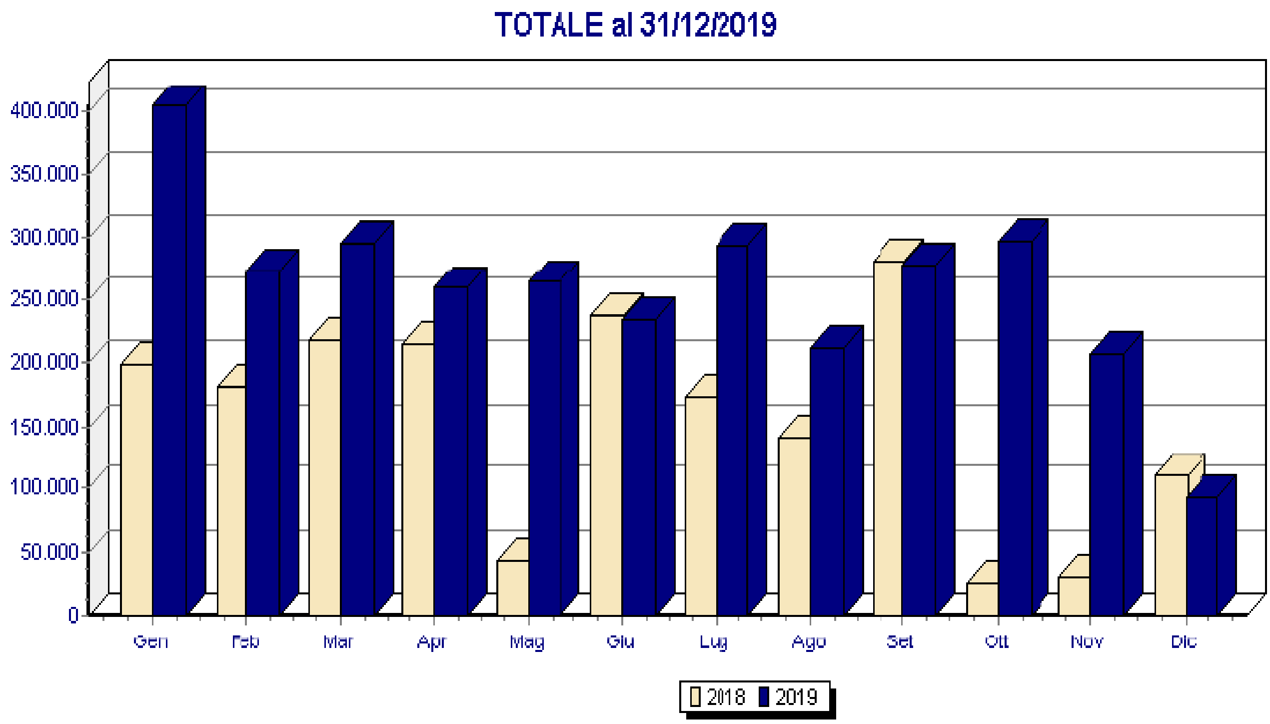


Data in trading volumes for the three-year reference period also increased (2017-2019, **table 2**).

Table 2 Trading volumes in millions (Institutional Counterparties)



Finally, the monthly trend of income components from trading activities is reported below (**table 3**), comparing data from the previous year. On a monthly basis, in 2019 the figures were constantly higher than the operating figures that characterized the comparison period.



Operating costs

In 2019 the virtuous trend of declining operating costs continued, as they stood at € 3,998 thousand with a further 10% decrease (-426 thousand) on the previous comparison period.

The decrease was positively influenced by the trend in staff costs which, as already discussed, stood at € 2,035 at the end of 2019, down € 320 thousand on the comparison figure, benefiting from the measures already undertaken in the previous year and designed to achieve a reduction in the workforce.

Administrative expenses, amounting to € 1,596 thousand, were down € 127 thousand compared to the previous figure. This trend was also positively influenced by the application, starting from the current year, of the international accounting standard IFRS 16, which led to a reversal of lease payments previously allocated under "Other administrative expenses".

Depreciation and amortisation on tangible and intangible assets stood at € 367 thousand at 31 December 2019. Symmetrically with the change in "Other administrative expenses", this item reflects the portion of the rights of use acquired through operating leases (53 thousand).

As regards the depreciation of the bank's tangible fixed assets, amounting to 228 thousand, it is worth noting the decrease (-31%, 69 thousand) recorded by the cost component linked to the Bank’s properties used in operations. This decrease was partly attributable to cost savings arising from the aforementioned transfer of a property to balance sheet item "non-current assets held for sale and discontinued operations", pursuant to IFRS 5, and partly to the restatement of the useful life of buildings recorded in Assets. Specifically, in accordance with IAS 8 paragraph 34, the management has adjusted the estimate criterion used until now, on the basis of new information provided by an independent expert appraisal. Further to new information obtained, the useful life of the building was

lengthened from 33 to 50 years and the depreciation rate used so far was accordingly reviewed. For more details, please see comments in the Accounting Policies, Section 4 - Other Aspects of these financial statements.
On the other hand, with regard to income statement charges related to intangible assets, amounting to € 139 thousand, the increase at the end of the year was affected by greater provisions resulting from the already commented increase in internally generated assets as at 31 December 2019.

The cost / income ratio in 2019 fell to 91.5% from 135.4% in 2018, due to the combined effect of revenue growth and careful cost management.

Net allocations to provisions for liabilities and charges

Net allocations to provisions for liabilities and charges recorded a positive value of € 30 thousand at 31 December 2019.
The result is attributable to the positive component of write-backs on margins that fall within the scope of application of impairment rules under IFRS 9, whose balance decreased by approximately 2 million compared to the figure at the end of 2018.
For details on the individual items see the tables in Part C of the Notes.

Net impairment losses on loans and receivables

At 31 December 2019, net impairment losses on loans and receivables recorded a positive value of € 48 thousand, compared with the negative figure of € 249 thousand recorded last year. Specifically, the item included a positive figure of € 54 thousand for net impairment/reversal of impairment losses for credit risk on financial assets measured at amortised cost and € 6 thousand as losses, recognized pursuant to IFRS 9, from contractual changes without derecognition.
The trend recorded was largely affected by the positive income statement component deriving from the write-backs on performing loans, with specific reference to stage 2 loans, which - as at 31 December 2019 - amounted to € 517 thousand, as a result of the review of the IFRS 9 impairment model implemented by the outsourcer already commented above.

Profit (loss) for the year

At 31 December 2019, the pre-tax profit from current operations amounted to € 400 thousand. The trend in taxes, which in the year generated an income item of € 58 thousand, brought the net profit up to € 458 thousand.

Cash Flow Statement

The Cash Flow statement showed a balance between cash inflows and outflows, reflecting ordinary operations without any special events, which in the year generated cash totalling € 2,424,669. Cash and cash equivalents were sufficient to meet funding requirements.

Regulatory Changes and Organizational Activities

Developments in the legislative and regulatory framework and the parallel internal efforts of analysis and organizational adjustment have characterized the banking area for several years, with a considerable employment of resources during the year.

FY2019 was no exception as a series of primary and secondary legislative, regulatory and tax changes took place in Europe and in Italy.

The main changes in this respect are shown below, with a summary of the adjustments carried out by the departments involved in the various areas concerned.

In this section, as part of the organizational activities put in place by the bank, we discuss in particular the initiatives and measures adopted by your bank in relation to the Covid-19 epidemic and the rapid evolution of the ensuing crisis.

Anti-Money Laundering

In terms of anti-money laundering, in 2019 some important measures were issued:

- **Bank of Italy provisions on organization, procedures and internal controls aimed at preventing the use of intermediaries for money laundering and terrorist financing purposes** 26 March 2019. The provision implemented the organization, procedures and internal control provisions of Legislative Decree no. 231/2007, as amended by Legislative Decree no. 90/2017, which implemented the "Fourth Anti-Money Laundering Directive" in Italy.
- **Bank of Italy instructions on objective communications** 28 March 2019. By this provision, new reporting obligations have been introduced with regard to cash transactions, considered to be at high risk of money laundering and terrorist financing.
- **Bank of Italy provisions on customer due diligence to combat money laundering and terrorist financing** dated 30 July 2019. The Provisions implemented primary national and EU legislation on customer due diligence.

Finally, on 4 October 2019, Legislative Decree no. 125 was enacted, which contains provisions for the implementation of the Fifth Anti-Money Laundering Directive (EU Directive 2018/843).

In addition to the above, following the mentioned inspection by the Bank, a number of measures were implemented during the year to improve existing controls, in addition and combining with the adjustments required by the issuance of new measures.

The review and reorganization of the entire internal body of Anti-Money Laundering rules was therefore carried out in order to rationalize and have in place updated, clear, punctual and non-redundant internal rules.

The project for the reorganization of the bank's internal rules in light of the new regulatory framework at Community and national level, as well as the issue of specific operational clarifications, illustrative material concerning newly introduced controls and the specific functions of IT procedures in use, resulted in the updating of the following documents:

- "Policy for the governance of money laundering and terrorist financing risks", which defines the governance rules, roles and responsibilities regarding the fight against money laundering and terrorist financing risks and the guidelines for the fight against said risks, including rules of conduct that the Bank's employees and collaborators are required to observe under external and internal regulatory provisions. The adoption of this Policy, with a view to streamlining the Bank's regulatory framework, resulted in the repeal of the existing Anti-Money Laundering Regulation and its related documents.
- The Anti Money Laundering questionnaire, in English, drawn up according to the most widely used international standard, which describes the Bank's anti-money laundering measures and which is sent to market counterparties upon establishing business relationships.
- the Anti-Money Laundering Operating Manual, an operational-procedural document that defines the organizational structure that is most appropriate to give concrete implementation to the Policy guidelines, with inclusion of specific regulatory references to inform the staff about their corporate obligations and responsibilities.

MIFID II

With respect to the internal rules adopted under MIFID II during the year, in compliance with the provisions of Consob "Financial Intermediaries Regulation", the Bank drew up:

- the "Policy on staff knowledge and skills" which formalises the measures adopted to ensure that the staff engaged in the provision of investment services meet specific knowledge and skills requirements.
- "Policy on placing orders by telephone and by electronic means of communication - Record keeping", which contains the guidelines adopted by the Bank in order to ensure that sufficient records are kept for all investment and ancillary services provided and for all transactions carried out to enable the Supervisory Authority to verify compliance with the applicable legislation.

Furthermore, in June 2019, the "Order execution and transmission strategy" was also reviewed, which resulted in the consequent updating of all the documents referring to said "Strategy", namely:

- the Contract for the *Provision* of investment services and for the custody and administration of securities;

- the contractual document called "Qualified counterparties and professional clients - terms and conditions" adopted in order to fulfil the disclosure obligations for the provision of investment services to institutional clients;
- the "General Information Document" available on the bank's website in the "Mifid" section.

Privacy

Actions /adjustments continued during the year with regard to the processing of personal data, governed by the GDPR (EU Regulation 2016/679).

Specifically, in May 2019 the Bank updated its "Privacy Regulation", that is the internal regulation on the matter which, on the one hand describes the security measures in place to protect the processing of data, and on the other specifies the principles, criteria, procedures, obligations and operating instructions that all employees of the Bank in their capacity as "Persons in charge of personal data processing" are required to observe as part of their responsibilities.

Furthermore, on a more strictly organizational-procedural level, specific internal regulations were drawn up in relation to processes for the management of the rights of data subjects and the detection/reporting of data breaches, i.e. any accidents that can potentially undermine the correct processing of personal data.

Leaving aside the purely technical-IT adjustments, such as those concerning the assignment of system administrator functions, we conclude this section dedicated to the GDPR by informing that the activities concerning the register of processing were also completed, with regard to processing carried out exclusively at the Bank as well as processing carried out using the information system of the outsourcer Allitude Spa; in addition, the registers of processing kept by external data processors were also obtained.

PSD2 - Payment Services and Instruments

Directive 2015/2366 / EU (PSD2), a part of which became effective at the beginning of 2018, provides for gradual completion of the regulatory framework during 2019, with the aim of increasing the degree of integration, competitiveness and security of payments within the European Union.

With specific reference to the security of electronic payment services, on 14 September 2019 the Delegated Regulation (EU) 2018/389 entered into force which defines new technical security standards for strong customer authentication (SCA) as well as open standards of communication with Third Parties (CSC - Common and Secure Communication), which concern payment transactions arranged via Internet Banking.

Therefore, the necessary adjustments were carried out by the Bank with the technical-operational support of the outsourcer.

First, as part of the Inbank platform that provides the internet banking services of the Bank, the "token" was discontinued, i.e. the physical security tool that was found not in compliance with the new security standards, as it failed to provide the "dynamic linking" and the univocal link between OTP (One Time Password), transaction amount and beneficiary required for the authorization of payment transactions.

The physical token has been gradually replaced by a new security device, fully dematerialized, called "Mobile OTP", which is based on sending the "One Time Password" via SMS or by notification on a special "app" developed by the outsourcer called "Notify".

In this way, authentication during the login or payment authorization phase is carried out by the customer by entering the "OTP" code received which contains all the information required by law.

The above migration was accompanied, since the early months of the year, by an information campaign carried out through various channels (website, messaging on Inbank, attachments to the mandatory notices sent by the bank) in order to raise customers' awareness on the need to timely adopt the Mobile OTP thus completing the transition within the required time, while ensuring continuity and unaltered quality of the service.

In addition to the above, for accounts accessible via the Internet, the PSD2 requires banks to set up an access interface enabling third parties to carry on their activities. In this respect, the Bank has chosen to outsource the service and, through its outsourcer, it adopted the dedicated "CBI Globe" interface platform offered by the CBI Consortium and developed by Nexi S.p.A.; this is a multi-operator solution capable of ensuring compliance with technical, operational and regulatory requirements.

Lastly, changes were introduced to Banking Transparency provisions, in implementation of the PSD2 directive, which will be discussed in greater detail in the following paragraph.

Bank Transparency

As part of banking services transparency, the process of implementation of European legislation into national secondary legislation continued in 2019.

On 19 March, the Bank of Italy released the amendment to its transparency provisions regarding pre-contractual information on reference indices in implementation of the PSD2 and of European directives MCD (2014/17 / UE Mortgage Credit Directive) and CCD (2008/48 / CE Consumer Credit Directive), regarding mortgages and loans offered to consumers, respectively.

Subsequently, by a provision dated 18 June 2019, the Bank of Italy made further changes to the same Transparency regulations, in order to implement the PAD directive (2014/92 / UE - Payment Account Directive) which introduced new rules to strengthen customer protection and the comparability of terms and conditions and costs of the services offered to consumers, through the use of standardized European terminology and new uniform information documents across all EU countries.

This brief excursus is sufficient to highlight the extent and scope of maintenance efforts that essentially required our constant attention throughout the year.

In particular, the Bank adjusted the information documentation made available to consumer customers in the pre-contractual and contractual phase, by adopting the aforementioned European standardized terminology, carrying out a radical review of the current Information Sheet, and consequently of the Summary Document, concerning current account products offered to consumers; these were drawn up on the basis of the new standard model published by the Bank of Italy, and by introducing a further document called "Fee Information Document" or FID which is an additional mandatory document to be provided in the various phases of customer relations alongside the Information Sheet and the Summary Document.

With regard to transparency documents on mortgages and loans offered to consumers, the existing documentation was also reviewed, and supplemented where necessary with the information on reference indices, in compliance with the MCD and CCD directives; adjustments were also made to the calculation assumptions of the APR shown in pre-contractual documents.

At the same time, appropriate circulars were issued to inform customers about the above changes, in order to ensure clarity and continuity of information, although the adjustments implemented did not entail any substantial change in the relationship. Indeed, there was no impact on rates, prices or other financial conditions.

Remuneration of credit lines

Without prejudice to the strategic reduction of loans to customers launched during the year, the enactment of certain regulatory provisions on the remuneration of credit lines and overdrafts, nevertheless required adjustments to be made with regard to existing positions.

Therefore, in compliance with Bank of Italy guidelines on the matter, your Bank carried out a review of some types of commissions that fall within the scope of the legislation. Following the release of specific IT functions made available by the outsourcer, some fee items mainly affecting the credit line category of advances were eliminated.

In addition, the calculation of the Comprehensive Commission on credit lines was modified in accordance with the aforementioned regulatory guidelines, that is, by adopting a calculation system based on “lapsed time” in place of the previous criterion based on the average credit line and its balance on the calculation date.

IFRS

With specific reference to the international accounting standards, the introduction of IFRS16 deserves mention, which was fully applied on 1 January 2019.

The new standard affects the methods of accounting for lease, rental, and free loan contracts, introducing a new definition based on the transfer of the "right of use" of the leased asset.

The Accounting Policies chapter of these Financial Statements provide qualitative and quantitative information on first time adoption of the new accounting standard, highlighting the nature of the changed criteria of lease accounting, the main choices made by the bank and the impacts upon first application.

Organizational and procedural activities

From an organizational standpoint, as usual, the activity also extended to the implementation of information system releases provided by the outsourcer, and to necessary adjustments/ improvements of existing processes, as well as to the ordinary review of internal procedures and regulations.

In addition to the examination of the previous paragraphs, a summary of the actions undertaken in this respect is provided below for a comprehensive overview of the activities carried out in the last twelve months.

Adoption of the new "Contratti Dinamici" platform: in early 2019, the outsourcer implemented a standard contract management platform integrated into the SIB2000 information system. A gradual migration from the previous platform (also managed by the outsourcer, but through an external module) to the new one was therefore necessary. Despite being essentially a technical activity, this change also had repercussions on the branches' operations, such as different procedures for printing / archiving / recording the contractual documentation by employees.

Migration of prepaid cards to Inbank: the management of prepaid cards distributed by the Bank (issued by CassacentraleBanca) was transferred to the home banking service. This outsourcer project primarily met certain technical and managerial requirements associated with the PSD2 regulation in force since 14 September, but also responded to the need for improved service quality, with a view to offering customers a single point of access via Internet for managing their relations with the Bank. As a result of this platform rationalization, customers can now access all prepaid card top-up, payment and transaction query functions through Inbank, while the previous additional dedicated account required for such functions has been discontinued.

New management of financial terms and conditions: in December, a new method of managing the financial terms and conditions of the relationship was adopted, following an update in the SIB application carried out by the outsourcer. Through the new function, the banking operations to be performed are identified in advance and a logical-functional widget guides employees in the actions to be performed, where appropriate through ad hoc information messages on the specific operational needs / limitations. The definition and separation of the various areas has led to improved operational control, allowing for greater specialization of the underlying processes, also taking account of regulatory developments that influence the management of the financial terms and economic conditions of the relationship.

Contract updating: during the year, the contractual documentation for current account, virtual banking, savings deposits, debit cards, and mortgage services were amended in response to regulatory and operational developments.

Internal regulatory review: in addition to the aforementioned updates to the internal rules on Anti-Money Laundering, Privacy and Mifid II, the following were also reviewed: "Risk Management Process", "Liquidity Risk Governance and Management Policy", "231 Organization, Management and Control Model", “Recovery Plan”, "Remuneration Policies".

Coronavirus emergency: initiatives taken by the Bank

Following the news on the spread of the COVID-19 ("coronavirus") epidemic to Italy, the Bank promptly took some precautionary measures as well as steps to monitor the situation in order to implement all additional initiatives that became necessary from time to time.

To date, the Bank continues to carefully monitor developments in the situation, acting in accordance with the provisions and recommendations of the Government and of the other relevant Authorities, in order to:

- protect employee health;
- ensure customer safety;
- minimize the impact of the crisis on the performance of ordinary operations;
- reduce the risks of disruption of customer services and deterioration of service quality;
- provide customers with the tools necessary to access the support measures prepared by the government.

The main actions of the Bank concerned the following areas:

❖ **<u>Management of human resources and internal communications</u>**

In order to ensure the highest level of workers’ protection, employees have received specific internal communications on the subject of COVID-19 since February 2020, also containing guidelines from the Ministry of Health designed prevent the spread of the virus in so far as possible.

Subsequently, pending further developments, organizational measures were defined to reduce the risk of contagion, such as:

- Avoiding all sorts of travelling and, where possible, postponing in person visits to the offices, replacing them with call-conferences;

- organizing shifts for the lunch break in order to avoid overcrowding in canteens and dedicated areas;
- where possible, distancing the workstations.

At the same time, the stock of portable PCs was increased and configuration activities were launched to quickly activate remote workstations, thereby enabling, where possible, the use of smart-working, in order to limit travelling of as many colleagues as possible, while safeguarding the proper functioning of each organizational unit.

On 16 March, 85% of the staff were already regularly and safely working from home; at the same time, a mailbox monitored in real time by the IT office staff was opened to promptly cope with any technical issues.

At the branches, commercial services are guaranteed in the usual days with a temporary reduction of working hours (from 8.15 to 13.30) and employees present at the premises, with shifts that ensured the minimum presence of at least two employees at each branch.
Furthermore, the entry of customers is regulated by the staff to avoid overcrowding and compliance with safety distances.
All branch desks have been protected with transparent separating panels made of Plexiglas.

Some activities (issuing banker’s drafts, payment cards and check books) are carried out by appointment with the branch staff only.

In order to provide reliable and accurate information on COVID-19 risks and on correct prevention behaviours, an e-learning training course was organized for all employees.

In parallel with all the initiatives just described, the Head of the Health and Safety Service (RSPP) and the Workers' Representative (RLS) were constantly in contact to support the exchange of information on Occupational Medicine.

❖ **Strengthening of health and safety facilities at the branches and at the headquarters**

In compliance with the provisions of the Trade Union Ordinance issued by the Municipality of Naples on 27.02.2020, the Bank:

- carried out extraordinary cleaning and disinfection of surfaces and premises, obtaining a specific certification;
- placed special hand sanitizer or antiseptic dispensers in all Bank premises;
- Prominently displayed the rulebook issued by Istituto Superiore della Sanità.

Ordinary cleaning was also intensified in all the premises.

❖ **Business Continuity**

In order to put in place emergency plans and ensure business continuity, the *"Business continuity plan"* and the *"Business continuity management process"* were updated.

In addition, specific Disaster Recovery plans for this emergency situation were shared with the main service providers.

❖ **Customer Relations**

Customers were constantly updated on the measures taken, through notices displayed at the branches, published on the company website and through the Internet banking platform.
The awareness campaign to encourage the use of remote solutions (home banking, cards, ATMs) was intensified.
An information flow was also addressed to institutional customers, through emails addressed to individual operators.
At the same time, the measures issued by the Government to limit the effects of the crisis were analysed in order to identify those applicable to the Bank's customers, and the methods for accessing them, from among the support instruments made available for businesses and individuals.
To counteract the negative effects of the coronavirus emergency on the real economy, the Bank also decided to extend some of those initiatives, on a voluntary basis, to categories of entities not included in the aforementioned measures.

Research and Development

In 2019 the bank continued its Research and Development activities through the Research and Development Laboratory, also relying on the support of special Working Groups set up according to the projects listed below:

1. PRISMA
2. PROMOSCORE
3. INVEX
4. E-TRADING
5. PEX
6. SMART BRANCHES
7. FEEDO

In summary, the overall objective was to obtain innovative tools designed to improve the internal processes in line with the Bank's organizational and operating structure.
The accounting standard that governs research and development activities is IAS 38 "Intangible Assets", the purpose of these activities being the development of the Bank’s know-how. Pursuant to the aforementioned standard, "research" involves an original and planned investigation undertaken with the prospect of achieving new scientific or technical knowledge and discoveries. “Development”,

on the other hand, involves the application of research results or other knowledge to a plan or project for the production of new or substantially improved materials, devices, processes, systems or services, before the start of commercial production or use.

Taking into account the specificity and peculiarity of the individual projects, Banca Promos has developed an internal organizational framework that comprises the following roles:

- **Project Management** aimed at ensuring cross-functional integration;
- **key experts** who contributed significantly to the conception, testing, validation and creation of new innovative knowledge of products / processes and methods, also co-operating with external consultants involved in experimental development;
- **other team members**, assigned to, and involved in the project, who are engaged in the functional support areas, and also reporting to their respective function managers.

The bank also made use of an external company, accredited by MIUR, which monitored development and operational coordination to verify consistency among values, mission and direction of the decision-making processes and design contents during the implementation of the projects.

Taken together, the Projects formulated and implemented by the Bank qualify as "Platform Projects" in accordance with the know-how developed by the designers, managers and employees of the business units involved.

The various stages of the development process pursue the following objectives:

- maximization of performance with respect to the development with personalized and innovative products/services;
- maximization of results or priority in achieving greater service performance volumes with incremental improvements;
- minimization of costs in terms of standardization and cost/price competition and simplification of data and information management.

In particular, through the new, internally implemented, experimental service models the value achieved by Banca Promos takes shape as follows:

- Computerization: high level at all stages of the digitalization of its service through investments in widespread information technology with increasingly high levels of accuracy.
- Connectivity: consistent and pervasive, integrating components and elements that enable the connectivity of service systems. The bank business applications are interconnected and reflect its core business.
- Visibility: consistent, as there are functional and technological interconnections in the service

workflows that enable data to be acquired from all processes,

- Predictive Capacity: adequate, since, after an understanding of relationships among elements, it is possible to simulate future scenarios and identify the most likely ones. At this stage, the bank will be able to anticipate events and promptly implement suitable measures.
- Adaptability: with the aim of providing a contribution to Operations Management in the formulation of adjustment semi-automated decision-making processes towards an increasingly sophisticated IT system.

Information Systems

Since its establishment, Banca Promos has attributed a central role to the research and development of software technologies tailored to its operational needs. The Bank has a large internal IT department, which employs approximately 10% of its staff, constantly engaged in developing applications to support its various operating areas, integrated where necessary with the information systems provided by outsourcers.

Each year, the activity of the Bank's IT department also focuses on optimizing existing solutions, taking into account the technical-regulatory developments that take place in its various operational-organizational areas.

Some of the in-house development activities carried out by the IT department in 2019 are listed below:

- *Invex* platform for the management of purchase and sale invoices as part of the *Fintech project* previously discussed;
- CSDR reporting software for the management of settlement internalizer reports, within the framework of the European Parliament Central Securities Depository Regulation (CSDR) which governs the activities of central depositories in the EU.
- Development of specific functions dedicated to the definition / management of the trading budget;
- *FEEDO* platform for the management of cash deposits by merchants, as part of the project that bears the same name.

All of the above was carried out alongside the ordinary and extraordinary maintenance and development of new features for the software already in use, as well as the management and maintenance of the bank's hardware systems, including in particular:

- Maintenance and management of the bank's Cluster Server;
- Maintenance and management of DBMS SQL Server, ActiveDirectory, Mail Server and File server;
- Maintenance and management of the fiber optic SAN (stored area network) which was

modernized in the previous year;

- Firewall maintenance and management, with improvement of the existing protection system on the entire network (headquarters and remote office) against unauthorized access.

Workforce Statistical Information

As at 31 December 2019, the bank's total workforce, of 35 (33 FTEs) showed a decrease (-4 persons), which reflects the ongoing actions designed to contain staff costs.

The analysis of other statistical information on the staff, schematically summarized in the tables below, shows a basically balanced breakdown between men and women (40% male, 60% female) and a prevalence of workers included in the 30-50 years age group, who account for around three quarters of the workforce. The overall average age is 43 years.

In terms of breakdown by operational areas, more than half of the employees, 52%, is employed in the Commercial Area (branches and finance area), while 11% are computer technicians of the in-house IT Office. The rest of the staff works at the Head Office (organization, control, accounting and reporting, securities back office).

Turnover	Workforce at 01/01/2019	Hiring/ Transformation	Resignation/ retirement/ termination/ transformation	Workforce at 31/12/2019
Permanent contracts of which:	35	3	3	**35**
Managers	-	-	-	**-**
Middle management	5	-	1	**4**
White-collar personnel	28	3	2	**29**
Blue-collar personnel	2	-	-	**2**
Temporary contracts of which:	4	1	5	**-**
White-collar personnel	3	-	3	**-**
Blue-collar personnel	**1**	1	2	**-**
TOTAL	**39**	**4**	**8**	**35**

Breakdown	Managers	Middle management	White-collar personnel	Blue-collar personnel	Total
Men	**-**	**1**	**12**	**1**	**14**
Women	**-**	**3**	**17**	**1**	**21**
Average age	-	53	42	46	43
Average length of service	-	16	12	13	13
Permanent contracts	-	4	29	2	35
Temporary contracts	-	-	-	-	-
Apprenticeship contracts	-	-	-	-	-
Qualification – University	-	4	21	-	25
Qualification – High School	-	-	7	-	7
Qualification – Middle School	-	-	1	2	3

As far as remuneration policies and practices are concerned, the Bank has prepared and updated the pertinent document, and a special disclosure has been prepared on the implementation of those policies, to be submitted to the Shareholders' Meeting.

Related parties

The bank identifies the parties who are classified as related parties pursuant to IAS 24. Transactions with these parties were regularly performed during the year and all the transactions were carried out on an arm's length basis.

In compliance with applicable regulations, Part H of the Notes provides the relevant details, as well as the information required by regulations on relations with the Bank's directors, statutory auditors and subsidiaries.

Other information

This section provides Shareholders with additional information concerning the Bank. In particular, at the end of FY 2019:

- the bank did not, either directly or indirectly, hold treasury shares in the portfolio and no treasury shares were sold or purchased during the year;
- the bank was not and is not a member of any banking group;
- the Supervisory Board established pursuant to Legislative Decree 231 carried out its activity in accordance with the annual plan prepared by the body itself;
- research and development activities were carried out, as already discussed in this report;
- no significant events occurred after the balance sheet date besides those highlighted in this report and in the Notes.

In addition, some information with potential significance for the bank is summarized here.

Going Concern Basis

In preparing the financial statements as at 31 December 2019, the Directors considered the going concern assumption appropriate as, in their opinion, there were no uncertainties regarding events or circumstances which, considered individually or as a whole, could give rise to doubts as to the bank’s ability to continue operating as a going concern.

Financial Risks

Part E of the notes contains qualitative and quantitative information on key risks, including of a financial nature, to which the Bank is normally exposed, i.e. credit risk, market risk and liquidity risk. This report also provides additional information on risks.

Impairment tests

The Directors assessed all the Assets reported in the financial statements in order to identify any impairment.

Uncertainties associated with the use of estimates

The preparation of financial statements requires the use of estimates and assumptions which may significantly affect the amounts stated in the balance sheet and the income statement, as well as the information on contingent assets and liabilities recorded.

Such estimates require the use of available information and the adoption of subjective valuations, also based on the historical experience used to make reasonable assumptions for the recording of management operations.

The estimates and assumptions used may, by their very nature, vary from one financial period to the next. Therefore the current amounts stated in the financial statements in the subsequent financial years might significantly differ as a result of changes in the subjective valuations used.

The main instances in which subjective valuations are used by the Board of Directors include:

- verification of compliance with requirements for the classification of financial assets in accounting portfolios that provide for the use of the amortized cost criterion (SPPI Test), with specific reference to performance of the benchmark test;
- the quantification of impairment losses on loans and, more in generally, of the other financial assets;
- the determination of fair value of financial instruments to be used for reporting purposes;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- impairment test of goodwill and other intangible assets;
- measuring reserves for personnel and provisions for liabilities and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

The description of the accounting policies applied to the main financial statement aggregates provides the detailed information necessary for identifying the main assumptions and subjective assessments used in preparing the financial statements.

With specific reference to intangible assets, pursuant to IAS 38 the Bank has recognized intangible assets based on internally generated technology, intended to support the various business lines of the Bank and therefore capable of generating future economic benefits.

In compliance with the applicable accounting standard (IAS 38) research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet.

For further details on the breakdown and the carrying values of items calculated using estimates, please refer to the specific sections of the Notes to the financial statements.

Fair value hierarchy

"Policies and processes for the evaluation of corporate assets", prepared in accordance with IFRS 13, regulate the "fair value hierarchy" for the purpose of identifying the different fair value levels. These fair value measurement and classification methods are described in the Notes - Part A Accounting Policies of this Annual Report.

Internal Audit System

Controls are performed on overall company processes, as required by Supervisory provisions, which as a whole constitute the internal control system to which the Bank attributes strategic relevance; in this respect, the Bank steadily works to reinforce a culture of active control across the bank's organization and not only in the control functions.

The internal audit system, in line with the supervisory provisions in force, is structured according to principles that ensure sound and prudent management; it consists of rules, procedures and organizational structures that on the one hand aim to ensure compliance with corporate strategies and, on the other, enable us to achieve the following goals:

- containing risk within the limits set in the Risk Appetite Framework –RAF, which is the frame of reference for defining the risk appetite of the bank;
- effectiveness and efficiency of business processes (administration, production, distribution, etc.);
- Safeguarding asset value and protection against losses;
- reliability and integrity of business information and IT procedures;
- compliance of operations with the law and supervisory regulations as well as with company policies and internal regulations and procedures.

In addition, the internal audit system aims to prevent the risk that the bank is involved, albeit involuntarily, in illegal activities, such as those related to money laundering, usury and the financing of terrorism.

Processes are subject to multiple controls, according to coordinated audit plans and based on a three- level approach, namely:

- first level controls, i.e. line controls performed by the individual operating units;
- second-level controls, which include:
  - anti-money laundering controls, carried out by a specific organizational unit that verifies the regulatory and operational compliance of the anti-money laundering process i.e. the system for managing money-laundering risk;
  - compliance checks, performed by the Compliance department and aimed at verifying

compliance of the Bank's processes by comparing internal regulations with corresponding external provisions and by comparing the activities actually carried out with respect to those envisaged by the aforementioned internal provisions;

- controls on the risks to which the Bank is exposed, carried out by Risk Management to ensure such risks are detected, measured and assessed according to supervisory provisions, also verifying compliance with the limits set for each individual risk (Risk appetite framework);

- third-level controls, which include the internal audit activity pertaining to the Internal Audit unit, a separate control unit that verifies the adequacy and effectiveness of first and second level controls and, therefore, of the internal control system as a whole.

Audit activities performed

During the year, the following control activities were carried out by second and third level control functions.

Risk Management carried quarterly checks on the exposure to the following risks in terms of capital requirements:

- Pillar I risks (credit risk, market risk and operational risks), for which the Bank adopted quantitative measurement techniques defined by regulation (standard methodologies);
- Pillar II "measurable" risks (concentration and interest rate risks), for which the Bank adopted simplified quantitative measurement methods as provided for by Supervisory regulations.

In addition, quantitative analyses were also carried out on liquidity risk, albeit no capital requirement is yet associated with this risk.

The aforementioned audit activities were performed both in normal conditions and in stress situations.

In addition, the Risk Management function oversees the preparation of the ICAAP/ILAAP Structured Report ensuring that the methods implemented for measuring, evaluating and managing the Bank's exposure to risks are in accordance with the legislation in force. Details regarding the preparation of the mentioned report as at 31 December 2019 are shown in the relevant paragraph "ICAAP/ILLAAP".

The activity carried out by the Compliance function concerned the following areas:

- *Adequacy and effectiveness of business processes and procedures*
- *Specific compliance checks*
- *Consulting, assistance and training*
- *Conflicts of interest*
- *Complaints*

In line with the activities planned for 2019, the Anti-Money Laundering function ensured ongoing controls during the year to prevent and counter money laundering and terrorist financing transactions.

In particular, the activities carried out were divided into competence areas, namely:

- Adequacy and effectiveness of internal systems and procedures
- Consulting, assistance and training
- Checks on the reliability of the information system

On the one hand, the audit was aimed at ascertaining consistency of the Bank's procedures with the objectives of preventing and combating the infringement of external and internal regulations on the subject; on the other hand, checks were carried out regarding compliance by the bank's personnel with internal procedures and regulatory obligations, with specific regard to "active co-operation" and ongoing monitoring of customer transactions.

More specifically, some checks were carried out in order to verify compliance with the following obligations:

- *Customer due diligence*
- *Recording and storage of information on accounts and transactions*
- *Detection, measurement and reporting of suspicious transactions*
- *Limitations on the use of cash*

Where possible, processes were further automated, optimizing the functions offered by the information system. In this sense, we mention for example:

- the activation of checks to monitor credit transfers made available by Phoenix and integrated into the SIB application. Through the application the financial movements of customers can be displayed. Data are sent to the platforms of the external software house that manages this activity (Netech Nordest Technology srl) which in turn delivers the results of the check carried out, querying the WorldCheck Anti-terrorism lists (EU, OFAC, UN). The results of the queries, once delivered back to Sib2000, are automatically associated with the relative provisions subject to check. If the outcome of the check is positive, the bank is required to carry out the necessary investigations, in order to determine how to deal with the orders in question for anti-money laundering / counter-terrorism purposes;
- an IT block has been provided on customer transactions at the branch for customers with one or more outdated KYC questionnaires;
- for legal persons, the obligation to specify the beneficial owner has been established in the KYC questionnaire. Only if an official receiver is appointed, the obligation does not apply.

Lastly, Internal Audit carried out both audits on processes and monitoring activities provided for by current legislation. In addition, follow-up activities were performed regarding resolution of the criticalities detected during control activities.

Specifically, the audit carried out on the processes concerned both banking and financial activities. More specifically, with reference to the banking sector, during the year specific audits were carried out on money laundering, transparency of banking transactions and services, management of impaired loans and governance.

On the other hand, with reference to the financial sector, the audits concerned the various investment services provided by the Bank (trading on own account, execution of customers' orders, receipt and transmission of orders, placement of financial instruments). In addition, a specific audit was carried out on the subject of Transaction Reporting.

In this regard, both the regulatory aspects and the effectiveness and reliability of the information systems supporting the bank's operations were verified for the various analysed processes.

Moreover, during the year, 2 ordinary audits were carried out at the branches, alongside a routine inspection at the Office of the financial advisors in Florence.

Further audits, connected to the laws in force, were conducted regarding the ICAAP/ILAAP process, the Business Continuity Plan, the liquidity management process, the remuneration policies, the management of equity investments in related parties, the management of related-party transactions, and the RAF. Furthermore, an audit was carried out on second level control functions, with specific focus on the activities performed by Risk Management, and an audit on the single customer aggregated position (Single Customer View- SCV) to verify its compliance with the applicable legislation.

The checks carried out showed that the improvement areas identified had been remedied by adopting the necessary corrective actions, ensuring adequate monitoring of the risks to which the Bank is exposed.

Risk Management

Risk management is one of the major areas on which the bank focuses its attention, since it is well aware that the development of adequate control measures in the various identified risk areas is the best guarantee of sound and prudent management.

Section E of the Notes summarises the information on risks and the related hedging policies. We also recall that the "Risk Management Process" is described in a specific document, according to a bank's practice for many years. This process consists of the following phases:

1. Risk mapping
2. Protective measures
3. Risk assessment
4. Stress testing
5. Risk monitoring and reporting

Risk mapping

Through mapping, the Bank has identified the risks to which it is exposed. Based on the knowledge of the Bank's organisation, the market in which it operates, the regulatory framework, as well as the strategic and operational objectives and the related threats and opportunities, all the risks associated with providing both banking and financial services were identified, i.e.:

- Credit risk (counterparty included)
- Market risk (associated with proprietary trading)
    - Position risk
    - Settlement risk
    - Concentration risk
    - Exchange rate risk
- Market risk (associated with trading on behalf of third parties)
    - Settlement risk
    - Concentration risk
    - Counterparty risk
- *Operational risk*
    - Legal risk
    - Organizational risk
    - Risk linked to human resources
    - IT risk
    - Risk related to external events
- *Concentration risk*
- *Interest rate risk*
- *Liquidity risk*
- *Risk of conflict of interest with respect to "Connected Persons"*
- *Risk associated with equity investments*
- *Country risk*
- *Risk of excessive leverage*
- *Residual risk*
- *Strategic risk*
- *Reputational risk*
- *Anti-money laundering risk*

Protective measures

Protective measures refer to the process of selecting and implementing the tools necessary to control, mitigate and, where possible, eliminate and/or transfer risks.

For each significant identified risk, the Bank has put in place related mitigating measures, in order to contain exposure to risk within the limits that meet sound and prudent management criteria.

Risk assessment

The risk assessment step is of crucial importance to preserve the Bank's asset and financial integrity and to implement corporate strategies, in order to establish the relative importance of all mapped risks and identify the most relevant ones.

This process involves the identification of "Typical Events" that are part of operating activities and which may pose a threat to the Bank; this requires a "Probability - Impact Matrix" analysis and the assignment of a significance score to each of them.

Each score assesses a risk exposure through a qualitative scale (low/medium/high), enabling the definition of risk acceptance levels, and consequently, the corrective measures to be taken, if any.

Stress testing

This activity consists in carrying out stress tests designed to better assess the Bank's exposure to risks, the risk mitigating and monitoring systems and, where necessary, the Internal Capital adequacy.

Stress tests consist in quantitative and qualitative techniques by which we evaluate the Bank's vulnerability to exceptional but plausible events; this is made by assessing the effects on the Bank's risk of specific events (sensitivity analysis) or of concurrent changes in a set of economic and financial variables in the event of adverse scenarios (scenario analysis).

Risk monitoring and reporting

Monitoring aims to determine, for each significant risk identified, on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.

Thereafter, reporting activities are performed that describe the results of the checks carried out.

A control structure is in place to this end which defines:

- those responsible for conducting the audits (first, second and third level controls);
- object and frequency of controls;
- control methods and tools;
- recipients of information flows.

Audit activities are carried out through integrated controls performed and differently organized according to the various levels within the Bank, in order to prevent multiple audits of operating units.

Any detected anomalies must be reported to the relevant Corporate Bodies along with any corrective actions to be undertaken.

The ICAAP and ILAAP process

As is known, the provisions on the prudential supervision of banks (Circular of Banca d'Italia no. 285 of 17 December 2013 as amended and supplemented), require the Bank to prepare the "ICAAP/ILAAP Report" at 31 December 2019, which was timely drawn up by the Bank.

The document is a documented self-assessment of the fundamental qualitative characteristics and results:

- for the ICAAP (Internal Capital Adequacy Assessment Process) - of the capital planning process, the overall exposure to risks and the consequent capital profile, both current and prospective, under normal and stressed conditions;
- for the ILAAP (Internal Liquidity Adequacy Assessment Process), of the liquidity risk governance and management system, the exposure to liquidity risk in terms of both the ability to raise funds in the market and available cash, the level of liquidity reserves and the financing sources and channels to be used.

Specifically, in the Reporting section dedicated to the ICAAP process, all risks, both "measurable" and "non-measurable", identified as a result of the mapping activity, were taken into account.

In order to determine the "internal capital" in relation to each of the "measurable" risks, the Bank measured its exposure to them. In this sense, as provided for banks belonging to Class 3 and in accordance with the principle of proportionality, the following techniques were deemed most appropriate and, therefore used as a reference:

- For Pillar I risks (credit, market and operating risks), the quantitative measurement techniques as provided for by regulations for capital requirements calculations, using the standardised approach;
- For Pillar II "measurable" risks (concentration and interest rate risks), the simplified quantitative measurement methods as provided for by the Supervisory regulations.

With reference to market risk related to trading on behalf of third parties, although no specific capital requirement is envisaged, the Bank uses special IT tools through which it can evaluate the exposure in question at all times.

With reference to excessive leverage risk, its quantitative assessment is carried out through the "leverage ratio" indicator, which is the ratio between Tier 1 and total unweighted assets, the value of which is disclosed to the Supervisory Authority as part of the "Base LEVI" disclosure.

In parallel, with reference to the other "non-measurable" risks (strategic, reputational, residual and anti-money Laundering risks), which are difficult to quantify due to their intrinsic characteristics, the estimate of the bank's exposure is based on subjective assessments carried out on the basis of mainly qualitative methods defined in relation to the nature of each risk.

The assessment of the risk of conflict of interest with respect to "Connected Persons", the risk associated with the acquisition of equity investments and country risk is performed by checking the effectiveness of the relevant protective measures put in place by the Bank.

To better assess its capital adequacy, the Bank has carried out stress tests that consist of testing the effects of specific events on the risks to which it is exposed. The Bank therefore performed sensitivity analyses aimed at verifying the impact on the bank's balance sheet of "extreme", yet plausible, changes in the following risks (individually assessed):

- Credit
- Concentration
- Interest rate
- Liquidity
- Regulatory capital
- *Leverage Ratio*

In addition, stress tests were also performed on "own funds".

The approach defined allows for an assessment of both the impact of predefined stress tests, based on standard methodological practices, and of customised tests, based on portfolio characteristics or the economic situation.

Consistent with the Supervisory regulations, we calculated the internal capital against Pillar I risks and Pillar II measurable risks which require capital for regulatory purposes. These values were used as the starting point for defining the "Total Internal Capital", by applying a building blocks approach, consisting of an algebraical sum of the internal capital related to each type of risk.

Finally, the connection was made between the Bank's Regulatory Capital and the different types of "total internal capital" (relating to actual and budgeted data, stressed and non-stressed data), in order to verify its adequacy.

The results of this analysis showed that, under all tested conditions, the Bank's capital is such as to guarantee a significant capital surplus.

In relation to the ILAAP, a liquidity risk measurement and control activity was carried out, both "short term" and "structural", in "normal" and "stressed" conditions, although said risk does not yet involve any capital absorption.

In particular, liquidity risk monitoring was performed by:

1. verifying that the bank has the “very short-term” liquidity (1 to 30 days) and "short-term” liquidity (up to 12 months) necessary to carry out operations, respectively on daily and monthly basis;
2. monitoring compliance with operational limits to the assumption of liquidity risks on a monthly basis, through the observation of early warning short-term and structural indicators;
3. performing “stress tests” on a monthly basis;
4. monitoring "systemic" and "specific" early warning indicators, respectively on a daily and

monthly basis.

These monitoring activities showed that the Bank can deal with potential "short-term" or "structural" liquidity tensions through its "liquidity reserves".

Furthermore, an analysis of the Bank's operating liquidity in stressed conditions was carried out through ongoing monitoring of the performance of the short-term "LCR" ("Liquidity Coverage Ratio") indicator, which during the year was constantly higher than the minimum mandatory requirement (100%).

An additional stress test is performed on the regulatory "LCR" indicator that assumes an additional 5%-shock in terms of haircut to "high quality" securities in the Bank's portfolio.

Furthermore, in line with the "Structured ICAAP / ILAAP report" for FY 2018, as of April 2019, an additional stress test of the LCR indicator was carried out monthly, predicting a 10% increase in cash outflows.

This stress test also did not reveal any infringement of the minimum regulatory requirement.

Therefore, the Bank is able to cope with liquidity needs through its autonomous funding capacity, both in stress situations and in the event of an additional stress scenario compared to that envisaged by the legislation in force.

In 2019, a quarterly control on the degree of assets encumbrance was implemented. The monitoring of the AER (Asset Encumbrance Ratio) and EAER (Eligible Asset Encumbrance Ratio) data did not reveal any anomaly indices, and said ratios were consistent with the operating limits defined by the internal regulations.

Public Disclosure

According to supervisory regulations, capital adequacy, risk exposure and the general features of the systems used to identify, measure and manage those risks are to be disclosed by the bank (i.e. Pillar III).

The document provides information about the level of business risk, the methods used by the bank to quantify and manage its risks, in relation to the size of existing and future capital resources.

The public disclosure document required by the third pillar supervisory regulations will be published on the company's website (www.bancapromos.it) together with the financial statements for FY 2019.

Events Subsequent to 31 December 2019

In the period between the reporting date and the date of approval of these financial statements by the Board of Directors, no events occurred requiring changes to the data approved as such.

The Coronavirus epidemic (Covid-19), which spread in early January 2020 across mainland China and, subsequently, also in other countries including Italy, is causing the slow down or interruption of economic and trade activities in multiple sectors. In accordance with IAS 10, the Bank considers this event to be a non-adjusting event after the closing of the financial statements. At the time of preparing this Report, there were no adverse effects on the financial forecasts prepared by the Bank.

The Bank is carefully considering this event after the reporting date, although, in light of the current rapidly evolving situation and the many determinants that are still unknown and undefined, providing a quantitative estimate of the potential impact of Coronavirus on the bank's operating and financial position is not considered possible. This impact will therefore be taken into account in the accounting estimates during 2020.

Business Outlook

The early months of 2020 were marked by a dramatic change in the market scenario compared to the scenario that had prevailed in the last quarter of 2019.

Already in the first weeks of the new year, investors' optimism about the growth prospects of the global economy - fuelled, in the last months of 2019, by the easing of trade frictions between the United States and China, the fading of shorter-term uncertainties associated with Brexit and the publication of better than expected macroeconomic data - had started to give way to moderate volatility due to the mixed signals coming, on the one hand, from the intensification of geopolitical tensions between the United States and Iran and, on the other, the signing of Phase 1 of the trade agreement between the United States and China.

As of the second half of January, the growing risk-off mood of investors initially translated into a generalized drop in the euro area government bond yields and, later, into a more selective 'fly to quality' shift, with widening yield differentials between the German ten-year Bund and, in particular, the Greek, Italian and Portuguese sovereign bonds.

The subsequent outbreak of the coronavirus epidemic and its expansion from a local event (with epicentre in the Chinese city of Wuhan) to a global pandemic (with the implementation of lockdown measures on a national scale in dozens of countries around the world) were the cause of subsequent intense turbulence in the international financial markets.

Concerns linked to the economic repercussions of the measures adopted to contain the spread of the virus led to heightened volatility and a marked reduction in market liquidity. Investment banks' and financial intermediaries' trading volumes and revenues benefited from this instability and from widened bid-ask spreads, in some cases recording operating rates not seen since the years of the global financial crisis.

Faced with the serious risks posed by the epidemic for the euro area outlook and with signs of fragmentation and distortion from the bond markets of the single currency block, the European

Central Bank, on 18 March 2020, announced the launch of an unprecedented asset purchase programme for a total of 750 billion euros (Pandemic Emergency Purchase Program), in addition to the 120 billion euros of purchases already decided just a week before. Further measures have also been taken to facilitate European banks' access to the ECB liquidity and to facilitate the granting of credit to households and businesses.

In such a delicate situation, with the banking system acting at the forefront as bridge with the real economy, our Bank is therefore called upon to face further challenges.

The effects of the Coronavirus epidemic will weigh on forecasts relating to global economic growth, amid a general climate of instability and with the high volatility that the pandemic has brought on the international capital markets.

In this scenario, our Bank remains committed to pursuing the objectives defined in the 2019-2021 Business Plan with specific focus on the development of revenues and according to an approach of increased business specialization. This should support the Bank's profitability prospects for the current year, together with a solid capital structure.

We are aware of the difficulties ahead and of the further challenges to be faced in a situation fraught with uncertainty but we are confident that we will be up to the task.

Proposal to Approve the Financial Statements

Dear Shareholders, the financial statements that are submitted for your approval provide a clear, truthful and fair view of the Bank's financial position and performance.

We therefore ask you to approve the Financial Statements at 31 December 2019 as prepared by the Board of Directors, together with the attached reports of the Independent Auditors, KPMG SpA, and the Statutory Auditors.

On 27 March 2020, the European Central Bank published a dividend policy recommendation in the context of the COVID-19 epidemic, recommending foregoing the distribution of dividends in light of the economic situation caused by the mentioned epidemic. The same recommendation was issued by the Bank of Italy to the banks under its direct supervision.

We therefore submit a proposal for the allocation of profit for the year in accordance with criteria of prudence and attention to capital strengthening, also in keeping with recommendations from the Supervisory Authorities.

Therefore, the Shareholders' Meeting, after acknowledging the Balance Sheet, Income Statement, Statement of Comprehensive Income, statements of changes in Shareholders' Equity, Cash Flow Statement and the Notes, as well as the Directors’ Report, the Board of Statutory Auditors’ Report and the Independent Auditors’ Report, is called upon to resolve on the allocation of the profit for the year amounting to € 458,345, as follows:

- € 22,917 to the Legal Reserve;
- the residual € 435,428 to be carried forward.

Acknowledgements

As we have seen, the financial and market situation is becoming increasingly challenging for the banking sector. Nevertheless, thanks to the new strategies identified by the Board of Directors, the expertise of our management, the professionalism and commitment of our staff, our Bank managed to achieve appreciable results.
Our thanks go to all those who, regardless of their role or position, have worked and constantly work to ensure that Banca Promos can progress along its path of development and growth; this includes the bank's employees, directors, statutory auditors and independent auditors as well as the representatives of the supervisory bodies, without forgetting, of course, our shareholders and our customers who continue to trust us year after year.

The Board of Directors

(This page was intentionally left blank)

(This page was intentionally left blank)

(This page was intentionally left blank)

(This page was intentionally left blank)

(This page was intentionally left blank)

(This page was intentionally left blank)

(This page was intentionally left blank)

(This page was intentionally left blank)

BANCA PROMOS SOCIETA' PER AZIONI

Registered Office: VIALE GRAMSCI, 19 – NAPLES (NA)
Registered with the Business Registry of: NAPLES
Tax Identification and registration number: 03321720637
Registered with the Economic and Administrative Index [R.E.A.] of NAPLES under no.329424
Subscribed share capital €: 7,740,000.00 fully paid-up
VAT number: 04368171007

Members of the Audit Body

Ordinary financial statements as at 31 December 2019

Shareholders, given that, pursuant to the Company's by-laws currently in force, the control body has been tasked with the administrative supervision of the company only, while the statutory audit of the accounts has been assigned to the independent auditors KPMG SPA, appointed by letter of engagement until the approval of these financial statements, this report only concerns the activities carried out in terms of statutory control function.

Report to the Shareholders' Meeting pursuant to article 2429, paragraph 2, of the Italian Civil Code – Administrative supervision

During the FY closed on 31 December 2019, our activity was based upon law regulations and the Rules of Behaviour of the Board of Statutory Auditors as issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Accounting Board), according to which we carried out a self-assessment for each member of the Board of Statutory Auditors, with a positive outcome.

The draft Financial Statements closed at 31/12/2019, submitted to us by the Administrative Body pursuant to article 2429 of the Italian Civil Code in order for it to be reviewed, have been drafted, pursuant to Legislative Decree no.38 of 28 February 2005, in compliance with the *International Accounting Standards* (IAS) and the *International Financial Reporting Standards* (FRS) approved and in force at 31 December 2019.

Supervisory activity as per articles 2403 et seq. of the Italian Civil Code

The draft Financial Statements closed at 31/12/2019, forwarded to us by the Board of Directors pursuant to article 2429 of the Italian Civil Code in order to be duly examined, is made up of:

- Balance sheet
- Income statemen
- Cash flow statement

- Notes
- Directors' Report
- Report of the Auditing Firm - KPMG SpA

The result for the year showed a profit of € 458,345, broken down as follows

Balance Sheet

Breakdown	FY 2019	FY 2018	Difference
TOTAL ASSETS	54,763,925	61,310,923	6,546,998-

Breakdown	FY 2019	FY 2018	Difference
TOTAL LIABILITIES	54,763,925	61,310,923	6,546,998-

Income Statement

Breakdown	FY 2019	FY 2018	Difference
INTEREST MARGIN	712,249	993,668	(281,419)
NET COMMISSIONS	(29,164)	233,079	(262,243)
BROKERAGE MARGIN	3,803,499	3,036,198	767,301
Net result of financial operations	3,881,094	2,754,089	1,127,005
OPERATING COSTS	(3,481,149)	(4,110,968)	629,819
PRE-TAX RESULT	399,945	(1,356,897)	1,756,824
INCOME TAXES FOR THE YEAR	58,400	72,672	(14,272)
PROFIT (LOSS) FOR THE YEAR	458,345	(1,284,207)	1,742,552

During the FY under examination, we supervised compliance with the law and the Corporate By-Laws as well as with the principles of correct administration.

Specifically, the work carried out refers to the following:

- In the criteria used in drafting the financial statements closed at 31/12/2019 we considered the new endorsed IAS/IFRS principles, in force at 31/12/2019.
- During the meetings held, we obtained information from the Directors concerning the company's general performance and its foreseeable business outlook, as well as the most significant economic, financial and equity transactions, in terms of size or characteristics, carried out by the company, and, on the basis of the information acquired we have no specific observation to make.
  We can provide reasonable assurance that the actions resolved upon and adopted are in compliance with the law and the corporate by-laws, and that they are not careless or unwarrantedly risky, that they do not create any potential conflict of interests or are in contrast to the resolutions of the Meeting and are not such as to endanger the share capital of the company.

- Furthermore, as far as we were concerned, we gained information about and monitored the suitability and operation of the administrative-accounting system, as well as the reliability of the latter in terms of correctly reporting the information concerning the operations of the company, by obtaining information from the relevant company officials and examining the company's documents; we do not have any noteworthy observations to submit in this regard.

- neither legal actions based on art. 2408 of the Italian Civil Code nor third-party reports were notified.
    - We have met the entity in charge of audit, and no significant data or information has emerged that need be illustrated in this report.
    - We have met the Supervisory Body and no critical issues have emerged with regard to the proper implementation of the organizational model that need be mentioned in this statement.
    - We monitored compliance with "Data Protection" and '"Money Laundering" regulations.

- We have participated in the Meetings of the Shareholders and in the meetings of the Administrative Body, which were all conducted in compliance with the statutory and legislative rules that govern their procedures, and about which we can provide reasonable assurance that the resolutions issued are in compliance with the law and the Corporate By-Laws, and are not such to endanger the share capital of the company.

- in the performance of our supervisory duties, and on the basis of the information obtained, we did not detect any other omissions, misconduct, irregularities or significant events that need be reported or simply mentioned in this report.

- In view of the above, the Supervisory Body considers that the results for the financial year are largely in line with the forecasts and forward-looking assessments set out by the Governing Body.

Financial Statements Disclosure

On the basis of an in-depth analysis of the financial statements as at 31/12/2019, we report the following:

- pursuant to article 2426, item 5 of the Italian Civil Code, the control Body certifies that no start-up and expansion costs were recognized as assets in the financial statements.

- pursuant to article 2426 no. 5 of the Italian Civil Code, the Audit body acknowledges having given consent, with minutesof 02/28/2019, upon the inclusion in the balance sheet assets of development costs for which it was verified the multi-year utility requirement.

- pursuant to article 2426, item 6 of the Italian Civil Code, the control Body certifies that no goodwill costs were recognized as assets in the financial statements.

- We oversaw the financial statements' compliance with the law, as regards both its structure and its substantial content.

- in drafting the financial statements, the governing Body did not make use of the provisions of Art. 2423, paragraph 4 and 5 of the Italian Civil Code with regard to the exceptions granted for the preparation of the financial statements.

- We also certify that we verified the measurement criteria provided by art. 2426 of the Italian Civil Code and that our supervisory work has constantly been inspired by the aim of preserving the integrity of the company's assets.

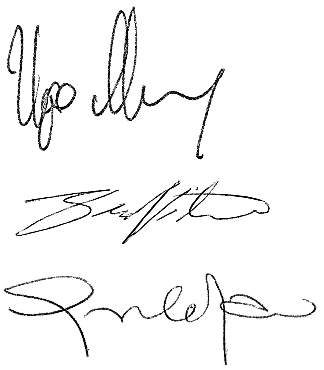
- in drafting the financial statements, the governing Body did not make use of the provisions of Art. 2423, paragraph 4 and 5 of the Italian Civil Code with regard to the exceptions granted for the preparation of the financial statements.

Observations and proposals regarding the approval of the financial statements

Considering the points highlighted and taking account of the information received from the company, the Meeting may approve the financial statements closed at 31/12/2019, as formulated by the Governing Body.

Naples, 11/06/2020

THE BOARD OF STATUTORY AUDITORS



(This page was intentionally left blank)

Financial Statements

at 31 December 2019

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS

Balance Sheet – Assets

(Amounts in Euros)

	Assets	2019	2018
10.	Cash and cash equivalents	3,584,123	1,159,454
20.	Financial assets carried at fair value through profit or loss	107,972	7,395,354
	a) financial assets held for trading	103,005	7,384,106
	b) financial assets designated at fair value	–	-
	c) other financial assets to be carried at fair value	4,967	11,248
30.	Financial assets carried at fair value through other comprehensive income	10,239,680	8,416,147
40.	Financial assets carried at amortised cost	32,753,583	35,793,763
	a) receivables from banks	13,115,271	9,723,256
	b) loans to customers	19,638,312	26,070,507
70.	Equity investments	77,500	32,500
80.	Tangible assets	5,160,150	5,639,621
90.	Intangible fixed assets	441,894	339,752
	of which: - goodwill	–	-
100.	Tax assets	845,839	871,032
	a) current	254,933	249,850
	b) prepaid	590,906	621,182
110.	Non-current assets and disposal groups	663,001	82,000
120.	Other assets	890,183	1,581,300
	Total assets	**54,763,925**	**61,310,923**

Balance Sheet – Liabilities

(Amounts in Euros)

	Liabilities and shareholders' equity	2019	2018
10.	Financial liabilities carried at amortised cost	40,037,731	45,795,139
	a) payables to banks	7,123,124	6,561,664
	b) payables to customers	32,914,607	34,479,791
	c) outstanding securities	-	4,753,684
60.	Tax liabilities	826,890	841,034
	a) current	2,175	–
	b) deferred	824,715	841,034
80.	Other liabilities	1,154,763	2,151,342
90.	Employee severance indemnity	1,070,431	932,167
100.	Provisions for liabilities and charges:	7,969	125,392
	a) commitments and guarantees granted	7,969	37,919
	b) retirement and similar obligations	–	-
	c) other provisions for liabilities and charges	-	87,473
110.	Valuation reserves	-635,068	-377,015
140.	Reserves	3,031,952	4,316,159
150.	Share premium account	1,070,912	1,070,912
160.	Share capital	7,740,000	7,740,000
180.	Profit (loss) for the year (+/-)	458,345	-1,284,207
	Total liabilities and shareholders' equity	**54,763,925**	**61,310,923**

Income Statement

(Amounts in Euros)

	Items	2019	2018
10.	Interest and similar income	926,826	1,267,697
	of which: interest income calculated using the effective interest method	851,831	1,070,218
20.	Interest and similar expenses	(214,577)	(274,029)
30.	**Net interest income**	**712,249**	**993,668**
40.	Commission income	563,699	797,839
50.	Commissions expense	(592,863)	(564,760)
60.	**Net commissions**	**(29,164)**	**233,079**
70.	Dividends and similar income	5	5
80.	Net income on trading activity	3,104,124	1,819,301
100.	Profits (losses) on disposal or repurchase of:	22,566	(9,372)
	a) financial assets measured at amortised cost	135	317
	b) financial assets measured at fair value through other comprehensive income	22,393	(1,980)
	c) financial liabilities	38	(7,709)
110.	Net income/loss on the other financial assets and liabilities measured at fair value through profit or loss	(6,281)	(483)
	a) financial assets and liabilities designated at fair value	–	-
	b) other financial assets mandatorily measured at fair value	(6,281)	(483)
120.	**Brokerage margin**	**3,803,499**	**3,036,198**
130.	Net adjustments/write-backs for credit risk of:	83,789	(262,521)
	a) financial assets measured at amortised cost	53,747	(229,077)
	b) financial assets carried at fair value through other comprehensive income	30,042	(33,444)
140.	Profits / losses from contractual changes without derecognition	(6,194)	(19,588)
150.	**Net result of financial operations**	**3,881,094**	**2,754,089**
160.	Administrative expenses:	(3,631,138)	(4,078,358)
	a) personnel expenses	(2,035,381)	(2,355,430)
	b) other administrative expenses	(1,595,757)	(1,722,928)
170.	Net allocations to provisions for liabilities and charges	29,951	(90,785)
	a) commitments and guarantees granted	29,951	(18,312)
	b) other net allocations	-	(72,473)
180.	Net adjustments to/write-backs on tangible assets	(227,916)	(284,629)
190.	Net adjustments to/write-backs on intangible assets	(139,438)	(61,207)
200.	Other operating expenses/income	487,392	404,011
210.	**Operating costs**	**(3,481,149)**	**(4,110,968)**
260.	**Pre-tax profit (loss) of current operations**	**399,945**	**(1,356,879)**
270.	Income taxes for the year on current operations	58,400	72,672
280.	**Profit (loss) of current operations, after taxes**	**458,345**	**(1,284,207)**
300.	**Profit (loss) for the year**	**458,345**	**(1,284,207)**

Statement of Comprehensive Income

(Amounts in Euros)

	Items	2019	2018
10.	**Profit (loss) for the year**	**458,345**	**(1,284,207)**
	Other income items – after taxes – not reversed to income statement		
20.	Equity securities carried at fair value through other comprehensive income	(348,929)	(81,753)
30.	Financial liabilities designated at fair value through profit or loss (changes of own creditworthiness):	–	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	–	-
50.	Tangible assets	–	-
60.	Intangible fixed assets	–	-
70.	Defined-benefit plans	(79,747)	61,544
80.	Non-current assets and disposal groups	–	-
90.	Share of valuation reserves for equity investments carried at equity	–	-
	Other income items – after taxes – reversed to income statement		
100.	Foreign investment hedging	–	-
110.	Exchange rate differences	–	-
120.	Cash flow hedging	–	-
130	Hedging instruments (items non designated)	–	-
140.	Assets (other than equity securities) measured at fair value through other comprehensive income:	170,623	(223,041)
150.	Non-current assets and disposal groups	–	-
160.	Share of valuation reserves for equity investments carried at equity	–	-
170.	**Total of other income items, after taxes**	**(258,053)**	**(243,250)**
180.	**Comprehensive income (Item 10+170)**	**200,292**	**(1,527,457)**

Changes in Shareholders' Equity 2019

(Amounts in Euros)

	At 31.12.2018	Change in opening balances	At 1.1.2019	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31.12.2019
						Change	Operations on shareholders' equity						Total profitability	
				Reserves	Dividends and other allocations	in reserves	New shares issued	Treasury shares purchased	Dividend extraordinary payment	Change in equity instruments	Derivatives on treasury shares	Stock options	FY2019	
Share capital:														
a) ordinary shares	7,740,000		7,740,000	–			-	-						**7,740,000**
b) other shares	-		-	-			-	-						**-**
Share premium account	1,070,912		1,070,912	-		-	-							**1,070,912**
Reserves:														
a) profits	4,316,158	-	4,316,158	-1,284,207		-	-	-	-					**3,031,952**
b) other	-	-	-	-		-	-		-		-	-		**-**
Valuation reserves	-377,015	-	-377,015			-							-258,053	**-635,068**
Equity instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	-1,284,207	-	-1,284,207	1,284,207	-								458,345	**458,345**
Shareholders' Equity	11,465,848	-	11,465,848	-	-	-	-	-	-	-	-	-	200,292	**11,666,141**

Changes in Shareholders' Equity 2018

(Amounts in Euros)

	At 31.12.2017	Change in opening balances	At 1.1.2018	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31.12.2018
						Change	Operations on shareholders' equity						Total profitability	
				Reserves	Dividends and other allocations	in reserves	New shares issued	Treasury shares purchased	Dividend extraordinary payment	Change in equity instruments	Derivatives on treasury shares	Stock options	FY2018	
Share capital:														
a) ordinary shares	7,740,000		7,740,000	-			-	-						**7,740,000**
b) other shares	-		-	-			-	-						**-**
Share premium account	1,070,912		1,070,912	-		-	-							**1,070,912**
Reserves:														
a) profits	5,675,802	-883,521	4,792,281	-476,123		-	-	-	-					**4,316,158**
b) other	-	-	-	-		-	-		-		-	-		**-**
Valuation reserves	-148,877	15,112	-133,765			-							-243,250	**-377,015**
Equity instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	-476,123	-	-476,123	476,123	-								-1,284,207	**-1,284,207**
Shareholders' Equity	13,861,714	-868,409	12,993,305	-	-	-	-	-	-	-	-	-	-1,527,457	**11,465,848**

Cash Flow Statement

Indirect method

(Amounts in Euros)

A. OPERATIONS	Amount	
	2019	2018
1. Operations	**763,778**	**-309,271**
- operating result (+/-)	458,345	-1,284,207
- gains / losses on financial assets held for trading and on other financial assets / liabilities measured at fair value through profit or loss (- / +)	276	222,368
- capital gains/losses on hedging activities (-/+)	-	-
- Net value adjustments/reversals for credit risk (+/-)	-83,789	262,521
- net value adjustments/reversals on tangible and intangible fixed assets (+/-)	367,354	345,836
- net allocations to provisions for liabilities and charges and other costs/revenue (+/-)	78,182	222,190
- outstanding taxes and tax credits (+/-)	-58,400	-72,672
- net value adjustments/reversals of discontinued operations, net of tax effect (+/-)	-	-
- other adjustments (+/-)	1,810	-5,307
2. Liquidity generated/absorbed by financial assets	**8,902,142**	**2,854,695**
- financial assets held for trading	7,280,825	-995,612
- financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	6,281	-11,248
- financial assets measured at fair value through other comprehensive income	-1,645,227	1,185,559
- financial assets measured at amortised cost	3,123,970	2,822,647
- other assets	136,293	-146,651
3. Liquidity generated/absorbed by financial liabilities	**-6,950,432**	**-4,180,354**
- financial liabilities measured at amortised cost	-5,757,408	-3,556,496
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	-1,193,024	-623,858
Net liquidity generated/absorbed by operations	**2,715,488**	**-1,634,930**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**-**	**-**
- disposal of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of tangible assets	-	-
- sale of intangible assets	-	-
- sale of business units	-	-

2. Liquidity absorbed by	**-290,819**	**-444,350**
- purchase of equity investments	-45,000	-32,500
- purchase of tangible assets	-4,240	-101,919
- purchase of intangible assets	-241,579	-309,931
- purchase of business units	-	-
Net liquidity generated/absorbed by investments	**-290,819**	**-444,350**
C. BORROWING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- allocation of dividends and other aims	-	-
Net liquidity generated/absorbed by borrowing activities	**-**	**-**
NET LIQUIDITY GENERATED/ABSORBED IN THE FINANCIAL YEAR	**2,424,669**	**-2,079,280**

KEY: (+) generated; (-) absorbed

RECONCILIATION

Items	***Amount***	
	2019	**2018**
Opening cash and cash equivalents	**1,159,454**	**3,238,734**
Net total liquidity generated/absorbed during the financial year	**2,424,669**	**-2,079,280**
Cash and cash equivalents: effect of changes in exchange rates	**-**	**-**
Closing cash and cash equivalents	**3,584,123**	**1,159,454**

In line with the amendment to IAS 7, introduced by Regulation 1990 of 6 November 2017, we provide here below the information required by paragraph 44 B in order to measure the movements in liabilities arising from financing activities, relating to both changes deriving from cash flows or non-cash changes.

	A. A. Operations - 3. Liquidity generated/absorbed by financial liabilities	**Amount 2019**
a)	change due to cash flows from financing activities	-5,757,408
b)	change due to control lost/acquired in subsidiaries or other companies	**-**
c)	change in fair value	**-**
d)	other changes	-1,193,024
Liquidity generated/absorbed by financial liabilities		**-6,950,432**

This page was intentionally left blank

Notes

PART A – ACCOUNTING POLICIES

A.1 - GENERAL SECTION

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

These financial statements, pursuant to Legislative Decree no. 38 of 28 February 2005, were drafted in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the pertinent interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission in compliance with the EC Regulation no. 1606 dated 19 July 2002 – and in force at the reporting date.

The financial statements have been prepared by applying the IAS/IFRS standards as approved and in force at 31 December 2019, the detail of which is provided in the attachments to the financial statements.

In applying the IAS / IFRS, reference has been made to the "Framework for the preparation and presentation of financial statements" specifically with regard to the fundamental principle of the prevalence of substance over form, and the concept of relevance and materiality of information.

These financial statements have been prepared on the basis of the instructions contained in Banca d'Italia Circular no. 262 of 22 December 2005 entitled "Banks' financial statements: formats and drafting instructions": 6th update of 30 November 2018[1]. In drafting the financial statements, the documents on the adoption of IAS/IFRS in Italy prepared by the Italian Accounting Standard Body (OIC) and the Italian Banking Association (ABI) were also considered in terms of interpretation.

SECTION 2 – GENERAL DRAFTING PRINCIPLES

The financial statements were drafted by applying the general principles of IAS 1, substantially reviewed in 2007 and endorsed by the European Community Commission in December 2008, and the specific accounting standards endorsed by the European Commission and illustrated in part A.2 of these Notes, as well as in compliance with the general assumptions of the so-called Framework drafted by the IASB for financial statements' drafting and presentation.
There were no exceptions to the application of IAS/IFRS.

In accordance with art. 5 of Legislative Decree No. 38/2005, the financial statements are prepared using the Euro as reporting currency.

In preparing the financial statements, the formats and drafting rules referred to in Banca d'Italia Circular no. 262 of 22 December 2005, 6th Update of 30 November 2018, were used.

Despite holding a controlling interest in Promos Corporate Consulting Srl and in the innovative start-up Promos Fintech Srl, the Bank did not prepare consolidated financial statements due to the negligible relevance of both subsidiaries both in terms of balance sheet and income statement.

The Financial Statements consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' equity, Cash Flow Statement – drafted according to the indirect method – the Notes and the pertinent comparative information. They are also accompanied by the Directors' Report on the Bank's operations and situation.

[1] The 6th update of Circular 262, published on 30 November 2018, implemented the changes introduced by the international accounting standard IFRS 16 *"Leases",* approved by Regulation (EU) 2017/1986 dated 31 October 2017, which replaces accounting standard IAS 17 with regard to the accounting treatment of lease transactions as of 1 January 2019.

In addition, the international accounting standard IAS 1 "Presentation of financial statements", requires the presentation of a "Comprehensive Income Statement", which includes, among other income components, also the changes in the value of the assets recorded in the period as contra-entry to equity. In line with the aforementioned Bank of Italy Circular no. 262 of 2005, as amended, the Bank has chosen - as permitted by the accounting standard in question - to present the comprehensive income statement in two sections: a first statement which shows the usual income statement components and the related result for the year, and a second statement which, starting from the latter, shows the other comprehensive income components ("statement of comprehensive income").

The Balance Sheet and Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement are drawn up in euros, while the figures shown in the Explanatory Notes are expressed in thousands of euros. Any differences found between the information provided in the Notes to the Financial Statements and the financial statements are rounding differences. Unless otherwise specified, the figures shown in the Report on Operations are expressed in thousands of euros.

The balance sheet and the income statement are made up of items, sub-items and additional information details. Items with a nil value both in the current and previous year are not reported.

In the Income Statement and in the relevant section of the Explanatory Notes, revenues are shown without a sign, while costs are shown in brackets. In comprehensive income, negative figures are indicated in brackets.

Moreover, the Directors' Report and the Notes provide the information required by international accounting standards, the Laws, Banca d'Italia and the National Commission for Companies and the Stock Exchange (Consob) in addition to such supplementary information as is deemed appropriate to provide a complete representation of financial statement data, although not specifically required by law.

These financial statements were drafted on a going concern basis. Specifically, the joint coordination table among Banca d'Italia, Consob and Isvap concerning the application of IAS/IFRS, with document No. 2 of 6 February 2009 "Disclosures in financial reports on the going concern assumption, financial risks, impairment tests on assets and uncertainties in the use of estimates", as well as with subsequent document No. 4 of 4 March 2010 "Disclosures in financial reports regarding impairment tests, contractual clauses of loans, restructuring of loans and "fair value hierarchy", asked the Directors to carefully assess whether the going concern assumption can be confirmed.

To this purpose, according to paragraphs 25-26 of IAS 1: *"In drafting financial statements, management is required to 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.*"

Conditions on financial markets and in the real economy and the still uncertain forecasts for the short / medium term require especially accurate assessments of whether the going concern assumption is satisfied, as the company's historic results and its easy access to financial resources may not be sufficient in the current environment. In this regard, having examined the risks and uncertainties associated with the current macroeconomic context, the expectation that the Bank will continue operating as a going concern in the foreseeable future is considered reasonable, accordingly, these financial statements have been prepared on a going concern basis. More detailed information on key market issues and factors is contained in the Directors' Report.

Furthermore, the financial statements are in accordance with the general drafting standards, where applicable:

- Principle of truth, fairness and completeness in the presentation of the financial position and performance ("*true and fair view*");
- Accrual accounting standard;

- Principle of consistency of presentation and classification from one financial year to another (comparability);
- Principle of non-offsetting of items, save as expressly permitted;
- Principle of the prevalence of substance over form;
- Principle of prudence in exercising the necessary judgment when making estimates under uncertain conditions, so that assets or revenues are not overestimated and liabilities or costs are not underestimated, without this leading to the formation of hidden reserves or excessive provisions;
- Principle of information neutrality;
- Principle of relevance/materiality of information.

Regarding the Firts Time Adoption (FTA) of IFRS 16 international accounting standard, the Bank has chosen to adopt the *"Modified retrospective"* approach, which gives the option, envisaged by the standard, to recognize the cumulative effect from adoption of the standard on the date of first application rather than to restate the comparative data in the IFRS 16 first time adoption financial statements. Therefore, the financial statements data for FY 2019 and the related details of the explanatory notes are not comparable with the previous financial year with regard to the valuation of the rights of use and the corresponding lease payable, as well as with regard to the related income statement components. Therefore, the balance sheet data affected by the standard were restated in the Directors' Report in order to ensure comparability. However, the income statement data have not been restated.

SECTION 3 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In the period between the reporting date and the date of approval of these financial statements by the Board of Directors, no events occurred requiring changes to the data approved at such nor did any significant event occurred requiring the disclosure of additional information.

Please also note that at the beginning of January 2020, the Coronavirus epidemic spread across mainland China and, subsequently, also in other countries including Italy, causing the slow down or interruption of economic and trade activities in multiple sectors. In accordance with IAS 10, the Bank considers this event to be a non-adjusting event after the closing of the financial statements. In light of the current rapidly evolving situation, currently it is not possible to provide a quantitative estimate of the potential impact of Coronavirus on the bank’s operating and financial position, considering the many determinants that are still unknown and undefined. This impact will therefore be taken into account in the accounting estimates during 2020.

SECTION 4 – OTHER ASPECTS

4.1 – Consolidated financial statements

Despite holding a controlling interest in Promos Corporate Consulting Srl and in the innovative start-up Promos Fintech Srl, the Bank did not prepare consolidated financial statements due to the negligible relevance of both subsidiaries both in terms of balance sheet and income

In this regard, it should be noted that the application of International Accounting Standards must be read with reference to the "Framework for the preparation and presentation of the financial statements" (Framework) which, in paragraphs 26 to 30, refers to the concepts of relevance and materiality of information. In particular, paragraph 26 states that *"Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations."* Paragraph 29 establishes that “*The relevance of information is affected by its nature and materiality*” Finally, paragraph 30 specifies that materiality *" provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful”.* In this sense, it is one of the prerogatives of the directors to set this cut-off point or threshold.

In addition, in accordance with IAS 27, for the investments in the subsidiaries Promos Corporate Consulting Srl and Promos Fintech Srl, the equity method is used as a new measurement criterion to be adopted in the bank's financial statements.

Accordingly, and to ensure consistency with the current regime of exemption from supervisory reports on a consolidated basis, the Bank did not prepare consolidated financial statements, as the alignment (consolidation according to the equity method) between the value of the investments recorded in the financial statements and the value of the shareholders' equity of the subsidiaries, which at 31 December 2019 was € 67 thousand for Promos Corporate Srl and € 47 thousand for Promos Fintech Srl, is already ensured in the individual financial statements of the parent company. The subsidiaries' total balance sheet is lower than the thresholds set by the supervisory instructions for consolidated reports (balance sheet assets less than € 10 million).

The subsidiaries' financial statements are attached to the Bank's financial statements.

4.2 International accounting standards, amendments and interpretations endorsed at 31.12.2019 and in force since 2019

The following table shows the new international accounting standards and/or the amendments to the accounting standards already in force and IFRS interpretations, with the relevant endorsement regulations by the European Commission entered into force in FY 2019.

(EU) Endorsement Regulation	Topic	Effective date
1986/2017	IFRS 16 Leases	01/01/2019 First subsequent FY beginning on or after 01/01/2019
498/2018	Amendments to IFRS 9 – Financial instruments	01/01/2019 First subsequent FY beginning on or after 01/01/2019
1595/2018	IFRIC 23 Uncertainty over income tax treatments	01/01/2019 First subsequent FY beginning on or after 01/01/2019
237/2019	Amendments to IAS 28 – Investments in associates and joint ventures	01/01/2019 First subsequent FY beginning on or after 01/01/2019
402/2019	Amendments to IAS 19 - Employee Benefits	01/01/2019 First subsequent FY beginning on or after 01/01/2019
412/2019	Amendments to IAS 12 Income taxes	01/01/2019 First subsequent FY beginning on or after 01/01/2019
	Amendments to IAS 23 – Borrowing costs	01/01/2019 First subsequent FY beginning on or after 01/01/2019
	Amendments to IFRS 3 – Business Combinations	01/01/2019 First subsequent FY beginning on or after 01/01/2019
	Amendments to IFRS 11 – Joint arrangements	01/01/2019 First subsequent FY beginning on or after 01/01/2019

The accounting regulations with first-time mandatory application as of 1 January 2019 mainly consists of IFRS 16 "Leases". The new accounting standard, which replaced IAS 17 and IFRIC 4, affects the methods of accounting for lease, rental, and free loan contracts, introducing a new definition of "lease" based on the transfer of the "right of use" of the leased asset.

For a detailed description of IFRS 16 and the impact arising from its First Time Adoption, please refer to the information contained in the following paragraph "*4.6 Transition to the international accounting standard IFRS 16 ".*

In addition to the above and as shown in the previous table, the accounting regulations with first-time mandatory application starting from 2019, also include the IFRIC 23 Interpretation "Uncertainty over income tax treatments" and a number of amendments - none of which of particular relevance for the Bank - made to accounting standards already in force and which were endorsed by the European Commission during 2018 and 2019.

The foregoing is summarized below.

- Amendments to IFRS 9: with Regulation UE 498/2018, endorsed on 22 March 2018, some amendments to IFRS 9 "Prepayment feature with negative compensation" on the classification of financial instruments with special prepayment clauses (early repayment) were applied. By the aforementioned amendment to IFRS 9, instruments that contain prepayment clauses providing for the possibility or obligation to pay off the debt in advance at a variable amount, even lower than the residual debt and accrued interest (thus configuring a negative compensation), can be considered as SPPI compliant.

- Interpretation of IFRIC 23: by EU Regulation 1595/2018, approved on 23 October 2018, the IFRIC 23 interpretation "Uncertainty over income tax treatments" has been adopted, which clarifies how to apply the recognition and measurement requirements under IAS 12 "Income taxes" (for current and deferred tax assets and liabilities), when there is uncertainty over income tax treatments. According to the interpretation, the entity must assess whether the tax authority is likely to accept an uncertain tax treatment; if that is the case, it must determine its value, otherwise in order to determine the taxable income (tax loss) and the other tax positions, it must apply either the most likely amount method or the expected value method.

- Amendments to IAS 28: by EU Regulation 237/2019 of 8 February 2019, certain amendments to IAS 28 "Investments in associates and joint ventures" were adopted. The amendment clarifies that the entity applies IFRS 9, including impairment provisions, also to other financial instruments in associates or joint ventures to which the equity method does not apply. These instruments include long-term interests (for example a loan) which, in essence, are an additional net investment of the entity in the associate or in the joint venture. The aforementioned amendments do not introduce new concepts but simply address the interaction between IFRS 9 and IAS 28.

- Amendments to IAS 19: by EU Reg. 402/2019 dated 13 March 2010, some amendments were made to IAS 19 "Employee Benefits" in order to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period.

- Annual improvement cycle IFRS 2015-2017: by EU Regulation 412/2019 dated 14 March 2019, the Commission - as part of its ordinary activity of rationalization and clarification of international accounting standards - has implemented the amendments adopted by the IASB as part of the annual improvement cycle to IFRS 2015- 2017, published on 12 December 2017. These changes include amendments to IAS 12 "Income taxes", IAS 23 "Borrowing costs", IFRS 3 "Business combinations" and IFRS 11 "Joint arrangements".

4.3 Accounting standards endorsed at 31.12.2019 and in force after 31.12.2019

The table below shows the new international accounting standards or the amendments to the accounting standards already in place which will become mandatory on (for financial statements coinciding with the calendar year) or after 1 January 2020.

(EU) Endorsement Regulation	Topic	Effective date
34/2020	Amendments to IFRS 9 – Financial instruments	01/01/2020 First FY beginning on or after 01/01/2020
	Amendments to IAS 39 Financial instruments: recognition and measurement	01/01/2020 First FY beginning on or after 01/01/2020
	Amendments to IFRS 7 “Financial instruments: disclosures	01/01/2020 First FY beginning on or after 01/01/2020
2075/2019	Amendments to references to the Conceptual Framework	01/01/2020 First FY beginning on or after 01/01/2020
2104/2019	Amendments to IAS 1 Presentation of Financial Statements	01/01/2020 First FY beginning on or after 01/01/2020
	Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors	01/01/2020 First FY beginning on or after 01/01/2020

Below is a summary of the aforementioned Endorsement Regulations:

- Regulation 34/2020: on 15 January 2020, EU Regulation 34/2020 was approved, with mandatory application as of 1 January 2020. The Regulation implements certain amendments to IFRS 9, IAS 39 and IFRS 7 regarding hedge accounting with a view to regulating the effects of the "Interest Rate Benchmark" reform on existing hedges and on the designation of new hedging relationships.

- Regulation 2075/2019: Regulation dated 29 November 2019 implements certain amendments to the IFRS regarding references to the Conceptual Framework. The purpose of the amendments is to update, in various accounting standards and in various interpretations (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20 , IFRIC 22, SIC 32), the references to the previous version replacing them with those of the conceptual framework revised in March 2018. Note that while the Conceptual Framework is not an Accounting Standard and therefore it is not subject to endorsement, the document in question, precisely in so far as it modifies some IAS / IFRS, is subject to endorsement.

- Regulation 2104/2019: by the Regulation dated 29 November 2019 certain amendments were adopted to IAS 1 "Presentation of Financial Statements" and to IAS 8 "Accounting Policies, changes in accounting estimates and errors" in order to clarify the definition of material information and to improve understanding. It is highlighted that materiality depends on the nature or magnitude of information, or both. An entity also assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

4.4 International accounting standards not yet endorsed at 31.12.2019

The following table shows the new international accounting standards or the amendments to the accounting standards already in force, not yet endorsed by the European Commission, specifying the changes' scope or purpose.

Since, at present, they have not been approved by the European Commission, none of these updates is relevant for the Bank's financial statements.

Interpretation/Standard	Title	Issued on
IFRS 17	Insurance Contracts	18/05/2017
Interpretation/Standard	**Amendments**	**Issued on**
IFRS 3	Business Combination	22/10/2018

- On 18 May 2017, the IASB issued IFRS 17 Insurance Contracts – not yet endorsed by the European Commission - which is intended to replace IFRS 4 - Insurance Contracts.

Application of IFRS 17 is mandatory as of 1 January 2021, however, due to the complexity of the standard, the IASB has recently proposed postponing the date of first time adoption by one year, i.e. to 1 January 2022, with simultaneous option to extend the deadline for the temporary deferral of the IFRS 9 application for Insurance Companies (Deferral Approach) by one year - i.e. also to 2022 - in order to align it with the IFRS 17 application.
The directors do not expect the adoption of this standard to impact the financial statements.

- On 22 October 2018, the IASB issued the document "Definition of a Business (Amendments to IFRS 3)". The document clarifies a number of points regarding the definition of business for the purpose of applying IFRS 3 correctly. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business where an integrated set of activities/processes and assets is present. However, for the definition of a business, an integrated set of activities/processes and assets must include at least an input and a substantial process that together make a significant contribution to the ability to create outputs. To this end, the IASB has replaced the term " ability to create outputs" with "ability to contribute to the creation of outputs", in order to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

The amendment also introduced a "concentration test", optional for the entity, to determine whether a set of activities/processes and assets purchased is not a business. If the result of the test is positive, the set of activities/processes and assets purchased is not a business, and the standard requires no further verification. If the result of the test is negative, the entity must conduct further analyses on the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added numerous examples to IFRS 3 in order to illustrate the practical application of the new definition of a business in specific cases. The modifications apply to all the business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.
The directors do not expect the adoption of this amendment to have a significant impact on the Bank's financial statements.

4.5 Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements requires the use of estimates and assumptions which may significantly affect the amounts stated in the balance sheet and the income statement, as well as the information on contingent assets and liabilities recorded.

Such estimates require the use of available information and the adoption of subjective valuations, also based on the historical experience used to make reasonable assumptions for the recording of management operations.

The estimates and assumptions used may, by their very nature, vary from one financial period to the next. Therefore, the current amounts stated in the financial statements in the subsequent financial years might significantly differ as a result of changes in the subjective valuations used.

The main instances in which subjective valuations are used by the Board of Directors include:

- verification of compliance with requirements for the classification of financial assets in accounting portfolios that provide for the use of the amortized cost criterion (SPPI Test), with specific reference to performance of the benchmark test;
- the quantification of impairment losses on loans and, more in generally, of the other financial assets;
- the determination of fair value of financial instruments to be used for reporting purposes;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- impairment test of goodwill and other intangible assets;
- measuring reserves for personnel and provisions for liabilities and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

As part of its policies for managing loans to customers, the Bank has adopted processes and methods for monitoring the progress of relationships which have led, among other things, to the classification of exposures into homogeneous risk categories. For the purposes of determining the recoverable value of impaired loans to customers, the Bank, within the scope of its classification and assessment policies, has used valuation methods and processes characterised by subjective elements and estimation processes, subject to risks and uncertainties, of some variables, mainly such as expected cash flows, expected recovery times and the estimated realisable value of the guarantees, if any, the modification of which may entail a change in recoverable value; this calculation is based on the information available as at the valuation date.

These processes confirmed the book values as at the date of preparation of the financial statements. The measurement process was especially complex in view of persistent uncertainties in the macroeconomic environment and the markets, with significant volatility which was reflected in the financial parameters that are decisive for the measurements, and with still high indicators of deterioration in credit quality. These parameters and the information used to verify the aforementioned values are therefore significantly influenced by these factors, which may be subject to swift and unforeseeable changes.

The description of the accounting policies applied to the main financial statement aggregates provides the detailed information necessary for identifying the main assumptions and subjective assessments used in preparing the financial statements.

With specific reference to intangible assets, pursuant to IAS 38 the Bank has recognized intangible assets based on internally generated technology, intended to support the various business lines of the Bank and therefore capable of generating future economic benefits.

In compliance with the applicable accounting standard (IAS 38) research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet.

For further details on the breakdown and the carrying values of items calculated using estimates, please refer to the specific sections of the Notes to the financial statements.

Finally, owing to the potential impact of the coronavirus emergency over the following months of 2020, the quantification of impairment losses on receivables and, in general, on the other financial assets, the determination of the fair value of financial instruments, the considerations on the recoverability of deferred tax assets, the related estimates and assumptions used in the preparation of the financial statements as at 31 December 2019 could be subject to changes.

Change in accounting estimate

The useful life of a depreciable asset, by its nature, cannot be accurately measured and is therefore subject to management's estimate.

As a result of new information obtained through a real estate appraisal issued by an independent expert, the Bank, in accordance with IAS 8 paragraph 34, revised the estimate so far used to determine the useful life of buildings recognized as assets in the balance sheet

As a result of the change in estimate, the useful life of the depreciable asset has been extended to 50 years compared to the 33-year period of the previous depreciation schedule; consequently, the depreciation rate used for the year 2019 has been reduced by approximately 1% compared to the previously applied rate.

The effect on the income statement of the change in estimate is described below:
- Accumulated depreciation according to the 33-year depreciation schedule: € 202 thousand;
- Accumulated depreciation according to the 50-year depreciation schedule: € 119 thousand.

Therefore, the impact on the 2019 income statement was of € 83 thousand.

4.6 Transition to IFRS 16 international accounting standard

Regulations

On 31 October 2017 UE Regulation no. 2017/1986 was issued, which implemented the amendment to IFRS 16 - Leases at Community level. IFRS 16 replaces IAS 17 - Leases and the related IFRIC 4 Interpretations "Determining whether an arrangement contains a lease", SIC 15 "Operating leases — Incentives", SIC 27 "Evaluating the substance of transactions involving the legal form of a lease", with regard to the accounting of long-term leases and rental contracts.

The new standard requires identifying whether a contract is (or contains) a lease, based on the concept of control on the use of a specified asset for a specified period of time; it follows that lease, rental or free loan contracts now fall within the scope of application of the new rules.

Therefore, significant changes are applied to the accounting of lease transactions in the financial statements of lessees/users, introducing a single accounting method for leases by lessees, based on the right of use model.

The new accounting standard therefore has harmonized the accounting treatment of operating and finance leases for the lessee. Indeed, IFRS 16 requires lessees to recognize:

- in the statement of financial position: i) a financial liability which is the present value of future lease payments that the company has undertaken to pay under the lease contract, and ii) an asset that represents the "right of use" of the leased asset;
- in the Income Statement: i) the financial charges associated with the aforementioned financial liability and ii) the depreciation associated with the aforementioned "right of use".

The interest arising from the lease liability and the depreciation of the right of use are recognized in the Income Statement of the lessee. The right of use is depreciated over the effective term of the underlying contract.

The minimum disclosures required from lessees include, inter alia:

- the breakdown of the different "classes" of leased assets;
- an analysis by maturity of lease liabilities;
- potentially useful information that can improve an understanding of the company's business with respect to leases (for example early repayment or extension options).

On the other hand, except for some major disclosure requirements, there are no substantial changes in the accounting of leases by lessors, as the distinction between operating and finance leases has been maintained.

Please also note that, according to the requisites of IFRS 16 and the clarifications of IFRIC (document "Cloud Computing Arrangements" September 2018), software is excluded from IFRS 16 scope of application, being accounted for according to IAS 38 and the pertinent requisites.

The Bank has applied the new standard using the prospective method and excluding short-term contracts, i.e. with a duration of less than 12 months, and low-value contracts, i.e. having as their object a low-value asset, from the scope of application making use of the practical expedients envisaged by paragraph 6 of IFRS 16.

As of 1 January 2019, the effects on the financial statements of the lessee arising from the application of IFRS 16 - are as follows (profitability and final cash flows being equal):

- increase in assets due to the recognition of rights of use (lease assets);
- increase in liabilities due to the recognition of financial lease payables reflecting the payment of rent;
- reduction in operating costs, relating to the lease payments;
- increase in financial charges for the interest expense on lease liabilities and increase in depreciation relating to the right of use.

It is therefore clarified that, throughout the life of the contract, the application of IFRS 16 has no impact on the Income Statement compared to the previous IAS 17, although it results in a different distribution of the effects over time.

For details regarding the effects of the IFRS 16 first time adoption (FTA) on the Bank's balance sheet and income statement, please refer to the following paragraph *"Effects of IFRS 16 first time adoption".*

The choices applied by the Bank

Upon first time adoption (FTA) of the standard, the entity is permitted to apply one the following accounting transition methods:

- *full retrospective approach* or retroactive application to each previous year presented in accordance with IAS 8;
- *modified retrospective approach*, i.e. retroactive application with recognition of the cumulative effect as of the date of initial application without restatement of the comparative data in the IFRS 16 FTA financial statements.

The Bank has chosen to adopt IFRS 16 as of 1 January 2019, using the *modified retrospective approach*, which provides for recognition of a lease liability equal to the present value of future lease payments and a right of use for the same amount. This approach therefore has no impact on shareholders' equity.

The Bank has decided to adopt the practical expedient referred to in Paragraph 6 of IFRS 16 and has therefore excluded from the scope of application (i) contracts with a residual useful life on the date of first application of less than 12 months and (ii) i contracts involving assets with a value of less than € 5,000 ("low value"). For these two types of contract, the lease payments were recorded under operating costs in the income statement, according to the same treatment used before adoption of the IFRS 16.

The main choices made by the Bank in relation to IFRS 16 first time adoption are summarized below.

Discounting rate

With regard to the discount rate, the standard provides that the lessee must assess the financial liability of the contracts in force at the FTA date using the implicit interest rate of the lease contract - if available - or, alternatively, the lessee *Incremental Borrowing Rate*.

The internal transfer rate (TIT) of deposits at 31 December 2018 was identified by the Bank as the *Incremental Borrowing Rate* applied in calculating the financial liability.

Term of the contract

The term of the contract corresponds to the non-cancellable period in which the individual company has an obligation towards the lessor and has the right to use the leased property. The term of the contract includes:

- the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise the option; and
- the periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise the option.

The periods covered by a bilateral option to terminate the contract are not part of the contract term. In these cases, the term of the contract extends up to the notification period for exercising the option.

On the date of first application of the standard and for each contract entered into after 1 January 2019, the Bank determined the term of the contract on the basis of the information available on that date.

As regards the contractual term of property leases, the Bank considered the first renewal as being reasonably certain and to be included in the term of the contract unless there are special contractual clauses that lead to a different evaluation.

This approach will also be followed for contracts entered into after 1 January 2019.

Therefore, based on the provisions of Law 392/1978, when signing a new lease contract with a contractual term of six years and the option to tacitly renew it every six years, the overall term of the lease will be at least twelve years. This general approach is overridden if there are new elements or specific situations within the contract.

Lease and non-lease components

The bank has decided not to separate the service components from the lease components and, consequently, to account for the entire contract as a lease, the service components being negligible.

The effects of IFRS 16 first time adoption

The adjustment of the opening balances following IFRS 16 adoption, using the modified retrospective approach, resulted in an increase in assets following recognition of the new rights of use of € 325 thousand and in financial liabilities (payable to lessor) of the same amount. Following the first application of the standard, therefore, there were no impacts on shareholders' equity due to the choice to adopt the "modified approach"; upon first time adoption the values of assets and liabilities coincide, excluding the reclassification of accruals/deferrals and the presentation of leases previously classified as finance leases under IAS 17.

The internal transfer rate (TIT) of deposits applied for the purposes of defining the lease liability is 0.941%.

As regards disclosures on the right of use asset, please refer to information in Part B - Information on the Balance Sheet, Assets, Section 8 - Property, plant and equipment - Item 80.

As regards disclosures in financial lease payables, please refer to information in Part B - Information on the Balance Sheet, Liabilities, Section 1 - Financial liabilities measured at amortized cost - Item 10.

As regards disclosures on interest expense on lease payables and other charges connected with the rights of use acquired through the lease, please refer to information in Part C - Information on the Income Statement, Section 1 - Interest Items 10 and 20 and Section 12 - Net impairments/reversals on tangible assets - Item 180.

Assets, Liabilities and Shareholders' Equity as of 1st January 2019

The following tables show in detail the values at 1 January 2019 of the impacts on the balance sheet items as well as the various categories of rights of use identified.

Assets

Assets (€/000)	31.12.2018	Effects of transition to IFRS 16	1.1.2019 IFRS 16
10. Cash and cash equivalents	1,159	–	1,159
20. Financial assets measured at fair value through profit or loss	7,395	–	7,395
30. Financial assets measured at fair value through other comprehensive income	8,416	–	8,416
40. Financial assets measured at amortised cost	35,794	–	35,794
50. Hedging derivatives	–	-	-
60. Adjustment to financial assets subject to macro-hedging (+/-)	–	-	-
70. Equity investments	33	–	33
80. Tangible assets	5,640	325	5,965
90. Intangible fixed assets	340	–	340
100. Tax assets	871	–	871
110. Non-current assets and disposal groups	82	–	82
120. Other assets	1,581	–	1,581
Total assets	**61,311**	**–**	**61,636**

The amount of 5,965 thousand under tangible assets includes € 325 thousand of rights of use recognized in connection with property leases (€ 254 thousand), company vehicles (€ 23 thousand) and ATMs (€ 48 thousand).

Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity (€/000)	31.12.2018	Effects of transition to IFRS 16	1.1.2019 IFRS 16
10. Financial liabilities measured at amortised cost	45,795	–	45,795
a) payables to banks	6,562	–	6,562
b) payables to customers	34,480	325	34,805
c) outstanding securities	4,754	–	4,754
20. Financial liabilities held for trading	–	-	-
30. Financial liabilities designated at fair value	–	-	-
40. Hedging derivatives	–	-	-
50. Adjustment to financial liabilities subject to macro-hedging (+/-)	–	-	-
60. Tax liabilities	841	–	841
70. Liabilities related to discontinuing operations	–	-	-
80. Other liabilities	2,151	–	2,151
90. Employee severance indemnity	932	–	932
100. Provisions for liabilities and charges	125	–	125
110. Valuation reserves	-377	–	-377
120. Redeemable shares	–	-	-
130. Equity instruments	–	-	-
140. Reserves	4,316	–	4,316
150. Share premium account	1,071	–	1,071
160. Share capital	7,740	–	7,740
170. Treasury shares (-)	–	-	-
180. Profit (loss) for the year (+/-)	-1,284	–	-1,284
Total Liabilities and Shareholders' Equity	**61,311**	**–**	**61,636**

4.7 Changes in amounts compared to the Financial Statements as at 31/12/2018

In the Income Statement, the amount referring to item "*10. Interest income and similar income - of which: interest income calculated using the effective interest method*" in the comparative year at 31/12/2018 differs from the amount reported in the financial statements at 31/12/2018 as incorrect. The exact amount shown in these financial statements is € 1,070,218, instead of € 103,701, which was the incorrect amount reported in the 2018 financial statements.

4.8 Statutory audit of the accounts

The financial statements are audited by KPMG S.p.A., in application of the Shareholders' Meeting Resolution of 30/04/2019, which appointed the mentioned firm as independent auditors for the years 2019-2027.

A.2 - MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of these Financial Statements are indicated below.

For the preparation of the financial statements at 31 December 2019, the same accounting policies and methods were used as those adopted for the preparation of the financial statements at 31 December 2018, as amended by the new accounting standards entered into force during 2019. The presentation of the standards adopted was carried out referring to the stages of classification, recording, measurement and derecognition of the items of assets and liabilities. The same applies to the recognition method of costs and revenue.

1 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Classification criteria

This category includes all financial assets that are not classified as financial assets at fair value through comprehensive income or as financial assets measured at amortised cost.

Specifically, financial assets at fair value through profit or loss include:

- financial assets which, according to the Bank's *Business Model*, are held for trading purposes, i.e. debt and equity securities (therefore, these assets are not held according to a business model aimed at the collection of contractual cash flows - "Hold to Collect" *Business Model* - or at the collection of contractual cash flows combined with the sale of financial assets - "Hold to Collect and Sell" *Business Model*) and the positive value of derivative contracts held for trading. These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss" sub-item "a) financial assets held for trading";
- financial assets designated at *fair value,* i.e. financial assets thus defined upon initial recognition where the conditions are met. In cases of this kind, upon recognition an entity may irrevocably designate a financial asset as at fair value through profit or loss if, and only if, so doing eliminates or significantly reduces a measurement or recognition inconsistency. These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss" sub-item "b) financial assets assets designated at fair value";
- financial assets mandatorily measured at fair value, consisting of financial assets that do not meet the requirements for valuation at amortised cost or at fair value through other comprehensive income. These are financial assets with contractual terms that do not exclusively provide for principal repayment and payment of interest on outstanding principal ("SPPI test" not passed) or which are not held under a business model aimed at holding assets for the purpose of collecting contractual cash flows ("Hold to Collect" Business Model) or whose objective is achieved both by collecting the contractual cash flows and by selling financial assets ("Hold to Collect and Sell" Business Model). These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss" sub-item "c) other financial assets mandatorily measured at fair value".

Therefore, this item includes:

- debt securities and loans included in a Other/Trading *Business Model* (which, therefore cannot be included in a "Hold to Collect" or "Hold to Collect and Sell" *Business Model*) or which did not pass the *SPPI Test*;
- capital instruments, which cannot be qualified as interests in subsidiaries, associates or jointly controlled entities, that are held for trading or for which designation at fair value through other comprehensive income was not opted for upon initial recognition.
- UCIT units;

The item also includes derivative contracts held for trading, reported as assets if their *fair value* is positive and as liabilities if their *fair value* is negative. The offsetting of current positive and negative amounts resulting from existing transactions with the same counterparty is possible only if there is a legal right to offsetting the amounts recognized in the accounts and the positions being netted are to be settled on a net basis. Derivatives also include those embedded in complex financial contracts.

According to the general rules established by IFRS 9 regarding the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of measured at fair value through profit or loss into one of the other two categories required by IFRS 9 (Financial assets measured at amortized cost or Financial assets measured at fair value through other comprehensive income). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and this date is considered as the initial recognition date for the allocation in the various stages of credit risk (stage assignment) for the purposes of impairment.

Recognition criteria

Financial assets are initially recognised at the settlement date for debt and equity instruments, at the disbursement date for loans and at the subscription date for derivative financial instruments.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or gains directly attributable to the instrument itself, recognised directly in the Income Statement.

Measurement criteria

After initial recognition, financial assets measured at fair value through profit or loss are measured at fair value and changes are recognised in profit or loss. If the *fair value* of a financial asset becomes negative, this item is accounted for as a financial liability.

For more information on how *fair value* is calculated, see Section A.4 Information on the Fair Value of this part A.2.

Derecognition criteria

Financial assets measured at fair value through profit or loss are derecognised only when the dismissal entailed the transfer of all the risks and benefits associated with the assets. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

Recognition criteria of Income Statement items

The positive components of income consisting of interest income on securities and related income, as well as the differentials and margins accrued up to the reporting date, relating to derivative contracts classified in the item, but operationally linked to financial assets or liabilities measured at fair value (Fair Value Option), are recorded on an accrual basis in the interest items of the Income Statement.

The profits and losses on sale or reimbursement and unrealized profits and losses arising from changes in the fair value of the trading portfolio are classified in the Income Statement, in the item "Net income from trading activities for instruments held for trading" and in the item "Net income from other financial assets and liabilities at fair value through profit or loss" for instruments mandatorily at fair value and for instruments designated at fair value.

2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Classification criteria

Assets measured at fair value through other comprehensive income include assets jointly satisfying the following conditions:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset ("Hold to Collect and Sell" Business Model), and
- the contractual terms of the financial asset envisage cash flows on certain dates consisting solely of payments of principal and of interest on the outstanding principal ("SSPI test" passed).

The item also includes equity instruments, not held for trading, for which the option for designation at fair value through other comprehensive income was exercised upon initial recognition.

Therefore, this item includes:

- debt securities that fall within a "Hold to Collect and Sell" *Business Model* and have passed the *SPPI Test*;
- equity interests, not classified as interests in subsidiaries, associates or jointly controlled entities, which are not held for trading, for which the option for designation at fair value through other comprehensive income has been exercised;
- loans that fall within a "Hold to Collect and Sell" *Business Model* and have passed the *SPPI Test*;

According to the general rules established by IFRS 9 regarding the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets.
In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of measured at fair value through other comprehensive income into one of the other two categories required by IFRS 9 (Financial assets measured at amortized cost or Financial assets measured at fair value through profit or loss). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. In the event of reclassification from the category in question to that of amortized cost, the accumulated profit (loss) recognized in the valuation reserve is used to adjust the fair value of the financial asset at the reclassification date. Conversely, in the event of reclassification into the category of fair value through profit or loss, the cumulative profit (loss) previously recognized in the valuation reserve is reclassified from equity to profit (loss) for the year.

Recognition criteria

Financial assets are initially recognised at the settling date for debt and equity instruments and at the disbursement date for loans.

Upon initial recognition, assets are stated at fair value, including transaction costs or income directly attributable to the instrument.

Measurement criteria

After initial recognition, assets measured at fair value through other comprehensive income other than equity securities, are measured at fair value with recognition in profit or loss of a) the impacts deriving from the amortised cost application, b) the effects of impairment and c) any exchange effect, while the gains or losses due to a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. At the time of partial or total disposal, the profit or loss accrued in the valuation reserve is reversed, wholly or in part, to the income statement (so-called recycling).

The equity instruments for which the entity opted for classification in this category are measured at fair value and the amounts recognized as contra entry in shareholders' equity (Statement of comprehensive income) must not subsequently be transferred to the income statement, including upon disposal (*no recycling*). Dividends are the only element pertaining to the equity securities in question that is recorded in the income statement.

For equity securities not listed on an active market and included in this category, cost is used as a criterion for estimating *fair value,* only on a residual basis and in limited circumstances.

For more information on how *fair value* is calculated, see Section A.4 Information on the Fair Value of this part A.2.

It should also be noted that "Financial assets measured at fair value through profit or loss", both in the form of debt securities and loans and receivables, are subject to impairment test pursuant to IFRS 9, just like Assets at amortized cost. Therefore, for the aforementioned instruments a value adjustment will be recognized in the Income Statement to cover the expected losses. The estimate of the expected loss through the Expected Credit Loss (ECL) approach is carried out on the basis of the allocation of each relationship in the three reference stages as explained in more detail in the paragraph *"Impairment losses on financial assets".*

Equity instruments are not tested for impairment.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised only when the dismissal entailed the transfer of all the risks and benefits associated with the assets. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

Recognition criteria of Income Statement items

Interest income on debt securities, loans and receivables - calculated using the effective interest rate - is recognized in the income statement on an accrual basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognized in the income statement, while other gains or losses arising from fair value changes are recognized in a specific equity reserve.

For debt securities only, at the time of partial or total disposal, the profit or loss accrued in the valuation reserve is reversed, wholly or in part, to the income statement (“recycling”).

With respect to equity instruments, dividends are the only component to be recognized in the income statement. Dividends are recognized in the income statement only when (par. 5.7.1A of IFRS 9):

- the entity's right to receive payment of the dividends is established;
- It is probable that the economic benefits associated with the dividend will flow to the entity; and
- the amount of the dividend can be measured reliably.

Normally these conditions occur upon collection of the dividend following the shareholders' resolution of the investee company to approve the financial statements and the allocation of the result for the year.

For equity securities, the changes in fair value are recognized as a contra-entry in equity and must not subsequently be transferred to profit or loss regardless of realization ("no recycling").

3 – FINANCIAL ASSETS MEASURED AT AMORTISED COST

Classification criteria

Assets measured at amortised cost include financial assets (specifically loans and debt securities) jointly satisfying the following conditions:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractual cash flows ("Hold to Collect" Business Model), and
- the contractual terms of the financial asset envisage cash flows on certain dates consisting solely of payments of principal and payment of interest on the outstanding principal ("SPPI Test" passed).

More specifically, the following elements are recognized in this item:

- loans with banks in the various technical forms included in a "Hold to Collect" *Business Model* and which passed the *SPPI Test*;
- loans with customers in the various technical forms included in a "Hold to Collect" *Business Model* and which passed the *SPPI Test*;
- debt securities included in a "Hold to Collect" *Business Model* and which passed the *SPPI Test*;

Also included in this category are operating loans associated with the provision of financial assets and services as defined by the T.U.B. (consolidated Law on Banking) and the T.U.F. (consolidated Finance Law) (for example for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 regarding the reclassification of financial assets, reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories required by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. Profits or losses resulting from the difference between the amortized cost of the financial asset and the related fair value are recognized in the income statement in the event of reclassification into the category of Financial assets measured at fair value through profit or loss and in shareholders' equity, in the specific valuation reserve, in the event of reclassification into the category of Financial assets measured at fair value through on comprehensive income.

Recognition criteria

Financial assets are initially recognised at the settling date for debt instruments and at the disbursement date for loans. Upon initial recognition, assets are stated at fair value, including transaction costs or income directly attributable to the instrument.

Specifically concerning loans, they are initially recorded at the disbursement date according to the fair value of the loan itself. The fair value is equal to the amount disbursed (or subscription price), including costs/income directly attributable to the individual loan and determinable at origin, even where settled at a later date. Costs that - despite having the above characteristics - are repaid by the debtor or can be classified as ordinary administrative expenses are excluded.

In some cases, the financial asset is considered impaired upon initial recognition (so-called "purchased or originated impaired financial assets") for example because it has a very high credit risk and, if purchased, it is acquired at a large discount. In such cases, upon initial recognition, a correct effective interest rate is calculated for the receivable and the expected losses calculated for the entire life of the receivable are included in estimated financial flows. The aforementioned rate will be used in applying the amortized cost criterion and in the related calculation of interest to be recognized in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the actual interest rate method. In these terms, the asset is recognised for an amount equal to the initially recognised amount less any principal repayments, less/plus the accrued amount (calculated using the actual interest method) of the difference between initial amount and the amount at maturity (generally corresponding to income/expenses directly attributable to the individual asset) and amended for any loss coverage provision. The actual interest rate is determined by calculating the rate that equates the current value of future cash flows from the asset, for principal and interest, to the amount disbursed, including the costs/income attributable to the financial asset. This accounting method, using a financial logic, allows for the distribution of the economic effect of the costs/income directly attributable to a financial asset along its expected residual life.

The exceptions to the application of the amortized cost method concern short-term assets, assets without a defined maturity and demand loans. In such cases, the application of the amortized cost method is considered not significant and the asset is accordingly measured at cost.

"Financial assets measured at amortized cost", both in the form of debt securities and loans and receivables, are tested for impairment in accordance with the provisions of IFRS 9. Therefore, for the aforementioned instruments a value adjustment will be recognized in the Income Statement to cover the expected losses. The estimate of the expected loss through the Expected Credit Loss (ECL) approach is carried out on the basis of the allocation of each relationship in the three reference stages as explained in more detail in the paragraph *"Impairment losses on financial assets".*

In such cases, for the purpose of calculating the amortized cost, in calculating the credit-adjusted effective interest rate for financial assets that are considered purchased or originated impaired financial assets upon initial recognition (IFRS 9 par. B5.4.7) the entity is required to include the initial expected losses on receivables in estimated cash flows .

If the reasons for the impairment no longer apply after the value adjustment has been made, the Bank reverses the impairment loss to the income statement. The write-back may not exceed the amortised cost of the financial instrument had no adjustment been recognised. The reversals related to the passing of time are recognized in interest margin.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights on cash flows from the assets expire or when a financial asset is disposed of, basically transferring all the pertinent risks/benefits. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

If the contractual cash flows of a financial asset are renegotiated or otherwise amended, pursuant to IFRS 9 it is necessary to assess whether the aforementioned amendments have the characteristics for a derecognition of the financial asset. More specifically, contractual changes result in derecognition of the financial asset and recognition of a new one when they are considered "material". The materiality of the change is to be assessed through a qualitative analysis of the reasons for such change. In this regard, a distinction is made between:

- renegotiations for commercial purposes with performing customers for reasons other than the debtor's financial difficulties. These are renegotiated terms granted at market conditions in order to retain customers who request the adjustment of the financial conditions of the loan to align them with those of other banking institutions. These types of contractual amendments are considered material as their purpose is to prevent a decrease in future revenues that would occur if the customer decides to move to another bank. They entail the recognition in the income statement of the differences between the book value of the derecognized financial asset and the book value of the newly recognized asset;

- renegotiations due to financial difficulties of the counterparty: they include forbearance measures granted to counterparties in financial difficulty for the purpose of maximizing the repayment of the original loan by the customer and therefore avoid or contain any future losses. For this reason, the Bank is willing to grant potentially more favourable contractual conditions to the counterparty. In these cases, as a rule, the amendment is strictly related to the debtor becoming unable to repay the originally established cash flows and, therefore, in the absence of other factors, this means that the original cash flows were not essentially cancelled such as to lead to the derecognition of the asset. Accordingly, the aforementioned renegotiations or contractual amendments can be classified as non-material. Therefore, they do not result in derecognition of the financial asset and, pursuant to par. 5.4.3 of IFRS 9, they entail the recognition in the Income Statement of the difference between the book value before the amendment and the value of the financial asset recalculated by discounting the renegotiated or amended cash flows at the original effective interest rate.

In order to assess the materiality of the contractual amendment, in addition to appreciating the reasons for the amendment, one has to assess whether there are other elements that modify the original nature of the contract as they introduce new elements of risk or have an impact that is deemed significant on the original contractual flows of the asset such as to entail its derecognition and the consequent recognition of a new financial asset. This is the case, for example, when new contractual clauses are introduced that change the reference currency of the contract, that enable the receivable to be converted/replaced into equity instruments of the debtor or which cause the SPPI test to fail.

Recognition criteria of Income Statement items

Interest arising from loans to banks and customers is recognized under "Interest and similar income" and is recorded on an accrual basis using the effecting interest rate, i.e. by applying said rate to the gross book value of the financial asset, except for:

a) acquired or originated impaired financial assets. As noted above, for these financial assets the credit-adjusted effective interest rate is applied to the amortized cost of the financial asset as of the initial recognition;

b) financial assets that are not acquired or originated impaired financial assets but have become impaired financial assets at a later stage. For these financial assets, the effective interest rate is applied to the amortized 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 that occurred after application of the requirements referred to in b) above, in subsequent years, interest income is calculated by applying the effective interest rate to the gross book value.

It should be noted that the Bank applies the criterion referred to in b) above only to impaired assets that are measured individually using a specific approach. Therefore, stage 3 financial assets measured individually according to a flat-based approach are excluded and interest on these assets is calculated on the gross value of the exposure.

Impairment losses and reversals, including reversals related to the passing of time, are recognized at each Income Statement reporting date in the item "Net adjustments/reversals for credit risk". Gains and losses resulting from the disposal of loans are recognized in the income statement under the item: "Profits/losses on disposal or repurchase".

Revenue items comprising interest and income on securities are recognized in the interest items of the income statement on an accrual basis, according to the actual interest rate.

Gains and losses referred to securities are recognized in the income statement under the item: "Profits/losses on disposal or repurchase at the time when the assets are sold.

Any impairment of securities is recorded in the income statement under item: "Net adjustments to/write-backs for credit risk". Subsequently, if the reasons that led to the recognition of the impairment loss no longer apply, the losses are reversed with entry in the same Income Statement item.

4 - HEDGING TRANSACTIONS

The Bank has no hedging derivative contracts.

5 – EQUITY INVESTMENTS

Classification criteria

The term equity investments refers to investments in the capital of other companies, generally consisting of shares or quotas, that are classified as interests in subsidiaries (control), associates (significant influence) and jointly controlled entities.

More specifically, the following definitions apply:

- Subsidiary: equity investments in companies as well as investments in entities over which the parent exercises control over the relevant assets in accordance with IFRS 10. More precisely, "an investor controls an entity when it is exposed or is entitled to variable results arising from its involvement in the entity and has the ability to influence those results through its power over the entity." The power requires the investor to have existing rights that give them the current ability to direct the activities that significantly affect the results of the investment. Power means being able, without necessarily exercising that ability in practice. Control is verified on an ongoing basis. The investor must review its control on an entity when facts and circumstances indicate that there are changes in one or more elements of control.

  In consideration of the subsidiaries' negligent book value and balance sheet size, the Bank does not prepare consolidated financial statements.
  In this regard, it should be noted that the application of International Accounting Standards must be read with reference to the "Framework for the preparation and presentation of the financial statements" (Framework) which, in paragraphs 26 to 30, refers to the concepts of relevance and materiality of information. In particular, paragraph 26 states that *"Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations."* Paragraph 29 establishes that "*The relevance of information is affected by its nature and materiality*" Finally, paragraph 30 specifies that materiality *" provides a threshold or cut-off point rather than being a primary qualitative characteristic which*

information must have if it is to be useful". In this sense, it is one of the prerogatives of the directors to set this cut-off point or threshold;

- Associate: equity investments in companies for which, although the conditions for control are not met, the Bank - directly or indirectly- can exercise significant influence as it participates in establishing the financial and management policies of the investee. This influence is presumed (relative presumption) to exist for companies in which the Bank owns at least 20.00% of the voting rights or in which it has the power to participate in the determination of financial and management policies by virtue of particular legal relations;

- Joint ventures: equity investment in companies through a joint control where the parties who hold joint control have rights to the net assets of the arrangement.

Recognition criteria

Equity investments are initially recorded at cost, including any directly attributable ancillary charges.

Measurement criteria

Equity investments in subsidiaries, associates and jointly controlled entities are shown in the financial statements using the cost method as measurement criterion, net of impairment losses.

If there is objective evidence of an impairment, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the proceeds from final disposal. Any impairment is recognised in the income statement under item "Profits (loss) on equity investments". If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised on the income statement.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the assets has expired or when the investment is sold and all the risks and benefits connected thereto are transferred.

Recognition criteria of Income Statement items

Dividends from investee companies are accounted for in the item "Dividends and similar income". Dividends are recognized in the income statement only when (par. 5.7.1A of IFRS 9):
- the entity's right to receive payment of the dividends is established;
- It is probable that the economic benefits associated with the dividend will flow to the entity; and
- the amount of the dividend can be measured reliably.

Normally these conditions occur upon collection of the dividend following the shareholders' resolution of the investee company to approve the financial statements and the allocation of the result for the year.

Any impairment loss/reversal related to the valuation of equity investments as well as any gains or losses on disposal are booked to the item 'Profits (Losses) on Investments".

6 – PROPERTY, LAND AND EQUIPMENT

Classification criteria

This item mainly includes land, operating and investment properties, plants, vehicles, furniture, fittings and equipment of any type and of a durable nature.

According to IAS 16, 'operating properties' are the assets owned to be used for service provision or for administrative purposes.

As required by IAS 40, investment properties include property held to earn rental income or for capital appreciation, or for the appreciation of the invested capital.

The item also includes tangible assets classified on the basis of IAS 2 - Inventories, which refer to assets obtained through the enforcement of guarantees or the purchase at auction which the company intends to sell in the near future, without any significant restructuring works, and which do not meet the conditions for classification in the above categories.

Lastly, the item includes the rights of use acquired through leases and relating to the use of a tangible asset (for lessees), the assets leased under operating leases (for lessors), as well as improvements and incremental expenses on third party assets, as long as they pertain to identifiable and separable tangible assets.

Recognition criteria

Tangible assets are initially recorded at acquisition or construction cost, which includes any incidental costs directly attributable to the purchase and incurred to make the asset operative.

Extraordinary maintenance expenses and the cost of improvements that result in an increase in the asset-generated future benefits are attributed to the asset they refer to and depreciated over the remaining useful life of such assets.

Conversely, the costs for repairs, maintenance or other work carried out to ensure the normal operation of the assets are charged to the Income Statement as incurred.

Under IFRS 16, leases are accounted for according to the "right of use" model whereby, at the initial date, the lessee has a financial obligation to make payments to the lessor as consideration for his right to use the underlying asset for the entire term of the lease. When the asset is first made available for use to the lessee (initial date), the lessee recognizes both the liability and the asset consisting of the right of use.

More specifically, the right of use acquired through a lease is the sum of the present value of future lease payments due for the term of the contract, of the leasing payments paid on or before the effective date of the lease, of any incentives received, of initial direct costs and of any estimated costs for the dismantling or restoration of the leased asset.

Measurement criteria

After initial recognition, property, plant and equipment, including investment properties, except as specified below, are measured at cost net of accumulated depreciation and any accumulated impairment losses, in compliance with the cost model. Buildings held as investments are measured at fair value.

Property, plant and equipment are systematically depreciated in every FY over their useful life using the straight-line method. Buildings are depreciated to the extent deemed suitable to represent their deterioration over time following use, taking account of the extraordinary maintenance expenses that increase the value of the assets.

Vice versa, the following assets are not subject to depreciation:

- land, whether purchased separately or incorporated in the value of the buildings, as it is deemed to have an indefinite useful life. If the value of the land is included in that of the building, only entire buildings can be accounted for separately from the building; the allocation between the value of the land and the value of the building is carried out on the basis of independent expert appraisals;
- works of art, the useful life of which cannot be estimated and whose value usually increases over time;

- properties held for investment which, as required by IAS 40, are measured at fair value through profit or loss and must not be depreciated.

The depreciation process begins when the asset becomes available for use. For assets acquired during the FY, depreciation is calculated on a daily basis starting from the date when the asset became operational.

At each reporting date, the Bank verifies if there are any indications of impairment of the asset. The impairment loss is determined by comparing the carrying value of the tangible asset and the lower recoverable value.

The latter is the higher of the fair value of the asset, net of any selling costs, and the value in use which is the present value of future cash flows generated by the asset. Adjustments are recorded in the income statement under item “Net value adjustments/reversals on tangible assets”.

When the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

With reference to the tangible assets recognized in accordance with IAS 2, these are valued at the lower of cost and net realizable value, it being understood that a comparison is made between the carrying amount of the asset and its recovery value where there is some indication that the asset may have suffered an impairment. Any adjustments are recognised in the Income Statement.

With regard to the right of use asset, accounted for on the basis of IFRS 16, it is measured using the cost model according to IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated and tested for impairment if there is evidence of impairment.

Derecognition criteria

Tangible assets are derecognized upon disposal or decomissioning and, consequently, no future economic benefits are expected from their sale or use.

Capital gains and losses on the sale or disposal of tangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset; they are recognized in the income statement on the same date in which the assets are derecognized.

Recognition criteria of Income Statement items

The straight-line depreciation is recorded in the income statement under item ‘Net adjustments to/write-backs on tangible assets’.

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used.

Assets subject to depreciation are adjusted for impairment each time events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for an amount corresponding to the excess of the book value over recoverable value. The recoverable value of an asset is equal to the higher of the fair value of the asset, net of any selling costs, and the value in use which is the present value of future cash flows generated by the asset. Any adjustments are recognised in the Income Statement.

When the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

The item "Profit (loss) on disposal of investments' contains the net positive or negative balance between gains and losses on the sale of investments.

7 – INTANGIBLE ASSETS

Classification criteria

According to IAS 38, intangible assets are those non-monetary assets, without physical substance, which are held in order to be used over a number of years or an indefinite time, which meet the following characteristics:

- they can be identified;
- the company has control over them;
- it is likely that the future economic benefits attributable to the asset will flow to the company;
- the cost of the asset can be measured reliably.

In the absence of any of the above characteristics, the cost to acquire the asset or to generate it internally is recognized as an expense when it is incurred.

Intangible assets may include the rights of use acquired through leases and relating to the use of an intangible asset (for lessees) and the assets leased under operating leases (for lessors).

Intangible assets are recognised as such if they are identifiable and when they arise from legal or contractual rights. Intangible assets also include goodwill, which represents the positive difference between the purchase price and the fair value of assets and liabilities acquired within business combination transactions.

Recognition criteria

Intangible assets are stated at cost, adjusted by any incidental charges, incurred to render the asset usable, only when the future economic benefits attributable to the assets are likely to be realised and if the cost of the asset can be measured reliably. Otherwise the cost of the tangible asset is recognized in the income statement as incurred.

Specifically, intangible assets include:

- technology-based intangible assets, such as internally generated software, which are amortized based on their expected technological obsolescence and in any case no later than a maximum period of seven years; in particular, the costs incurred internally for the development of software projects are intangible assets and are recorded in assets only if all the following conditions are met: i) the cost attributable to the development activity can be reliably determined, ii) there is an intention, the availability of financial resources and the technical capacity to make the asset available for use or for sale, iii) it can be demonstrated that the asset is able to generate future economic benefits. Capitalized software development costs are amortized systematically over the estimated life of the relevant product / service in order to reflect the ways in which the future economic benefits resulting from the asset are expected to be consumed by the entity from the beginning of production over the estimated life of the product.

Measurement criteria

After initial recognition, intangible assets with a "finite" life are measured at cost, less accumulated amortization and accumulated impairment losses. Assets with an indefinite useful life are not subject to straight-line amortisation but to a periodic test to verify the adequacy of the relevant book value.

The amortization process begins when the asset is available for use, i.e. when it is in place and in suitable condition to function as specified, and ceases when the asset is derecognised.

Intangible assets are amortised on a straight-line basis, in order to reflect the long-term use of the assets on the basis of their estimated useful life.

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used. For assets sold and/or disposed of during the year, amortisation is calculated on a daily basis until the date of sale and/or disposal.

At the end of each annual or interim reporting period, if there is evidence of impairment, the asset's recoverable value is estimated. The amount of the loss, which is recognised in the income statement, corresponds to the difference between the asset's carrying amount and its recoverable amount.

Derecognition criteria

Intangible assets are written off from the balance sheet upon disposal or when no future economic benefits are expected. Capital gains and losses on the sale or disposal of intangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset and are recognized in the income statement.

Recognition criteria of Income Statement items

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used.

The item 'Net value adjustments/reversals on intangible assets' shows the positive or negative balance between impairment losses, amortization and reversals relating to intangible assets. The item "Profit (loss) on disposal of investments' contains the net positive or negative balance between gains and losses on the sale of investments.

8- NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Classification criteria

This item includes non-current assets held for sale and groups of assets and associated liabilities held for disposal, in accordance with IFRS 5.

This item includes assets and groups of assets for which the book value will be recovered mainly through a highly probable sale rather than through their continuous use.

In order for a non-current asset or disposal group to be recovered through a sale, two conditions must be met:
- the asset must be available for immediate sale in its current condition, subject to conditions that are customary for the sale of such assets (or disposal groups);
- the sale of the non-current asset (or disposal group) is highly probable.

In order for a sale to be highly probable, the Management at an adequate level must have engaged in a programme for the disposal of the asset, and activities must have been started to identify a buyer and complete the programme. Furthermore, the asset must be actively traded on the market and offered for sale, at a reasonable price compared to its current fair value. Completion of the sale should be scheduled within one year from the date of classification and the actions required to complete the sale programme should demonstrate that it is unlikely that the programme can be significantly modified or cancelled.

Non-current assets held for sale and disposal groups, as well as "discontinued operations", and the related liabilities are shown in specific asset ("Non-current assets held for sale and disposal groups") and liability ("Liabilities associated with assets held for sale") items.

Recognition criteria

Non-current assets and disposal groups are initially carried at the lower of book value and fair value, net of selling costs. As an exception, a different treatment applies to some types of assets (e.g. financial assets falling within the scope of application of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

After initial recognition, non-current assets and disposal groups are still measured at the lower of book value and fair value, net of selling costs, with the exception of certain types of assets (for example, financial assets falling within the scope of application of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

If the assets held for sale are depreciable, the depreciation process is interrupted when the asset is classified as non-current asset held for sale.

Derecognition criteria

Non-current assets and disposal groups are written off from the balance sheet upon disposal.

If an asset (or disposal group) classified as held for sale does no longer meets the recognition criteria pursuant to IFRS 5, the asset (or disposal group) must no longer be classified as held for the sale.

A non-current asset that is no longer classified as held for sale (or is no longer part of a disposal group classified as held for sale) must be measured at the lower of:

- book value before the asset (or disposal group) was classified as held for sale, adjusted for all depreciation charges, write-downs or reversals that would otherwise have been recognized if the asset (or disposal group) had not been classified as held for sale;
- its recoverable value at the date of subsequent decision not to sell.

Recognition criteria of Income Statement items

The income and expenses, the valuation gains or losses and the gains/losses on disposal (net of the tax effect) attributable to disposal groups or recognized as such during the year, are shown in the relevant income statement item "After-tax profit (loss) on disposal groups".

9 - CURRENT AND DEFERRED TAXES

These items include current and deferred tax assets and liabilities recognised in application of IAS 12.

Income taxes, calculated in compliance with current tax legislation, are recognized in the income statement based on the accrual principle, consistent with the recognition of costs and revenues that generated them, with the exception of those relating to items directly debited or credited to shareholders' equity, for which the related taxation is recognized, for consistency, in equity.

1. Current taxes

Current tax assets and liabilities are recognized for the amounts due or recoverable with respect to the taxable income (loss) for the year, by applying the tax rates and the laws in force. Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the balance sheet.

If an excess payment has been made, which has given rise to a recoverable amount, this is recorded under the 'Current tax assets' in the Balance Sheet.

In accordance with IAS 12, the Bank offsets current tax assets and liabilities if, and only if:
a) it has an enforceable right to offset the recognized amounts; and
b) it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred taxes

Deferred tax assets and liabilities are recognised using "the balance sheet liability method", taking into account the temporary differences between the carrying amount of an asset or liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to the law in force in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

Tax assets are recognized only if it is considered probable that taxable income will be achieved in the future against which such asset can be used.

In particular, the tax legislation may lead to differences between taxable income and statutory income, which, if temporary, merely result in a time lag that involves the early or deferred imposition of tax with respect to the period in which the tax accrues, determining a difference between the book value of a balance sheet asset or liability and its value recognized for tax purposes. These differences can be broken down into "deductible temporary differences" and "Taxable temporary differences".

Deferred tax assets

The "deductible temporary differences" indicate a future reduction in taxable income, against earlier taxation with respect to accrued tax in the statutory balance sheet. They generate deferred tax assets that will result in a lower tax burden in the future, provided that in subsequent years sufficient taxable profits are achieved to cover the realization of taxes paid in advance.

Deferred tax assets are recognised for all deductible temporary differences where it is likely that the entity will earn taxable income against which the temporary deductible difference may be used. However, the probability of recovery of deferred tax assets relating to goodwill, other intangible assets and loan adjustments is deemed as automatically confirmed as a result of legal provisions that provide for their conversion into a tax credit in the event of a statutory and/or tax loss for the year.

The conversion shall take effect as of the date of approval by the shareholders' meeting of the individual financial statements in which the loss is reported.

The difference between the greater tax income compared to statutory income is mainly due to costs that are tax deductible in years subsequent to those of recognition in the financial statements.

Deferred tax liabilities

"Taxable temporary differences" indicate a future increase in taxable income; consequently, they generate "Deferred tax liabilities". These differences give rise to taxable amounts in years subsequent to those in which they are recognized in the statutory income statement, resulting in a deferral of taxation with respect to accrued tax in the statutory financial statements.

"Deferred tax liabilities" are recognized for all taxable temporary differences with the exception of reserves that are taxable upon distribution only, since the bank does not expect to carry out transactions that will lead to their taxation.

The difference between the lower tax income compared to statutory income is due to:

- revenues that are taxable in years subsequent to the recognition years;
- costs that are deductible in years prior to the recognition years according to statutory principles.

Deferred tax assets and liabilities are systematically reviewed to take account of any changes in the applicable laws or tax rates.

Deferred tax assets and liabilities are recognized in the balance sheet without offsetting, and are recognised under “Tax assets a) deferred" and "Tax liabilities b) deferred”.

If the deferred tax assets and liabilities relate to items affecting the income statement, the contra item is represented by income taxes. When deferred tax assets and liabilities regard transactions recognised directly under equity and not through profit or loss (such as the measurement of financial assets measured at fair value through other comprehensive income), they are recognised as a contra entry in Shareholders' equity, in the specific reserve when applicable (e.g. valuation reserve).

10 - PROVISIONS FOR LIABILITIES AND CHARGES

Classification criteria

Pursuant to IAS 37, provisions for liabilities and charges include provisions for current obligations (legal or constructive) arising from a past event, for which the use of economic resources is likely in order to settle the obligation, provided that the related amount can be reliably estimated.

No provision is recognized for liabilities that are merely potential and not likely, for which information is however provided in the notes, except in cases where the probability of using resources is remote or the amount is not significant.

Recognition criteria

This item includes:

- “Provisions for credit risk related to commitments and financial guarantees granted”: the Bank recognizes the value of total provisions for credit risk in relation to commitments to disburse funds and financial guarantees granted that fall within the scope of application of IFRS 9 impairment rules, including financial guarantees given and commitments to disburse funds that are measured upon initial recognition net of total revenues recognized in accordance with IFRS 15;
- “Provisions on other commitments and other guarantees granted": the Bank recognizes the value of total provisions in relation to other commitments and other guarantees granted which, owing to their peculiarities, are not subject to the IFRS 9 impairment rules (see IFRS 9, paragraph 2.1, e) and g));
- “Provisions for retirement benefits and similar obligations”: they include provisions for the benefits paid to employees after the end of the employment relationship in the form of defined-contribution or defined-benefit plans;
- “Other provisions for liabilities and charges”: this item includes other provisions for liabilities and charges set aside in accordance with international accounting standards (e.g. personnel costs, tax disputes). In particular, they include provisions for legal obligations or provisions related to employment relationships or disputes, including tax disputes, originating from a past event for which a financial outlay is probable in order to fulfil said obligations, provided that a reliable estimate can be made of the relevant amount.

Therefore, a provision is recognised if and only if:

- there is an obligation (legal or implicit) in course as a consequence of a past event;
- the utilisation of resources for economic benefits is likely to be used to comply with the obligation; and
- a reliable estimate of the obligation amount deriving from the fulfilment can be made.

Measurement criteria

The amount recognized as a provision reflects the best possible estimate of the costs to be incurred in order to discharge the existing obligation at the reporting date and reflects risks and uncertainties that inevitably characterize numerous facts and circumstances.

Where the time element is significant, provisions are discounted using current market rates.

Provisions are periodically reviewed and adjusted to reflect the current best estimate. When as a result of the review, the occurrence of the cost becomes improbable, the provision is reversed.

Derecognition criteria

The provision must be reversed when it is unlikely that resources that can produce economic benefits are to be used in order to comply with the obligation. A provision should be used only for those expenses for which it was recognised.

Recognition criteria of Income Statement items

The allowance is recorded in the income statement under item “Net allowances to provisions for liabilities and charges”.

The item shows the balance, positive or negative, between the provisions made and any release to the income statement of provisions considered to be in excess.

Net allocations also include the decrease in provisions due to the discounting effect and the corresponding increases due to the passage of time (accrual of interest inherent in discounting).

11 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Classification criteria

Financial liabilities measured at amortized cost fall within the broader category of financial instruments and consist of relationships for which there is an obligation to pay certain amounts to third parties at certain due dates.

Payables to banks, payables to customers and outstanding securities include the various forms of interbank funding, funding from customers and fundraising made through certificates of deposit and bonds outstanding, net of any repurchased amounts, not classified among “Financial liabilities designated at fair value”. They include securities expired but not yet reimbursed as at the reporting date.

The payables recognized by the entity as lessee in lease transactions are also included.

Recognition criteria

Financial liabilities are initially recognised on receipt of the money raised or issue of debt securities. The value at which they are recorded corresponds to their fair value, which is normally the amount collected or the issue price, plus any additional costs/income directly attributable to individual funding or issue transactions and not reimbursed by the creditor. This item does not include internal administrative expenses.

The fair value of any financial liabilities issued at different conditions than those available on the market is specifically estimated and the difference on the amount collected is recognised, when applicable, in the income statement.

Repurchased derecognised securities placed back on the market are considered as a new issue and are recognised at the new issue price, with no effect on the income statement.

Lease payables are recognized at the present value of future lease payments, discounted using the implicit interest rate of the transaction or, if this cannot be determined, using the incremental borrowing rate.

Measurement criteria

After initial recognition, carried at fair value at the date the contract was entered into, financial liabilities are measured at amortised cost using the actual interest rate method.

Short-term liabilities, for which the time factor is negligible, are excluded from this method and are recognised at the amount collected; any costs and income directly attributable to the transaction are recognised in the Income Statement under their pertinent items.

Derecognition criteria

Financial liabilities are derecognised when they are discharged or expired, or when the Bank redeems issued securities with subsequent restatement of the debt recognized for outstanding securities.

Recognition criteria of Income Statement items

Cost items consisting of interest expense are recognized in the interest items of the income statement on an accrual basis.

Any difference between the repurchase value of own securities and the corresponding carrying amount of the liability is recognized in the Income Statement under "Profits (losses) on disposal or repurchase of: c) Financial liabilities."

12 - FINANCIAL LIABILITIES HELD FOR TRADING

Classification criteria

This item includes financial liabilities, regardless of their technical form (debt securities, loans, etc.) classified in the trading portfolio.

The item includes, the negative value of any trading derivative contracts. This category also includes derivative contracts associated with the fair value option (defined by accounting standard IFRS 9 in paragraph 4.2.2) operationally linked to assets and liabilities measured at fair value, which present a negative fair value at the reporting date, except for derivative contracts designated as effective hedging instruments with effect recognized in a separate item of balance sheet liabilities; if the fair value of a derivative contract subsequently becomes positive, it is recognized under Financial assets measured at fair value through Profit or Loss.

Recognition criteria

These financial instruments are recorded at the issue or subscription date, at a value corresponding to the fair value of the instrument, excluding any transaction costs or income directly attributable to the instruments.

Measurement criteria

After initial recognition, financial liabilities are measured at fair value through Profit or Loss.

For details on how fair value is calculated, see following paragraph "A4 - Information on Fair Value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights on the pertinent cash flows expire or when a financial liability is disposed of, basically transferring all the risks/benefits due to their ownership.

Recognition criteria of Income Statement items

The profits and losses arising from changes in fair value and/or from the disposal of financial liabilities held for trading are recorded in the Income Statement under item "Net income from trading activities".

13 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

There are no financial liabilities measured at fair value in the financial statements.

14 – TRANSACTIONS IN FOREIGN CURRENCIES

Classification criteria

Assets and liabilities in foreign currency include not only those explicitly denominated in a currency other than the Euro, but also those with financial indexation clauses linked to the Euro exchange rate against a specific currency or against a specific basket of currencies.

For the purposes of translating foreign currency assets and liabilities, they are broken down into monetary items (classified as current items) and non-monetary items (classified as non-current items).

Monetary items include cash on hand and assets and liabilities to be received or paid in a fixed or determinable amount of money. Non-monetary items are characterized by the absence of a right to receive or an obligation to pay a fixed or determinable amount of money.

Recognition criteria

Upon initial recognition, foreign currency transactions are recorded in the reporting currency, converting the foreign currency amount using the exchange rate applicable at the transaction date.

Measurement criteria

At each reporting or interim date, any element originally denominated in foreign currency is valued as follows:

- monetary items are converted using the reporting rate;
- non-monetary items measured at historical cost are converted using the rate applicable at the transaction date;
- non-monetary items measured at fair value are converted using the spot exchange rate at the reporting date.

Recognition criteria of Income Statement items

For monetary items, the exchange differences arising between the transaction date and the date of payment, are recognized in the income statement for the period, like those arising from the translation of monetary items at rates other than those of initial translation or of translation at the previous reporting date.

When a gain or a loss relating to a monetary item is recognised in equity, the exchange difference relating to that element is also recorded in shareholders' equity.

When a gain or a loss is recognised in the income statement, the related exchange difference is recorded in the income statement too.

15 – OTHER INFORMATION

15.1 Employee severance indemnity

The Employee Severance Indemnity (TFR) is similar to a post-employment benefit falling under the category of defined benefit plans, the value of which has to be determined using actuarial methods in accordance with IAS 19.

In accordance with Law no. 296 of 27 December 2006 (2007 Budget Act), companies with a minimum of 50 employees are obliged to pay on a monthly basis – and in accordance with the employee's wishes – the Employee Severance Indemnity accrued after 1 January 2007 to the supplementary pension schemes as per Legislative Decree 252/05 or to a special Fund managed by INPS for the payment of employee severance indemnity to private sector employees pursuant to article 2120 of the Italian Civil Code (hereinafter the Treasury Fund).

The following options are therefore available:

a) the severance indemnity being accrued is paid to supplementary pension schemes;
b) the severance indemnity being accrued is kept in the company (for companies with less than 50 employees);
c) the severance indemnity being accrued is transferred to INPS Treasury Fund (for those who, despite having chosen not to allocate the severance indemnity to supplementary pension schemes, work in companies with at least 50 employees).

In the cases referred to in b), which specifically apply to the bank, the total severance indemnity liability shall be assessed pursuant to IAS; the actuarial valuation shall be carried out according to the usual criteria set out in IAS 19, except for the exclusion of the pro rata relating to employees who decided to transfer their entire accrued amount to supplementary pension schemes, in order to preserve methodological consistency as indicated by the Board of Actuaries with regard to other pension schemes.

The Employee severance indemnity (TFR) is recognised on the basis of its actuarial value.

The actuarial estimate of the employee severance indemnity is carried out on the basis of "benefits accrued" pursuant to the Projected Unit Credit criterion, as provided for in paragraphs 67-69 of IAS 19.

The calculation method is summarised below:

- projection of allocated employee severance indemnity for each employee and of future employee severance indemnity payments matured until the time of payment, based on the valuation date, the estimates being based on the employee's salary;
- determination of estimate employee severance indemnity payments, for each employee, which must be made by the Company in the event of the termination of an employee's contract due to dismissal, resignation, incapacity, death and retirement and in the event of advance payment requests;
- discounting, at the valuation date, of each payment estimate;

- recalculation, for each employee, of estimated length of service and discounting based on seniority matured at the valuation date in respect of overall seniority corresponding to the as yet undetermined payment date.

The employee severance indemnity was assessed by an independent actuary in accordance with the method specified above.

The cost for the severance indemnity accrued during the year and recognised in the income statement as staff costs is the sum of the current value of employee benefits accrued during the year, and the annual interest accrued on the current value of existing liabilities at the beginning of the year. Gains or losses resulting from changes in actuarial assumptions compared to previous year estimates are charged to a separate reserve in equity.

15.2 Recognition of costs and revenue

Revenues are gross flows of economic benefits arising from the performance of the company's ordinary activities and are recognized when control of the goods or services is transferred to the customer, at an amount that reflects the consideration to which the entity deems to be entitled.

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 under the contract when it is created or improved;
- the customer receives and simultaneously consumes the benefits when the entity performs its services;
- through its activity the company generates a personalized good for the customer and the company has a right to payment for the activity completed at the date the good is transferred.

If none of the criteria is met then the revenue is recognized at a specific point in time. The indicators of a transfer of control are i) obligation to pay ii) legal title of the right to the consideration accrued iii) physical possession of the good iv) transfer of risks and benefits associated with ownership v) acceptance of the good.

With regard to revenues achieved over a period of time, the bank accounts for them on a time basis.

In relation to the above, the main criteria adopted by the Bank are summarized below:
- interest is recognized pro rata temporis, based on the contractual interest rate or the effective interest rate if the amortized cost is applied;
- default interest, if contractually provided, is recognized in the income statement only when actually collected;
- dividends are recognized in the income statement in the period in which their distribution is approved, which coincides with collection;
- commissions for service revenues are recognized on the basis of existing contractual agreements in the period in which the services were provided;
- revenues from the sale of non-financial assets are recognized upon completion of the transaction, unless the Bank has retained most of the risks and benefits associated with the asset;
- profits and losses from the trading of financial instruments are recognized in the Income Statement upon completion of the transaction, based on the difference between the amount paid or received and the value of the instrument in question.

Costs are recognized in the income statement according to the accrual principle; the costs incurred for the acquisition and performance of contracts with customers are recognized in the income statement in the same period of recognition as the related revenues.

15.3 Accruals and deferrals

Accruals and deferrals that include income and expenses accrued during the period on assets and liabilities are recognised as adjustments to the assets and liabilities to which they relate. Where it is not possible to attribute them to a specific account, they will be reported in "Other assets" or "Other liabilities".

15.4 Treasury shares

Any treasury shares are entered as a reduction of shareholders' equity. Likewise, their original cost and the gains or losses resulting from their subsequent sale are recognised as changes in equity.

15.5 Recognition of impairment

Impairment of financial assets

Financial assets other than assets measured at fair value through profit or loss, pursuant to IFRS 9, are tested for impairment - at each reporting date - i.e. they are tested to check whether there are any indicators that said assets may have been impaired ("impairment indicators").

If such indicators exist, the financial asset in question is considered impaired (stage 3) and a value adjustment must be recognized equal to the expected losses for its entire residual life.

Financial assets for which there are no impairment indicators (stage 1 and stage 2) must be tested to check whether there are any indicators that the credit risk of the individual transaction has increased significantly since initial recognition and the criteria underlying the IFRS 9 impairment model must be applied accordingly.

IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model, on which the requirements for the calculation of provisions are based, includes financial instruments such as debt securities, loans, trade receivables, contract assets and receivables originating from lease transactions, recognized at amortized cost or at fair value through comprehensive Income as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The above-mentioned model is characterized by a forward-looking vision and, in certain circumstances, it may require the immediate recognition of all expected losses during the life of a loan. However, the estimate must be continuously adjusted also considering the counterparty's credit risk. For the purpose of this estimate, the impairment model must consider not only past and current data, but also information relating to future events.

For credit exposures falling within the scope of application of the impairment model the standard provides for the allocation of each exposure into one of the 3 stages listed below:

- in stage 1, loans not showing a significant credit risk at the assessment date or identifiable as Low Credit Risk;
- in stage 2, loans showing a significant credit risk at the assessment date or not being identifiable as Low Credit Risk;
- in stage 3, non-performing loans. Stage 3 includes financial instruments classified as non-performing, unlikely to pay, past due/overdrawn for more than 90 days, as defined by Banca d'Italia's regulations.

Specifically, the Bank has provided for the allocation of the individual on- and off-balance sheet credit exposures in one of the 3 stages listed below based on the following criteria:

- in stage 1, exposures with generation date prior than three months as of the measurement date or that do not have any of the characteristics described in the following paragraph;
- in stage 2, positions showing a significant increase in credit risk at the reporting date:
    - exposures for which there has been a 200% growth in "PD" since origination;
    - presence of the 'Forborne performing' attribute;
    - presence of exposures that are past due and/or overdrawn for more than 30 days;

    - exposures (with no 'lifetime PD' on the date of disbursement) that do not have the characteristics to be identified as 'Low Credit Risk' (as described below) at the measurement date;

- in stage 3, non-performing loans. These are the individual exposures relating to counterparties classified in one of the impaired loan categories envisaged by Banca d'Italia Circular no. 272/2008, as updated. This category includes impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.

Performing exposures that had both the following characteristics at the measurement date are considered as 'Low Credit Risk':

- there is no "Lifetime PD" on the date of disbursement;

- rating class less than or equal to 4.

Exposures are automatically allocated to the stages envisaged by IFRS 9 according to the criteria defined above.

The estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss is calculated over a 1 year's time horizon;

- stage 2: the expected loss is calculated considering all the losses that are expected to be sustained during the entire life of the financial asset ("lifetime expected loss");

- stage 3: the expected loss must be calculated on a lifetime perspective but, unlikely the positions in stage 2, the calculation of the lifetime expected loss will be of an analytical nature. Furthermore, where appropriate, forward-looking elements will be introduced in the measurement of the aforementioned positions, including in particular different scenarios (for example, disposal) weighted by the associated probability of occurrence. For exposures classified as non-performing or unlikely to pay of an amount lower than € 30,000, for past due and / or overdrawn impaired exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using an individual-flat rate method.

With specific regard to loans to banks, the Bank has adopted a slightly different model for determining a significant increase in credit risk compared to that applied to loans to customers, although the stage allocation logic adopted for loans to banks has been defined in a way that is as consistent as possible with the logic implemented for loans to customers.

In more detail, with regard to loans to banks, "Low Credit Risk" relationships refer to performing loans with the following characteristics at the measurement date:

- there is no "Lifetime PD" on the date of disbursement;

- PD Point in Time lower than 0.3%.

Interbank exposures are automatically allocated to the stages envisaged by IFRS 9 according to the criteria defined above. Given the foregoing, for loans to banks, the Bank had adopted an IFRS 9 impairment model specifically developed for the specific type of counterparty and therefore different from the model used for loans to customers.

For loans to bancks too, the estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss is calculated over a 12 months' time horizon;
- stage 2: the expected loss is measured over a time horizon that spans the entire life of the exposure until maturity (LEL, 'Lifetime Expected Loss');
- stage 3: the expected loss must be calculated on a lifetime perspective but, unlike the positions in stage 2, the calculation of the lifetime expected loss will be of an analytical nature.

Risk parameters (PD, and EAD) are calculated based upon the impairment model.

The LGD parameter is prudentially set at the regulatory level of 45% under the IRB Foundation model, for portfolios composed of risk assets other than subordinated and secured instruments.

With respect to the securities portfolio, the same approach used for loans is confirmed, i.e. the allocation of the securities in one of the three stages envisaged by IFRS 9, which correspond to three different calculation methods for expected losses.

In stage 1 the expected loss is measured over a one-year time horizon, therefore with a 12-month probability of default.

The first stage of creditworthiness includes the following securities:

- at the time of purchase, regardless of their level of risk;
- securities with no significant increase in credit risk at the measurement date compared to the time of purchase;
- securities with a significant decrease in credit risk.

In stage 2 the ECL is calculated using the lifetime probability of default. This stage also includes securities that have the following characteristics:

- at the measurement date the instrument shows an increase in credit risk with respect to the purchase date such as to require recognition of an expected loss until maturity;
- instruments that migrate back from stage 3 due to a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a 100% probability of default.

The decision to place the instruments in stage 1 or stage 2 is linked to the quantification of the thresholds that identify a significant increase in credit risk of the individual tranche being measured. These thresholds are calculated based on the characteristics of the portfolio. With regard to stage 3, the increase in risk is analysed to assess whether it was so high compared to initial recognition that the asset should be considered "impaired", i.e. whether events have occurred such as to adversely affect future cash flows. As mentioned above, the Bank will have to recognize an incremental loss from stage 1 to stage 3. Specifically:

- the 12-month ECL is the expected value of the estimated loss on an annual basis;
- the lifetime ECL is the estimated expected loss of the instrument until maturity;
- the ECL estimation parameters are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

For more details about the methods used by the Bank for measuring expected losses, please refer to Section E - Section 1 Credit Risk - paragraph 2.3.

Analytical impairment of stage 3 loans

With regard to individually-assessed loans, the model used by the Bank to determine the provisions for impaired loans (stage 3) measured at amortized cost requires that they be measured trough either a specific individual approach or a flat-based individual approach depending on their characteristics.

In the specific individual approach, the objective is to determine the correct quantification of the provisions for each loan, considering both the characteristics of the individual loan to be assessed and the characteristics of the relevant counterparty.

In the flat-rate individual approach the objective is to determine the correct quantification of the provisions for each loan through an estimate of risk parameters defined by a statistical model, consistent with the collective assessment of performing exposures with respect to stage 2 credit exposures.

The flat-rate individual assessment applies to credit exposures with the following characteristics:

- impaired past due and/or overdrawn exposures;
- impaired off-balance sheet exposures (e.g. guarantees, margins available on credit lines);
- balance-sheet exposures classified as unlikely to pay that do not exceed a threshold amount defined for each debtor ("threshold amount");
- balance-sheet exposures classified as non-performing that do not exceed the threshold amount.

The specific individual assessment applies to credit exposures with the following characteristics:

- balance-sheet exposures classified as unlikely to pay that exceed the threshold amount;
- balance-sheet exposures classified as non-performing that exceed the threshold amount.

For the purpose of applying the threshold amount, the overall credit exposure of the Bank to each debtor is taken as a reference, thus determining, alternatively, a flat-rate or specific individual assessment for all balance-sheet positions in the name of the same debtor. The threshold amount for counterparties classified as unlikely to pay and non-performing is € 30,000.

The Bank estimates the recoverable value on the basis of the two approaches specified below:

➔ On a going concern basis, that is when the operating cash flows of the borrower, or of the "actual" guarantor, in accordance with CRR principles, continue to be produced and can be used to repay the financial debt to all creditors.

This could be the case if:

- the borrower's future operating cash flows are significant and can be estimated reliably;
- the exposure is secured to a limited extent only.

In this case, the recoverable amount corresponds to the estimated future cash flows (excluding future losses not incurred) discounted at the original effective interest rate of the financial asset that can be produced by the borrower for the payment of the residual debt.

The going concern assumption does not exclude the possible enforcement of guarantees, but only to the extent that it does not affect the borrower's ability to generate future cash flows.

➔ In a business closure scenario, that is, when the guarantees are enforced and the borrower no longer produces operating cash flows.

This could occur in the following cases:

- the exposure has long expired. There is a relative presumption that the provision must be estimated on the basis of the business closure scenario when arrears exceed 18 months.
- there is a significant degree of uncertainty regarding the estimate of future cash flows.
- the exposure is secured to a significant extent and the collateral is essential to generate cash flows.
- the application of the going concern scenario would have a significant and negative impact on the amount recoverable by the entity.

In this scenario, the recoverable value corresponds to the estimated recoverable amount of the collateral. In this case, the assessment is made considering the estimated actual market price of the goods given current selling conditions, the liquidation costs that will be incurred and the time required for the sale.

Impairment of other fixed assets

Tangible assets

Under IAS 36 an entity is required to check at least once a year whether its tangible assets show any indicators of impairment. If such indicators are found, the entity must carry out an impairment test in order to detect any impairment loss.

The impairment test does not apply to tangible assets that are:

- real estate investments measured at FV (IAS 40);
- real estate assets in inventory (IAS 2);
- assets that fall within the scope of application of IFRS 5.

The impairment indicators to be considered are those defined by par. 12 of IAS 36. In this regard, specific impairment indicators for tangible assets refer, for example, to obsolescence that prevents the normal use of the asset, such as for example fires, collapses, inoperability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult, if not impossible, for tangible assets to calculate the value in use of a single asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a corporate asset or to a plant or machinery. In these cases, IAS 36 establishes that the CGU must be identified, that is, the smallest group of assets that generates independent cash flows, and that the test must be carried out at this higher level (rather than on the single asset). This is precisely due to the fact that it is often a group of assets - and not a single asset - that generates a cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

Following the adoption of IFRS 9, the Bank did not change its business model for the management of financial assets and, consequently, there were no transfers between portfolios of financial assets.

A.3.1 Reclassified financial assets: change in the business model, book value and interest income

The information is not provided as there were no reclassified financial assets recognized in the balance sheet assets.

A.3.2 Reclassified financial assets: change in the business model, fair value and effects on comprehensive income

The information is not provided as in 2019 the Bank did not make any transfers between portfolios of financial assets.

A.3.3 Reclassified financial assets: change in the business model and actual interest rate

The information is not provided as there were no reclassified financial assets recognized in the balance sheet assets.

A.4 - FAIR VALUE REPORTING

QUALITATIVE INFORMATION

As specified by IFRS 9 with regard to the rules for classification and measurement of financial instruments, an instrument is measured at fair value based on the entity's business model or on whether, given the contractual characteristics of its financial flows, it does not pass the SPPI test.

IFRS 13, which harmonises the relevant measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or is estimated using a valuation technique.

The determination of the fair value of financial instruments is based on the Bank's going concern assumption, i.e. the assumption that it will be fully operational and it will not liquidate or significantly reduce its operations or enter into transactions at unfavourable conditions.

Therefore, the purpose of fair value is to estimate the price at which the transaction would take place between market participants at current market conditions at the measurement date.

When a price cannot be identified for an identical asset or liability, fair value is measured by applying a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The input data should correspond to those that market participants would use in determining the price of the asset and the liability.

In order to maximize the consistency and comparability of fair value measurements and the related disclosure, IFRS 13 states that the inputs of valuation techniques employed to measure fair value are classified according to a hierarchy based on input levels, as defined in the following paragraph.

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

For assets and liabilities measured at fair value on a recurring basis, for which directly observable prices in active markets are not available, the fair value has to be determined based on the "Comparable Approach" and the "Valuation Model." It should be noted that the only Bank items that are measured at fair value on a recurring basis are financial assets, as shown below in more detail.

Financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income

- *Financial instruments listed on active markets*

The fair value measurement process begins by verifying whether an active market exists from which quoted prices can be obtained regularly.

Regulated markets are usually considered as active markets except for any regulated markets that Risk Management were to identify as "not active". With reference to non-regulated markets (OTC markets) the presence of active contributors is assessed.

If, as a result of this process, the existence of an active market for the listed instruments is established, Fair Value of the instrument coincides with the price quoted on the valuation date (Mark to Market).

Given the specific liquidity prevailing on regulated markets, the official price published by the market operator is taken as the reference price.

In general, the application of the Mark to Market process based on price sources is carried out as follows:

a) for prices quoted in regulated markets, in particular in the Italian market, the price is determined on the basis of the price quoted on the Italian Stock Exchange for each financial instrument in the portfolio;

b) in the case of prices quoted in unregulated markets, the price is determined by identifying the prices quoted by other information providers.

Financial instruments recognised using the methods in point sub a) here above, are classified in Level 1 of the fair value hierarchy.

Financial instruments recognised using the methods in sub point b) here above, are classified in Level 2 of the fair value hierarchy.

➢ *Financial instruments not listed on active markets*

In the absence of an active market for a particular financial instrument, an internal valuation technique is used.

For the purposes of fair value determination, the Bank has chosen to apply the discounted cash flow method, mainly based on observable market parameters, for instruments that can be measured by discounting the related cash flows (including debt securities).

Should we consider financial instruments other than debt securities, alternative valuation techniques, also based on non-observable market parameters, shall be taken into account.

In general, through the DCF method, the fair value of financial instruments can be determined by discounting the future contractual cash flows (or those deemed most likely) at an established interest rate.

First, the interest rate risk must be taken into account; in the usual practice, reference is made to well accepted and recognised rates, such as the Euribor and/or the Swap rates. In this case, the interest rates used reflect an 'interbank' risk, which is limited, albeit usually higher than government risk. There are, however, other components besides interest rate risk that determine market risk. The premium for all these other components can be summarised in a "spread" to be added to the "Risk Free" curve, for each reference maturity, to obtain a curve that can be used to discount the future cash flows generated by the asset being measured. The Bank calculates the aforesaid "Spread" with reference to the "Credit Default Swaps" quoted for the issuer of the security in question, or, if unavailable, for other issuers of similar size and sector or industry averages.

Therefore, the elements useful for the DCF calculation are:

- Timing, maturity and amount (certain or estimated) of the instrument's future cash flows;
- Appropriate discount rate (depending on the credit risk associated with the debtor);
- Currency in which the instrument's cash flows are to be paid.

The pricing models for the fair value calculation are based on market parameters.

The main market parameters used in valuation techniques for measuring financial instruments not listed on active markets are:

- the interest rate curves;
- credit risk.

The main curves used are the Euribor rates and Swap rates curves.

The curves reflecting the issuer's creditworthiness are obtained by adding the zero-coupon yield curve (or risk-free rates) to a "Spread" that shows the issuer's creditworthiness; these curves are generally used to evaluate bonds not listed on active markets.

To this end, the operator should use the following hierarchy of information:

- credit spreads derived from Credit Default Swaps (CDS);
- curves for homogeneous sector/rating classes.

The instruments measured using the Mark to Model technique will be classified in Level 3 of the fair value hierarchy.

Equity instruments held by the Bank that are not listed on active markets and whose fair value cannot be reliably determined, are carried at cost.

Financial liabilities measured at fair value

At the date of preparation of these financial statements, the Bank held no financial liabilities measured at fair value.

A.4.2 PROCESSES AND SENSITIVITY ANALYSES

The techniques and parameters used for measuring Fair Value and the criteria for assigning the Fair Value hierarchy have been defined and formalised in a specific policy adopted by the bank; the policy governs the determination of financial instruments' Fair Value in accordance with the provisions of applicable international accounting standards IFRS issued by the International Accounting Standards Board (IASB), taking into account the interpretations issued by the Financial Reporting Interpretations Committee (IFRIC) and the provisions of Circular 262 of Banca d'Italia.

The sensitivity analysis of receivables from and payables to bank (level 2 of the Fair Value hierarchy), considering the models used to determine their Fair Value, primarily based on year-end balance-sheet data, is not relevant because it cannot be directly attributed to changes in external parameters.

The Fair Value of the portfolio of loans to customers (level 3 of the Fair Value hierarchy) is only affected by the market parameters necessary to discount the future cash flows appropriately adjusted to take account of counterparty risk.

In relation to the Fair Value of the securities portfolio (level 2 and 3), no quantitative analysis was performed on the sensitivity of the Fair Value to changes in unobservable inputs, as the Fair Value was either derived from third party sources without making any adjustment, or is the result of a model with specific inputs and it is not reasonable to expect alternative values.

On the other hand, the Bank did not carry out this sensitivity analysis for its investments in equity instruments not listed on active markets; these instruments, as mentioned above, are stated at cost and written down to reflect any impairment losses, with contra entry to the income statement, which is considered the best estimate of fair value.

A.4.3 HIERARCHY OF FAIR VALUE

The Fair Value hierarchy, based on IFRS 13, must be applied to all financial instruments that are measured at Fair Value and to assets and liabilities not measured at Fair Value or measured at Fair Value on a non-recurring basis.

In this regard, for these instruments the highest priority is given to official quoted prices in active markets and the lowest priority to the use of unobservable inputs, as they are more discretionary. As a result, Fair Value is determined by using prices obtained from financial markets, in the case of instruments quoted on active markets, or, for the other financial instruments, by using valuation techniques whose objective is to estimate Fair Value (exit price). The levels used for the classifications shown in the following notes are as follows:

- "Level 1": the Fair Value of financial instruments is determined on the basis of quoted prices observable in active markets (unadjusted) and accessible at the measurement date;
- "Level 2": the Fair Value of financial instruments is determined on the basis of quoted inputs, directly or indirectly observable for that asset or liability, also using valuation techniques;
- "Level 3": the Fair Value of financial instruments is determined on the basis of unobservable inputs for that asset or liability, including the use of valuation techniques.

A quoted price in an active market provides the most reliable evidence of Fair Value and, when available, should be used with no adjustments to measure Fair Value.

Where quoted prices in active markets are not available, financial instruments must be classified in Levels 2 or 3.

The classification in Level 2 or Level 3 is determined on the basis of the market observability of the relevant inputs used to measure Fair Value.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads);
- market-corroborated inputs.

All other variables used in valuation techniques that cannot be substantiated on the basis of observable market data are considered unobservable.

If the Fair Value of a financial instrument is not determined by the price recorded in an active market ("Level 1"), the total Fair Value may consist of different levels due to the impact generated by observable or unobservable inputs used in the measurements (impact is intended as the contribution, in terms of significance, that each input used in the evaluation makes to the total Fair Value of the instrument). However, the level attributed must be unique and referred to the total Fair Value of the instrument as a whole; thus, the single level assigned reflects the lowest level of input with a significant impact on the instrument's Fair Value measurement.

In order for unobservable market data to have a significant impact on the instrument's overall Fair Value measurement, their overall impact is assessed in such a way as to make the overall assessment uncertain (i.e. it cannot be ascertained through market data); in cases where the weight of unobservable data is prevalent with respect to the overall evaluation, the level assigned is "3".

Therefore, the bank classified its financial assets and liabilities in the different Fair Value levels on the basis of the following principles:

- Level 1: instrument measured at market price obtained from prices listed on active markets;
- Level 2: measurement based on prices quoted by reliable infoproviders;
- Level 3: measurement based on internal evaluation techniques.

Finally, with regard to receivables from and payables to banks, as these are entirely short-term and/or variable rate loans, Fair Value was assumed to be equal to their nominal value.

A.4.4 OTHER INFORMATION

There is no information to provide.

QUANTITATIVE INFORMATION

A.4.5 HIERARCHY OF FAIR VALUE

A.4.5.1 Assets and liabilities measured at Fair Value on a recurring basis: breakdown by Fair Value levels

(€/000)

	2019			2018		
Assets/liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	103	–	5	6,396	988	11
a) financial assets held for trading	103	–	-	6,396	988	–
b) financial assets designated at fair value	–	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	–	-	5	–	-	11
2. Financial assets measured at fair value through other comprehensive income	9,309	388	543	5,191	2,312	913
3. Hedging derivatives	–	-	-	-	-	-
4. Tangible assets	–	-	-	-	-	-
5. Intangible fixed assets	–	-	-	-	-	-
Total	**9,412**	**388**	**548**	**11,587**	**3,300**	**924**
1. Financial liabilities held for trading	–	-	-	-	-	-
2. Financial liabilities designated at fair value	–	-	-	-	-	-
3. Hedging derivatives	–	-	-	-	-	-
Total	**–**	**-**	**-**	**-**	**-**	**-**

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

(€/000)

	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 fixed assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**–**	**-**	**-**	**11**	**913**	**–**	**-**	**-**
2. Increases	**–**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Purchases	–	-	-	-	-	-	-	-
2.2 Profits entered to:	–	-	-	-	-	-	-	-
2.2.1 Income statement	–	-	-	-	-	-	-	-
- of which capital gains	–	-	-	-	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	–	-	-	-	-	-	-	-
2.4 Other increases	–	-	-	-	-	-	-	-
3. Decreases	**–**	**-**	**-**	**6**	**370**	**–**	**-**	**-**
3.1 Sales	–	-	-	-	-	-	-	-
3.2 Refunds	–	-	-	-	-	-	-	-
3.3 Losses	-	-	-	6	370	–	-	-
3.3.1 Income statement	–	-	-	6	–	-	-	-
- of which capital losses	–	-	-	6	–	-	-	-

3.3.2 Shareholders' equity	–	X	X	X	370	–	-	-
3.4 Transfers to other levels	–	-	-	-	-	-	-	-
3.5 Other decreases	–	-	-	-	-	-	-	-
4. Final inventories	**–**	**-**	**-**	**5**	**543**	**–**	**-**	**-**

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

At the reporting date, the Bank had no liabilities measured at fair value on a recurring basis (level 3).

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

(€/000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	2019				2018			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	32,754	2,541	13,310	18,169	35,794	3,224	9,121	24,835
2. Tangible assets held as investment	–	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	663	–	-	663	82	–	-	82
Total	**33,417**	**2,541**	**13,310**	**18,832**	**35,876**	**3,224**	**9,121**	**24,917**
1. Financial liabilities measured at amortised cost	40,038	–	7,123	32,915	45,795	–	11,341	34,454
2. Liabilities related to discontinuing operations	–	-	-	-	-	-	-	-
Total	**40,038**	**–**	**7,123**	**32,915**	**45,795**	**–**	**11,341**	**34,454**

A.5 – REPORTING ON DAY ONE PROFIT/LOSS

This disclosure refers to the differences between the transaction price and the value obtained through the use of valuation techniques, which may arise upon initial recognition of a financial instrument and which are not immediately recognized in the Income Statement, in accordance with paragraph B5.1.2 A of IFRS 9.

Please note that during the FY the Bank did not enter into any transactions for which, at the time of initial recognition of a financial instrument, a difference had arisen between purchase price and the value of the instrument obtained through internal evaluation techniques.

Accordingly, the information required by IFRS 7, para. 28 is not provided.

PART B – INFORMATION ON THE BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(€/000)

	TOTAL 2019	TOTAL 2018
a) Cash	305	235
b) Sight deposits with Central Banks	3,279	924
Total	**3,584**	**1,159**

The sub-item “a) Cash” consists of holdings of coins and banknotes at the branches, ATMs and centralized vaults.

Sub-item "Sight deposits with central banks" refers to deposits held with Banca d’Italia, excluding the Mandatory Reserve which is recognized in item 40 of the Assets - Financial assets measured at amortised cost - a) Receivables from banks".

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

2.1 Financial assets held for trading: breakdown by type

(€/000)

Items/Values	TOTAL 2019			TOTAL 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-balance sheet assets						
1. Debt securities	103	–	-	6,396	988	–
1.1 Structured securities	–	-	-	-	-	-
1.2 Other debt securities	103	–	-	6,396	988	–
2. Equity securities	–	-	-	-	-	-
3. UCIT units	–	-	-	-	-	-
4. Loans	–	-	-	-	-	-
4.1 Repurchase agreements	–	-	-	-	-	-
4.2 Other	–	-	-	-	-	-
Total (A)	**103**	**–**	**-**	**6,396**	**988**	**–**
B Derivative instruments						
1. Financial derivatives	–	-	-	-	-	-
1.1 trading derivatives	–	-	-	-	-	-
1.2 connected with fair value option	-	-	-	-	-	-
1.3 other	–	-	-	-	-	-
2. Credit derivatives	–	-	-	-	-	-
2.1 trading derivatives	–	-	-	-	-	-
2.2 connected with fair value option	-	-	-	-	-	-
2.3 other	–	-	-	-	-	-
Total (B)	**–**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**103**	**–**	**-**	**6,396**	**988**	**–**

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

(€/000)

Items/Values	TOTAL 2019	TOTAL 2018
A. On-balance sheet assets		
1. Debt securities	103	7,384
a) Central Banks	–	-
b) Public Administrations	–	423
c) Banks	–	3,797
d) Other financial companies	103	1,451
of which: insurance companies	–	-
e) Non-financial companies	–	1,713
2. Equity securities	–	-
a) Banks	–	-
d) Other financial companies	–	-
of which: insurance companies	–	-
c) Non-financial companies	–	-
d) Other issuers	–	-
3. UCIT units	–	-
4. Loans	–	-
a) Central Banks	–	-
b) Public Administrations	–	-
c) Banks	–	-
d) Other financial companies	–	-
of which: insurance companies	–	-
e) Non-financial companies	–	-
f) Families	–	-
Total (A)	**103**	**7,384**
B. Derivative instruments		
a) Central counterparties	–	-
b) Other	–	-
Total (B)	**–**	**-**
Total (A + B)	**103**	**7,384**

2.3 Financial assets designated at fair value: breakdown by type

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

At 31 December 2019 there were no financial assets designated at fair value.

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

(€/000)

Items/Values	TOTAL 2019			TOTAL 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**–**	**-**	**-**	**-**	**-**	**11**
1.1 Structured securities	–	-	-	-	-	-
1.2 Other debt securities	–	-	-	-	-	11
2. Equity securities	**–**	**-**	**5**	**–**	**-**	**-**
3. UCIT units	**–**	**-**	**-**	**-**	**-**	**-**
4. Loans	**–**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	–	-	-	-	-	-
4.2 Other	–	-	-	-	-	-
Total	**–**	**-**	**5**	**–**	**-**	**11**

Item 2 "Equity securities" includes the shares of Banca Carige Spa, held by the Voluntary Scheme of the Interbank Deposit Protection Fund, and recorded in 2018 (as subordinated bonds) in item 1.2 "Other debt securities" for € 11 thousand.
At the end of 2019, the capital increase of Banca Carige was completed, in which the Voluntary Scheme subscribed ordinary shares through the conversion of subordinated bonds at par; the bonds were held by the Bank in connection with a support action in favour of the cited bank undertaken in November 2018.

The estimated fair value of these securities, calculated according to the Discounted Cash Flow model, showed a reduction in value of approximately € 6 thousand.

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

(€/000)

	TOTAL 2019	TOTAL 2018
1. Equity securities	**5**	**–**
of which: banks	5	–
of which: other financial companies	–	-
of which: non-financial companies	–	-
2. Debt securities	**–**	**11**
a) Central Banks	–	-
b) Public Administrations	–	-
c) Banks	–	11
d) Other financial companies	–	-
of which: insurance companies	–	-
e) Non-financial companies	–	-
3. UCIT units	**–**	**-**
4. Loans	**–**	**-**
a) Central Banks	–	-
b) Public Administrations	–	-
c) Banks	–	-
d) Other financial companies	–	-
of which: insurance companies	–	-
e) Non-financial companies	–	-
f) Families	–	-
Total	**5**	**11**

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 type

(€/000)

Items/Values	TOTAL 2019			TOTAL 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**9,309**	**388**	**–**	**5,191**	**2,312**	**–**
1.1 Structured securities	–	-	-	-	-	-
1.2 Other debt securities	9,309	388	–	5,191	2,312	–
2. Equity securities	**–**	**-**	**543**	**–**	**-**	**913**
3. Loans	**–**	**-**	**-**	**-**	**-**	**-**
Total	**9,309**	**388**	**543**	**5,191**	**2,312**	**913**

The component relating to item 2 "Equity Securities" includes the shares of Banca Regionale di Sviluppo S.p.A. subscribed in FY 2016.
At 31/12/2019, based on the latest available data, the Bank detected an impairment, with consequent recognition in the equity reserve, using the equity method, for a total of € 370 thousand.

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

(€/000)

Items/Values	TOTAL 2019	TOTAL 2018
1. Debt securities	**9,697**	**7,503**
a) Central Banks	–	-
b) Public Administrations	1,917	2,803
c) Banks	6,285	3,747
d) Other financial companies	1,495	953
of which: insurance companies	–	-
e) Non-financial companies	–	-
2. Equity securities	**543**	**913**
a) Banks	543	913
b) Other issuers:	–	-
- other financial companies	–	-
of which: insurance companies	–	-
- non-financial companies	–	-
- other	–	-
3. Loans	**–**	**-**
a) Central Banks	–	-
b) Public Administrations	–	-
c) Banks	–	-
d) Other financial companies	–	-
of which: insurance companies	–	-
e) Non-financial companies	–	-
f) Families	–	-
Total	**10,240**	**8,416**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total adjustments

(€/000)

	Gross value				Overall adjustments			Overall partial write-offs (*)
	First stage	of which: low credit risk instruments	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	9,705	992	–	-	8	–	-	-
Loans	–	-	-	-	-	-	-	-
Total 2019	**9,705**	**992**	**–**	**-**	**8**	**–**	**-**	**-**
Total 2018	**6,559**	**–**	**983**	**–**	**16**	**23**	**–**	**-**
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

(*) Value to be displayed for information purposes

The breakdown by risk stage of financial assets measured at fair value through other comprehensive income is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard. For further details, please refer to Part A - Accounting policies.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of payables to banks

(€/000)

Transaction type/Values	TOTAL 2019						TOTAL 2018					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
A. Receivables from Central Banks	–	-	-	-	-	-	-	-	-	-	-	-
1. Term deposits	–	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory reserve	–	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	–	-	-	X	X	X	-	-	-	X	X	X
4. Other	–	-	-	X	X	X	-	-	-	X	X	X
B. Receivables from banks	**13,115**	**–**	**-**	**710**	**12,407**	**–**	**9,723**	**–**	**-**	**1,506**	**8,218**	**–**
1. Loans	12,407	–	-	-	12,407	–	8,218	–	-	-	8,218	–
1.1 Current accounts and sight deposits	12,174	–	-	X	X	X	7,992	–	-	X	X	X
1.2. Term deposits	233	–	-	X	X	X	226	–	-	X	X	X
1.3. Other loans:	-	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	–	-	-	X	X	X	-	-	-	X	X	X
- Loans in finance lease	-	-	-	X	X	X	-	-	-	X	X	X
- Other	–	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	708	–	-	710	–	-	1,505	–	-	1,506	–	-
2.1 Structured securities	–	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	708	–	-	710	–	-	1,505	–	-	1,506	–	-
Total	**13,115**	**–**	**-**	**710**	**12,407**	**–**	**9,723**	**–**	**-**	**1,506**	**8,218**	**–**

This item includes loans to banks, in particular loans and debt securities.
Item "1.2 Term deposits" includes the amounts used to fulfil the mandatory reserve requirement, which is met via Depobank.

As specified in the fair value determination criteria illustrated in Part A – Accounting Policies, with reference to sub-item B.1 Loans, as these are entirely short-term and/or variable rate loans, fair value is assumed to be equal to the nominal value.

4.2 Financial assets measured at amortised cost: breakdown by type of loans to customers

(€/000)

	TOTAL 2019						TOTAL 2018					
	Book value			Fair value			Book value			Fair value		
Transaction type/Values	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans	**14,129**	**2,773**	**–**	**-**	**-**	**18,169**	**19,950**	**3,381**	**–**	**-**	**-**	**24,835**
1.1. Current accounts	1,988	353	–	X	X	X	2,992	472	–	X	X	X
1.2. Reverse repurchase agreements	–	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	10,965	2,346	–	X	X	X	13,807	2,830	–	X	X	X
1.4. Credit cards, personal loans and CQ loans	263	33	–	X	X	X	273	40	–	X	X	X
1.5. Loans in finance lease	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	–	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	913	41	–	X	X	X	2,878	39	–	X	X	X
2. Debt securities	**2,736**	**–**	**-**	**1,831**	**903**	**–**	**2,740**	**–**	**-**	**1,718**	**903**	**–**
1.1. Structured securities	–	-	-	-	-	-	-	-	-	-	-	-
1.2. Other debt securities	2,736	–	-	1,831	903	–	2,740	–	-	1,718	903	–
Total	**16,865**	**2,773**	**–**	**1,831**	**903**	**18,169**	**22,690**	**3,381**	**–**	**1,718**	**903**	**24,835**

Sub-item 1.7 "Other loans" is broken down as follows:

- Advances on invoices subject to collection: € 238 thousand;
- Deposits at Organismi di compensazione e garanzia (Clearing Bodies): € 690 thousand;
- Security deposits: € 26 thousand.

With reference to Credit Quality, please see Part E 1– Information on risks and hedging policies, Section 1 - Credit risk.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

(€/000)

Transaction type/Values	TOTAL 2019			TOTAL 2018		
	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	**2,736**	**–**	**-**	**2,740**	**–**	**-**
a) Public Administrations	1,835	–	-	1,839	–	-
d) Other financial companies	–	-	-	-	-	-
of which: insurance companies	–	-	-	-	-	-
c) Non-financial companies	901	–	-	901	–	-
2. Loans to:	**14,129**	**2,773**	**–**	**19,950**	**3,381**	**–**
a) Public Administrations	–	-	-	-	-	-
d) Other financial companies	879	–	-	905	–	-
of which: insurance companies	–	-	-	-	-	-
c) Non-financial companies	6,460	1,736	–	10,063	2,235	–
d) Families	6,790	1,037	–	8,982	1,146	–
Total	**16,865**	**2,773**	**–**	**22,690**	**3,381**	**–**

4.4 Financial assets measured at amortised cost: gross value and total adjustments

(€/000)

	Gross value				Overall adjustments			Overall partial write-offs (*)
	First stage	of which: low credit risk instruments	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	3,448	2,544	–	-	4	–	-	-
Loans	24,297	–	2,436	4,661	83	114	1,888	–
Total 2019	**27,745**	**2,544**	**2,436**	**4,661**	**87**	**114**	**1,888**	**–**
Total 2018	**21,949**	**1,524**	**11,137**	**5,483**	**94**	**578**	**2,102**	**–**
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

(*) Value to be displayed for information purposes

The breakdown by risk stage of financial assets measured at amortised cost is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard. For further details, please refer to Part A - Accounting policies.

Section 5 – Hedging derivatives – Item 50

At the reporting date, there were no items to be reported in the tables of "Section 5 – Hedging derivatives – Item 50" envisaged by Banca d'Italia Circular no. 262, 6th update of 30 November 2018.

Section 6 – Adjustment to financial assets subject to macro-hedging – Item 60

At the reporting date, there were no items to be reported in the tables of "Section 6 - Adjustment to financial assets subject to macro-hedging - Item 60" envisaged by Banca d'Italia Circular no. 262, 6th update of 30 November 2018.

Section 7 – Equity investments – Item 70

In accordance with IFRS 10, this item includes equity investments in the following subsidiaries:

- Promos Corporate Consulting S.R.L. (year 2018)
- Promos Fintech S.R.L (year 2019)

7.1 Equity investments: information on shareholding interest

Names	Registered Office	Operational office:	Percent ownership	% availability of votes
A. 100%-owned subsidiaries				
1. Promos Corporate Consulting S.r.L.	Viale Gramsci 19-Naples	Naples	65%	–
2. Promos Fintech S.r.L.	Viale Gramsci 19-Naples	Naples	90%	–
B. Joint ventures				
C. Companies subject to significant influence				

7.2 Significant equity investments: carrying amount, fair value and dividends received

(€/000)

Names	Book value	Fair value	Dividends received
A. 100%-owned subsidiaries	**78**	**–**	**-**
1. Promos Corporate Consulting S.r.L.	33	–	-
2. Promos Fintech S.r.L.	45	–	-
B. Joint ventures	**–**	**-**	**-**
C. Companies subject to significant influence	**–**	**-**	**-**
Total	**78**	**–**	**-**

Promos Corporate Consulting Srl, 65% controlled by the Bank, offers consulting and support services to companies, assisting them in conceiving and structuring extraordinary corporate transactions and in the process of issuing and placing financial instruments and/or in risk capital transactions.
This investment is recognized at cost for an amount of € 33 thousand.

Promos Fintech Srl, 90% owned by the Bank, is an innovative start-up, incorporated in July 2019 with the aim of developing high-tech projects for the banking and financial industry.

7.3 Significant equity investments: accounting information

(€/000)

Names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenue	Net interest income	Adjustments to and write-backs of tangible and intangible assets	Pre-tax profit (loss) of current operations	Profit (loss) of current operations, after taxes	Profit (Loss) of disposal groups, after taxes	Profit (loss) for the year (1)	Other income items, after taxes (2)	Comprehensive income (3)=(1)+(2)
A. 100%-owned subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Promos Corporate Consulting S.r.L.	-	-	231	–	163	259	–	-	39	–	-	18	–	**18**
2. Promos Fintech S.r.L.	47	–	2	–	2	–	-	-	(3)	–	-	(3)	–	**(3)**
B. Joint ventures	–	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Companies subject to significant influence	X	-	-	-	-	-	X	X	-	-	-	-	-	-
Total	–	-	-	-	-	-	-	-	-	-	-	-	-	-

The figures shown in the table in question relate to the subsidiaries' financial statements as at 31 December 2019 approved by the respective Boards of Directors, held in May 2020.

Below is a reconciliation between the accounting information shown in the table and the book value of the equity investment in the Financial Statements. The amounts shown in the table refer to the most recently closed financial statements, as does the shareholders' equity taken as reference for the valuation of the investment.

- Promos Corporate Consulting srl

- total assets 230,817 consisting of cash and cash equivalents, financial assets and non-financial assets;
- total liabilities 163,444 consisting of financial and non-financial liabilities;
- resulting shareholders' equity 67,373
- shareholders' equity for valuation as per last approved financial statements 67,373.

- Promos Fintech srl

- total assets 48,827 consisting of cash and cash equivalents, financial assets and non-financial assets;
- total liabilities 1,600 consisting of financial and non-financial liabilities;
- resulting shareholders' equity 47,227
- shareholders' equity for valuation as per last approved financial statements 47,227.

7.4 Non-significant equity investments: accounting information

The were no non-significant investments at the reporting date.

7.5 Equity investments: year-on-year changes

(€/000)

	TOTAL 2019	TOTAL 2018
A. Opening balances	**33**	**–**
B. Increases	**45**	**33**
B.1 Purchases	45	33
B.2 Write-backs	–	-
B.3 Write-ups	–	-
B.4 Other changes	–	-
C. Decreases	**–**	**-**
C.1 Sales	–	-
C.2 Adjustments	–	-
30. Write-downs	–	-
C.4 Other changes	–	-
D. Closing balances	**78**	**33**
E. Total write-ups	**–**	**-**
F. Total adjustments	**–**	**-**

7.6 Commitments for investments in jointly controlled entities

The were no investments in jointly controlled entities at the reporting date.

7.7 Commitments for investments in entities subject to significant influence

There were no commitments for investments in entities subject to significant influence at the reporting date.

7.8 Significant restrictions

The were no significant restrictions at the reporting date.

7.9 Other information

There was no additional information to provide at the reporting date.

Section 8 – Tangible assets – Item 80

8.1 Breakdown of operating tangible assets measured at cost

(€/000)

Assets/values	TOTAL 2019	TOTAL 2018
1. Own assets	**4,888**	**5,640**
a) land	–	-
b) buildings	4,729	5,430
c) furniture	54	69
d) electronic systems	92	117
e) other	13	24
2. Rights of use acquired through leases	**272**	**–**
a) land	–	-
b) buildings	217	–
c) furniture	–	-
d) electronic systems	38	–
e) other	17	–
Total	**5,160**	**5,640**
of which: obtained through the enforcement of guarantees received	–	-

Sub-item 2. shows the rights of use acquired through leases following the entry into force of the new accounting standard IFRS 16 as of 1.1.2019.
More specifically, as a result of the introduction of the new standard, which applies to lease contracts intended as contracts that give the lessee the right to use an identified asset for a certain period in exchange for a consideration, item "2. Rights of use acquired through leases" includes the rights of use recognized in connection with property leases (€ 217 thousand), company vehicles (€ 17 thousand) and ATMs (€ 38 thousand).

8.2 Investment property: breakdown of assets measured at cost

At the reporting date, there were no tangible assets held for investment purposes; therefore the relevant table is omitted.

8.3 Operating tangible assets: breakdown of revalued assets

At the reporting date, there were no revalued operating tangible assets; therefore the relevant table is omitted.

8.4 Investment property: breakdown of assets measured at fair value

At the reporting date, there were no tangible assets held for investment purposes; therefore the relevant table is omitted.

8.5 Inventories of tangible assets governed by IAS 2: breakdown

At the reporting date, there were no tangible assets regulated by IAS 2; therefore the relevant table is omitted.

8.6 Operating assets: year-on-year changes

(€/000)

	Land	Buildings	Fixtures	Electronic systems	Other	Total
A. Gross opening balances	–	**8,318**	**586**	**510**	**317**	**9,731**
A.1 Net total impairments	–	2,888	517	393	293	4,091
A.2 Net opening balance	–	**5,430**	**69**	**117**	**24**	**5,640**
A.3 Changes in net opening balance (FTA IFRS 16)	-	254	-	48	23	325
A.4 Net opening balance		**5,684**	**69**	**165**	**47**	**5,965**
B. Increases:	**-**	**137**	**-**	**4**	**-**	**141**
B.1 Purchases	-	-	-	4	-	4
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange profits	-	-	-	-	-	-
B.6 Transfers from buildings held as investment	-	-	X	X	X	-
B.7 Other changes	-	137	-	-	-	137
C. Decreases:	**-**	**874**	**15**	**40**	**17**	**946**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	156	15	40	17	228
C.3 Adjustments due to impairment charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to	-	718	-	-	-	718

a) tangible assets held as investment	-	-	X	X	X	-
b) non-current assets and disposal groups	-	718	-	-	-	718
C.7 Other changes	-	-	-	-	-	-
D. Net closing balances	**-**	**4,947**	**54**	**129**	**30**	**5,160**
D.1 Net total impairments	-	2,907	532	433	310	4,182
D.2 Gross closing balance	**-**	**7,854**	**586**	**562**	**340**	**9,342**
E. Measurement at cost	-	-	-	-	-	-

For all tangible assets, the cost method is applied by the Bank.
Items A.1 and D.1 “Total net reductions” include the amount of depreciation on property, plant and equipment recognized in the accounts.
The contents of item A.3 "Changes in net opening balance (FTA IFRS 16)" refer to the First Time Adoption of IFRS 16. For more information, please refer to paragraph 4.6 *"Transition to the international accounting standard IFRS 16"* of Part A "Accounting Policies".
Item "C.6 Transfers to: b) non-current assets held for sale and disposal groups" refers to the property where the Naples branch office was located, which was closed in 2018.
As indicated by Banca d’Italia, no amounts are reported in Sub-item “E. Measurement at cost” – as this item is intended only for tangible assets measured at fair value, which the Bank did not own at 31 December 2019.

Investment property: yearly changes

The were no investment properties at the reporting date.

8.8 Inventories of tangible assets governed by IAS 2: yearly changes

There were no changes at the reporting date.

8.9 Commitments to purchase tangible assets

The Bank has no commitments to purchase tangible assets.

Section 9 – Intangible assets – Item 90

9.1 Intangible fixed assets: breakdown by type of asset

(€/000)

Assets/values	TOTAL 2019		TOTAL 2018	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	**-**	X	**-**
A.2 Other intangible assets	**442**	**-**	**340**	**-**
A.2.1 Assets measured at cost:	442	-	340	-
a) Internally generated intangible assets	404	-	284	-
b) Other assets	38	-	56	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**442**	**-**	**340**	**-**

The activities of the Bank's Research and Development Laboratory continued in 2019. Therefore, sub-item "A.2.1. a) internally generated intangible assets" included € 66 thousand relating to the recognition of a new software; the remaining part refers to the recognition of development activities that continued in the current year in relation to the platforms (4) already recognized in the previous financial statements. Such software, aimed at supporting the various business lines of the Bank, is therefore able to produce future economic benefits. Pursuant to IAS 38, research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet: these costs mainly refer to the cost of personnel involved in the individual projects concerning the development of individual IT platforms.

Recognized intangible assets are amortized on the basis of their expected technological obsolescence.
All the intangible assets of the Bank are measured at cost.

9.2 Intangible assets: year-on-year changes

(€/000)

	Goodwill	Other intangible assets: internally generated assets		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balances	**-**	**310**	**-**	**651**	**-**	**961**
A.1 Net total impairments	-	26	-	595	-	621
A.2 Net opening balance	**-**	**284**	**-**	**56**	**-**	**340**
B. Increases	**-**	**225**	**-**	**16**	**-**	**241**
B.1 Purchases	-	-	-	16	-	16
B.2 Increases in internal intangible assets	X	225	-	-	-	225
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Exchange profits	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**105**	**-**	**34**	**-**	**139**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	105	-	34	-	139
- Amortisation and depreciation	X	105	-	34	-	139
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ Income statement	-	-	-	-	-	-
C.3 Negative changes in fair value		-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current disposal assets	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-

C.6 Other changes	-	-	-	-	-	-
D. Net closing balances	**-**	**404**	**-**	**38**	**-**	**442**
D.1 Net total adjustments	-	131	-	629	-	760
E Gross final balances	**-**	**535**	**-**	**667**	**-**	**1,202**
F. Measurement at cost	-	-	-	-	-	-

No amounts were reported in Sub-item F - "Measurement at cost" - as this item is intended only for intangible assets measured at fair value, which the Bank does not own.

At the reporting date, the intangible assets shown in the table did not include rights of use acquired through leases.

9.3 Intangible assets: other information

In accordance with the requirements of IAS 38, paragraphs 122 and 124, please note that the Bank has not:

- placed its intangible assets as collateral for its liabilities;
- taken commitments to purchase intangible assets, as at the date of the financial statements;
- acquired intangible assets through finance or operating leases;
- acquired intangible assets licensed by the government;
- financial assets written up and measured at fair value.

At 31 December 2019, no goodwill was accounted for in the Bank's financial statements.

Section 10 – Tax assets and liabilities – Item 100 of assets and Item 60 of liabilities

This item includes tax assets (current and deferred) and liabilities (current and deferred) recorded, respectively, in item 100 of the Assets and item 60 of the Liabilities.
Deferred tax assets and liabilities are accounted for in accordance with the accrual principle, in order to match costs and revenues that determine the result for the period.
According to IAS 12 the recognition of deferred taxes in the financial statements should be based on the following criteria:
- deferred tax liabilities must be recognised on all the temporary taxable differences,
- deferred tax assets can be recognised for all deductible temporary differences where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference.

Deferred tax assets and liabilities were recognized in accordance with the current tax legislation, providing for the application of a 27.5% rate for IRES and a 5.72% rate for IRAP.

10.1 Deferred tax assets: breakdown

contra entry to income statement

(€/000)

	IRES	IRAP	TOTAL
Receivables	283	20	303
Tangible fixed assets	55	-	55
Provisions for liabilities and charges	2	-	2
Tax losses	98	-	98
Administrative costs	-	-	-
Other items	79	-	79
TOTAL	**517**	**20**	**537**

Contra entry to shareholders' equity

	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	23	31	54
Severance indemnity	-	-	-
Other items	-	-	-
TOTAL	**23**	**31**	**54**

The item “receivables” in the above table includes Deferred Tax Assets (hereinafter also "DTA") relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to art.106, paragraph 3 of the Consolidated Income Tax Law (TUIR) and art. 6 paragraph 1, c-bis) of IRAP Decree 446/1997 convertible into a tax credit, regardless of the entity's future profitability, both in case of statutory loss and IRES tax loss or of negative IRAP production value pursuant to Law No. 214 of 22 December 2011 ("qualified DTAs") of € 189 thousand;

- adjustments arising from the expected credit loss model (ECL) under IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and which, therefore, can only be recognized if there are sufficient and probable future taxable amounts, of € 115 thousand (IRES) (article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). It was originally provided that income components arising solely from adoption of the model involving the recognition of a loss allowance for expected credit losses on loans to customers, referred to in paragraph 5.5 of IFRS 9, and identifiable as a portion of the reserves for transition to IFRS9 recognized upon first adoption of the standard, are deductible from the IRES tax base to the extent of 10 percent of their amount in the tax period of first adoption of IFRS 9 (2018) and for the remaining 90 percent in equal amounts over the subsequent tax periods. In the subsequent paragraph 1068 of Law no. 145/2018 a similar provision was included for IRAP. As a result of the changes introduced by the Stability Law 2020 (Law no.160 of 27 December 2019), the portion pertaining to the tax year in progress at 31 December 2019, both for IRES and IRAP purposes, was deferred to tax year 2026.

For detailed information on the "probability test" carried out on deferred tax assets, please refer to paragraph 10.7 "Other information" hereinafter.

10.2 Deferred tax liabilities: breakdown

Contra entry to income statement
(€/000)

	IRES	IRAP	TOTAL
Capital gains taxed according to equal instalments	679	141	820
Tangible fixed assets	-	-	-
Other items	-	-	-
TOTAL	**679**	**141**	**820**

Contra entry to shareholders' equity

	IRES	IRAP	TOTAL
Positive reserves for HTCS financial assets	4	1	5
Other items	-	-	-
TOTAL	**4**	**1**	**5**

10.3 Changes in deferred tax assets (contra entry to income statement)

(€/000)

	TOTAL 2019	TOTAL 2018
1. Opening balance	**493**	**479**
2. Increases	**537**	**493**
2.1 Prepaid taxes recorded for the year	537	493
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) write-backs	-	-
d) other	537	493
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**493**	**479**
3.1 Prepaid taxes derecognised for the year	472	457
a) reversals	472	457
b) write-downs due to impossibility of recovery	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	21	22
a) amounts reclassified as tax credits pursuant to Law no. 214/2011	21	22
b) other	-	-
4. Closing balance	**537**	**493**

The increase in deferred tax assets recognized during the year was mainly due to the recognition of the following:

- adjustments on loans to customers, not recognized in the previous year, for 7 tenths, arising as a result of the transition to accounting standard IFRS9 (article 1, paragraphs 1067-1069 Law no.145 of 28 December 2018): +115 thousand (IRES);
- Provisions for non-deductible liabilities and charges: -32 thousand (IRES);
- tax losses: -48 thousand (IRES);
- Allocation for severance indemnity: +37 thousand (IRES);
- ACE: - 7 thousand (IRES)

The decreases in deferred tax assets mainly include the release of their balance prior to the reporting date.

10.3bis Change in prepaid taxes as per Law no. 214/2011

(€/000)

	TOTAL 2019	TOTAL 2018
1. Opening balance	**210**	**217**
2. Increases	**-**	**-**
3. Decreases	**21**	**7**
3.1 Reversals	-	-
3.2 Amounts reclassified as tax credits	21	7
a) resulting from losses for the period	21	7
b) resulting from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**189**	**210**

Table 10.3 bis shows the changes in deferred tax assets recognized in relation to value adjustments on loans to customers for € 21 thousand pursuant to Law no. 214/2011, resulting from the conversion of DTAs following the loss incurred in the previous financial year.
As a result of the rules introduced with the Stability Law 2020, during the year:

i. there were no reversals referring to adjustments on loans to customers, since the deduction of the portion of these costs expected for the tax period in progress at 31 December 2019 has been deferred, both for IRES and IRAP purposes, in equal instalments, to 2022 and to the 3 subsequent years.

The transformation referred to in point 3.2.a) was made by virtue of the provisions of Legislative Decree no. 225/2010, converted with amendments by Law no. 10/2011. In particular, art. 2 paragraphs 55-56 provides that where an entity reports a loss for the year, the deferred tax assets recognized in the financial statements in relation to loan value adjustments and those relating to the value of goodwill and other intangible assets are converted into a tax credit. The conversion becomes effective from the date of approval of the financial statements and applies for an amount equal to the loss for the year multiplied by the ratio of the DTA to shareholders' equity before the loss for the year. With effect from the tax period in which the conversion is effected, the negative components corresponding to the DTA converted into a tax credit are not deductible.

10.4 Change in deferred taxes (contra entry to income statement)

(€/000)

	TOTAL 2019	TOTAL 2018
1. Opening balance	**841**	**877**
2. Increases	**-**	**-**
2.1 Deferred taxes recorded for the year	-	-
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**21**	**36**
3.1 Deferred taxes derecognised for the year	21	36
a) reversals	21	36
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**820**	**841**

The decrease recorded during the year 2019 refers to taxes calculated on the depreciation charge for the period relating to the capital gain on the property recognized in the financial statements.

10.5 Change in prepaid taxes (contra entry to shareholders' equity)

(€/000)

	TOTAL 2019	TOTAL 2018
1. Opening balance	**128**	**-**
2. Increases	**54**	**128**
2.1 Prepaid taxes recorded for the year	54	128
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	54	128
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**128**	**-**
3.1 Prepaid taxes derecognised for the year	128	-
a) reversals	128	-
b) write-downs due to impossibility of recovery	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**54**	**128**

10.6 Change in deferred taxes (offsetting entry to equity)

(€/000)

	TOTAL 2019	TOTAL 2018
1. Opening balance	**-**	**-**
2. Increases	**5**	**-**
2.1 Deferred taxes recorded for the year	5	-
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	5	-
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred taxes derecognised for the year	-	-
a) reversals	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**5**	**-**

10.7 Other information

(€/000)

Breakdown of current taxes	**IRES / IRPEG**	**IRAP**
Current tax liabilities (-)	-	- 28
Advances paid (+)	33	24
Withholding taxes paid (+)	7	-
Other tax credits (+)	127	-
Tax credits as per Law no. 214/2011 (+)	56	2
Tax credits that cannot be offset: principal	32	-
Tax credits that cannot be offset: interest	-	-
Debit balance of item 60 a) of liabilities	**-**	**-2**
Credit balance of item 100 a) of assets	**255**	**-**

Information on the "Probability test" of deferred tax assets

Under par. 5 of IAS 12, "deferred tax assets" are defined as the amount of income taxes for the year that can be recovered in future years with respect to the following cases:

a) deductible temporary differences;
b) unused tax losses carried forward (including ACE (tax relief related to the increase in equity));
c) unused tax credits carried forward.

Specifically, the "temporary differences" are defined as differences that arise temporarily between the book value of assets (liabilities) and their tax value. They are defined as "deductible" when they generate amounts that can be deducted when determining future taxable income, in connection with the realization of assets (settlement of liabilities).

When there is a temporary deductible difference, par. 24 of IAS 12 provides for the recognition of a deferred tax asset - equal to the product between the deductible temporary difference and the tax rate expected in the year in which such difference will be reversed - only if and to the extent that it is probable that there will be a future taxable income against which the deductible temporary differences can be used (probability test). Indeed, the economic benefit consisting in the reduction of future tax payments is achievable only if the taxable income is of a sufficiently large amount (IAS 12, par. 27).

That said, the Bank reported deferred tax assets (DTA) of € 591 thousand. These included € 189 thousand falling within the scope of Law 214/2011 and, therefore, as already described, they are considered "qualified" DTAs (and therefore of certain recoverability).
The "probability test" was carried out on the residual portion of DTAs in the income statement (i.e. those that cannot be converted into tax credits) of € 348 thousand in order to verify the Bank's ability to generate future taxable income capable of absorbing the aforementioned deferred tax assets.

In carrying out the "probability test", the following elements were taken into account:

- updated forecast data;
- forecast quantification of the Bank’s future profitability.

The assessments made at the reporting date showed that the Bank will reasonably be able to produce future taxable income capable of ensuring the recoverability of the non-qualified DTAs recognized in the accounts.

Section 11 – Non-current assets and disposal groups and related liabilities – Item 110 of assets and item 70 of liabilities

11.1 Non-current assets and disposal groups: breakdown by type of asset

(€/000)

	TOTAL 2019	TOTAL 2018
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Shareholdings	-	-
A.3 Tangible assets	663	82
Of which: obtained through the enforcement of guarantees received	82	82
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**663**	**82**
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	663	82
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily 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	-	-
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 related to discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated 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	-	-

Sub-item "A.3 Tangible assets" held for sale at the date of preparation of the financial statements, included a property for a value of € 581 thousand, where a branch that was closed following a corporate reorganization had its offices, as well as a property acquired following enforcement of collateral for a value of € 82 thousand. At the reporting date, negotiations were under way for its subsequent disposal.

11.2 Other information

The Bank did not perform any transaction covered by IFRS 5 para. 42.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

(€/000)

	TOTAL 2019	TOTAL 2018
Items in progress	108	147
Credit transfers being charged	-	476
Miscellaneous tax items	625	671
Deferrals	1	7
Other minor items	156	280
Total	**890**	**1,581**

The "Items in progress" mainly reflect temporary transactions, which primarily refer to items processed in the last days of the year 2019, with contra entry in the first days of the subsequent year.
The item “Prepayments” indicates prepayments other than those that must be capitalized on the related financial assets.
The item "Other tax items" mainly includes the tax credit for Research and Development activities, pursuant to Ministerial Decree of 27 May 2015 (implementing the tax credit for research and development) for € 249 thousand. With regard to the tax relief in question, additional information is provided in the specific section of the Report on Operations of this annual report.
In addition, this item consists of Advances for the stamp duty for the subsequent year amounting to € 293 thousand and advances for withholdings on interest expense of € 24 thousand.

Liabilities

Section 1 – Financial liabilities measured at amortised cost – Item 10

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

(€/000)

Transaction type/Values	TOTAL 2019				TOTAL 2018			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Payables to central banks	**5,000**	X	X	X	**5,000**	X	X	X
2. Payables to banks	**2,123**	X	X	X	**1,562**	X	X	X
2.1 Current accounts and sight deposits	122	X	X	X	61	X	X	X
Term deposits	2,001	X	X	X	1,501	X	X	X
2,3 Loans	–	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	–	X	X	X	-	X	X	X
2.3.2 Other	–	X	X	X	-	X	X	X
2.4 Payables for repurchase commitments of equity instruments	–	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	**7,123**	**-**	**7,123**	**-**	**6,562**	**-**	**6,562**	**-**

Item “1. Payables to central banks” includes the amount payable to the European Central Bank for loans outstanding at 31 December 2019 in relation to a loan granted by the ECB against securities given as collateral by the Bank.
With regard to the criteria for determining the fair value of this item, reference is made to the comments in Part A - Accounting Policies.

1.2 Financial liabilities measured at amortised cost: breakdown by type of loans to clients

(€/000)

Transaction type/Values	TOTAL 2019				TOTAL 2018			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1 Current accounts and sight deposits	24,853	X	X	X	28,287	X	X	X
2. Term deposits	7,789	X	X	X	6,193	X	X	X
3 Loans	-	X	X	X	-	X	X	X
3.1 Repurchase agreements	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4 Payables for repurchase commitments of equity instruments	-	X	X	X	-	X	X	X
5 Lease payables	273	X	X	X	-	X	X	X
6 Other payables	-	X	X	X	-	X	X	X
Total	**32,915**	**-**	**-**	**32,915**	**34,480**	**-**	**-**	**34,480**

As this item includes only sight deposits (current accounts and demand deposits) and term deposits maturing within 12 months, fair value is assumed to be equal to the amortised cost.
Lease payables arise following the introduction of IFRS16.

1.3 Financial liabilities measured at amortised cost: breakdown by type of outstanding securities

(€/000)

Transaction type/Values	TOTAL 2019				TOTAL 2018			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	-	-	-	-	4,754	-	4,779	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	4,754	-	4,779	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**4,754**	**-**	**4,779**	**-**

At 31 December 2019 there were no outstanding securities issued by the Bank. More specifically, the two bonds issued by the Bank, which matured in April and October respectively, were repaid in 2019.

1.4 Breakdown of subordinated payables/securities

No subordinated payables/securities existed at the reporting date.

1.5 Breakdown of structured payables

No structured payables existed at the reporting date.

1.6 Lease payables

(€/000)

	TOTAL 2019
Lease payables to customers	
Up to 1 year	-
1 year to 5 years	55
Over 5 years	218
Total lease payables	**273**

At 31 December 2019, the Bank had outstanding payables of € 273 thousand, of which € 55 thousand for company vehicles and ATMs, falling due between 1 and 5 years and € 218 thousand, for real estate leases, falling due after over 5 years. Lease payables refer entirely to customer counterparties. They arise from application of the new IFRS 16 with effect from 1 January 2019.

Section 2 – Financial liabilities held for trading – Item 20

At the reporting date, there were no items to be reported in the tables of "Section 2 - Financial liabilities held for trading – Item 20 envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018".

Section 3 – Financial liabilities designated at fair value – Item 30

At the reporting date, there were no items to be reported in the tables of "Section 3 - Financial liabilities designated at fair value – Item 30 envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018".

Section 4 – Hedging derivatives – Item 40

At the reporting date, there were no items to be reported in the tables of "Section 4 - Hedging Derivatives – Item 40 envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018".

Section 5 – Adjustment to financial liabilities subject to macro-hedging – Item 50

At the reporting date, there were no items to be reported in the tables of "Section 5 - Adjustment to financial liabilities subject to macro-hedging – Item 50 envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018".

Section 6 – Tax liabilities – Item 60

For information on tax liabilities, see Section 10 of the Assets.

Section 7 – Liabilities related to discontinuing operations – Item 70

For information on tax liabilities, see Section 11 of the Assets.

Section 8 – Other Liabilities – Item 80

8.1 Other liabilities: breakdown

(€/000)

	Total 2019	Total 2018
Sums payable to the Inland Revenue on behalf of clients/staff	293	393
Credit transfers settled through clearing house	163	856
Trade payables	221	226
Collections on behalf of third parties and other amounts available to customers or third parties	170	172
Personnel costs	119	277
Payables to other entities	101	108
Accrued liabilities and deferred income	1	2
Portfolio credited subject to collection and after collection	83	111
Other payables to third parties	4	6
Total	**1,155**	**2,151**

Section 9 – Staff severance indemnity - Item 90

9.1 Staff severance indemnity: year-on-year changes

(€/000)

	Total 2019	Total 2018
A. Opening balances	**932**	**1,095**
B. Increases	**188**	**131**
B.1 Allocation for the year	108	131
B.2 Other changes	80	-
C. Decreases	**50**	**294**
C.1 Indemnities disbursed	50	233
C.2 Other changes	-	62
D. Closing balances	**-**	**-**
Total	**1,070**	**932**

At the reporting date, the Bank recognized the employee severance indemnity in accordance with IAS 19; therefore Item D. "Closing balance" of the recorded provision corresponds to its Actuarial Value (Defined Benefit Obligation - DBO).

The B.1 sub-item "Allocation for the year" is broken down as follows:
1) Service Cost for € 93,887;
2) Net Interest Cost for € 14,245.

"Other changes" as per sub-item B.2 include actuarial losses (€ 79,746) arising from the actuarial valuation, with contra entry to an equity reserve.
The sub-item C.1 refers to uses of the provision.

9.2 Other information

9.2.1 Other Information: Staff severance indemnity calculated according to article 2120 of the Italian Civil Code

(€/000)

	2019	2018
Opening provision	**875**	**983**
Increases	108	125
Decreases	50	233
Closing provision	**933**	**875**

The provision for the staff severance indemnity governed by art. 2120 of the Italian Civil Code, accrued as at 31 December 2019, amounted to € 933 thousand. The Staff Severance Indemnity accruing continues to be kept in the company, as the Bank did not exceed the minimum threshold of 50 employees, as provided for by Law no. 296 of 27 December 2006.
Please note that as at 31 December 2019 no employee of the Bank had opted to request the monthly direct payment of their accruing severance indemnity - salary supplement (QU.IR) - as an integral part of the remuneration, as permitted and governed by Prime Minister's Decree no. 29 of 20 February 2016

9.2.2 Other information: description of actuarial assumptions

The actuarial model for the valuation of the staff severance indemnity is based on demographic and economic assumptions.
Within the framework of the technical-economic bases used, it should be noted that the annual discount rate (0.77%) used to calculate the present value of the liability was determined in accordance with paragraph 83 of IAS 19, with the IBoxx Corporate AA index with a duration of over 10 years as quoted on 31 December 2019.
The additional information required by IAS 19 for post-employment defined benefit plans is provided below:

Sensitivity analysis on the main valuation parameters

Rate breakdown	**DBO at 31/12/2019**
Turnover rate +1%	1,060,580.93
Turnover rate -1%	1,081,539.25
Inflation rate +0,25%	1,090,388.28
Inflation rate -0,25%	1,051,033.19
Discounting rate +0,25%	1,044.97.79
Discounting rate -0,25%	1,096,935.71

Service Cost and Duration

Annual future Service Cost	96,527.64
Plan duration	13.3

Estimated future disbursements

Years	**Expected disbursements**
1	98,426.58
2	81,288.54
3	82,405.98
4	83,078.99
5	83,362.58

Section 10 – Provisions for liabilities and charges – Item 100

10.1 Provisions for liabilities and charges: breakdown

(€/000)

Items/Values	Total 2019	Total 2018
1. Provisions for credit risk related to commitments and financial guarantees granted	8	38
2. Provisions on other commitments and other guarantees granted	-	-
3. Company retirement funds	-	-
4. Other provisions for liabilities and charges	-	87
4.1 legal and tax disputes	-	72
4.2 staff expenses	-	-
4.3 other	-	15
Total	**8**	**125**

Item "1. Provisions for credit risk on financial commitments and guarantees given" includes, for € 8 thousand, the provisions for credit risk in respect of commitments to disburse funds and financial guarantees given that fall within the scope of application of the IFRS 9 impairment rules.
The content of item 4. Other provisions for liabilities and charges is commented in paragraph 10.6 below.

10.2 Provisions for liabilities and charges: year-on-year changes

(€/000)

	Provisions on other commitments and other guarantees granted	Retirement funds	Other provisions for liabilities and charges	Total
A. Opening balances	**-**	**-**	**87**	**87**
B. Increases	**-**	**-**	**-**	**-**
B.1 Allocation for the year	-	-	-	**-**
B.2 Changes due to the passage of time	-	-	-	**-**
B.3 Changes due to discount rate adjustments	-	-	-	**-**
B.4 Other changes	-	-	-	**-**
C. Decreases	**-**	**-**	**87**	**87**
C.1 Use for the year	-	-	87	**87**
C.2 Changes due to discount rate adjustments	-	-	-	**-**
C.3 Other changes	-	-	-	
D. Closing balances	**-**	**-**	**-**	**-**

In 2019, the disputes brought by 2 former bank employees came to an end, which led to the full use of the related provision set aside in the previous year of € 72 thousand.

Furthermore, based on the opinions of our retained counsels, an operating expense was booked to the income statement for the excess shortfall - of € 35 thousand - caused by the company Ipervigile Srl, which carried out transport and custody services for the Bank, not covered by the provision previously set aside (€ 15 thousand).

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

(€/000)

	Provisions for credit risk related to commitments and financial guarantees granted			
	First stage	Second stage	Third stage	Total
1. Commitments to grant finance	6	1	-	**7**
2. Financial guarantees granted	1	-	-	**1**
Total	**7**	**1**	**-**	**8**

The breakdown by risk stage of the provisions in question is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard.
For further details, please refer to Part A - Accounting policies.

10.4 Provisions on other commitments and other guarantees granted

At the reporting date, there were no provisions on other commitments and other guarantees granted.

10.5 Defined-benefit company retirement funds

At the reporting date, there were no defined-benefit company retirement funds.

10.6 Provisions for liabilities and charges - other provisions

(€/000)

	2019	2018
Other provisions for liabilities and charges		
1. Provisions for risks on revocatory actions	-	-
2. Provision for charity and solidarity purposes	-	-
3. Personnel liabilities and charges	-	-
4. Legal and tax disputes	-	72
5. Other provisions for liabilities and charges	-	15
Total	**-**	**87**

Contingent liabilities, for which a financial outlay is unlikely according to the opinion of legal advisors, refer to the following disputes:

- With reference to the writ of summons received upon application by a customer claiming the invalidity and unlawfulness of some financial transactions entered into with the Bank over the three-year 2010-2013 period, the Judge, in the last hearing of 19 November 2019, postponed the proceedings for the statement of conclusions to 23 November 2021. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- with reference to the writ of summons issued upon application of a client, notified on 21 December 2016, seeking the reimbursement of a cloned check and the payment of relative damages, the Court of Naples, at the hearing of 26.11.2019 acknowledged the late disclaimer of signature by the client and postponed the case to the hearing of 20.03.2020. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- with respect to the writ of summons served to the Bank by a customer who brought an action seeking to have the Bank's liability ascertained for the financial brokerage activity carried out on behalf of the plaintiff. The Bank promptly filed its appearance in the proceedings, asking the court to dismiss the plaintiff's claim in its entirety due to lack of grounds. The next hearing will be held on 5.5.2020. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- by application under art. 414 of the Italian Code of Civil Procedure - filed on 14.05.2019, a former employee of the Bank, dismissed on 9.11.2018 for justified objective reason, pursuant to Law no. 300 of 1970, sued the Bank, asking the Court to establish the invalidity of the dismissal and, therefore, to order the Bank to reinstate the employee in her position and to pay all damages. At the last hearing on 17.12.2019, the Court reserved its decision regarding the admission of evidence; therefore, the date of the next hearing has not yet been set. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- by application under art. 414 of the Italian Code of Civil Procedure, filed on 26.11.2019, a former employee of the Bank, dismissed on 24.06.2019 for justified objective reason, pursuant to Law no. 300 of 1970, sued the Bank, asking the court to establish the invalidity of the dismissal and to order the Bank to reinstate him in his position, with the indemnity effects under art. 18 of Law no. 300/1970. At the last hearing on 7.01.2020, the Court adjourned the case pursuant to art. 309 of the Italian Code of Civil Procedure to a date yet to be set. On the basis of the views expressed by our legal advisor, as at the reporting date the Bank has not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

Section 11 – Redeemable shares – Item 120

At the reporting date, there were no items to be reported in the tables of "Section 11 - Redeemable shares – Item 120 envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018".

Section 12 – Corporate equity – Items 110, 130, 140, 150, 160, 170 and 180

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

For further details on this section, please refer to paragraph 12.3 below.

12.2 Share capital - Number of shares: year-on-year changes

Items/Types	Ordinary	Other
A. Shares at the beginning of the FY	**7,740,000**	**-**
- fully paid-up	7,740,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balances	**7,740,000**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for consideration:	-	-
- business combinations transactions	-	-
- bond conversion	-	-
- warrants exercised	-	-
- other	-	-
- scrip issue:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Write-off	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company disposal transactions	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balances	**7,740,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Existing shares at the end of the FY	7,740,000	-
- fully paid-up	7,740,000	-
- not fully paid-up	-	-

12.3 Share Capital: other information

At 31 December 2019 the share capital consisted solely of no. 7,740,000 shares, with a par value of € 1.00 each. There are no rights, privileges or restrictions on the shares.
The Bank holds no treasury shares.

12.4. Profit reserves: other information

In line with the requirements of IAS 1 paragraph 79 (b) and in compliance with article 2427, (4) and 7-bis, of the Italian Civil Code, the composition of the Bank's equity is detailed below, excluding the result for the year, with indication of the origin and degree of availability and eligibility for distribution of the various items.

(€/000)

Shareholders' equity	Amount 31.12.2019	Principal	Profits	Potential use	Use of the last 3 FYs
Share capital	7,740	7,740			-
Share premium account	1,071	1,071		A,B,C	-
Legal reserve	802	802		B	-
Business combinations reserve	621	621		A,C	-
Valuation reserve	-635		-635	A,C	-
FTA provision	115	115		A,C	-
FTA provision IFRS9	-884	-884		A,C	
Use of previous FYs	2,378		2,378	A,B,C	-1,988
Total reserves excluding the result for the period	**11,208**	**9,465**	**1,743**		**-1,988**

A = for share capital increase
B = for coverage of losses
C = for payment to shareholders

With reference to valuation reserves, the following is specified:
- the reserves from valuation of financial instruments measured at fair value through other comprehensive income represent the profits or losses arising from a change in the fair value of said financial assets;
- IAS 19 actuarial gains / losses refer to the valuation of employee severance indemnities and defined-benefit pension funds.

12.5 Equity instruments: breakdown and year-on-year changes

There were no equity instruments other than capital and reserves.

12.6 Other information

	Males	Females	Other than natural persons	Total
Number of shareholders at 1 Jan	**41**	**23**	**4**	**68**
Number of shareholders: in	2	-	-	**2**
Number of shareholders: out	2	-	-	**2**
Number of shareholders at 31 December 2019	**41**	**23**	**4**	**68**

Breakdown of the allocation of the profit for the year (pursuant to article 2427, para. 22-septies of the Italian Civil Code)

The proposed allocation of the profit pursuant to Article 2427 paragraph 22-septies of the Italian Civil Code is presented below.

Proposal for the allocation of the profit for the year

Legal reserve	22,917
Profit reserve	435,428

Other information

1. Financial commitments and guarantees given (other than those designated at fair value)

(€/000)

	Nominal amount of financial commitments and guarantees given			TOTAL 2019	TOTAL 2018
	First stage	Second stage	Third stage		
1. Commitments to grant finance	**2,083**	**338**	**-**	**2,421**	**4,477**
a) Central Banks	-	-	-	-	**-**
b) Public Administrations	-	-	-	-	**-**
c) Banks	-	-	-	-	**-**
d) Other financial companies	-	-	-	-	**-**
e) Non-financial companies	1,623	324	-	1,947	3,917
f) Families	460	14	-	474	560
2. Financial guarantees granted	**101**	**-**	**-**	**101**	**96**
a) Central Banks	-	-	-	-	**-**
b) Public Administrations	-	-	-	-	**-**
c) Banks	101	-	-	101	90
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Families	-	-	-	-	6

The "Commitments to disburse funds" are commitments that may give rise to credit risks which are subject to the IFRS 9 impairment rules.

The financial guarantees given include personal guarantees that secure the regular fulfilment of debt service obligations by the borrower.

2. Other commitments and other guarantees granted

(€/000)

	Face value	
	TOTAL 2019	TOTAL 2018
1. Other guarantees granted	**79**	**159**
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	61	120
f) Families	18	39
2. Other commitments	**-**	**-**
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Families	-	-

3. Assets pledged as collateral for own liabilities and commitments

(€/000)

Portfolios	Amount 2019	Amount 2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	7,942	7,503
3. Financial assets measured at amortised cost	690	709
4. Tangible assets	-	-
of which: inventories	-	-

Sub-item 2 “Financial assets measured at fair value through other comprehensive income” includes the securities used as collateral against the loans received from the European Central Bank.
The item “Financial assets measured at amortised cost” shows the margins vis-à-vis Cassa di Compensazione e Garanzia (Clearing House).

4. Third-party management and brokerage

(€/000)

Type of service	Amount
1. Execution of orders on behalf of clients	**-**
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	**-**
3. Custody and management of securities	**-**
a) third-party securities in custody: in the capacity of custodian bank (excluding asset management)	-
1. securities issued by the bank drafting the financial statements	-
2. other securities	-
b) third-party securities in custody (excluding asset management): other	8,232
1. securities issued by the bank drafting the financial statements	-
2. other securities	8,232
c) third-party securities in custody with third parties	11,131
c) own securities in custody with third parties	19,463
4.Other transactions	**-**

5. Financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At the reporting date, the Bank had no financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

6. Financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At the reporting date, the Bank had no financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

7. Securities lending transactions

At the reporting date the Bank had no outstanding securities lending transactions.

8. Disclosure of joint operations

At the reporting date, the Bank had no joint operations in force

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

(€/000)

Items/Technical forms	Debt securities	Loans	Other transactions	TOTAL 2019	TOTAL 2018
1. -Financial assets measured at fair value through profit or loss:	**75**	**–**	**-**	**75**	**197**
1.1. Financial assets held for trading	73	–	-	73	197
1.2. Financial assets designated at fair value	–	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	2	–	-	2	–
2. Financial assets measured at fair value through other comprehensive income	**52**	**–**	X	**52**	**76**
3. Financial assets measured at amortised cost:	**88**	**712**		**800**	**995**
3.1 Loans to banks	29	–	X	29	9
3.2 Loans to customers	59	712	X	771	986
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	-
6. Financial liabilities	X	X	X	-	-
Total	**215**	**712**	**–**	**927**	**1,268**
of which: interest income on impaired financial assets	–	82	–	82	104
of which: interest income on finance lease	-	-	-	-	-

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currency

At the reporting date, there was no interest income on financial assets in foreign currency.

1.3 Interest expense and similar charges: breakdown

(€/000)

Items/Technical forms	Payables	Securities	Other transactions	TOTAL 2019	TOTAL 2018
1. Financial liabilities measured at amortised cost	(171)	(44)		(215)	(274)
1.1 Payables to central banks	(5)	X	X	(5)	(5)
1.2 Payables to banks	(85)	X	X	(85)	(65)
1.3 Payables to customers	(81)	X	X	(81)	(110)
1.4 Outstanding securities	X	(44)	X	(44)	(94)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**(171)**	**(44)**	**-**	**(215)**	**(274)**
of which: interest expense for lease payables	**(3)**	**-**	**-**	**(3)**	**-**

1.4 Interest and similar expenses: other information

1.4.1 Interest expense on financial liabilities in other currencies

At the reporting date, there was no interest expense on financial liabilities in foreign currency.

1.5 Hedging differentials

During the year the Bank did not enter into hedging transactions; therefore, the relevant table is not filled out.

SECTION 2 – FEES AND COMMISSIONS - ITEMS 40 AND 50

2.1 Fees and commissions receivable: breakdown

(€/000)

Type of service/Values	TOTAL 2019	TOTAL 2018
a) guarantees granted	4	4
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	91	221
1. trading of financial instruments	-	-
2. trading of foreign currencies	2	-
3. Individual portfolio management	-	-
4. custody and management of securities	22	29
5. custodian bank	-	-
6. placement of securities	25	20
7. receipt and transmission of orders	7	8
8. consultancy services	-	31
8.1 in investments	-	-
8.2. in financial structure	-	31
9. distribution of third-party services	35	133
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. other products	35	133
d) collection and payment services	185	219
e) servicing for securitisation	-	-
f) services for factoring	-	-
g) tax collection and treasury services	-	-
h) management of multilateral trading systems	-	-
i) operation and management of current accounts	275	335
j) other services	9	19
Total	**564**	**798**

2.2 Fees and commissions receivable: distribution channels of products and services

(€/000)

Channels/Values	TOTAL 2019	TOTAL 2018
a) at own branches:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-
b) out-of-branch offer:	**60**	**153**
1. portfolio management	-	-
2. placement of securities	25	20
3. third-party products and services	35	133
c) other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-

2.3 Commissions payable: breakdown

(€/000)

Services/Values	TOTAL 2019	TOTAL 2018
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(514)	(367)
1. trading of financial instruments	(483)	(337)
2.. trading of foreign currencies	-	-
3. portfolio management:	-	-
3.1 own	-	-
3.2 assigned to third parties	-	-
4. custody and management of securities	(31)	(30)
5. placement of financial instruments	-	-
6. external placement of financial instruments, products and services	-	-
d) collection and payment services	(30)	(32)
e) other services	(49)	(166)
Total	**(593)**	**(565)**

SECTION 3 – DIVIDENDS AND SIMILAR INCOME - ITEM 70

At the reporting date, there were no items to be reported in the tables of "Section 3 - Dividends and similar income – Item 70" envisaged by Banca d'Italia Circular no. 262, 6th update of 30 November 2018.

SECTION 4 – NET INCOME ON TRADING ACTIVITY – ITEM 80

4.1 Net profit/(loss) from trading activities: breakdown

(€/000)

Transactions/Income items	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**3,412**	**-**	**(333)**	**3,079**
1,1 Debt securities	-	3,412	-	(333)	3,079
1,2 Equity securities	-	-	-	-	-
1.3 UCIT units	-	-	-	-	-
1,4 Loans	-	-	-	-	-
1,5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2,1 Debt securities	-	-	-	-	-
2,2 Payables	-	-	-	-	-
2,3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	25
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4,1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and stock indexes	-	-	-	-	-
- On foreign currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
4,2 Credit derivatives	-	-	-	-	-
of which: natural hedging connected with fair value option	X	X	X	X	-
TOTAL	**-**	**3,412**	**-**	**(333)**	**3,104**

The item includes:

a) the net profit (loss) on transactions classified as "financial assets held for trading" and "financial liabilities held for trading", including the results on the valuation of such transactions;

b) the "net result" of "financial assets and liabilities: exchange differences" includes the positive or negative balance of changes in the value of financial assets and liabilities denominated in foreign currencies; this includes profits and losses arising from currency trading.

SECTION 5 – NET INCOME/LOSS ON HEDGING ACTIVITY – ITEM 90

At the reporting date, there were no items to be reported in the tables of “Section 5 - Net income/loss on hedging activity – Item 90” envisaged by Banca d’Italia Circular no. 262, 6th update of 30 November 2018.

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Profits (losses) on disposal/repurchase: breakdown

(€/000)

Income items/breakdown	TOTAL 2019			TOTAL 2018		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**37**	**(15)**	**22**	**-**	**(2)**	**(2)**
2,1 Debt securities	37	(15)	22	-	(2)	(2)
2,2 Loans	-	-	-	-	-	-
Total assets (A)	**37**	**(15)**	**22**	**-**	**(2)**	**(2)**
Financial liabilities measured at amortised cost	**-**	**-**	**-**	**1**	**(9)**	**(8)**
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Outstanding securities	-	-	-	1	(9)	(8)
Total liabilities (B)	**-**	**-**	**-**	**1**	**(9)**	**(8)**

SECTION 7 – NET INCOME/LOSS ON THE 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 designated at fair value

The items in question did not exist at the reporting date.

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 mandatorily measured at fair value

(€/000)

Transactions/Income items	Capital gains (A)	Profits on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**-**	**-**	**(6)**	**-**	**(6)**
1,1 Debt securities	-	-	-	-	-
1,2 Equity securities	-	-	**(6)**	**-**	**(6)**
1.3 UCIT units	-	-	-	-	-
1,4 Loans	-	-	-	-	-
2. Financial assets in foreign currency: exchange rate differences	X	X	X	X	**-**
Total	**-**	**-**	**(6)**	**-**	**(6)**

SECTION 8 – NET ADJUSTMENTS/REVERSALS FOR CREDIT RISK – ITEM 130

8.1 Breakdown of net adjustments/reversals for credit risk relating to financial assets measured at amortised cost

(€/000)

Transactions/Income items	Adjustments (1)			Reversals (2)		Total 2019	Total 2018
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Loans to banks	**(10)**	**-**	**-**	**5**	**-**	**(5)**	**(10)**
- Loans	(10)	-	-	5	-	(5)	(10)
- Debt securities	-	-	-	-	-	-	**-**
of which: impaired acquired or originated loans	-	-	-	-	-	-	**-**
B. Loans to customers:	**(1)**	**(21)**	**(746)**	**520**	**307**	**59**	**(219)**
- Loans	-	(21)	(746)	517	307	57	(218)
- Debt securities	(1)	-	-	3	-	2	(1)
of which: impaired acquired or originated loans	-	-	-	-	-	-	**-**
Total	**(11)**	**(21)**	**(746)**	**525**	**307**	**54**	**(229)**

8.2 Breakdown of net adjustments/reversals for credit risk relating to financial assets measured at fair value through other comprehensive income

(€/000)

Transactions/Income items	Adjustments (1)			Reversals (2)		Total 2019	Total 2018
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Debt securities	(4)	-	-	34	-	**30**	**(33)**
B. Loans	-	-	-	-	-	**-**	
- to customers	-	-	-	-	-	**-**	
- to banks	-	-	-	-	-	**-**	
of which: impaired financial assets acquired or originated	-	-	-	-	-	**-**	
Total	**(4)**	**-**	**-**	**34**	**-**	**30**	**(33)**

SECTION 9 - PROFITS / LOSSES FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITION - ITEM 140

9.1 Breakdown of profits (losses) from contractual changes

This item includes losses from contractual changes without derecognition for € 6 thousand.

SECTION 10 – ADMINISTRATIVE EXPENSES - ITEM 160

10.1 Staff expenses: breakdown

(€/000)

Type of expense/Values	Total 2019	Total 2018
1) Employees	(1,735)	(2,040)
a) wages and salaries	(1,251)	(1,364)
b) social security charges	(354)	(380)
c) employee severance indemnities	-	(43)
d) pension costs	-	-
e) provision for employee severance indemnities	(108)	(131)
f) provision for retirement benefit and similar liabilities:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution	-	-
- defined benefits	-	-
h) costs deriving from payment plans based on own equity instruments	-	-
i) other benefits in favour of employees	(22)	(122)
2) Other employed personnel	-	(1)
3) Directors and Auditors	(300)	(314)
4) Personnel in retirement	-	-
5) Recovery of expenses for employees in secondment at other businesses	-	-
6) Recovery of expenses for third-party employees in secondment at the company	-	-
Total	**(2,035)**	**(2,355)**

Sub-item “e) provision for staff severance indemnity” consists of:
1) Service Cost for € 93,887;
2) Net Interest Cost for € 14,245.

Sub-item "i) other employee benefits" is detailed in table 10.4 below.

Sub-Item “3) Directors and Auditors”, includes the remuneration paid to directors and statutory auditors, including social security contributions paid by the company.

10.2 Average number of staff by category

	Total 2019	Total 2018
Employees (a + b + c)	35	42
a) Managers	-	-
b) Middle managers	5	5
c) Remaining employed staff	30	37
Other staff	-	-

The average number of employees is calculated in terms of weighted average, where the weight is the number of months worked by each person during the year. Part-time employees are accounted for at 50%.

10.3 Defined-benefit company retirement funds: costs and revenue

At the reporting date, there were no defined-benefit company retirement funds.

10.4 Other benefits in favour of employees

(€/000)

	Total 2019	Total 2018
Miscellaneous personnel costs: provision for loyalty bonus	-	-
Miscellaneous personnel costs: accident insurance	-	-
Miscellaneous personnel costs: charges for leaving incentives	-	(75)
Miscellaneous personnel costs: meal vouchers	(11)	(13)
Miscellaneous personnel costs: training costs	-	(23)
Sundry personnel costs: other benefits	(11)	(11)
Other benefits in favour of employees	**(22)**	**(122)**

10.5 Other administrative expenses: breakdown

(€/000)

	Total 2019	Total 2018
Administrative expenses	**(1,414)**	**(1,463)**
General expenses	**(934)**	**(978)**
Expenses for electronic services	(764)	(784)
Postal and telephone expenses	(56)	(72)
Stationery and printed material	(11)	(17)
Membership and similar fees	(88)	(79)
Finance leases and rentals	(15)	(26)
Real estate expenses	**(130)**	**(206)**
Lease payable and condominium expenses	(30)	(67)
Energy costs	(44)	(48)
Cleaning of premises	(1)	(2)
Security and surveillance expenses	(7)	(13)
Maintenance and repairs	(48)	(76)
Professional and insurance expenses	**(283)**	**(229)**
Fees for professional services	(38)	(51)
Auditing fees	(56)	(64)
Legal and sundry consultancy	(168)	(91)
Insurance	(21)	(23)
Research and development costs	**(50)**	**(30)**
Research and development costs	(50)	(30)
Other administrative expenses - Other	**(8)**	**(4)**
Miscellaneous	(8)	(4)
Promotional and advertising expenses	**(9)**	**(16)**
Advertising and entertainment	(9)	(16)
Direct and indirect taxes	**(182)**	**(260)**
Other	(182)	(260)
Total administrative expenses	**(1,596)**	**(1,723)**

The sub-item "Membership and similar fees" - in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IFRIC 21 "Levies" – around € 2 thousand as ordinary and additional contributions to the Single Resolution Fund (SRF), and € 25 thousand as ordinary contributions to the Interbank Deposit Protection Fund.

The item "Research and Development Costs" includes the costs incurred for the consulting services provided by a consulting firm with expertise in the industry, which supported the Bank in the implementation of technical-scientific projects for the development of software in support of business operations.

Short-term lease payments (contracts with a residual useful life of less than 12 months) and lease payments on low-value leases (less than € 5 thousand) are included in the sub-item "Lease and rental payments" for a negligible amount.

SECTION 11 – NET ALLOWANCES TO PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 170

11.1 Breakdown of net provisions for credit risk relating to commitments to grant finance and financial guarantees granted

(€/000)

Financial statement items	2019		
	Stage 1	**Stage 2**	**Stage 3**
	Provisions (Sign -)		
Commitments to grant finance			
- Commitments to grant loans	(13)	(2)	(5)
Financial guarantees granted			
- Finance Guarantee contracts	(2)	-	(1)
Total accruals (-)	**(15)**	**(2)**	**(6)**
	Reallocations (+ sign)		
Commitments to grant finance			
- Commitments to grant loans	40	4	5
Financial guarantees granted			
- Finance Guarantee contracts	2	-	2
Total reallocations (+)	**42**	**4**	**7**
	Net provision		
Total	**27**	**2**	**1**

11.2 Breakdown of net provisions for other commitments and other guarantees granted

At the reporting date, there were no net allocations relating to other commitments and other guarantees granted.

11.3 Net allocations to other provisions for liabilities and charges: breakdown

At the reporting date, there were no net allocations relating to other provisions for liabilities and charges.

SECTION 12 – NET ADJUSTMENTS/REVERSALS ON TANGIBLE ASSETS - ITEM 180

12.1. Net adjustments to property, plant and equipment: breakdown

(€/000)

Assets/Income statement items	Depreciation (a)	Adjustments for impairment (b)	Reversals (c)	Net result (a + b - c)
A. Tangible assets				
1. Functional assets	(228)	-	-	(228)
- Owned	(175)	-	-	(175)
- Rights of use acquired through leases	(53)	-	-	(53)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(228)**	**-**	**-**	**(228)**

The depreciation of the rights of use acquired through leases results from application of the IFRS 16 as of 1 January 2019. Please refer to Part A - Accounting policies.
The result of the measurement of tangible assets classified as held for sale, pursuant to IFRS 5, is not significant.

SECTION 13 – NET ADJUSTMENTS TO/WRITE-BACKS ON INTANGIBLE ASSETS – ITEM 190

13.1 Net adjustments to intangible assets: breakdown

(€/000)

Assets/Income item	Depreciation (a)	Adjustments for impairment (b)	Reversals (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(139)	-	-	(139)
- Internally generated	(105)	-	-	(105)
- Other	(34)	-	-	(34)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(139)**	**-**	**-**	**(139)**

SECTION 14 – OTHER OPERATING INCOME AND EXPENSES – ITEM 200

14.1 Other operating expenses: breakdown

(€/000)

	Total 2019	Total 2018
Non-recurring gains/losses that cannot be classified into a specific item	(49)	(23)
Other operating expenses - other	(23)	(56)
Total operating expenses	**(72)**	**(79)**

14.2 Other operating income: breakdown

(€/000)

	Total 2019	Total 2018
Recovery of expenses	169	215
Non-recurring gains/losses that cannot be classified into a specific item	104	25
Other operating income - other	286	243
Total other operating income	**559**	**483**

The item “Recovery of expenses” mainly relates to the recovery of stamp duties charged to customers, with offsetting entry in the sub-item “Taxes and duties” included under Other administrative expenses.

The item "Other operating income" mainly includes the income related to the tax credit for research and development activities, amounting to € 249 thousand which - in accordance with IAS 20 - is similar to an operating grant and was therefore recorded under other operating income.

SECTION 15 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – ITEM 220

At the reporting date, there were no items to be reported in the tables of “Section 15 - Profits (Losses) on equity investments – Item 220” envisaged by Banca d’Italia Circular 262, 6th update of 30 November 2018”.

SECTION 16 – NET RESULT OF TANGIBLE AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – ITEM 230

At the reporting date, there were no items to be reported in the tables of “Section 16 – Net result on tangible and intangible assets measured at fair value – Item 230” envisaged by Banca Italy d’Italia Circular no. 262, 6th update of 30 November 2018.

SECTION 17 – ADJUSTMENTS TO GOODWILL – ITEM 240

At the reporting date, there were no items to be reported in the tables of "Section 17 - Value adjustments on goodwill – Item 240" envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018".

Section 18 – Profits (losses) on investment disposal – Item 250

At the reporting date, there were no items to be reported in the tables of "Section 18 - Profits (Losses) on investment disposal – Item 250" envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018".

SECTION 19 – INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS - ITEM 270

19.1 Income taxes for the year on current operations: breakdown

(€/000)

	Income items/Values	Total 2019	Total 2018
1.	Current taxes (-)	(7)	-
2.	Changes in current taxes for previous years (+/-)	-	-
3.	Reduction in current taxes for the period (+)	-	-
3.bis	Reduction in current taxes for the year for tax credits as per law no. 214/2011 (+)	-	22
4.	Change in prepaid taxes (+/-)	44	15
5.	Change in deferred taxes (+/-)	21	36
6.	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	58	73

19.2 Reconciliation of notional and actual tax burden

(€/000)

INCOME ITEMS	Tax
Item/Values	
IRES income taxes - Notional tax burden	(103)
Decreases in the taxable base - Effects on IRES	166
Increases in the taxable base - Effects on IRES	(63)
A. Actual tax burden - current IRES tax	**-**
Increases of deferred tax assets	66
Decreases of deferred tax assets	-
Increases of deferred tax liabilities	-
Decreases of deferred tax liabilities	18
B. Total effects of deferred IRES taxation	**84**
C. Change in current taxes for previous years	**-**
D. Total IRES for the period (A+B+C)	**84**
IRAP theoretical tax charge with application of nominal tax rate (difference between brokerage margin and deductible costs):	(125)
Effect of decreases in value of production	106
Effect of increases in value of production	(9)
Change in current taxes for previous years	-
E. Actual tax burden - current IRAP tax	**(28)**
Increases of deferred tax assets	-
Decreases of deferred tax assets	-
Increases of deferred tax liabilities	-
Decreases of deferred tax liabilities	4
F. Total effects of IRAP deferred taxability	**4**
G. Total pertaining IRAP (E+F)	**(24)**
H. IRES/IRAP substitute tax on differences between statutory and tax values of assets	**-**
TOTAL CURRENT IRES - IRAP TAXES (A+C+E+H)	**(28)**
TOTAL IRES - IRAP TAXES FOR THE YEAR (A+C+E+H)	**58**

SECTION 20 – PROFIT (LOSS) OF DISCONTINUED OPERATIONS, AFTER TAXES – ITEM 290

At the reporting date, there were no items to be reported in the tables of "Section 20 – Profit (Loss) on discontinued operations, after taxes – Item 290" envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018.

Section 21 – Other information

At the reporting date, there was no further information to provide on the income statement.

Section 22 – EPS

22.1 Average number of ordinary shares with diluted capital earnings

At 31 December 2019 the Bank owned no ordinary shares with diluted capital earnings.

22.2 Other information

Earnings per share (basic and diluted) for 2019 amounted to € -0.06, calculated - as provided for by law - by dividing the result for the period by the average number of shares outstanding during the year.

Part D – COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

(€/000)

	Items	Total 2019	Total 2018
10.	**Profit (loss) for the year**	**458**	**(1,284)**
	Other income items not reversed to income statement		
20.	Equity securities designated at fair value through other comprehensive income	(375)	(87)
	a) Changes in fair value	(375)	(87)
	b) Transfers to other equity items	-	-
30.	Financial liabilities designated at *fair value* through profit or loss (changes of own creditworthiness):	–	-
	a) Changes in fair value	-	-
	b) Transfers to other equity items	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income:	–	-
	a) Changes in fair value (hedged tool)	-	-
	a) Changes in fair value (hedging tool)	-	-
50.	Tangible assets	–	-
60.	Intangible fixed assets	–	-
70.	Defined-benefit plans	(80)	62
80.	Non-current assets and disposal groups	–	-
90.	Share of valuation reserves for equity investments measured at equity	–	-
100.	Income taxes related to other income items not reversed to income statement	26	5
	Other income items reversed to income statement		
110.	Foreign investment hedging:	–	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	–	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	–	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-

	of which: result from net positions	-	-
140.	Hedging instruments (non designated items):	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	148	(346)
	a) changes in fair value	179	(379)
	b) reversal to income statement	(31)	33
	- amendments for credit risk	(31)	33
	- profits/losses on disposal	-	-
	c) other changes	-	-
160	- Non-current assets and disposal groups:	–	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves for equity investments measured at equity:	–	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	- adjustments due to impairment	-	-
	- profits/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes related to other income items reversed to income statement	23	123
190.	**Total of other income items**	**(258)**	**(243)**
200.	**Comprehensive income - (10 +190)**	**200**	**(1,527)**

Part E – INFORMATION ON RISKS AND HEDGING POLICIES

Introduction

The Bank pays special attention to the governance and management of risks and ensures that its organizational/procedural controls, methodological solutions and tools are kept constantly up to date to support effective and efficient risk governance and control, also in response to changes in the operational and regulatory environment.

The Bank's risk management strategy rests on a holistic view of business risks that takes into account both the macroeconomic scenario and the individual risk profile, by encouraging a growing risk control culture across the organization and by strengthening transparent and accurate representation of said risks.

The Bank's risk-taking strategies are summarized in the Risk Appetite Framework (RAF) approved by the Board of Directors. The latter defines the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies and the reference processes necessary to define and implement them, in line with the maximum acceptable risk, the business model and the strategic plan. The RAF, which was introduced to ensure that risk-taking activities are in line with management expectations and compliant with the overall regulatory and prudential framework, is defined in light of the overall risk position and financial situation and performance of the Bank.

Both the general principles, in terms of risk appetite, and the safeguards adopted regarding the overall risk profile and the main specific risks, are defined within the framework.

The general principles underlying the Bank's risk-taking strategy are summarized below:
- the Bank's business model is mainly focused on financial intermediation activities. The traditional lending activity is also carried out;
- the objective of the corporate strategy is not to eliminate risks but to ensure they are fully understood so that they can be knowingly assumed and they are properly managed so as to ensure sound, long-term business sustainability;
- limited risk-appetite, capital adequacy, income stability, sound liquidity position, attention to maintaining a good corporate reputation, strong control over the main specific risks to which the company is exposed, are key elements underlying all business operations;
- formal and substantial compliance with the rules in order to avoid sanction and maintain strong relationship of trust with all corporate stakeholders.

Therefore, the *Risk appetite framework* provides a framework for the overall management of risks assumed by the Bank and for the definition of general risk appetite principles and the consequent development of safeguards against corporate risk.

The monitoring of the overall risk profile is based on a structure of limits aimed at ensuring compliance, both in ordinary and stress conditions, with minimum required solvency, liquidity and profitability levels.
In particular, overall risk oversight aims to maintain adequate levels of:
- capitalization, with respect to first and second pillar 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, enabling the bank to face even prolonged periods of tension on the various funding markets both in the short-term and on a more structural basis, by monitoring the limits set under the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and loan collection gap;
- risk-adjusted profitability; by monitoring an indicator based on the ratio of adjustments for the impairment of financial assets to gross operating result excluding securities trading.

The RAF is defined through a structured and complex process, under the coordination of the company risk management in close interaction with the heads of the various business units, Administration, management control and other corporate control functions. This process is developed in line with the ICAAP / ILAAP processes and the development / updating of the recovery plan and provides the reference framework for the preparation of the annual budget and the business plan, ensuring consistency between risk-taking strategies and policies on the one hand and planning and budgeting processes on the other.
The Bank has also drawn up its recovery plan according to the indications of the relevant authorities; the plan outlines methods and measures to restore the company solvency profiles in the event of serious deterioration

of the financial situation. To this end, stress scenarios were identified that reveal the main vulnerabilities of the Bank and help measure their potential impact on the Bank's risk profile.

The risk governance model, i.e. the set of corporate governance arrangements and management and control mechanisms designed to cope with the risks to which the Bank is exposed, is part of the broader framework of the Bank's internal control system, which has been defined in accordance with the regulations for the prudential supervision of banks set out in the 15th update to Banca d'Italia Circular No. 263/2006, subsequently merged into Circular no. 285/2013 (First Part, Title IV, Chapter 3).

Consistent with these guidelines, the risks to which the Bank is exposed are monitored within an organizational model based on a full separation of control and production functions, which integrates methods and controls at different levels such as to ensure the achievement of the following purposes, according to sound and prudent management:
- monitoring the implementation of company strategies and policies;
- risk containment within the limits defined in the Bank's RAF;
- safeguarding asset value and protection against losses;
- efficiency and effectiveness of the operating processes;
- reliability and security of business information and IT procedures;
- preventing the risk that the bank is involved, albeit involuntarily, in illegal activities, such as those related to money laundering, usury and the financing of terrorism;
- compliance of operations with the law and supervisory regulations as well as with policies, internal regulations and procedures.

The internal control system therefore involves the entire organization, starting from the corporate bodies and then extending to:
- line controls, whose main objective is to ensure operations are properly carried out with respect to external /internal regulations;
- second level controls, designed to implement risk management controls (under the responsibility of Risk Management) and controls on regulatory compliance (under the responsibility of Compliance). With respect to the management of the risk of money laundering and terrorist financing, in compliance with the relevant regulations and following an accurate organizational analysis that took into account the size of the Bank, its overall operations and staff, the Bank has taken steps to establish a specific Anti-Money Laundering Function;
- third-level controls (assigned to Internal Auditing), designed to identify anomalous trends in procedures and regulations and to assess the operation of the overall internal control system.

In line with the provisions issued by Banca d'Italia, the model adopted by the Bank outlines the main responsibilities of its governing and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.
Through a combined analysis of supervisory regulations and the Bank's articles of association, it is clear that the Bank's strategic supervisory function and management function are exercised under the coordinated and integrated action of the Board of Directors. The Chief Executive Officer participates in the management function is his role as head of the Bank's internal organization.
The strategic supervisory function guides the management process through:
- preparation of the strategic plan, within shall encapsulate the system of risk objectives (RAF);
- approval of the ICAAP / ILAAP report and of the budget, ensuring they are consistent between each other and with the internal control system and the organization.

The management function, to be understood as the set of decisions made by a corporate body for "the implementation of guidelines issued by the strategic supervisory function", is the responsibility of the Board of Directors with the support of the Chief Executive Officer, who participates in Board of Directors' meeting as board member and who has been delegated powers by the Board.

The Board of Statutory Auditors is the body vested with the control function and, as head of corporate control, it monitors 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 control functions, taking also advantage of the information provided by said functions.

Section 1 – Credit risk

Credit risk, also known as counterparty risk, generally refers to the risk that the customer/counterparty does not perform its obligations in the manner and within the time provided for by the contract, due to lack of funds. It is specifically the risk that the customer-debtor fails to fulfil even a part of their obligation in a loan transaction to reimburse principal and pay interest.
Credit risk, therefore, includes solvency, concentration and Country risks[1].

Qualitative information

1. General aspects

The objectives and strategies of the Bank's lending activities are addressed to:
– efficient selection of counterparties to whom loans are granted, through accurate analysis of creditworthiness so as to contain insolvency risk;
– diversification, by limiting the concentration of exposures to single counterparties/groups or sectors of economic activity;
– constant monitoring of existing loans, both using IT procedures and through the monitoring of positions in order to promptly detect any symptoms of imbalance and take corrective actions aimed at preventing the deterioration of the loan.

The commercial policy of the Bank with respect to lending activities is oriented to providing financial support to the local economy and is characterized by a high propensity to maintain fiduciary and personal relations with all members of the community (households, small businesses and firms).
In sectoral terms, lending is mainly directed towards the following branches of economic activity *(services, trade, manufacturing).*
In addition to traditional lending activities, the Bank is exposed to position and counterparty risks with respect to its securities trading activities.
Securities trading involves limited exposure of the Bank to position risk as investments in financial instruments are, in general, oriented towards high issuers (central governments, financial intermediaries and non-financial companies) with high credit standing.

2. Credit risk management policies

2.1 Organisational issues

In light of legal provisions on "*Internal Control System"* (contained in circular letter No. 285/2013, Part One, Title IV, Chapter 3), the Bank's organizational structure has been shaped to facilitate an efficient and effective credit risk management and control process.
In addition to line controls, such as first-level activities, the functions responsible for monitoring the management of positions and those in charge of second-level and third-level control, measure and monitor risk performance and the correctness / adequacy of management and operational processes.

In terms of credit risk, the provisions describe a series of aspects and precautions that are already largely covered by process regulations, but which supplement these areas by requiring formalized criteria for the classification, assessment and management of impaired exposures.
The Credit Area, with its organizational units, is the body delegated to govern the review and approval stages of the lending process. The Credit and Litigation Control Office is the function delegated to monitor and manage disputes (as specified below).
The division of duties and responsibilities within this area is, as much as possible, designed to achieve the segregation of activities in conflict of interest, especially through appropriate levels of IT authorizations.
The entire credit management and control process is governed by an Internal Regulation *("Credit Regulation")* which, specifically:
- defines criteria and methods for assessing creditworthiness;

[1]Country risk is the risk associated with international transactions, when the foreign customers-debtors do not fulfil their obligations, due to the macroeconomic conditions in the country in which they operate.

- defines criteria and methods for reviewing credit lines;
- defines criteria and methods for monitoring loan performance, and actions to be taken when anomalies are detected;
- defines loan approval powers.

In compliance with the Guidelines for Italian Less significant banks regarding the management of impaired loans published by Banca d'Italia on 30 January 2018, the bank adopted a specific policy for the management of impaired loans which, in addition to defining criteria for their classification and measurement, outlines specific strategies aimed at optimizing NPL management through the maximization of the present value of recoveries taking into account the Bank's management capabilities, the external environment, the characteristics of impaired portfolios, the costs associated with managing them and the indirect costs associated with maintaining a high level of NPLs.
The Bank has in place appropriate organizational arrangements that ensure the timely adoption of the most suitable measures for the classification, assessment and management of impaired positions.

The function in charge of the classification, measurement and management of NPLs is the Credit Control and Litigation Office. This function is separate from the Units involved in the loan approval phase and can request the support of external experts.

With regard to transactions with connected parties, the Bank has adopted specific decision-making procedures designed to manage the risk that the proximity of certain individuals to the decision-making bodies of the Banks may compromise the impartiality and objectivity of decisions. In this perspective, the Bank has also adopted tools and an IT procedure to ensure that connected parties are correctly and fully identified. These measures were supplemented through an updating, where deemed necessary, of the framework resolution and the regulations already in use within the bank. This set of documents, which make up the Policy, is thus made compliant with the regulations on connected parties.

Currently the Bank's organization comprises two branches, each directed and controlled by a manager.

The control activity on the management of credit risks (as well as financial risks and operational risks) is performed by the risk control function (Risk Management), which directly reports to the Board of Directors, through a series of tasks arising from the responsibilities set out in the Supervisory Provisions on the internal control system.
Specifically, the function contributes in defining the RAF and the related risk governance policies and in setting the operating limits to the assumption of the various types of risk.

The function:

- is involved in the definition and implementation of the "Risk Governance Policy - RAF" and of the various
steps that make up the risk management process, as well as in the setting of operating limits to the assumption of the various types of risk. In this respect, it is responsible, inter alia, for proposing the quantitative and qualitative parameters necessary to define the "Risk Governance Policy - RAF", which also refer to stress scenarios and, in the event of changes in the operating environment both within and outside the bank, the adjustment of those parameters.
- monitors the adequacy of the "Risk governance policy - RAF".
- monitors, on an ongoing basis, the adequacy of the risk management process and of operating limits.
- defines common assessment metrics for operational risks consistent with the "Risk Governance Policy - RAF", in coordination with Compliance, ICT and with the head of business continuity.
- defines evaluation and control systems for reputational risk, in coordination with the compliance function and the corporate functions more exposed to risk.
- supports the governing bodies in the evaluation of strategic risk by monitoring significant variables.
- ensures that risk measurement and control systems are consistent with the processes and methods in place to assess bank activities, in coordination with the organizational units involved;
- develops and applies indicators that can detect anomalies and inefficiencies in risk measurement and control systems.
- analyses the risks of new products and services and those arising from entering into new business segments and markets.
- provides preliminary advice on the level of consistency with the RAF of the most important transactions and, depending on the nature of the transaction, also seeks the opinion of other functions involved in the risk management process;

- constantly monitors the bank's risk profile and its consistency with the bank’s risk appetite as well as compliance with the operating limits assigned to operating structures in relation to the assumption of various types of risk.
- ensures the proper monitoring of individual credit exposures.
- monitors the adequacy and effectiveness of measures taken to address any deficiencies detected in the risk management process.
- assesses the bank activities and formalizes the results in a specific report.

2.2 Management, measurement and audit systems

The management of credit risk depends on lending policies. For this purpose, the Board of Directors establishes the general principles governing lending to customers, approves the strategic guidelines and policies for loan disbursement and risk management, through the definition of specific parameters (type of loans, percentage of funding to be used in lending).

The whole lending process, from the preliminary assessment to disbursement, as well as monitoring positions, reviewing credit lines and responding to abnormal situations, was formalised in the "Credit Regulations", approved by the Board of Directors and periodically audited.
The regulations cover: credit authorities, prudential limits, acceptable collateral, loans classification, credit monitoring, control and reporting system.

Consistent with these policies, the Bank has defined criteria for classifying, assessing and managing impaired positions as well as methods for monitoring credit risk; the above also with the objective of activating a systematic monitoring of positions allocated to network representative and coordinated by the Credit Control and Litigation Office.

Proper management of the credit process also requires an adequate risk measurement and control system.
In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.

The system is organised into the three levels outlined below:

1) line controls or first-level controls, to ensure that operations are properly carried out; these are performed by the commercial staff;

2) second-level controls, which are the responsibility of:
- the Credit Control and Litigation department, which, as part of its ordinary activities, carries out checks with regard to loan applications, granting and classification as well as audits on any unusual use of funds in the early stages of the loan and on loans performing in anomalous ways and therefore impaired;
- the Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed, also in relation to loan performance;
- the Compliance department, which verifies compliance with internal and external regulations.

3) third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal control system.

Moreover, the following activities are carried out:
- preventive controls, which take place prior to granting the credit line and are specifically aimed at verifying compliance with credit authority limits, guarantee standards, the completeness and adequacy of all documents delivered to and/or signed by the customer;
- on-going controls, which take place after the loan has been granted and disbursed, involving monitoring of the positions in their various operating aspects, with particular reference to risk management (unauthorised overdrafts, compliance with guarantee margins, etc.), in order to verify the recoverability of the loan at all times.

Finally, the Bank uses a management tool to carry out first-level controls through which the Credit Control Office and the branches can periodically monitor existing positions; this procedure uses historical internal databases and assigns a risk rating to each customer. Ratings are determined at the NDG level and any anomalies and data that contributed to their formulation are logged.

The IT application adopted by the Bank enables it to periodically extrapolate, among others, all performing relationships for which there is an indication of anomalous performance, including for example, being reported as doubtful in the system, the presence of past due and overdrawn amounts, qualifying as forborne, etc. Therefore, through constant monitoring of the reports provided by the application it is possible to promptly deal with anomalies in the credit relationship and take appropriate measures for the loans in question.
Credit exposures, as mentioned, are also monitored using the information provided by the Central Credit Register.
All fiduciary positions are also subject to periodic review, which is carried out for each individual counterparty/group of connected customers by the departments in charge based on credit limit.

2.3 Expected losses measurement methods

IFRS 9 introduced, for instruments recognized at amortized cost and at fair value with contra entry to equity (other than equity instruments), a model based on the "expected loss" concept, replacing the current "incurred loss" model provided for IAS 39.
The changes introduced by IFRS 9 are characterized by a prospective view that, in certain circumstances, may require the immediate recognition of all expected losses during the life of a loan. In particular, unlike IAS 39, the initial amounts of expected future losses on the entity's financial assets have to be recorded immediately and independently of any trigger event and said estimate has to be continually adjusted also considering the counterparty credit risk. For the purpose of this estimate, the impairment model must consider not only past and current data, but also information relating to future events.
This forward-looking approach helps reduce the impact upon occurrence of the losses and allows the loan adjustments to be made in proportion to the increase in risk, thereby preventing any excessive burdening of the income statement upon occurrence of the loss events and reducing the pro-cyclic effect.

The new model for the measurement of expected credit losses on impaired loans and securities is applicable to financial assets (loans and debt securities), commitments to disburse funds, guarantees as well as to financial assets not measured at fair value through profit or loss. For credit exposures falling within the scope of application [2] of the new model, the accounting standard provides for the allocation of the individual positions to one of 3 stages according to changes in credit quality, defined based on a 12-month or lifetime (if there has been a significant increase in risk) expected credit loss model. In particular, the stage allocation consists of three different categories which reflect the credit quality deterioration model from initial recognition:

- in stage 1, loans not showing a significant credit risk (SICR) at the assessment date or identifiable as Low Credit Risk;
- in stage 2, loans showing a significant credit risk at the assessment date or not being identifiable as Low Credit Risk;
- in stage 3, non-performing loans[3].

The estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss must be calculated over a 12 months' time horizon;[4];
- stage 2: the expected loss must be calculated considering all the losses that are expected to be sustained during the entire life of the financial asset (lifetime expected loss): therefore, compared to IAS 39, there is a transition from the incurred loss estimate over a 12 month time horizon to an estimate that takes into consideration the entire residual life of the loan; furthermore, since the IFRS 9 also requires the calculation of the expected lifetime loss to be made according to forward-looking estimates, it is necessary to consider the scenarios associated with macroeconomic variables (e.g. GDP, unemployment rate, inflation, etc.) that are capable of estimating forecasts for the entire residual term of the loan through a macroeconomic statistical model;

[2] The application segments are divided into ordinary customers, interbank segment and Securities Portfolio.
[3] Non-performing loans concern: impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.
[4] The Expected Loss calculation for the purpose of calculating the collective write-downs on these exposures is made on a 12-month point-in-time basis.

- stage 3: the expected loss must be calculated on a lifetime perspective but, unlike the positions in stage 2, the lifetime expected loss is calculated through an analytical method; For exposures classified as non-performing or unlikely to pay of an amount lower than € 30,000, for past due and / or overdrawn impaired exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using an individual-flat rate method.

Risk parameters (PD, LGD and EAD) are calculated based upon the impairment models. In order to improve the coverage of originally unrated loans originated after 2006, the default rates made available by the Bank of Italy were used[5]. The Bank calculates the ECL according to the allocation stage, for each exposure, with respect to on-balance sheet and off-balance sheet credit exposures.

Ordinary customers segment

The drivers that are common to all the approaches identified for the construction of the PD input, concern:

- estimation of the 12-month PD developed through the construction of an appropriately segmented, statistical model based on the type of counterparty and on the geographical area where the Bank operates;
- the inclusion of forward-looking scenarios, through the application to the PD Poin in Time (PiT) of multipliers defined by the "Satellite Model" and definition of a series of potential scenarios capable of incorporating current and future macroeconomic conditions;
- the transformation of the 12 month-PD into a lifetime PD, in order to estimate a term structure of the PD along the entire residual life class of the loans.

The drivers that are common to all the approaches identified for the construction of the LGD input, concern:

- a consortium-type model, properly segmented according to the geographical area where the Bank operates, that consists of two parameters: the Danger Rate (DR) and the Non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter is estimated starting from a set of administrative status transition matrices with a one-year observation horizon. These matrices were calculated on a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like the PD, is conditional upon the economic cycle, based on possible future scenarios, so as to incorporate assumptions of future macroeconomic conditions;
- the nominal LGS parameter is calculated as the arithmetic average of the nominal LGS, segmented by type of guarantee, and subsequently discounted based on the average recovery times observed for clusters of loans consistent with those of the nominal non-performing LGD.

The adopted EAD IFRS 9 model differs according to the macro type of technical form and the stage where the exposure has been classified. In order to estimate the EAD parameter over the lifetime horizon of loans with repayment by instalment it is necessary to consider the contractual repayment flows, for each year of the residual life of the loan. A further element that influences the future values of the EAD, i.e. the progressive repayment of instalment loans according to their contractual amortization plan, is the prepayment rate (a parameter that reflects early and partial termination events with respect to the contractual expiration date).

The Bank has provided for the allocation of the individual on- and off-balance sheet exposures in one of the 3 stages listed below based on the following criteria:

- in stage 1, exposures with generation date prior than three months as of the measurement date or that do not have any of the characteristics described in the following paragraph;
- in stage 2, exposures that have at least one of the characteristics described below at the reference date:
  - exposures for which there has been a 200% growth in PD, since origination;
  - presence of the 'Forborne performing' attribute;
  - presence of exposures that are past due and/or overdrawn for more than 30 days;
  - exposures (with no 'lifetime PD' on the date of disbursement) that do not have the characteristics to be identified as 'Low Credit Risk' (or performing exposures that at the valuation date have the

[5] In 2018, the Bank of Italy made available a historical series of default rates starting from 2006, broken down by a number of drivers (region, amount range, economic sector) and developed based on a broader definition than just positions reclassified as non-performing.

following characteristics: no lifetime PD at the date of disbursement and rating class at the reporting date less than or equal to 4[6]).

- in stage 3, non-performing loans. These are the individual exposures relating to counterparties classified in one of the impaired loan categories envisaged by Banca d'Italia Circular no. 272/2008, as updated. This category includes impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.

With regard to the allocation of performing loans to the "stages" required by IFRS 9, the breakdown of the performing loan portfolio, which accounted for 83.6% of total outstanding loans, was as follows in the financial statements at 31 December 2019:

- Stage 1: loans included in this risk stage, net of the associated value adjustments, accounted for 84% of the Bank's performing portfolio and 70% of total loans.
- Stage 2: loans included in this risk stage, net of the associated value adjustments, accounted for 16% of the Bank's performing loans and 14% of total loans.

At 31 December 2019, the composition of the Bank's Stage 2 portfolio, essentially attributable to automatic classification triggers, was broken down as follows:

- 6% consists of positions without rating as of their origination, for a gross amount of € 157 thousand;
- 35% consists of forborne positions gross amount of € 834 thousand;
- 31% consists of positions that are past due by over 30 days, for a gross amount of € 762 thousand;
- The residual amount (28%, gross value € 674 thousand) was attributable to exposures that recorded an increase in their Lifetime PD with respect to origination.

The significant reduction in the weight of exposures classified in stage 2 on the overall portfolio of loans to customers, from 45% at the beginning of the year to 14% at 31 December 2019, is essentially attributable to the refinement and update of credit risk models implemented by the outsourcer in 2019. More specifically, reference is made to the aforementioned use of the default rates made available by the Bank of Italy in order to improve the coverage of receivables which arose after 2006 and originally unrated.

Interbank segment

The Bank has adopted a model developed on a statistical basis. The PD parameter is provided by an external provider and extrapolated from listed credit spreads or quoted bonds.

The LGD parameter is prudentially set by applying the regulatory 45% level envisaged for the IRB framework.

For the EAD, logics similar to those applied for the ordinary customer model were applied. It should be noted that a prepayment parameter was applied to interbank loans, in line with the underlying technical forms and with regard to the specific nature of the relationships underlying this segment.

The Bank has provided for the allocation of the individual exposures to the 3 stages, in the same way as with loans to customers. The 'Low Credit Risk' status is defined for performing exposures which at the valuation date have the following characteristics: no "Lifetime PD" on the date of disbursement and PD Point in Time of less than 0.3%.

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- point-in-time: the default probability term structure for each issuer is obtained from listed credit spreads (CDS) or listed bonds;
- comparable: where market data do not allow for the use of specific credit spreads, since there are none or they are illiquid or not significant, the default probability term structure associated with the issuer is obtained through a proxy method. This method compares the issuer in question to a comparable issuer for which specific credit spreads are available or to a reference cluster for which it is possible to estimate a representative credit spread.

[6] The rating model includes 13 classes. To this end, it should be noted that the rating models developed by the outsourcer and adopted by the Bank are reviewed annually. In 2019, Cassa Centrale Banca refined and updated its credit risk models.

The LGD parameter is assumed to be constant for the entire life of the financial asset under analysis and is obtained on the basis of 4 factors: issuer and instrument type, instrument ranking, instrument rating and issuer's country. The minimum level starts at 45%, with subsequent increases to take into account the different seniority levels of the securities.

The Bank has provided for the allocation of the individual purchased tranches of securities in 3 stages.
The first credit worthiness stage comprises: the tranches that can be classified as 'Low Credit Risk' (that is, those with PD at the reporting date below 0.26%) and those securities which had no significant increase in credit risk at the measurement date compared to the time of purchase;
The second stage include tranches which at the valuation date show an increase in credit risk compared to the date of purchase.
The third and final stage includes the tranches for which the ECL is calculated following the application of a 100% probability (i.e. in default).

2.4 Credit risk mitigation techniques

Risk mitigation techniques encompass instruments that contribute to reduce the loss the Bank would bear in the event of insolvency of the counterparty; they include, in particular, the guarantees and some contracts that determine 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 used by the Bank consists in obtaining different types of real, personal and financial guarantees.
These forms of guarantee are requested according to the outcome of the assessment of customer creditworthiness and the type of credit line requested by said customers. As part of the loan approval and management process, the presence of mitigating factors is encouraged for counterparties with a less favourable credit rating or for certain medium/long-term types of loans.

In order to limit the risks of the protection ceasing to exist or expiring, specific safeguards are in place such as: restoration of the pledge where the initial value of the assets has decreased or, for mortgage guarantees, obligation of insurance coverage against damage from fire, as well as adequate monitoring of the value of the property.

With respect to activities on securities markets, considering that the portfolio tends to be made up of major issuers with high credit standing, no special forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is linked to loans to retail customers (medium and long term).
The Bank established that lending transactions are backed by various types of guarantees according to the type of loan granted:
- personal guarantees;
- collateral (mortgages and other collateral).

The acquisition of guarantees requires careful evaluation, not only to determine the guarantees' value, on which the maximum amount of credit that can be extended is based, but also to verify any restrictions or impediments that might in some way limit their validity.

Guarantees secured by assets
With regard to collateral types, the Bank accepts the following guarantees:
- mortgages;
- pledge on deposits in euros or foreign currency;
- pledge on securities.

In terms of acquisition, assessment and management of the main forms of collateral, the company policies and procedures ensure that these guarantees are always obtained and managed in a way that ensures they are binding in all relevant jurisdictions and enforceable within reasonable time.
In this respect, the Bank abides by the following relevant principles:
- the property value does not depend to a significant extent on the debtor's creditworthiness;

- the independence of the expert in charge of carrying out the appraisal of the property;
- an insurance coverage has been taken out against the risk of damage to the property which is the object of the guarantee;
- adequate monitoring of the value of the property has been put in place, to verify that the requirements that permit the Bank to benefit from a lower capital absorption on guaranteed exposures are satisfied over time;
- the intended use of the property and the debtor's ability to repay.

The process of monitoring the value of the property which is the object of the guarantee is carried out using statistical methods.
In this regard, the assessment is carried out:
- at least every 3 years for residential properties;
- annually for non-residential properties.

For significant exposures (that is, for an amount exceeding € 3 million or 5 per cent of the Bank's own funds) the assessment is in any case reviewed by an independent expert at least every 3 years.

With regard to financial guarantees, the Bank, based on the policies and processes for managing credit risk and the defined limits and operating powers, directs the acquisition of these guarantees exclusively if the underlying financial assets are such that the company is able to calculate the fair value at least every six months (or whenever there are elements that suggest that a significant decrease in fair value has occurred).
A discount on market value is applied to the securities pledged as collateral, to an extent related to the nature of the securities. The Bank may accept securities as collateral at its own discretion, and can apply higher discounts to the securities it deems riskier.
The monitoring of financial collateral, in the case of pledges on securities, involves the continuous monitoring of the issuer's rating and the assessment of the fair value of the financial instrument given as collateral. An adjustment of the guarantee is requested when the market value is lower than the resolution value less the required discount.
The guarantee may also consist of a cash balance, in which case no discount is applied.

Personal guarantees
With regard to personal guarantees, sureties on first demand are accepted, issued by Italian and foreign banks or by natural or legal persons of proven solvency.

The main types of guarantors are entrepreneurs and company partners related to the debtor as well as, in the case of loans granted to sole proprietorships and / or natural persons (consumers and non-consumers), also relatives of the debtor. Less frequently the risk of insolvency is covered by personal guarantees provided by other companies (generally companies that are part of the same economic group of the debtor), or by financial institutions and insurance companies.

In the case of loans to parties belonging to certain economic categories (small business owners, traders, etc.) the Bank obtains specific guarantees (first demand or ancillary guarantees) from Confidi (credit guarantee consortia registered in the special list pursuant to Article 107 of the TUB) and from Medio Credito Centrale.

If a financing proposal includes personal guarantees from third parties, the preliminary investigation also extends to the latter party. In particular, depending on the type and amount of the guaranteed loan, the following analysis and inquiries are made:
- the financial and income situation of the guarantor, including by consulting the appropriate databases;
- exposure to the banking system;
- the information in the bank's information system;
- whether the guarantor is part of a group and the group’s overall exposure.

The Bank does not deal with OTC derivatives and has not entered into bilateral netting arrangements.

3. Impaired credit exposures

3.1 Management strategies and policies

The Bank has in place regulatory / IT structures and procedures for the management, classification and control of loans.
Consistently with IAS / IFRS regulations, at each reporting date any objective evidence of impairment is verified for each instrument or group of financial instruments.
Impaired financial assets include loans when there is any objective evidence of impairment as a result of circumstances occurring after initial recognition.
On 9 January 2015 the European Commission approved, upon proposal of the European Banking Authority (EBA), the "*Final Draft ITS on supervisory reporting on forbearance and non performing exposures under article 99(4) of Regulation (EU) No 575/2013*".
Following this provision, Banca d'Italia issued an update of its regulatory framework which, although substantially in line with the previous representation of risk of non-performing loans, reflects the new community regulation starting from 1 January 2015.

Based on the current regulatory framework, supplemented by the internal implementing provisions, impaired financial assets are classified according to the level of criticality in three main categories: "non-performing loans" (that is, exposures to counterparties in a state of insolvency or in substantially equivalent situations) "unlikely to pay" (i.e., positions for which the Bank considers it unlikely that, without recourse to actions such as the enforcement of guarantees, the debtor will entirely fulfil - in terms of principal and/or interest - its credit obligations), "impaired past due and/or overdrawn exposures" (i.e. exposures that are past due and/or overdrawn for over 90 days). The further category of "forborne exposures" is also envisaged, which refers to exposures that are subject to renegotiation and/or refinancing due to manifest or forthcoming financial difficulty. This last category constitutes a subset of both impaired loans (forborne non-performing exposures) and performing loans (other forborne exposures). The impaired forborne exposure category (impaired forborne exposures) is not a distinct or additional category of impaired exposures with respect to those previously mentioned, but it is a subset of each of them, which includes on-balance sheet exposures and commitments to disburse funds that are the subject of forbearance measures (*forborne exposure*), if they meet both of the following conditions:
- the debtor is in a situation of financial difficulty that prevents them from fully complying with the contractual commitments set out in their loan agreement and such as to amount to a "credit deterioration" (classified in one of the impaired exposure categories: non-performing, unlikely to pay, past due and/or overdrawn for more than 90 days),
- the bank agrees to amend the terms and conditions of the loan agreement, or to totally or partially refinance the loan, such that the debtor can comply with it (such concession would not have been granted if the debtor had not been in a state of difficulty).

These concessions are subject to careful monitoring as the legislation sets very strict criteria for migration across the categories (forborne non-performing, forborne performing, non-forborne).

In order to enable a correct and continuous monitoring of exposures with forborne status, the outsourcer has put in place specific functionalities that report, propose and in some cases update the changes in status.

In keeping with the Guidelines for Italian Less significant banks regarding the management of impaired loans published by Banca d'Italia on 30 January 2018, the bank adopted a specific "Policy for the management of impaired loans" which, in addition to defining criteria for their classification and measurement, outlines a specific strategy aimed at optimizing NPL management through the maximization of the present value of recoveries taking into account the Bank's management capabilities, the external environment, the characteristics of impaired portfolios, the costs associated with managing them and the indirect costs associated with maintaining a high level of NPLs.
This strategy comprises a short-term (1 year) and a medium/long term (3 years) operating plan in line with the strategic objectives set by the Bank.

The Credit Control and Litigation department has been tasked with the monitoring, classification, assessment and overall management of impaired loans.
That activity mainly consists in:
- monitoring the positions, supporting the branches that are in charge of 1st level controls;
- defining, in agreement with the Branch Manager, the actions necessary to bring the performing positions back to regular performance as soon as they show the first signs of anomaly;

- managing positions as soon as they qualify as "impaired exposures";
- Identifying and recommending adjustments to the exposures to the relevant bodies;
- register the positions as “unlikely to pay” and / or “non-performing” subject to prior authorization by the relevant bodies.

The classification is also implemented through automated procedures when predetermined default conditions are triggered, in particular as regards past due and/or overdrawn exposures, depending on the continuous past due and/or overdrawn amount and period.
The return to performing status of exposures classified as unlikely to pay and NPLs, governed by the Supervisory Authority and by specific internal regulations, is made upon recommendation of Credit Control and Litigation to the Chief Executive Officer, after verifying that the anomalies leading to the classification of exposures as impaired financial assets no longer apply and the stability of the new counterparty’s situation.

With regard to exposures classified as "Past due and overdrawn loans" the return to performing status takes place automatically when payment is received.
For the purposes of determining the recoverable value of impaired loans, the Bank has defined the valuation process within the aforementioned Policy, based on expected cash flows, expected recovery times and the estimated realizable value of the guarantees, if any, the modification of which may entail a change in recoverable value; this calculation is based on the information available as at the valuation date.
The adjustment for each loan is determined as difference between the carrying amount at the time of measurement (amortised cost) and the current value of estimated future cash flows, calculated by applying the original actual interest rate.
This assessment is made at the time the exposures are classified, when relevant events occur and is, however, reviewed periodically in accordance with criteria and procedures laid down by the credit policies adopted.
Specifically: impaired loans classified as unlikely to pay and non-performing loans are subject to an analytical assessment by the Credit Control and Litigation department.

Impaired overdue loans are subject to a flat-rate assessment, using the same methodology as for the impairment of "performing" receivables; if an actual loss is expected, a write-down of the individual account is carried out.

The management and recovery of non-performing loans is carried out by the Credit Control and Litigation Office, with the support of external legal advisors in order to pursue the best solutions for recovering the debt.

The loan assessment is subject to review whenever the Bank becomes aware of significant events that can alter the prospects of recovery.

With respect to the main management control processes, being aware that the cost of risk is one of the most significant variables in determining current and future economic results, special attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-year plan and the annual budget (developed on the basis of expected macroeconomic and market scenarios), of the ICAAP and the RAF and those taken as reference for determining accounting provisions.

Following the introduction of IFRS 9, the Bank chose to apply the 'Phase-in' regime, introduced by Regulation (EU) 2017/2395. Specifically, the 'Phase-in' involves the introduction of a prudential filter that mitigates - in the 2018-2022 period (the transitional period) - the potential negative impact on CET1 arising from greater value adjustments upon application of the new IFRS9 impairment model:

- a static approach: to be applied to the impact of the FTA only, resulting from the comparison between IAS 39 value adjustments at 31 December 2017 and IFRS value adjustments at 1 January 2018 (including adjustments to the Stage 3 position);
- a dynamic approach: to be applied to the impact resulting from the comparison between the value adjustments at 1 January 2018 and the subsequent reporting periods up to 31 December 2022, limited however to the increases in value adjustments of exposures classified in stage 1 and 2 (thus excluding adjustments to stage 3 positions).

The provisions in question have permitted an entity to reintroduce in CET1 the effect from application of the new valuation model introduced by IFRS 9 for financial assets measured at amortized cost or at fair value through comprehensive income.
The rule in question allows dilution over five years of:

1. the incremental impact of the write-down of performing and impaired exposures recorded at the IFRS 9 transition date following application of the new impairment model ("static" component of the filter);
2. the potential further increase in collective write-downs with respect to performing exposures only, recognized at each reference date compared to the impact measured at the date of transition to the new standard ("dynamic" component of the filter).

The adjustment to CET1 determines the re-inclusion in CET1 of the impact to the extent shown below, for each of the 5 years comprised in the transitional period:
- 2018 - 95%
- 2019 - 85%
- 2020 - 70%
- 2021 - 50%
- 2022 - 25%

The application of the transitional provisions to CET1 requires a symmetrical adjustment in the determination of credit risk capital requirements through an adjustment of the exposures determined pursuant to Article 111, paragraph 1, of the CRR. In particular, the specific loan adjustments for which the value of the individual exposure is reduced must be multiplied by a graduation factor determined on the basis of the complement to 1 of the weight of the adjustment made to CET1 on the total amount of specific loan adjustments.

The Risk Management Department is responsible for assessing the consistency of the classifications, the adequacy of provisions and the effectiveness of the recovery process; it also verifies the correct application of valuation parameters laid down by internal regulations for non-performing loans subject to individual assessment. More specifically, it verifies the correct application of the criteria envisaged for assessing:
- loans secured by real estate collateral;
- loans secured by lien;
- loans secured by guarantees provided by consortia /MCC;
- loans secured by principal obligor and/or by guarantors by way of surety who own real estate assets that may be seized (both in the case of classification as unlikely to pay and as non-performing);
- unsecured loans to individuals without seizable assets;
- unsecured loans to sole proprietorships, partnerships and companies.

3.2 Write-offs

The Bank's rules regarding write-offs are outlined in the Credit Regulation. When there are no longer any reasonable expectations of recovering a receivable, this must be "written off". The event that triggers the write-off may occur before the legal actions for non-performing loan recovery have been completed and does not entail a waiver for the bank to recover its claim.

The write-off can concern the entire amount of the receivable or a portion of it and corresponds to:
- the reversal of total value adjustments, with contra-entry to the gross value of the receivable;
- the impairment loss on the receivable recognized directly in the income statement, for the amount exceeding the total value adjustments.

Any recoveries from collection after the write-off, are recognized in the income statement.

The Bank writes off uncollectible positions and recognizes the losses of the residual unadjusted amount in the following cases:

- the receivable is found to be uncollectible on the basis of certain and precise elements (such as, by way of example, the unknown abode or lack of means of the debtor, failed recoveries from levy of execution against land and chattels, failed foreclosures, insolvency proceedings closed with incomplete relief for the Bank, if there are no further enforceable guarantees, etc.);
- assignment of debt;
- waiver of receivable, as a result of unilateral relief of debt or residual amount on the basis of settlement agreements.

As regards the application of write-offs to non-performing loans, the Bank opted for this solution for the full amount of 25 positions for which the non-recoverability of the receivable had become certain.

It should be noted that the positions subject to write-off had already been largely written-down. The impact on the income statement amounted to € 21 thousand.

3.3. Impaired financial assets acquired or originated

The acquisition of impaired financial assets is not part of the Bank's business model.

4. Financial assets subject to commercial renegotiations and forborne exposures

The impaired forborne exposure category (non-performing forborne exposures) is not a distinct or additional category of impaired exposures with respect to those previously mentioned (non-performing, unlikely to pay, past due) but it is a subset of each of them, which includes on-balance sheet exposures and commitments to disburse funds that are the subject of forbearance measures (forborne exposure), if they meet both of the following conditions:

a) - the debtor is in a situation of financial difficulty that prevents them from fully complying with the contractual commitments set out in their loan agreement and such as to amount to a "credit deterioration" (classified in one of the impaired exposure categories: non-performing, unlikely to pay, past due and/or overdrawn for more than 90 days),
b) and the bank agrees to amend the terms and conditions of the loan agreement, or to totally or partially refinance the loan, such that the debtor can comply with it (such concession would not have been granted if the debtor had not been in a state of difficulty).

Forborne exposures towards debtors who are in a difficult financial situation other than a “credit deterioration” are instead classified in the “other forborne exposure” category (“forborne performing exposure”) and are classified under “Other non-impaired exposures”, or under “Non-impaired past-due exposures” if they meet the requirements for this classification.

In terms of the Bank's internal regulations, after having ascertained that a forbearance measure appears to comply with the forbearance requirements, the forborne exposure attribute is assigned as follows:

- “forborne performing” when both the following conditions occur:
  - the debtor was classified as performing before the forbearance resolution;
  - the debtor has not been reclassified by the Bank among the non-performing counterparties due to the forbearance measures granted;
- “forborne non performing” when at least one of the following conditions occurs:
  - the debtor was classified as non-performing before the forbearance resolution;
  - the debtor has been reclassified under non-performing exposures, due to the forbearance measures granted, including the cases in which (in addition to the other regulatory cases), following the assessment, significant impairment losses have arisen.

For the purposes of the reclassification of forborne non-performing exposures, there must be compliance with a "cure period" of one year starting from the date the measures were granted together with the borrower’s conduct showing that there are no longer any critical issues concerning the full repayment of the debt. Therefore, the Credit and Litigation Control Office performs an analysis of the debtor to verify that all the following criteria are satisfied:

1) the exposure is not considered impaired or in default;
2) there is no evidence of overdue amounts;
3) the debtor has repaid, through regular payments, an amount equal to the total of all the amounts previously overdue (if any at the date of granting the forbearance measures) or equal to the amount written-off according to the forbearance measures (in the absence of overdue amounts), or has otherwise demonstrated their ability to comply with the conditions set for the period following the granting of the forbearance measures. In the latter case, for the purposes of the assessment, the presence of arrears with respect to other intermediaries should also be considered.

A credit exposure classified as forborne performing becomes forborne non-performing when even just one of the following conditions is met:

- the prerequisites for classifying the counterparty among impaired loans are met;
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, the conditions having been met, the counterparty was placed under observation (with

simultaneous transfer of the credit line in question to forborne performing), but: i) during the period it qualified as forborne performing, one of the credit lines of the financed counterparty has become past due for more than 30 days; or ii) during the period it qualified as forborne performing, the counterparty holding the line in question is subject to the application of further forbearance measures.

In order for a credit exposure classified as "forborne performing" to lose this attribute, with consequent return to performing, the following conditions must be met simultaneously:

- an analysis of the debtor's financial situation shows that the transactions no longer meet the conditions that qualify them as impaired;
- at least two years have elapsed (*Probation period)* from the nearest of the date the forbearance measure was granted and the date of exit from the classification as impaired exposure;
- the debtor has made regular payments (both principal and interest) to an extent greater than an irrelevant aggregate amount of principal and interest for at least half of the observation period;
- with respect to the debtor, there are no transactions with amounts past due by more than 30 days at the end of the observation period.

In 2019 the Bank applied concessions in favour of 5 counterparties, of which 3 already classified as impaired exposures and 2 as performing. Overall, 5 credit lines were affected.
The oldest forborne position still outstanding dates back to 2017.

Quantitative information

A. Credit quality

Equity securities and UCITS units are excluded for the purpose of quantitative information on credit quality.
The term "on-balance-sheet exposures" means all on-balance-sheet financial assets held with respect to banks or customers, whatever their accounting portfolio allocation (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortized cost, financial assets held for sale).

The term "off-balance sheet credit exposures" means all financial transactions other than cash transactions (financial guarantees issued, revocable and irrevocable commitments, derivatives, etc.) that involve the assumption of credit risk, whatever the purpose of such transactions (trading, hedging, etc.). Off-balance sheet credit exposures also include the counterparty risk associated with securities lending transactions. Likewise, where necessary, they include the counterparty risk associated with exposures inherent in repurchase agreements, in the giving or taking of goods on loan, as well as in margin loans falling under the notion of "SFT Transactions" (Securities Financing Transactions) defined in prudential regulations.

Impaired credit exposures (on-balance sheet and off-balance sheet) do not include financial assets held for trading and hedging derivatives, which are therefore, conventionally, recognized among non-impaired credit exposures.

A.1 Impaired and non-impaired credit exposures: amount, value adjustments, changes and breakdown by type of business

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

(€/000)

Portfolio/Quality	Non-performing loans	Unlikely to pay	Impaired overdue exposures	Non-impaired overdue exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost	1,257	997	519	1,202	28,779	**32,754**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	9,697	**9,697**
3. Financial assets designated at fair value	–	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	–	-	-	-	5	**5**
5. Discontinuing operations	–	-	-	-	-	**-**
Total 2019	**1,257**	**997**	**519**	**1,202**	**38,481**	**42,456**
Total 2018	**1,336**	**1,072**	**973**	**1,498**	**38,429**	**43,308**

At the reporting date, the portfolio "1. Financial assets measured at amortized cost" included forborne exposures for approximately € 1,536 thousand (of which € 726 thousand impaired and € 810 thousand non-impaired), entirely attributable to credit loans and advances to customers.
In particular, the breakdown of forborne exposures according to credit quality was as follows:

- € 403 thousand included in the unlikely to pay category;
- € 323 thousand included in the impaired overdue exposures;
- € 810 thousand included in the other non-impaired exposures.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€/000)

Portfolio/Quality	Impaired				Non-impaired			Total (net exposure)
	Gross exposure	Overall adjustments	Net exposure	Overall partial write-offs (*)	Gross exposure	Overall adjustments	Net exposure	
1. Financial assets measured at amortised cost	4,661	1,888	2,773	–	30,182	201	29,981	32,754
2. Financial assets measured at fair value through other comprehensive income	–	-	-	-	9,705	8	9,697	9,697
3. Financial assets designated at fair value	–	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	–	-	-	-	X	X	5	5
5. Discontinuing operations	–	-	-	-	-	-	-	-
Total 2019	**4,661**	**1,888**	**2,773**	**–**	**39,887**	**209**	**39,683**	**42,456**
Total 2018	**5,483**	**2,102**	**3,381**	**–**	**40,628**	**712**	**39,927**	**43,308**

Portfolio/Quality	Assets of manifest poor credit quality		Other assets
	Accrued capital losses	Net exposure	Net exposure
1. Financial assets held for trading	–	-	103
2. Hedging derivatives	–	-	-
Total 2019	**–**	**-**	**103**
Total 2018	**–**	**-**	**7,384**

** Value to be displayed for information purposes*

A.1.3 Breakdown of financial assets by past due ranges (book values)

(€/000)

Portfolios/risk stages	First stage			Second stage			Third stage		
	1 to 30 days	From over 30 to 90 days	Over 90 days	1 to 30 days	From over 30 to 90 days	Over 90 days	1 to 30 days	From over 30 to 90 days	Over 90 days
1. Financial assets measured at amortised cost	336	–	-	186	239	442	55	47	2,111
2. Financial assets measured at fair value through other comprehensive income	–	-	-	-	-	-	-	-	-
3. Discontinuing operations	–	-	-	-	-	-	-	-	-
Total 2019	**336**	**–**	**-**	**186**	**239**	**442**	**55**	**47**	**2,111**
Total 2018	**258**	**–**	**-**	**398**	**535**	**307**	**93**	**3**	**2,774**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and total provisions

(€/000)

Reasons/risk stages	Overall adjustments																Total provisions on commitments to grant finance and financial guarantees granted			Total
	Assets falling in the first stage					Assets falling in the second stage					Assets falling in the third stage					of which: impaired financial assets acquired or originated				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs		First stage	Second stage	Third stage	
Opening overall adjustments	94	16	–	-	110	578	23	–	-	601	2,102	–	-	2,102	–	-	34	3	1	**2,851**
Increases from financial assets acquired or originated	–	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Eliminations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Net adjustments/write-backs for credit risk (+/-)	-45	-8	–	-	-53	-464	-23	–	-	-487	290	–	-	290	–	-	-27	-2	-1	**-280**
Contractual amendments not derecognised	–	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Changes in the estimate methodology	–	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-581	–	-	-581	–	-	-	-	-	**-581**
Other changes	38	–	-	-	38	–	-	-	-	-	77	–	-	77	–	-	-	-	-	**115**
Closing overall adjustments	87	8	–	-	95	114	–	-	-	114	1,888	–	-	1,888	–	-	7	1	–	**2,105**

Recoveries from collection of financial assets written-off	–	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recorded in the income statement	–	-	-	-	-	-	-	-	-	-	21	–	-	21	–	-	-	-	-	**21**

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between credit risk stages (gross and nominal amounts)

(€/000)

Portfolios/risk stages	Gross values/par value					
	Shifts between first and second stage		Shifts between second and third stage		Shifts between first and third stage	
	From first to second stage	From second to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
1. Financial assets measured at amortised cost	497	6,023	493	8	45	7
2. Financial assets measured at fair value through other comprehensive income	–	-	-	-	-	-
3. Discontinuing operations	–	-	-	-	-	-
3. Commitments to grant finance and financial guarantees granted	249	348	–	-	-	-
Total 2019	**746**	**6,371**	**493**	**8**	**45**	**7**
Total 2018	**2,891**	**224**	**1,631**	**53**	**489**	**11**

A.1.6 On- and off-balance sheet exposures with banks: gross and net values

(€/000)

Type of exposure/amounts	Gross exposure		Total value adjustments and total provisions	Net exposure	Overall partial write-offs*
	Impaired	Non-impaired			
A. ON-BALANCE SHEET EXPOSURES					
a) Non-performing	–	X	-	-	-
of which: forborne exposures	–	X	-	-	-
b) Unlikely to pay	–	X	-	-	-
of which: forborne exposures	–	X	-	-	-
c) Impaired overdue exposures	–	X	-	-	-
of which: forborne exposures	–	X	-	-	-
d) Non-impaired overdue exposures	X	-	-	-	-
of which: forborne exposures	X	-	-	-	-
e) Other non-impaired exposures	X	19,421	21	19,400	–
of which: forborne exposures	X	-	-	-	-
TOTAL (A)	**–**	**19,421**	**21**	**19,400**	**–**
B. OFF-BALANCE SHEET EXPOSURES					
a) Impaired	–	X	-	-	-
a) Non-impaired	X	101	–	101	–
TOTAL (B)	**–**	**101**	**–**	**101**	**–**
TOTAL (A+B)	**–**	**19,522**	**21**	**19,501**	**–**

** Value to be displayed for information purposes*

A.1.7 On- and off-balance sheet exposures with clients: gross and net values

(€/000)

Type of exposure/amounts	Gross exposure		Total value adjustments and total provisions	Net exposure	Overall partial write-offs*
	Impaired	Non-impaired			
A. ON-BALANCE SHEET EXPOSURES					
a) Non-performing	2,524	X	1,267	1,257	–
of which: forborne exposures	–	X	-	-	-
b) Unlikely to pay	1,589	X	592	997	–
of which: forborne exposures	530	X	127	403	–
c) Impaired overdue exposures	548	X	29	519	–
of which: forborne exposures	341	X	18	323	–
d) Non-impaired overdue exposures	X	1,271	69	1,202	–
of which: forborne exposures	X	-	-	-	-
e) Other non-impaired exposures	X	19,297	118	19,179	–
of which: forborne exposures	X	843	33	810	–
TOTAL (A)	**4,661**	**20,568**	**2,075**	**23,154**	**–**
B. OFF-BALANCE SHEET EXPOSURES					
a) Impaired	–	X	-	-	-
a) Non-impaired	X	2,514	8	2,506	–
TOTAL (B)	**–**	**2,514**	**8**	**2,506**	**–**
TOTAL (A+B)	**4,661**	**23,082**	**2,084**	**25,659**	**–**

** Value to be displayed for information purposes*

A.1.8 On-balance sheet credit exposures with banks: changes in gross impaired exposures

There were no impaired exposures with banks at the reporting date.

A.1.8bis On-balance sheet credit exposures with banks: changes in gross forborne exposures broken down by credit quality

At the reporting date, there were no on-balance-sheet forborne exposures to banks.

A.1.9 On-balance sheet credit exposures with customers: changes in gross impaired exposures

(€/000)

Transactions/Categories	Non-performing loans	Unlikely to pay	Impaired overdue exposures
A. Opening gross exposure	**2,840**	**1,514**	**1,129**
- of which: exposures disposed of (not derecognised)	–	-	-
B. Increases	**618**	**448**	**179**
B.1 transfers from non-impaired exposures	22	369	133
B.2 transfers from impaired financial assets acquired or originated	–	-	-
B.3 transfers from other categories of impaired exposures	553	57	–
B.4 contractual amendments not derecognised	–	-	-
B.5 other increases	43	22	46
C. Decreases	**934**	**373**	**760**
C.1 transfers to non-impaired exposures	–	-	21
C.2 write-offs	545	36	4
C.3 repayments	389	274	188
C.4 revenue from disposals	–	-	-
C.5 losses on disposals	–	-	-
C.6 transfers to other categories of impaired exposures	–	63	547
C.7 contractual amendments not derecognised	–	-	-
C.8 other decreases	–	-	-
D. Closing gross exposure	**2,524**	**1,589**	**548**
- of which: exposures disposed of (not derecognised)	–	-	-

A.1.9bis On-balance sheet credit exposures with customers: changes in gross forborne exposures broken down by credit quality

(€/000)

Transactions/Quality	Forborne exposures: impaired	Forborne exposures: non-impaired
A. Opening gross exposure	**1,114**	**1,962**
- of which: exposures disposed of (not derecognised)	–	-
B. Increases	**144**	**71**
B.1 transfers from non-impaired non-forborne exposures	-	-
B.2 transfers from non-impaired forborne exposures	111	X
B.3 transfers from impaired forborne exposures	X	8
B.4 transfers from impaired non-forborne exposures	33	–
B.5 other increases	-	63
C. Decreases	**387**	**1,190**
C.1 transfers to non-impaired non-forborne exposures	X	270
C.2 transfers to non-impaired forborne exposures	8	X
C.3 transfers to impaired forborne exposures	X	111
C.4 write-offs	-	-
C.5 repayments	285	809
C.6 revenue from disposal	–	-
C.7 losses on disposal	–	-
C.8 other decreases	94	–
D. Closing gross exposure	**871**	**843**
- of which: exposures disposed of (not derecognised)	–	-

A.1.10 : On-balance sheet impaired exposures with banks: changes in total value adjustments

There were no on-balance sheet impaired exposures with banks at the reporting date.

A.1.11 On-balance sheet impaired exposures with customers: changes in total value adjustments

(€/000)

Transactions/Categories	Non-performing loans		Unlikely to pay		Impaired overdue exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening overall adjustments	**1,504**	**–**	**442**	**269**	**156**	**57**
- of which: exposures disposed of (not derecognised)	–	-	-	-	-	-
B. Increases	**482**	**–**	**444**	**45**	**17**	**1**
B.1 adjustments from impaired financial assets acquired or originated	–	X	-	X	-	X
B.2 other adjustments	377	–	360	18	9	–
B.3 losses on disposal	–	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	102	–	13	8	–	-
B.5 contractual amendments not derecognised	–	-	-	-	-	-
B.6 other increases	3	–	71	19	8	1
C. Decreases	**719**	**–**	**294**	**187**	**144**	**40**
C.1 write-backs from valuation	68	–	191	176	48	23
C.2. write-backs for repayments	106	–	37	11	6	–
C.3 profits on disposals	–	-	-	-	-	-
C.4 write-offs	545	–	36	–	-	-
C.5 transfers to other categories of impaired exposures	–	-	30	–	84	15
C.6 contractual amendments not derecognised	–	-	-	-	-	-
C.7 other decreases	–	-	-	-	6	2
D. Closing overall adjustments	**1,267**	**–**	**592**	**127**	**29**	**18**
- of which: exposures disposed of (not derecognised)	–	-	-	-	-	-

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

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by external ratings (gross amounts)

(€/000)

Exposures	External rating classes						Unrated	Total
	Aaa/Aa3	A1/A3	Baa1/Baa3	Ba1/Ba3	B1/B3	< B3		
A. Financial assets measured at amortised cost	**-**	**-**	**1,836**	**708**	**–**	**-**	**32,299**	**34,843**
- First stage	-	-	1,836	708	–	-	25,202	**27,746**
- Second stage	-	-	-	-	-	-	2,436	**2,436**
- Third stage	-	-	-	-	-	-	4,661	**4,661**
B. Financial assets measured at fair value through other comprehensive income	**–**	**-**	**6,399**	**3,004**	**–**	**-**	**301**	**9,704**
- First stage	-	-	6,399	3,004	–	-	301	**9,704**
- Second stage	-	-	-	-	-	-	-	**-**
- Third stage	-	-	-	-	-	-	-	**-**
C. Discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	–	-	-	-	-	-	-	**-**
- Second stage	-	-	-	-	-	-	-	**-**
- Third stage	-	-	-	-	-	-	-	**-**
Total (A + B + C)	**-**	**-**	**8,235**	**3,712**	**–**	**-**	**32,600**	**44,547**
of which: impaired financial assets acquired or originated	–	-	-	-	-	-	-	**-**
D. Commitments to grant finance and financial guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**2,614**	**2,614**
- First stage	-	-	-	-	-	-	2,277	**2,277**
- Second stage	-	-	-	-	-	-	338	**338**
- Third stage	-	-	-	-	-	-	-	**-**
Total D	**–**	**-**	**-**	**-**	**-**	**-**	**2,614**	**2,614**
Total (A + B + C + D)	**-**	**-**	**8,235**	**3,712**	**–**	**-**	**35,215**	**47,162**

The risk classes for external ratings in this table refer to those used by the agency Moody's.

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by internal ratings (gross amounts)

This table is not provided, since the Bank used no internal rating models to manage credit risk.

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.1 On- and off-balance sheet guaranteed exposures with banks

This table is not provided, since the Bank has no secured on-balance sheet exposures with banks.

A.3.2 On- and off-balance sheet guaranteed exposures with customers

(€/000)

			Guarantees secured by assets (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	**Net exposure**	**Mortgaged property**	**Properties - Loans in finance lease**	**Securities**	**Other real guarantees**	**Credit Linked Notes**	**Central counterparties**	**Banks**	**Other financial companies**	**Other entities**	**Public Administrations**	**Banks**	**Other financial companies**	**Other entities**	**Total (1)+(2)**
1. Guaranteed on-balance sheet exposures:	**16,648**	**14,937**	**10,785**	**–**	**298**	**151**	**–**	**-**	**-**	**-**	**-**	**66**	**–**	**247**	**2,957**	**14,503**
1.1 wholly secured	15,613	14,303	10,687	–	298	48	–	-	-	-	-	66	–	247	2,957	14,303
- of which impaired	3,322	2,175	1,639	–	-	17	–	-	-	-	-	4	–	-	515	2,175
1.2 partially secured	1,035	634	98	–	-	103	–	-	-	-	-	-	-	-	-	200
- of which impaired	776	376	–	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet exposures:	**1,608**	**1,603**	**–**	**-**	**-**	**55**	**–**	**-**	**-**	**-**	**-**	**-**	**-**	**66**	**1,487**	**1,608**
2.1 wholly secured	1,608	1,603	–	-	-	55	–	-	-	-	-	-	-	66	1,487	1,608
- of which impaired	–	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	–	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

(€/000)

	Derecognized credit exposure	Gross value	Overall adjustments	Book value	
					of which obtained during the year
A. Tangible assets	**-**	**-**	**-**	**-**	**-**
A.1. Functional assets	-	-	-	-	-
A.2. Investment property	-	-	-	-	-
A.3. Inventories	-	-	-	-	-
B. Equity securities and debt securities	-	-	-	-	-
C. Other assets	-	-	-	-	-
D. Non-current assets held for sale and disposal groups	**82**	**82**	**-**	**82**	**-**
D.1. Tangible assets	82	82	-	82	-
D.2. Other assets	-	-	-	-	-
Total 2019	**82**	**82**	**-**	**82**	**-**
Total 2018	**82**	**82**	**-**	**82**	**82**

At the reporting date, the assets acquired amounted to € 82 thousand.
In particular, the item "Tangible assets" refers to the enforcement occurred in 2018 of a mortgage on residential property securing a loan.

B. Breakdown and concentration of credit exposures

B.1 Segment distribution of on- and off-balance sheet exposures with clients

(€/000)

Exposures/ Counterparties	Public Administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	–	-	-	-	-	-	917	1,059	340	208
of which: forborne exposures	–	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	–	-	-	-	-	-	689	511	308	81
of which: forborne exposures	–	-	-	-	-	-	296	103	107	24
A.3 Impaired overdue exposures	–	-	-	-	-	-	131	11	388	18
of which: forborne exposures	–	-	-	-	-	-	118	10	205	8
A.4 Non-impaired exposures	3,752	2	2,477	1	–	-	7,362	97	6,790	87
of which: forborne exposures	–	-	-	-	-	-	550	21	260	12
Total (A)	**3,752**	**2**	**2,477**	**1**	**–**	**-**	**9,099**	**1,678**	**7,826**	**394**
B. Off-balance sheet exposures										
B.1 Impaired exposures	–	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	–	-	13	–	-	-	2,002	6	491	2
Total (B)	**–**	**-**	**13**	**–**	**-**	**-**	**2,002**	**6**	**491**	**2**
Total (A+B) 2019	**3,752**	**2**	**2,490**	**1**	**–**	**-**	**11,101**	**1,684**	**8,317**	**396**
Total (A+B) 2018	**5,065**	**7**	**3,321**	**3**	**–**	**-**	**18,921**	**2,056**	**10,723**	**744**

B.2 Geographical distribution of on- and off-balance sheet exposures with clients

(€/000)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	1,244	1,265	13	2	–	-	-	-	-	-
A.2 Unlikely to pay	997	592	–	-	-	-	-	-	-	-
A.3 Impaired overdue exposures	519	29	–	-	-	-	-	-	-	-
A.4 Non-impaired exposures	20,381	187	–	-	-	-	-	-	-	-
Total (A)	**23,141**	**2,073**	**13**	**2**	**–**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired exposures	–	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	2,506	8	–	-	-	-	-	-	-	-
Total (B)	**2,506**	**8**	**–**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2019	**25,647**	**2,081**	**13**	**2**	**–**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2018	**37,181**	**2,806**	**850**	**3**	**–**	**-**	**-**	**-**	**-**	**-**

B.3 Geographical distribution of on- and off-balance sheet exposures with banks

(€/000)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	–	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	–	-	-	-	-	-	-	-	-	-
A.3 Impaired overdue exposures	–	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	15,795	16	3,605	5	–	-	-	-	-	-
Total (A)	**15,795**	**16**	**3,605**	**5**	**–**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired exposures	–	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	101	–	-	-	-	-	-	-	-	-
Total (B)	**101**	**–**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2019	**15,896**	**16**	**3,605**	**5**	**–**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2018	**14,443**	**41**	**2,925**	**2**	**–**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

(€/000)

	2019	**2018**
a) Amount (book value)	26,183	19,160
b) Amount (weighted value)	18,181	13,602
c) Number	8	6

C. Securitization transactions

At the reporting date, there were no items to be reported in the tables of Section “C. Securitization transactions” envisaged by Banca d’Italia Circular no. 262, 6th update of 30 November 2018.

D. Disclosures related to unconsolidated structured entities (other than special purpose vehicles for securitisation)

At the reporting date, there were no items to be reported in the tables of Section “D. Disclosures related to unconsolidated structured entities (other than special purpose vehicles for securitization)” envisaged by Banca “d’Italia Circular no. 262, 6th update of 30 November 2018”.

E. Disposals

At the reporting date, there were no items to be reported in the tables of Section “E. Disposals” envisaged by Banca d’Italia Circular no. 262, 6th update of 30 November 2018.

F. Credit risk measurement models

The Bank does not use internal models for measuring credit risk.

Section 2 – Market risks

Market risk is the general risk associated with the unpredictable performance of macro-economic variables. Therefore, the development of operations on the financial markets and trading in securities and currencies may lead to increased risks associated with changes in market prices that result in:

- Interest rate risk
- Price/equity risk
- Exchange rate risk

Before analysing each risk category, please note that for the purposes of this Section, the quantitative and qualitative information is reported with reference to the "trading book" and the "banking book" as defined in the legislation governing supervisory reporting. In particular, the trading book comprises all the financial instruments subject to capital requirements for market risks.

2.1 – Interest rate risk and price risk – Regulatory Trading Book

Qualitative information

A. General aspects

Pursuant to the provisions of IFRS 9, the Bank has defined its business models for the management of its financial assets. Therefore, the supervisory trading book for FY 2019 is made up of debt securities allocated to the HTS (Hold to Sell / Trading) business model. The aforementioned portfolio is held according to trading strategies and includes positions in financial assets held for the purpose of benefiting from differences between purchase and selling prices resulting from the materialization of expected short-term market movements and/or from arbitrage opportunities.
The management strategy is trading-oriented, with trading being carried out through the Trading Desk with the objective of achieving adequate profitability from opportunities offered by financial markets. Profit targets are mainly pursued through the change in the fair value of the instruments held in the portfolio.
The main risk associated with managing the Trading book is, in general, market risk and specifically, position risk, linked to potential losses resulting from fluctuations in the prices of the financial instruments that make up the Trading Book.
The associated capital absorption is measured according to the standardized approach.
The regulatory trading book is composed exclusively of Euro-denominated debt securities of issuers from Zone A countries. Furthermore, the Bank does not take speculative positions in derivatives and does not trade equities.

B. Measurement and management of market rate risk and price risk

Interest rate risk is the effect on price due to changes in interest rates on financial markets. This effect depends on the characteristics of the instrument, such as, for example, its residual life, the coupon rate and any early repayment options.
Therefore, the risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the trading business, as the Bank's performance is affected by the fluctuations in interest rates in Europe and in the other markets where it carries out its business.
In view of this and given the impossibility to fully predict changes to securities and currency prices and, in general, the evolution of markets, the Bank implements management policies and control systems which ensure sound and prudent management of market risks, in line with the general guidelines established by the Board of Directors.
They respond to the twofold need of:

- regulating operations in the financial markets area according to specific business objectives in terms of risk/return;
- complying with the directions given by Banca d'Italia, in terms of capital requirements.

In particular, in order to limit the risk of changes in interest rates and fluctuations in market prices, the activity on the regulatory trading book is governed by the operating limits established in the "Financial Markets Regulation", approved by the Board of Directors and regularly audited.

These limits were set with reference to the following control parameters, which are built into the Bank's IT system:

- "modified duration", an indicator generally used for bond-like instruments;
- "VAR", a model for evaluating the risk involved in a given financial portfolio;
- short sales;
- stop loss.

In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.

The system is organised into the three levels outlined below:

1) first-level controls or line checks, aimed at ensuring that operations are properly carried out; these controls are carried out directly by operating managers, who, during daily operations, verify compliance with the limits set into the system. Moreover, with particular reference to financial activities, first-level controls are ensured automatically through the IT system on the basis of the control parameters set into the system;
2) second-level controls, which are the responsibility of:
   ✓ Back Office which, in the ordinary course of transaction processing, verifies compliance with the system of limits and the proper exercise of authorities. It identifies any transactions not completed due to non-compliance with one or more of the control parameters established and requests their approval by the persons in charge;
   ✓ Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed in relation to market trends, the nature of the instruments traded and the issuers and the counterparties involved;
3) third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal control system.

On the other hand, with respect to the method adopted to measure the risk in question, the Bank performs systematic stress tests through sensitivity analyses of the regulatory trading book following an hypothetical interest rate shock of +/- 100 bps.

Quantitative information

1. 1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date)

(€/000)

Type/Residual term	On demand	Up to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 to 10 years	Over 10 years	Undetermined term
1. On-balance sheet assets	**–**	**-**	**-**	**-**	**103**	**–**	**-**	**-**
1,1 Debt securities	–	-	-	-	103	–	-	-
- with option of early redemption	–	-	-	-	-	-	-	-
- other	–	-	-	-	103	–	-	-
1.2 Other assets	–	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**–**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 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	–	-	-	-	-	-	-	-
+ short positions	–	-	-	-	-	-	-	-

The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the regulatory trading book an assumed shift of +/-100 bps in interest rates, in accordance with Regulatory regulations in force.

The results of the stress test on the Bank's brokerage margin, profit for the year and shareholders' equity are summarized in the table below.

Assumed change in interest rates	Δ Brokerage margin	Δ Operating result	Δ Shareholders' equity
+100 bps	-0.01%	0.05%	–
- 100 bps	0.01%	0.05%	–

2. Regulatory trading book: breakdown of exposures in equity securities and equity indices by the major listing market Countries

The table in question is not filled out as the exposures in equity securities and share indices were lower than € one thousand at the reporting date.

3. Regulatory Trading book: internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

2.2 – Interest rate risk and price risk - Banking book

Qualitative information

A. General aspects, measurement and management of market rate risk and price risk

The risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the banking book.
Therefore, the sources of interest rate risk to which the Bank is exposed mainly consist in the assets and liabilities making up the banking book, namely:

- receivables;
- debt securities;
- various types of funding from customers.

Interest rate risk, essentially, arises from mismatches between asset and liability items sensitive to changes in interest rates in terms of amount, maturity, financial duration, and interest rate.
In line with the nature and complexity of its business, the Bank has put in place appropriate mitigation and control measures to contain the extent of this risk.
Specifically, from an organizational standpoint, the Bank has identified Risk Management as the unit in charge of overseeing the interest rate risk management process for the banking book, with the monitoring activity being performed quarterly.

As regards the method adopted to measure the risk in question, the Bank uses the methodological guidelines provided for in Circular 285/2013, as amended, consistent with the guidelines provided by the Basel Committee, for the implementation of the simplified approach to calculate own funds with respect to the interest rate risk of the banking book under ordinary and stressed conditions.
Thus, the application of these methodology guidelines assesses the impact of a hypothetical change in interest rates of +/- 200 basis points on the exposure to interest rate risk of the banking book.

Specifically, the application of the aforementioned simplified method is based on the following logical steps.

1) Defining the banking book: consisting of all assets and liabilities not included in the regulatory trading portfolio.
2) Determination of the "relevant currencies", i.e. currencies whose weight measured as a share of total assets or liabilities in the banking book is greater than 5%. Each relevant currency defines an aggregated position. Currencies whose weight is less than 5% are aggregated among them.
3) Classification of assets and liabilities in time brackets: 14 time brackets have been defined. Fixed rate assets and liabilities are classified according to their residual life, those with a floating rate based on the interest rate renegotiation date. Except for specific classification rules for certain assets and liabilities, assets and liabilities are included in the due date schedule according to the criteria set forth in Circular 272/2008 - as amended - "Manual for completing the Accounts Matrix". Non-performing, unlikely to pay and impaired past-due and/or overdrawn positions must be recorded in the relevant residual life classes based of the expected recovery of underlying cash flows as measured by the bank for the purpose of the latest available financial statement valuations: in this respect, it should be noted that for any impaired exposures subject to forbearance measures (forborne non-performing), reference is made to the cash flows and maturity dates agreed upon renegotiation / refinancing of the position. Likewise, forborne performing exposures are allocated to the time brackets on the basis of the new agreed conditions (relating to the amounts, at the re-pricing dates for variable rate exposures and at the new maturities for fixed rate exposures). Non-performing exposures for which cash flow recovery forecasts are not available are allocated to the different time brackets on a proportional basis, using as allocation basis the distribution in the various residual life brackets of the recovery forecasts of other impaired positions (with the same type of deterioration).
4) Weighting of the net exposures of each bracket: in each bracket assets and liabilities are offset, obtaining a net position. The net position of each bracket is multiplied by the corresponding weighting factor. The weighting factors by bracket are calculated as the product of an approximation of the modified duration of the bracket and a hypothetical change in rates. For downward scenarios, negative rates of interest are excluded.
5) Sum of the net weighted exposures of the various brackets: the net weighted exposure of the individual aggregates approximates the change in present value of the items denominated in the currency of the aggregate in the event the assumed rate shock materializes.

6) Aggregation in the various currencies: the positive exposures relating to the individual "significant currencies" and the aggregate of the non-relevant currencies” are added together. The value thus obtained is the change in economic value given the assumed scenario.

In determining own funds under ordinary conditions, the Bank takes into account the annual changes in interest rates recorded over a 6-year observation period, alternatively considering the 1st percentile (downward) or 99th percentile (upward). For downward scenarios, negative rates of interest are excluded.

The Bank determines the risk indicator, which is the ratio of internal capital, quantified given the assumed interest rate scenario, to the value of own funds. The attention threshold was set at 20% by Banca d’Italia.
The Bank monitors compliance with the aforementioned threshold on a quarterly basis for internal management purposes. If the Bank's economic value decreases by more than 20% of its own funds, the Bank undertakes appropriate initiatives based on the actions defined by the Supervisory Authority.

With respect to current market conditions, the Bank considers the parallel shift of the curve of +/- 200 basis points for the purpose of determining the internal capital in ordinary conditions. For downward scenarios, the bank ensures compliance with the restriction on non-negative interest rates. This scenario therefore corresponds to the Supervisory Test.

Further stress scenarios were defined as shown below in order to have additional indications for comparison purposes:

- Percentile method: the starting point is to detect, on the various nodes of the curve, the annual percentage changes recorded over the past 6 years. These data are sorted in increasing order and the 1st and 99th percentiles are identified for the various nodes of the curve. These values are taken as reference to determine the downward and upward shocks using the modified duration as prescribed by Bank of Italy Circular no. 285/2013, as amended. The non-negative constraint is applied to the downward scenario by taking the positioning of the curve at the reference period.
- Short Rates Up and Down: scenarios of falling or rising rates on the short part of the curve are assumed; the ups and downs are gradually decreasing or increasing along the curve, starting from +/- 250 points (sight range) and reaching 0 points (over 20-year range). Based on the modified duration envisaged by Bank of Italy Circular no. 285/2013, as amended, the weighting percentages to be applied are determined. The non-negative constraint is applied to the downward scenario by taking the positioning of the curve at the reference period.
- Steepener-Flattener: scenarios are assumed in which there is a steepening or flattening of the curve; if there is a steepening, the shocks are negative on the first part of the curve in a decreasing way and then become positive on the rest of the curve. The flattener scenario is constructed in the opposite way: it starts with positive shocks on the initial part of the curve to then turn into negative shocks on the remaining part of the curve. Based on the modified duration envisaged by Bank of Italy Circular no. 285/2013, as amended, the weighting percentages to be applied are determined. The non-negative constraint is applied in both scenarios by taking the positioning of the curve at the reference period.

Price risk on the banking book is calculated by the Bank using the Monte Carlo method, over a time horizon of 1 month and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors which determine the exposure of the invested portfolio to market risk (including interest rate risk, equity risk, exchange rate risk and inflation risk).

Quantitative information

1. Banking book: breakdown of financial assets and liabilities by residual duration (by repricing date)

(€/000)

Type/Residual term	On demand	Up to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 to 10 years	Over 10 years	Undetermined term
1. On-balance sheet assets	**16,000**	**11,231**	**34**	**3,010**	**10,548**	**1,508**	**118**	**–**
1,1 Debt securities	–	708	–	1,818	9,344	1,271	–	-
- with option of early redemption	–	-	-	-	-	-	-	-
- other	–	708	–	1,818	9,344	1,271	–	-
1.2 Loans to banks	12,174	233	–	-	-	-	-	-
1.3 Loans to customers	3,826	10,290	34	1,192	1,204	237	118	–
- current accounts	2,148	1	–	127	65	–	-	-
- other loans	1,678	10,289	34	1,065	1,139	237	118	–
- with option of early redemption	–	-	-	-	-	-	-	-
- other	1,678	10,289	34	1,065	1,139	237	118	–
2. On-balance sheet liabilities	**25,039**	**6,885**	**4,980**	**2,385**	**531**	**218**	**–**	**-**
2.1 Payables to customers	24,917	1,885	4,980	384	531	218	–	-
- current accounts	24,129	–	-	-	-	-	-	-
- other payables	788	1,885	4,980	384	531	218	–	-
- with option of early redemption	–	-	-	-	-	-	-	-
- other	788	1,885	4,980	384	531	218	–	-
2.2 Payables to banks	122	5,000	–	2,001	–	-	-	-
- current accounts	1	–	-	-	-	-	-	-
- other payables	121	5,000	–	2,001	–	-	-	-
2,3 Debt securities	–	-	-	-	-	-	-	-
- with option of early redemption	–	-	-	-	-	-	-	-
- other	–	-	-	-	-	-	-	-
2.4 Other liabilities	–	-	-	-	-	-	-	-

- with option of early redemption	–	-	-	-	-	-	-	-
- other	–	-	-	-	-	-	-	-
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 transactions	**–**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	–	-	-	-	-	-	-	-
+ short positions	–	-	-	-	-	-	-	-

The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the banking book an assumed shift of +/-100 bps in interest rates, in accordance with the regulatory rules in force. The results of the stress test on the Bank's brokerage margin, profit for the year and shareholders' equity are summarized in the table below.

Assumed change in interest rates	Δ Interest margin	Δ Operating result	Δ Shareholders' equity
+100 bps	-2.87%	-4.46%	-1.93%
- 100 bps	-1.11%	-1.73%	-0.90%

The table below shows the capital requirement resulting from a hypothetical change in rates, taking as reference the annual changes in historical interest rates recorded over the 2012-2018 period, and alternatively considering the 1st percentile (decrease / floor with non-negative rates constraint) and 99-th percentile (upward / cap). The maximum exposure, which was taken into account, was obtained by applying the floor.

In accordance with the applicable legislation, we also calculated the "Risk Index" (ratio of own funds for the risk in question to the Bank's own funds) which at 31 December 2019 was equal to zero.

	31/12/2019 (€/000)
Capital requirement with respect to interest rate risk under ordinary conditions	-
Own funds	11,355
Risk Index (20% threshold)	-

For the estimate of own funds under stressed conditions, the hypothetical changes in rates are determined on the basis of scenarios predefined by the Bank, which assume parallel and non-parallel shifts of the interest rate curve, as well as a parallel change of +/- 200 basis points. Again, for downward scenarios, negative rates of interest are excluded.
By comparing the results obtained by applying the various alternative scenarios with the result obtained under ordinary conditions, as envisaged by prudential regulations, the Bank was found to be more vulnerable to the Steepener stress scenario. Given the composition of the entire banking book, this condition represents the most appropriate stress situation to "test" its capital strength.
It follows that the own funds for the risk in question is increased compared to normal conditions.

2. Banking book: internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

2.3 Exchange rate risk

Exchange rate risk is the risk of a loss in the purchasing power of a currency held and of an impairment in receivables resulting from adverse changes to the foreign exchange rates.

Qualitative information

A. General aspects, management and measurement of exchange rate risk

The exchange rate risk to which the Bank is exposed is assessed with reference to the receivables and payables denominated in foreign currencies. Receivables in foreign currency consist exclusively of deposits with clearing houses and/or banks, made up of commissions generated from securities trading on OTC markets (Eurobonds), which takes place in the instrument's currency of denomination.
The main balances generally consist of cash deposits in U.S. dollars, which are considered as a strategic currency from the point of view of volumes.
In order to limit exchange rate risk, the Bank has management policies and control systems in place which ensure sound and prudent risk management, in line with the general guidelines established by the Board of Directors.
In particular, the "Financial Markets Regulations" lay down limitations on the assumption of foreign currency positions both in terms of currency and volume. In addition, exposure to currency risk is measured through a method that reflects the requirements of the relevant supervisory regulations. This is based on the calculation of the "net foreign exchange positions", i.e. the net balance of all assets and liabilities (on and off balance-sheet) for each currency. The internal audit system previously described provides for the periodic verification of the adequacy of and compliance with the limits set by the Regulations.

B. Currency exchange hedge

At the reporting date of 31 December 2019 there were no outstanding foreign currency hedges.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(€/000)

Items	Currencies					
	US Dollar	British Pound	Yen	Canadian Dollar	Swiss Frank	Other currencies
A. Financial assets	**247**	**2**	**–**	**-**	**84**	**6**
A.1 Debt securities	–	-	-	-	-	-
A.2 Equity securities	–	-	-	-	-	-
A.3 Loans to banks	247	2	–	-	84	5
A.4 Loans to customers	–	-	-	-	-	1
A.5 Other financial assets	–	-	-	-	-	-
B. Other assets	**–**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**304**	**–**	**-**	**-**	**-**	**-**
C.1 Payables to banks	–	-	-	-	-	-
C.2 Trade payables	304	–	-	-	-	-
C.3 Debt securities	–	-	-	-	-	-
C.4 Other financial liabilities	–	-	-	-	-	-
D. Other liabilities	**–**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**–**	**-**	**-**	**-**	**-**	**-**
- Options	–	-	-	-	-	-
+ long positions	–	-	-	-	-	-
+ short positions	–	-	-	-	-	-
- Other derivatives	–	-	-	-	-	-
+ long positions	–	-	-	-	-	-
+ short positions	–	-	-	-	-	-
Total assets	**247**	**2**	**–**	**-**	**84**	**6**
Total liabilities	**304**	**–**	**-**	**-**	**-**	**-**
Imbalance (+/-)	**-56**	**2**	**–**	**-**	**84**	**6**

The Bank's overall exposure to exchange rate risk is very limited: therefore, the effects of changes in exchange rates on brokerage margin, profit for the year and shareholders' equity as well as the results of the scenario analysis are not reported.

The amounts in the table relate to:

- deposits with banks in foreign currencies for trading activities;
- cash balances in foreign currencies related to customer deposits.

2. Internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

Section 3 – Derivative instruments and hedging policies

At the reporting date, there were no items to be reported in the tables of this Section envisaged by Banca d'Italia Circular 262, 6th update of 30 November 2018.

Section 4 – Liquidity risk

It is the risk that:

- in relation to banking activities:
    1. in a lending transaction, the customer-debtor fails to fulfil their monetary obligations within the agreed time limits;
    2. the Bank is unable to fulfil its obligations as they fall due;
- in relation to financial brokerage activities, in a securities transaction, it is difficult to liquidate market positions within the desired time limits.

Qualitative information

A. General issues, management processes, and methods of measurement for liquidity risk

Banks are naturally exposed to liquidity risk – or rather, the risk of not being able to fulfil their payment obligations due to the inability to gather funding in the market (funding liquidity risk) or to ensure asset disposal (asset liquidity risk) – due to the transformation of maturities. Having access to an adequate system for regulating and managing this risk plays a fundamental role in maintaining stability not only for the individual bank, but also for the market in general, considering that the imbalances of a single financial institute may have repercussions across the board.
To this end, in line with prudential supervisory requirements, the Bank has adopted:

- a specific "Liquidity Risk Governance and Management Policy", for the management of liquidity in the "ordinary" course of business;
- a "Contingency Funding and Recovery Plan", which is an integral and substantial part of the policy as it governs the process, roles and responsibilities in case the Bank finds itself in a "liquidity stress" situation.

1. Liquidity Risk Governance Policy

The liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be distinguished into the following macro-categories:

- internal: specific adverse events of the Bank (e.g. deterioration of the Bank's creditworthiness and loss of confidence by creditors);
- external: when the origin of risk is attributable to negative events that cannot be directly controlled by the Bank (political crises, financial crises, catastrophic events, etc.) which lead to liquidity stress on the markets;
- combinations of the above factors.

The factors underlying liquidity risk are identified through the following process:

- analysis of the time distribution of cash flows from financial assets and liabilities and from off-balance sheet transactions;
- detection:
- of items that do not have a defined maturity (items "at sight and on demand");
- of financial instruments that incorporate (express or implied) options which can change the amount and / or the time distribution of cash flows (for example, early repayment options);
- of financial instruments which by their nature generate cash flows that vary depending on the performance of specific underlying assets (for example, derivatives);
- analysis of the seniority level of financial instruments.

The objective of the "Liquidity Risk Governance and Management Policy" is to establish internal guidelines and rules for the management of liquidity and funding to ensure the Bank maintains and manages an appropriate liquidity level, including as part of the adequacy self-assessment under current, prospective and stressed conditions.
In particular, in compliance with the principle of proportionality and taking into account the operating size and organizational complexity of the Bank, the nature of its business and the type of services offered, we first defined the roles, tasks and responsibilities of the organizational units involved in the liquidity management process.

Subsequently, we identified the step that make up the "Liquidity risk management process", which is designed to ensure that a sufficient amount of liquid assets is maintained over time under stress scenarios relating to events that affect the bank and the market. These activities are:

1. Identification of risk factors and measurement of risk exposure;
2. Conducting stress tests;
3. Definition of mitigation tools;
4. Controls;
5. Reporting.

Consistent with legal provisions applicable to banks in Class 3 and with the principle of proportionality, the Bank carries out monthly stress tests in terms *of sensitivity analysis or "*scenario analysis". The latter, carried out according to a qualitative approach based on company experience and on indications provided by the regulations and supervisory guidelines, envisage two liquidity stress "scenarios": market/systemic and specific for the individual bank. In particular, the Bank carries out the stress test by extending the scenario envisaged by the LCR regulation, in order to assess the impact of adverse events on risk exposure and on the adequacy of "liquidity reserves" both from a quantitative and qualitative standpoint.
Through these tests, we assume that the Bank is facing difficulties or is unable to meet its commitments as they fall due unless it undertakes procedures and/or uses tools that, due to their intensity and/or method of application, deviate from ordinary management.
More specifically, the Bank's ability to cope with liquidity stresses using its own funds, is first and foremost assessed through ongoing monitoring, including on a prospective basis (when performing the "ICAAP-ILAAP" structured reporting), of compliance with the short-term minimum capital requirement indicator, namely the *Liquidity Coverage Ratio*" - "LCR".
In this regard it should be noted that the European Commission (EU) Delegated Regulation no. 61/2015 introduced the *Liquidity Coverage Requirement (LCR*) for credit institutions (hereinafter RD-LCR). The LCR is a short-term rule aimed at ensuring that each bank has available liquid assets enabling them to survive in the short/very short term in the event of acute stress, without resorting to the market. The indicator compares the liquid assets available to the bank with the net cash outflows (difference between gross outflows and inflows) expected over a period of 30 calendar days, the latter developed taking into account a predefined stress scenario.

Furthermore, with the same frequency, two additional stress tests are performed on the regulatory "LCR" indicator: the first one assuming an additional shock in terms of haircut to "high quality" securities in the Bank's portfolio; the second one assuming an increase in cash outflows.
The Bank intends to pursue a dual objective:
1. the management of **operational liquidity** aimed at verifying the Bank's ability to meet expected and unforeseen short-term cash payment commitments (up to 12 months);
2. the management of **structural liquidity** aimed at maintaining an adequate ratio of total liabilities to medium / long-term assets (over 12 months).

The Bank has set up two level of controls to monitor its short-term operational liquidity:
- the first level provides for the *daily/infra-monthly* monitoring of the treasury position;
- the second level provides for the monthly monitoring of the overall operational liquidity position.

With reference to the monthly monitoring of the overall **operational liquidity** position, the Bank uses the monthly analytical reports provided by Cassa Centrale Banca as part of its Management Consulting Service.

The monthly measurement and monitoring of the **operational liquidity** position is carried out through:
- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the RD-LCR and reported (according to the outline prepared by EBA) to the supervisory authority on a monthly basis;
- the "Management Liquidity Indicator" covering different time frames up to 12 months, consisting of the ratio of liquid assets to net cash flows calculated with management metrics under ordinary business conditions;
- its liquidity position through the "Time To Survival" indicator, designed to measure the ability to cover the liquidity imbalance generated by the ordinary operation of balance sheet items;
- a set of summary indicators designed to detect vulnerabilities in the Bank's liquidity position with respect to the various significant risk factors, such as concentration of repayments, concentration of deposits, dependence on interbank funding;
- the quantification of Readily Marketable Assets.

With reference to the management of the **structural liquidity** , the Bank uses the monthly analytical reports provided by Cassa Centrale Banca as part of its Management Consulting Service.

The “Transformation of Maturities” indicators measure the term and amount of loans to customers, of customer time deposits and of the available assets in order to assess the consistency and sustainability over time of the Bank's financial structure.

The “Net Stable Funding Ratio” indicator consisting of the ratio of stable funding sources to medium-long term assets was defined according to a logic similar to the structural liquidity rule established by the Basel 3 regulatory framework.
With specific reference to the audit phase, this aims to determine on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.
In order to guarantee a proper management of the liquidity risk for both short term (up to 1 year) and medium/long-term (over 1 year), integrated controls are performed and differently organized according to the various levels within the Bank, in order to prevent multiple audits of operating units.

In particular, audits are carried out by the following departments:

- *Treasury*
- *Risk Management*
- *Internal Audit*

The Treasury function is responsible for managing both short-term and structural liquidity and *funding.*
It carries out its activities in compliance with the authorizations and authorization procedures provided by the Board of Directors and with any other guidance provided by the Chief Executive Officer, by taking appropriate steps to secure the resources required to meet the Bank's payment commitments.

The *Risk Management* function, which is independent from the operational "liquidity risk management" functions, contributes to developing the "Liquidity Risk Governance and Management Policy", verifies compliance with the limits imposed and proposes risk mitigation initiatives to the Corporate Bodies.
It is in charge of measuring and controlling both "short term" and "structural" liquidity risk, under "normal" and "stressed" conditions, to verify the effectiveness of the bank's control measures and the adequacy over time of established operating limits.
More in detail, the *Risk Management* function monitors liquidity risk by:

- verifying that the bank has the “very short-term” liquidity (1 to 30 days) and "short-term" liquidity (up to 12 months) necessary to carry out operations, respectively on a daily and monthly basis;
- monitoring compliance with operational limits to the assumption of liquidity risks on a monthly basis, through the observation of early warning short-term and structural indicators;
- performing “stress tests” on a monthly basis;
- monitoring "systemic" and "specific" early warning indicators, respectively on a daily and monthly basis.

To this end, with the support of Cassa Centrale Banca, the Risk Management function adopts data collection and processing procedures at suitable intervals that ensure the production of reliable and timely information. Such information is incorporated in specific "reports" developed to support the measurement and control of liquidity risk which are submitted to the Board of Directors on a monthly basis.

The Internal Audit function also conducts regular audits on:

- the adequacy of the system for collection and verification of information;
- the system for measuring liquidity risk and the pertinent internal evaluation process, as well as the pertinent stress testing process;
- the process of reviewing and updating the Emergency Plan;

It also assesses the functioning and reliability of the overall control system in place for liquidity risk management and verifies that the corporate functions and bodies make full use of the information available.
Reviews and updates of the Policy are approved by resolution of the Board of Directors.

2. Contingency Funding Plan

To cope with adverse funding situations and to readily cover liquidity needs, a specific instrument has been put in place called "*“Contingency Funding and Recovery Plan” - “CFRP”.*

The Plan's main objective is to protect the Bank's assets in situations of liquidity drain by putting in place crisis management strategies and procedures to be triggered in order to mitigate the negative impact and to obtain funding in the event of additional and/or alternative sources of financing.
In particular, the CFRP documents the management of any specific or systemic liquidity crisis in terms of mitigating actions available to the Bank and responsibilities assigned to the relevant corporate functions.
The Plan, therefore, responds to stress conditions, intended as situations other than ordinary business, in which the Bank is able to meet its liquidity requirements through its self-funding ability.
Reviews and updates of the Plan are approved by resolution of the Board of Directors.

The recourse to refinancing with the ECB amounted to € 5 million and consisted exclusively of funding from participation in Longer Term Refinancing Operations (LTRO).

Quantitative information

1. Time distribution by residual contract term of financial assets and liabilities

(€/000)

Items/Time frames	On demand	From over 1 day to 7 days	Form over 7 to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Undetermined term
A. On-balance sheet assets	**14,445**	**–**	**255**	**27**	**1,373**	**601**	**4,407**	**15,782**	**6,160**	**234**
A.1 Government securities	–	-	-	-	2	9	11	2,910	800	–
A.2 Other debt securities	–	-	-	5	720	28	1,858	6,503	500	–
A.3 UCIT units	–	-	-	-	-	-	-	-	-	-
A.4 Loans	14,445	–	255	22	651	564	2,538	6,369	4,860	234
- banks	12,189	–	-	-	-	-	-	-	-	234
- clients	2,256	–	255	22	651	564	2,538	6,369	4,860	–
B. On-balance sheet liabilities	**25,078**	**–**	**-**	**-**	**6,867**	**5,007**	**2,401**	**471**	**–**	**-**
B.1 Deposits and current accounts	25,078	–	-	-	1,773	5,007	2,401	471	–	-
- banks	122	–	-	-	-	-	2,014	–	-	-
- clients	24,956	–	-	-	1,773	5,007	387	471	–	-
B.2 Debt securities	–	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	–	-	-	-	5,094	–	-	-	-	-
C. "Off-balance sheet" transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	–	-	-	-	-	-	-	-	-	-
- long positions	–	-	-	-	-	-	-	-	-	-
- short positions	–	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	–	-	-	-	-	-	-	-	-	-
- long positions	–	-	-	-	-	-	-	-	-	-
- short positions	–	-	-	-	-	-	-	-	-	-
C.3 Loans and deposits to be received	–	-	-	-	-	-	-	-	-	-
- long positions	–	-	-	-	-	-	-	-	-	-

- short positions	–	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	–	-	-	-	-	-	-	-	-	-
- long positions	–	-	-	-	-	-	-	-	-	-
- short positions	–	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	–	-	-	-	-	-	-	-	-	-
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	–	-	-	-	-	-	-	-	-	-

The measurement and control of both "short term" and "structural" liquidity risk, under "normal" and "stressed" conditions, intended to verify the effectiveness of the bank's control measures and the adequacy over time of established operating limits, led to the following outcome.

The daily checks on the very short-term liquidity (from 1 to 30 days) necessary for the Bank's operations never showed any deficiency in the bank's "liquidity buffers" to cover any negative daily prospective balance over the analysis horizon. Therefore, the Bank's "liquidity buffers" have always been sufficient to cover any net funding requirements.
The analysis of the Bank's short-term (up to 12 months) "Net Financial Position" and "liquidity buffers", carried out on a monthly basis, did not show any imbalance over the 12-month assessment horizon.

With specific reference to 31/12/2019, the "Time to Survival" is longer than 12 months. Therefore, the Bank is able to cover the cumulative liquidity gap resulting from the inertial operation of all financial statement items, through its own "liquidity buffers", without having to change its funding plan/asset disposal plan or having to resort to third-party sources.

The monitoring of "short-term" and "structural" early warning indicators carried out on a monthly basis showed full compliance with operational limits to the assumption of liquidity risks, as the threshold limits established by the Bank were never exceeded. Therefore, the Bank can cope with potential imbalance situations that may compromise its resilience to either "short-term" or "structural" liquidity risk.

The stress tests carried out monthly did not show any special vulnerability or the inadequacy of the "liquidity buffers" held by the Bank.
More specifically, the value of the short-term indicator "Liquidity Coverage Ratio" - "LCR" at 31/12/2019 was 452.61%, which is significantly higher than the 70% minimum requirement laid down by law for 2017 (100%).
Similarly, the results of the additional stress test on the "LCR" regulatory indicator, also performed monthly, showed a stressed value of this indicator of 397.66%, which is again considerably higher than the 70% minimum requirement laid down by law.

Therefore, the Bank is able to cope with short-term liquidity needs through its autonomous funding capacity, both in stress situations and in the event of an additional stress scenario compared to that envisaged by the legislation in force.

As regards the concentration of funding sources, as at 31 December 2019, funding from the first 10 counterparties accounted for 27.39% of total bank funding.
Lastly, the monitoring of "systemic" and "specific" early warning indicators carried out daily and monthly, respectively, never showed any breach of the threshold limits established by the Bank. Therefore, no situations outside the "ordinary course of business" were detected that might lead to the beginning of a "systemic" or specific crisis.

Section 5 – Operational risks

Operational risk, as defined by prudential regulations, is the risk of suffering losses due to the inadequacy or malfunction of procedures, human resources and internal systems, or due to external events.
This definition includes legal risk (i.e. the risk of suffering losses arising from the infringement of laws or regulations, from contractual or extra-contractual liability or other disputes), but does not consider reputational and strategic risk.

A. General aspects, management and measurement of operational risk

Qualitative information

Operational risk, inherent in banking activity, is generated across all company processes. In general, the main sources of operational risk are related to internal frauds, external frauds, labour relations and safety in the workplace, professional obligations to customers or the nature or characteristics of products, damage from external events and the malfunction of computer systems.

Operational risk, as such, is a pure risk as it is associated with events that have only adverse effects. It comprises all the anomalies that by affecting the company's output exclusively result in:
- financial loss;
- higher operating costs;
- lower revenue.

Because it is aware that operational risk is inherent in the banking business, the Bank pays close attention to controlling this type of risk.

For this purpose, the internal audit system that the company employs is based on principles of prudent and effective management. Furthermore, the system is periodically reviewed to determine whether it is adequate and functions properly in terms of efficacy (the system's capacity to achieve the goals) and efficiency (the system's capacity to achieve the above goals in terms of costs, risks and profitability consistent with those achieved by similar companies).
In this context, i.e. to ensure that risks are managed properly, the Bank has regulated every step of each process and established appropriate audit levels. It has also created specific units within its organisational structure in charge of overseeing these levels of control.
In order to evaluate risk exposure and the effects that adequate mitigation measures have on said exposure, qualitative and quantitative information must be appropriately combined. The qualitative component ("self-risk assessment") can be summarised as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of the control system and appropriate management of risk mitigation techniques. The quantitative component, on the other hand, is based mainly on the statistical analysis of historical loss data. As the available information on losses, with reference to certain types of events, is not always relevant, internal data can be supplemented with system data.
In the event of a loss resulting from one of the above events, the Bank will supply the internal database of incurred operating losses, to be used in the future when applying its internal risk calculation model.
As part of business continuity, the Bank has adopted a "business continuity management process" which prescribes the methods for analysing the impact on business and the criteria for drawing up the "Business Continuity Plan".

The "Plan" explains how to deal with emergencies, in order to ensure, where appropriate, the continuity of the bank's vital operations and the return to normal operation within a reasonable time.

Both documents were approved by the Bank's Board of Directors.

With reference to significant legal disputes, disclosure is provided below on threatened and/or ongoing litigation with third parties as at 31/12/2019:

- With reference to the writ of summons received upon application by a customer claiming the invalidity and unlawfulness of some financial transactions entered into with the Bank over the three year 2010-2013 period, the Judge, in the last hearing of 19 November 2019, postponed the proceedings for the statement of conclusions to 23 November 2021. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- with reference to the writ of summons issued upon application of a client, notified on 21 December 2016, seeking the reimbursement of a cloned check and the payment of relative damages, the Court of Naples, at the hearing of 26.11.2019 acknowledged the late disclaimer of signature by the client and postponed the case to the hearing of 20.03.2020. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- with respect to the writ of summons served to the Bank by a customer who brought an action seeking to have the Bank's liability ascertained for the financial brokerage activity carried out on behalf of the plaintiff. The Bank promptly filed its appearance in the proceedings, asking the court to dismiss the plaintiff's claim in its entirety due to lack of grounds. The next hearing will be held on 5.5.2020. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- by application under art. 414 of the Italian Code of Civil Procedure - filed on 14.05.2019, a former employee of the Bank, dismissed on 9.11.2018 for justified objective reason, pursuant to Law no. 300 of 1970, sued the Bank, asking the Court to establish the invalidity of the dismissal and, therefore, to order Banca Promos to reinstate the employee in her position and to pay all damages. At the last hearing on 17.12.2019, the Court reserved its decision regarding the admission of evidence; therefore, the date of the next hearing has not yet been set. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

- by application under art. 414 of the Italian Code of Civil Procedure, filed on 26.11.2019, a former employee of the Bank, dismissed on 24.06.2019 for justified objective reason, pursuant to Law no. 300 of 1970, sued the Bank, asking the court to establish the invalidity of the dismissal and to order the Bank to reinstate him in his position, with the indemnity effects under art. 18 of Law no. 300/1970. At the last hearing on 7.01.2020, the Court adjourned the case pursuant to art. 309 of the Italian Code of Civil Procedure to a date yet to be set. On the basis of the views expressed by our legal advisor, as at the reporting date the Bank has not recognized any provision in the financial statements for this contingent liability, since the financial outlay is unlikely and the amount cannot be reliably estimated.

Quantitative information

With respect to the regulatory measurement of the prudential requirement for operational risks, the Bank, having considered its organizational, operational and dimensional features, opted for application of the Basic Indicator Approach - BIA.
According to this approach, the capital requirement for operational risks is measured by applying the 15% regulatory ratio to the average of the last three observations on an annual basis of an indicator of the volume of company operations ("relevant indicator") with reference to the year end (31 December).
At 31 December 2019 the capital requirement was € 579 thousand (€ 612 thousand at 31 December 2018).
In 2019 there were no events resulting in operating losses.

Operational risk	
Relevant indicator	**(€/000)**
Relevant indicator 2017	4,350
Relevant indicator 2018	3,251
Relevant indicator 2019	3,972

Part F – Information on Shareholders' Equity

SECTION 1 – CORPORATE EQUITY

A. Qualitative information

One of the Bank's well-established strategic priorities is to focus on adequate size of capital and its development over time. Equity is indeed the first defence against the risks associated with banking operations and the main benchmark for the assessments carried out by the supervisory authority and the market on the solvency of the intermediary.
The Bank's Shareholder's equity is calculated as the sum of the share capital, the share premium reserve, the profit reserves, the valuation reserves and the profit for the year, as indicated in Part B of this Section.
The notion of equity that the Bank uses in its assessments is based on the notion of "Own funds" as established by Regulation (EU) no. 575/2013 (CRR), and comprises the following elements:

- Tier 1, made up of Common Equity Tier 1 – CET 1 and Additional Tier 1 – AT1;
- Tier 2 – T2.

Equity thus defined is the main safeguard for business risks in accordance with regulatory provisions; it is indeed the best indicator of effective management, both strategically and in terms of current operations, as it is a financial resource capable of absorbing the potential losses the Bank may incur as a result of its exposure to all the risks assumed, and acts as a guarantee for depositors and creditors in general.
The supervisory regulations require that the Bank's overall capital adequacy, current, prospective and under stressed conditions, be measured using internal methodologies so as to ensure that there are sufficient financial resources to cover all risks, including in adverse economic conditions; the above with reference not only to "First Pillar" risks (i.e. credit and counterparty risks, market risks on the trading portfolio and operational risk), but also with regard to additional risk factors - "Second Pillar" risks - that affect the business activity (such as, for example, concentration risk, interest rate risk on the banking book, etc.).

The monitoring of the current and prospective capital adequacy is therefore developed in a dual perspective:

- regulatory capital with respect to Pillar I risks;
- total internal capital with respect to Pillar II risks, for the purposes of the ICAAP process.

With the aim of ensuring it has adequate capital on an ongoing basis, the Bank has put in place processes and instruments to determine an adequate level of internal capital capable of addressing every type of risk assumed, as part of an assessment of its current, prospective and "stressed" exposure that takes into account corporate strategies, development objectives, and the changes in the external environment.

For minimum capital requirements, please refer to the mandatory parameters provided for in the regulatory provisions in force (art. 92 of CRR), according to which CET 1 must satisfy at least the 4.5% requirement on total risk-weighted assets (CET1 capital ratio), Tier 1 must represent at least 6% of total risk-weighted assets (Tier 1 capital ratio) and the Bank's overall own funds must be at least 8% of total risk-weighted assets (Total capital ratio).

In this regard, Banca d'Italia annually issues a specific decision regarding the capital requirements of the Bank following the *supervisory review and evaluation process* (SREP) conducted pursuant to art. 97 et seq. of EU Directive 36/2013 (CRD IV) and in accordance with EBA provisions concerning the imposition of additional specific capital requirements set out in the document "Guidelines on common procedures and methodologies for the prudential review and evaluation process*",* published on 19 December 2014.
In particular, the aforementioned Article 97 of CRD IV establishes that Banca d'Italia must periodically review the rules, strategies, processes and mechanisms that the supervised banks put in place to face the complex risks to which they are exposed. Thus, through the SREP the Authority reviews and assesses the Bank's internal process for determining capital adequacy, analyses the risk profiles of the Bank both individually and in an aggregate perspective, including under stress conditions, and evaluates its contribution to systemic risk; it assesses the corporate governance system, the functions of the bodies, the organizational structure and the internal control system; it verifies compliance with the set of prudential rules.
At the end of this process, the Authority also has the power, pursuant to art. 104 of CRD IV, to request the intermediary to hold additional capital with respect to the minimum requirements mentioned above, to cover for its overall risk; quantified capital ratios that take into account the additional requirements are binding ("*target ratio*").

Therefore, the capital requirements based on the Bank's risk profile, pursuant to Banca d'Italia measure of 03/12/2018, consist of mandatory capital requirements (i.e. the sum of the minimum requirements pursuant to Article 92 of the CRR and the additional mandatory requirements determined as a result of the SREP) and of the capital conservation buffer applicable under the current provisions of 2.5%, overall making up the *overall capital requirement ratio - OCR* , as indicated below:

- 7.832% with reference to CET 1 ratio (made up of 5.332% as binding amount and of the capital conservation buffer for the remainder);
- 9.615% with reference to TIER 1 ratio (made up of 7.115% as binding amount and of the capital conservation buffer for the remainder);
- 11.986% with reference to Total Capital Ratio (made up of 9.486% as binding amount and of the capital conservation buffer for the remainder.

The capital conservation buffer is fully covered by CET1.
In the event of decrease in capital ratios below the OCR, but above the binding measure, capital conservation measures must be activated. Should one of the ratios fall below the binding limit, initiatives must be taken to immediately restore the ratios to values above such limit.

In order to ensure that the mandatory measures are complied with even when the economic / financial situation deteriorates, the Bank is also subject to the following capital guidance measures as against a greater risk exposure under stress conditions:

- 8.707% with reference to CET 1 ratio (made up of an OCR CET 1 ratio of 7.832% and a Target amount, due to a higher risk exposure in stress conditions, of 0.875%);
- 10.490% with reference to TIER 1 ratio (made up of an OCR CET 1 ratio of 9.615% and a Target amount, due to a higher risk exposure in stress conditions, of 0.875%);
- 12.861% with reference to Total Capital ratio (made up of an OCR CET ratio of 11.986% and a Target amount, due to a higher risk exposure in stress conditions, of 0.875%).

These capital levels reflect an expectation of Banca d'Italia as to the additional reserves to be held by the Bank. Where even just one of the Bank's capital ratios falls below the levels, the Bank must inform Banca d'Italia and explain the reasons that led the Bank's capital ratios to fall below the levels required by the Regulatory Authority.
In determining the aforementioned requirements, Banca d'Italia took into account, among other things, the Bank's internal capital measures as estimated by the Bank through the ICAAP.

Following the introduction of the IFRS 9 accounting standard, the Bank chose to apply the 'Phase-in' regime, introduced by Regulation (EU) 2017/2395. Specifically, the 'Phase-in' involves the introduction of a prudential filter that mitigates - in the 2018-2022 period (the transitional period) - the potential negative impact on CET1 arising from greater value adjustments upon application of the new IFRS9 impairment model:

- a static approach: to be applied to the impact of the FTA only, resulting from the comparison between IAS 39 value adjustments at 31 December 2017 and IFRS value adjustments at 1 January 2018 (including adjustments to the *Stage* 3 position);
- a dynamic approach: to be applied to the impact resulting from the comparison between the value adjustments at 1 January 2018 and the subsequent reporting periods up to 31 December 2022, limited however to the increases in value adjustments of exposures classified in stage 1 and 2 (thus excluding adjustments to *stage* 3 positions).

  The adjustment to CET1 may be made during the 2018-2022 period, re-including in CET1 the impact to the extent shown below, for each of the 5 years comprised in the transitional period:

  - 2018: 95%
  - 2019: 85%
  - 2020: 70%
  - 2021: 50%
  - 2022: 25%

This adjustment to CET1 requires a symmetrical adjustment to the amounts of the exposures pursuant to Article 111, paragraph 1, of the CRR for the purpose of determining the credit risk capital requirements under the standardized approach.

As at 31 December 2019, the Bank had a ratio of Common Equity Tier 1 - CET1 - to risk-weighted assets (CET 1 ratio) of 30.86%, above the binding CET1 ratio assigned to the Bank; a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 30.86%, above the binding Tier 1 ratio assigned to the Bank; a ratio of own funds ti risk-weighted assets (total capital ratio) of 30.86%, above the total binding capital ratio assigned to the Bank.

The amount of own funds was, not only fully adequate to cover all three binding levels of capital, but also to cover the capital conservation buffer and the capital guidance. The capital surplus with respect to the total binding capital ratio amounted to € 8,412 thousand. The surplus with respect to the over-capital requirement and capital guidance amounted to € 6,623 thousand.

The Bank drafted and maintains its own Recovery Plan, in line with the pertinent statutory provisions (Directive 2014/59/EU “Bank Recovery and Resolution Directive – BRRD”), implemented in Italy on 16 November 2015 with legislative decrees 180 and 181), and in compliance with the Risk Appetite Framework adopted.

B. QUANTITATIVE INFORMATION

B.1 Corporate equity: breakdown

(€/000)

Items/Values	**Amount 2019**	**Amount 2018**
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	3,032	4,316
- profit reserve	3,032	4,316
a) legal reserve	802	802
b) reserve pursuant to articles of association	–	-
c) treasury share reserve	–	-
d) other	2,230	3,514
- other	–	-
4. Equity instruments	–	-
5. (Treasury shares)	–	-
6. Valuation reserves:	-635	-377
- Equity securities designated at fair value through other comprehensive income	-431	-82
- Hedging of equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income:	-37	-208
- Tangible assets	–	-
- Intangible assets	–	-
- Foreign investment hedging	–	-
- Cash flow hedging	–	-
- Hedging instruments (items non designated)	–	-
- Exchange rate differences	–	-
- Non-current assets and disposal groups	–	-
- Financial liabilities designated at fair value through profit or loss (changes of own creditworthiness)	–	-
- Actuarial gains (losses) relating to defined benefits pension plans	-167	-87
- Shares of valuation reserves for subsidiaries measured at equity	–	-
- Special revaluation regulations	–	-
7. Profit (loss) for the year	458	-1,284
Total	**11,666**	**11,466**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(€/000)

Assets/values	Total 2019		Total 2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	8	- 45	39	-247
2. Equity securities	–	- 431	-	-82
3. Loans	–	-	-	-
Total	**8**	**- 476**	**39**	**-329**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: year-on-year changes

(€/000)

	Debt securities	Equity securities	Loans
1. Opening balance	**- 208**	**- 82**	**–**
2. Positive changes	**253**	**26**	**–**
2.1 Fair value increases	205	–	-
2.2 Adjustments for credit risk	4	X	-
2.3 Reversal to the income statement of negative reserves due to disposal	16	X	-
2.4 Transfers to other equity items (equity securities)	–	-	-
2.5 Other changes	28	26	–
3. Negative changes	**82**	**375**	**–**
3.1 Fair value decreases	20	375	–
3.2 Write-backs for credit risk	35	–	-
3.3 Reversal to the income statement from positive reserves: - due to disposal	22	X	-
3.4 Transfers to other equity items (equity securities)	–	-	-
3.5 Other changes	5	–	-
4. Final inventories	**- 37**	**- 431**	**-**

B.4 Valuation reserves relating to defined-benefit pension plans: year-on-year changes

(€/000)

	Total 2019
1. Opening amount	**- 87**
2. Positive changes	**-**
2.1 Actuarial gains relating to defined-benefit pension plans	-
2.2 Other changes	-
2.3 Business combinations	-
3. Negative changes	**80**
3.1 Actuarial losses relating to defined-benefit pension plans	80
3.2 Other changes	-
3.3 Business combinations	-
4. Final inventories	**- 167**

SECTION 2 – OWN FUNDS AND REGULATORY RATIOS

With regard to the content of this section, please refer to the disclosure on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), prepared pursuant to Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

Part H – Transactions with Related Parties

The notion of Related Party and Transaction with a Related Party is based on the concept contained in the International Accounting Standard IAS 24 "Related Party Disclosures", where a Related Party of a reporting entity is defined as a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity or as a party that exercises significant influence on the reporting entity, and where "Related Party Transactions" means "a transfer of resources, services or obligations regardless of whether a price is charged". The "Other Related Parties" category includes all those who are related to representatives of the companies in the banking group (close family members, parties controlled, including jointly, by the representatives, parties on which the representatives exercise significant influence or in which they hold a significant share of voting rights, parties controlled, including jointly, by close family members or over which the latter exercise significant influence or in which they hold a significant share of voting rights) and pension funds. "Close family members" means: a) the spouse (unless legally separated) and the cohabitant; b) the children and dependants of the related parties, of the spouse (not legally separated) or of the cohabitant.
In compliance with the regulatory framework introduced by Consob Resolution No. 17221 of 12 March 2010, as amended, in 2010 the Bank adopted a "Regulation for the management of related party transactions", in order to ensure transparency and substantive and procedural fairness of transactions with Related Parties, carried out directly or through the subsidiary.

1. Information on the remuneration of key management personnel

The 2019 emoluments pertaining to key management personnel, including directors and members of the Board of statutory auditors, can be summarised as follows:

(€/000)

Overall remuneration paid to Directors	Total 2019
- Salaries and other short-term benefits	341
- Post-employment benefits (social security, insurances, etc.)	3

(€/000)

Overall remuneration paid to Auditors	Total 2019
- Salaries and other short-term benefits	35
- Post-employment benefits (social security, insurances, etc.)	3

The values were determined as provided for in IAS 24 paragraph 17.

2. Information on transactions with related parties

(€/000)

	Assets	Liabilities	Guarantees granted	Guarantees received	Revenue	Costs
Directors and Managers	16	942	–	-	-	-
Auditors	–	7	–	-	-	-
Family members	1	107	–	-	-	-
Other related parties	–	1,568	–	-	-	-
Total	**17**	**2,624**	**–**	**-**	**-**	**-**

According to IAS 24, related parties can be summarised as directors, statutory auditors and key management personnel (members of the General Management), the immediate families of the above persons, and the subsidiaries, joint ventures and associates of any of the above entities.
Immediate family includes the person's cohabiting partner and children, the partner's children and other dependants of the person or partner.

PART M – INFORMATION ON LEASES

SECTION 1 – LESSEE

Qualitative information

With regard to leases in which the Bank is the lessee, the Bank recognizes an asset representative of the right to use the leased property and, at the same time, a liability for the future lease payments due under the contract.
As part of the application options permitted by IFRS 16, the Bank has decided not to recognize rights of use or payables for leases for the following lease contracts:
• short-term leases, of less than 12 months;
• leases of “low value” assets, i.e. with a modest unit value (as detailed in the Notes - Part A - Accounting Policies, an asset has a low unit value if its fair value is equal to or less than € 5 thousand).
At the reporting date, the Bank had 3 lease / rental contracts in place which fall within the scope of application of IFRS 16 as they refer to operating leases. The assets covered by the aforementioned contracts are intended to be used in the ordinary course of business and for this reason they are part of its tangible operating assets.
With regard to the qualitative aspects of IFRS 16 first time adoption, please refer to paragraph 4.6 "Transition to the IFRS 16" in Part A - Accounting policies, Section 4 - Other aspects, of these Notes.

Quantitative information

The quantitative information regarding the rights of use acquired through leases, lease payables and the related profit and loss components, has already been presented in the other sections of these Notes. Specifically:

- the information on the rights of use acquired through leases is contained in “Part B - Information on the Balance Sheet, Assets, Section 8 - Tangible assets and Section 9 - Intangible assets;
- The information on lease payables is contained in “Part B - Information on the Balance Sheet, Liabilities, Section 1 - Financial liabilities measured at amortized cost”;
- the information on interest expense on lease payables and on depreciation of right-of-use assets is contained in "Part C - Information on the Income Statement", in the respective sections.

The following table shows the changes in the rights of use relating to tangible operating assets.

(€/000)

Operating property, plant and equipment	Rights of use acquired through leases 1.1.2019	Depreciation for the year	Other changes during the FY	Impairment loss for the year	Book value 31.12.2019
a) land	–	-	-	-	-
b) buildings	254	37	–	-	217
c) furniture	–	-	-	-	-
d) electronic systems	48	10	–	-	38
e) other	23	6	–	-	17
Total	**325**	**53**	**–**	**-**	**272**

SECTION 2 – LESSOR

This case is not applicable to the Bank.

This page was intentionally left blank

Annexes

Audit and non-audit fees pursuant to article 249 duodecies of Consob Regulation no.11971/99 as amended and supplemented

The contractually agreed fees for FY 2019 with the auditing company KPMG SPA to audit the Bank's accounts and for the other services rendered to the Bank are broken down here below, VAT and expenses included.

(€/000)

Type of service	Fees
Accounting audit of the Financial Statements which includes verifying the regular keeping of the accounts and the correct recording of the company's affairs, and the certification and signing of the Tax Returns.	29
Other services (*)	9

(*) The item includes services for the purpose of obtaining the tax credit under art. 3, of Decree Law no.145 of 23 December 2013 and the Decree of 27 May 2015 and audit activities for the certification of the National Guarantee Fund.

Country-by-Country Reporting

As set forth by Banca d'Italia Italy Circular no. 285 of 17 December 2013 as updated, the information is published on the Bank's website at the following link: wwww.bancapromos.it/public/documenti.

IAS/IFRS ratified by the European Commission at 31 December 2019

IAS/IFRS	RATIFYING REGULATION
IAS 1 Presentation of financial statements	1126/2008, 1274/2008, 53/2009, 70/2009, 494/2009, 243/2010, 149/2011, 475/2012, 1254/2012, 1255/2012, 301/2013, 2113/2015, 2406/2015, 1905/2016, 2067/2016, 2075/2019(*), 2104/2019(*)
IAS 2 Inventories	1126/2008, 70/2009, 1255/2012, 1905/2016, 2067/2016
IAS 7 Statement of cash flows	1126/2008, 1260/2008, 1274/2008, 70/2009, 494/2009, 243/2010, 1254/2012, 1174/2013, 1990/2017
IAS 8Accounting policies, changes in accounting estimates and errors	1126/2008, 1274/2008, 70/2009, 1255/2012, 2067/2016, 2075/2019(*), 2104/2019(*)
IAS 10 Events after the reporting period	1126/2008, 1274/2008, 70/2009, 1142/2009, 1255/2012, 2067/2016
IAS 12 Income taxes	1126/2008, 1274/2008, 495/2009, 475/2012, 1254/2012, 1255/2012, 1174/2013, 1905/2016, 2067/2016, 1989/2017, 412/2019
IAS 16 Property, plant and equipment	1126/2008, 1260/2008, 1274/2008, 70/2009, 495/2009, 1255/2012, 301/2013, 28/2015, 2113/2015, 2231/2015, 1905/2016
IAS 19 Employee benefits	1126/2008, 1274/2008, 70/2009, 475/2012, 1255/2012, 29/2015, 2343/2015, 402/2019
IAS 20 Accounting for government grants and disclosure of government assistance	1126/2008, 1274/2008, 70/2009, 475/2012, 1255/2012, 2067/2016
IAS 21 The effects of changes in foreign exchange rates	1126/2008, 1274/2008, 69/2009, 494/2009, 149/2011, 475/2012, 1254/2012, 1255/2012, 2067/2016
IAS 23 Borrowing costs	1126/2008, 1260/2008, 70/2009, 2113/2015, 2067/2016, 412/2019
IAS 24 Related party disclosures	1126/2208, 1274/2008, 632/2010, 475/2012, 1254/2012, 1174/2013, 28/2015
IAS 26 Accounting and reporting by retirement benefit plans	1126/2008
IAS 27 Separate financial statements	1126/2008, 1274/2008, 69/2009, 70/2009, 494/2009, 1254/2012, 1174/2013, 2441/2015

IAS 28 Investments in associates and joint ventures	1126/2008, 1274/2008, 70/2009, 494/2009, 495/2009, 1254/2012, 1255/2012, 2441/2015, 1703/2016, 2067/2016, 182/2018, 237/2019
IAS 29 Financial reporting in hyperinflationary economies	1126/2008, 1274/2008, 70/2009
IAS 32 Financial instruments: presentation	1126/2008, 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 1293/2009, 475/2012, 1254/2012, 1255/2012, 1256/2012, 301/2013, 1174/2013, 1905/2016, 2067/2016
IAS 33 Earnings per share	1126/2008, 1274/2008, 494/2009, 495/2009, 475/2012, 1254/2012, 1255/2012, 2067/2016
IAS 34 Interim financial reporting	1126/2008, 1274/2008, 70/2009, 495/2009, 149/2011, 475/2012, 1255/2012, 301/2013, 1174/2013, 2343/2015, 2406/2015, 1905/2016, 2075/2019(*)
IAS 36 Impairment of assets	1126/2008, 1274/2008, 69/2009, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 1374/2013, 2113/2015, 1905/2016, 2067/2016
IAS 37 Provisions, contingent liabilities and contingent assets	1126/2008, 1274/2008, 495/2009, 28/2015, 1905/2016, 2067/2016, 2075/2019(*)
IAS 38 Intangible assets	1126/2008, 1260/2008, 1274/2008, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 28/2015, 2231/2015, 1905/2016, 2075/2019(*)
IAS 39 Financial instruments: recognition and measurement	1126/2008, 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 824/2009, 839/2009, 1171/2009, 243/2010, 149/2011, 1254/2012, 1255/2012, 1174/2013, 1375/2013, 28/2015, 1905/2016, 2067/2016, 2075/2019(*)
IAS 40 Investment property	1126/2008, 1274/2008, 70/2009, 1255/2012, 1361/2014, 2113/2015, 1905/2016, 400/2018
IAS 41 Agriculture	1126/2008, 1274/2008, 70/2009, 1255/2012, 2113/2015
IFRS 1 First-time adoption of international financial standards	1126/2008, 1260/2008, 1274/2008, 69/2009, 70/2009, 254/2009, 494/2009, 495/2009, 1136/2009, 1164/2009, 550/2010, 574/2010, 662/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 183/2013, 301/2013, 1174/2013, 2173/2015, 2343/2015, 2441/2015, 1905/2016, 2067/2016, 182/2018
IFRS 2 Share-based payment	1126/2008, 1261/2008, 495/2009, 243/2010, 244/2010, 1254/2012, 1255/2012, 28/2015, 2067/2016, 289/2018, 2075/2019(*)

IFRS 3 Business combinations	1126/2008, 495/2009, 149/2011, 1254/2012, 1255/2012, 1174/2013, 1361/2014, 28/2015, 1905/2016, 2067/2016, 412/2019, 2075/2019(*)
IFRS 4 Insurance contracts	1126/2008, 1274/2008, 494/2009, 1165/2009, 1255/2012, 1905/2016, 2067/2016, 1988/2017
IFRS 5 Non-current assets held for sale and discontinued operations	1126/2008, 1274/2008, 70/2009, 494/2009, 1142/2009, 243/2010, 475/2012, 1254/2012, 1255/2012, 2343/2015, 2067/2016
IFRS 6 Exploration for and evaluation of mineral assets	1126/2008, 2075/2019(*)
IFRS 7 Financial instruments: disclosures	1126/2008, 1274/2008, 53/2009, 70/2009, 495/2009, 824/2009, 1165/2009, 574/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 1256/2012, 1174/2013, 2343/2015, 2406/2015, 2067/2016, 34/2020(**)
IFRS 8 Operating segments	1126/2008, 1274/2008, 243/2010, 632/2010, 475/2012, 28/2015
IFRS 9 Financial instruments	2067/2016, 498/2018, 34/2020(**)
IFRS 10 Consolidated Financial Statements	1254/2012, 313/2013, 1174/2013, 1703/2016
IFRS 11 Joint Arrangements	1254/2012, 313/2013, 2173/2015, 412/2019
IFRS 12 Disclosure of Interests in Other Entities	1254/2012, 313/2013, 1174/2013, 1703/2016, 182/2018
IFRS 13 – Fair value measurement	1255/2012, 1361/2014, 2067/2016
IFRS 15 – Revenue from Contracts with Customers	1905/2016, 1987/2017
IFRS 16 Leases	1986/2017
SIC 7 Introduction of the Euro	1126/2008, 1274/2008, 494/2009
SIC 10 Government Assistance – No Specific Relation to Operating Activities	1126/2008, 1274/2008
SIC 25 Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	1126/2008, 1274/2008
SIC 29 Disclosure – Service Concession Arrangements	1126/2008, 1274/2008, 254/2009
SIC 32 Intangible Assets – Web Site Costs	1126/2008, 1274/2008, 1905/2016, 2075/2019(*)

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008, 1260/2008, 1274/2008
IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments	1126/2008, 53/2009, 1255/2012, 301/2013, 2067/2016
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008, 1254/2012, 2067/2016
IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7 Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1126/2008, 1274/2008
IFRIC 10 Interim Financial Reporting and Impairment	1126/2008, 1274/2009, 2067/2016
IFRIC 2 Service Concession Arrangements	254/2009, 1905/2016, 2067/2016, 2075/2019(*)
IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008, 1274/2008, 633/2010, 475/2012
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	460/2009, 243/2010, 1254/2012, 2067/2016
IFRIC 17 Distributions of Non-cash Assets to Owners	1142/2009, 1254/2012, 1255/2012
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	662/2010, 1255/2012, 2067/2016, 2075/2019(*)
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1255/2012, 2075/2019(*)
IFRIC 21 Levies	634/2014
IFRIC 22 Foreign currency transactions and advance consideration	519/2018, 2075/2019(*)
IFRIC 23 Uncertainty over income tax treatments	1595/2018

(*) Entities shall begin applying the provisions of this Regulation, at the latest on the first day of the first financial year beginning on or after 1 January 2020.
(**) Regulation No. 34/20202, endorsed on 15 January 2020, is obligatorily applicable starting from 1 January 2020, though earlier application starting from FY 2019 is permitted.

Informazioni generali sull'impresa

Dati anagrafici

Denominazione:	PROMOS CORPORATE CONSULTING SRL
Sede:	VIALE GRAMSCI 19 NAPOLI NA
Capitale sociale:	50.000,00
Capitale sociale interamente versato:	sì
Codice CCIAA:	NA
Partita IVA:	09023481212
Codice fiscale:	09023481212
Numero REA:	NAPOLI 1003044
Forma giuridica:	SOCIETA' A RESPONSABILITA' LIMITATA
Settore di attività prevalente (ATECO):	702209
Società in liquidazione:	no
Società con socio unico:	no
Società sottoposta ad altrui attività di direzione e coordinamento:	no
Denominazione della società o ente che esercita l'attività di direzione e coordinamento:	
Appartenenza a un gruppo:	no
Denominazione della società capogruppo:	
Paese della capogruppo:	
Numero di iscrizione all'albo delle cooperative:	

Bilancio al 31/12/2019

Stato Patrimoniale Abbreviato

	31/12/2019	31/12/2018
Attivo		
A) Crediti verso soci per versamenti ancora dovuti	-	-
B) Immobilizzazioni		
I - Immobilizzazioni immateriali	1.066	1.421
II - Immobilizzazioni materiali	-	-
III - Immobilizzazioni finanziarie	-	-
Totale immobilizzazioni (B)	*1.066*	*1.421*
C) Attivo circolante		

	31/12/2019	31/12/2018
I - Rimanenze	-	-
Immobilizzazioni materiali destinate alla vendita	-	-
II - Crediti	225.478	41.840
esigibili entro l'esercizio successivo	225.478	41.840
esigibili oltre l'esercizio successivo	-	-
Imposte anticipate	-	-
III - Attivita' finanziarie che non costituiscono immobilizzazioni	-	-
IV - Disponibilita' liquide	289	37.267
Totale attivo circolante (C)	*225.767*	*79.107*
D) Ratei e risconti	**3.984**	**-**
Totale attivo	*230.817*	*80.528*
Passivo		
A) Patrimonio netto		
I - Capitale	50.000	50.000
II - Riserva da soprapprezzo delle azioni	-	-
III - Riserve di rivalutazione	-	-
IV - Riserva legale	-	-
V - Riserve statutarie	-	-
VI - Altre riserve	(1)	-
VII - Riserva per operazioni di copertura dei flussi finanziari attesi	-	-
VIII - Utili (perdite) portati a nuovo	(382)	-
IX - Utile (perdita) dell'esercizio	17.756	(382)
Perdita ripianata nell'esercizio	-	-
X - Riserva negativa per azioni proprie in portafoglio	-	-
Totale patrimonio netto	*67.373*	*49.618*
B) Fondi per rischi e oneri	**-**	**-**
C) Trattamento di fine rapporto di lavoro subordinato	**-**	**-**
D) Debiti	**163.444**	**30.910**
esigibili entro l'esercizio successivo	163.444	30.910
esigibili oltre l'esercizio successivo	-	-
E) Ratei e risconti	**-**	**-**
Totale passivo	*230.817*	*80.528*

Conto Economico Abbreviato

	31/12/2019	31/12/2018
A) Valore della produzione		
1) ricavi delle vendite e delle prestazioni	259.200	37.860
2/3) variaz. rimanenze prodotti in corso di lavoraz., semilavorati, finiti e lavori in corso su ordinaz.	-	-
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati, finiti	-	-
3) variazioni dei lavori in corso su ordinazione	-	-
4) incrementi di immobilizzazioni per lavori interni	-	-
contributi in conto esercizio	-	-
Totale valore della produzione	*259.200*	*37.860*
B) Costi della produzione		
6) per materie prime, sussidiarie, di consumo e di merci	5.769	20
7) per servizi	160.392	26.608
8) per godimento di beni di terzi	43.087	9.250
9) per il personale	-	-
a) salari e stipendi	-	-
b) oneri sociali	134	-
c/d/e) trattamento di fine rapporto, trattamento di quiescenza, altri costi del personale	-	-
c) trattamento di fine rapporto	-	-
d) trattamento di quiescenza e simili	-	-
e) altri costi	-	-
Totale costi per il personale	*134*	*-*
10) ammortamenti e svalutazioni	-	-
a/b/c) ammortamento delle immobilizz.immateriali e materiali, altre svalutazioni delle immobilizz.	355	355
a) ammortamento delle immobilizzazioni immateriali	355	355
b) ammortamento delle immobilizzazioni materiali	-	-
c) altre svalutazioni delle immobilizzazioni	-	-
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilita' liquide	1.130	-
Totale ammortamenti e svalutazioni	*1.485*	*355*
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	-	-
12) accantonamenti per rischi	-	-
13) altri accantonamenti	-	-

	31/12/2019	31/12/2018
14) oneri diversi di gestione	9.365	1.021
Totale costi della produzione	*220.232*	*37.254*
Differenza tra valore e costi della produzione (A - B)	**38.968**	**606**
C) Proventi e oneri finanziari		
15) proventi da partecipazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi da partecipazioni	-	-
16) altri proventi finanziari	-	-
a) da crediti iscritti nelle immobilizzazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	-	-
b/c) da titoli iscr.nelle immob.che non costituisc.partecip.e da titoli iscr.nell'attivo circ.no partecip	-	-
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	-	-
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) proventi diversi dai precedenti	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi diversi dai precedenti	-	-
Totale altri proventi finanziari	-	-
17) interessi ed altri oneri finanziari	-	-
verso imprese controllate	-	-
verso imprese collegate	-	-

	31/12/2019	31/12/2018
verso imprese controllanti	-	-
verso imprese sottoposte al controllo delle controllanti	-	-
altri	385	26
Totale interessi e altri oneri finanziari	*385*	*26*
17-bis) utili e perdite su cambi	-	-
Totale proventi e oneri finanziari (15+16-17+-17-bis)	*(385)*	*(26)*
D) Rettifiche di valore di attivita' e passivita' finanziarie	**-**	**-**
18) rivalutazioni	-	-
a/b/c/d) rival.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale rivalutazioni	*-*	*-*
19) svalutazioni	-	-
a/b/c/d) sval.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale svalutazioni	*-*	*-*
Totale delle rettifiche di valore di attivita' e passivita' finanziarie (18-19)	*-*	*-*
Risultato prima delle imposte (A-B+-C+-D)	**38.583**	**580**
20) imposte sul reddito dell'esercizio, correnti, differite e anticipate		
imposte correnti	20.550	962
imposte relative a esercizi precedenti	277	-
imposte differite e anticipate	-	-
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	-	-
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	*20.827*	*962*
21) Utile (perdita) dell'esercizio	**17.756**	**(382)**

Informazioni generali sull’impresa

Dati anagrafici

Denominazione:	PROMOS FINTECH SRL
Sede:	VIALE ANTONIO GRAMSCI 19 NAPOLI NA
Capitale sociale:	50.000,00
Capitale sociale interamente versato:	sì
Codice CCIAA:	
Partita IVA:	09284551216
Codice fiscale:	09284551216
Numero REA:	
Forma giuridica:	SOCIETA' A RESPONSABILITA' LIMITATA
Settore di attività prevalente (ATECO):	620100
Società in liquidazione:	no
Società con socio unico:	no
Società sottoposta ad altrui attività di direzione e coordinamento:	no
Denominazione della società o ente che esercita l’attività di direzione e coordinamento:	
Appartenenza a un gruppo:	no
Denominazione della società capogruppo:	
Paese della capogruppo:	
Numero di iscrizione all’albo delle cooperative:	

Bilancio al 31/12/2019

Stato Patrimoniale Abbreviato

	31/12/2019
Attivo	
A) Crediti verso soci per versamenti ancora dovuti	**-**
B) Immobilizzazioni	
I - Immobilizzazioni immateriali	1.578
II - Immobilizzazioni materiali	-
III - Immobilizzazioni finanziarie	-
Totale immobilizzazioni (B)	*1.578*
C) Attivo circolante	

	31/12/2019
I - Rimanenze	-
Immobilizzazioni materiali destinate alla vendita	-
II - Crediti	367
esigibili entro l'esercizio successivo	367
esigibili oltre l'esercizio successivo	-
Imposte anticipate	-
III - Attivita' finanziarie che non costituiscono immobilizzazioni	-
IV - Disponibilita' liquide	46.876
Totale attivo circolante (C)	*47.243*
D) Ratei e risconti	**6**
Totale attivo	*48.827*
Passivo	
A) Patrimonio netto	
I - Capitale	50.000
II - Riserva da soprapprezzo delle azioni	-
III - Riserve di rivalutazione	-
IV - Riserva legale	-
V - Riserve statutarie	-
VI - Altre riserve	-
VII - Riserva per operazioni di copertura dei flussi finanziari attesi	-
VIII - Utili (perdite) portati a nuovo	-
IX - Utile (perdita) dell'esercizio	(2.773)
Perdita ripianata nell'esercizio	-
X - Riserva negativa per azioni proprie in portafoglio	-
Totale patrimonio netto	*47.227*
B) Fondi per rischi e oneri	**-**
C) Trattamento di fine rapporto di lavoro subordinato	**-**
D) Debiti	**40**
esigibili entro l'esercizio successivo	40
esigibili oltre l'esercizio successivo	-
E) Ratei e risconti	**1.560**
Totale passivo	*48.827*

Conto Economico Abbreviato

	31/12/2019
A) Valore della produzione	
1) ricavi delle vendite e delle prestazioni	-
2/3) variaz. rimanenze prodotti in corso di lavoraz., semilavorati, finiti e lavori in corso su ordinaz.	-
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati, finiti	-
3) variazioni dei lavori in corso su ordinazione	-
4) incrementi di immobilizzazioni per lavori interni	-
5) altri ricavi e proventi	-
contributi in conto esercizio	-
altri	2
Totale altri ricavi e proventi	*2*
Totale valore della produzione	*2*
B) Costi della produzione	
6) per materie prime, sussidiarie, di consumo e di merci	-
7) per servizi	1.911
8) per godimento di beni di terzi	-
9) per il personale	-
a) salari e stipendi	-
b) oneri sociali	-
c/d/e) trattamento di fine rapporto, trattamento di quiescenza, altri costi del personale	-
c) trattamento di fine rapporto	-
d) trattamento di quiescenza e simili	-
e) altri costi	-
Totale costi per il personale	*-*
10) ammortamenti e svalutazioni	-
a/b/c) ammortamento delle immobilizz.immateriali e materiali, altre svalutazioni delle immobilizz.	395
a) ammortamento delle immobilizzazioni immateriali	395
b) ammortamento delle immobilizzazioni materiali	-
c) altre svalutazioni delle immobilizzazioni	-
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilita' liquide	-
Totale ammortamenti e svalutazioni	*395*
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	-
12) accantonamenti per rischi	-

	31/12/2019
13) altri accantonamenti	-
14) oneri diversi di gestione	469
Totale costi della produzione	*2.775*
Differenza tra valore e costi della produzione (A - B)	**(2.773)**
C) Proventi e oneri finanziari	**-**
15) proventi da partecipazioni	-
da imprese controllate	-
da imprese collegate	-
da imprese controllanti	-
da imprese sottoposte al controllo delle controllanti	-
altri	-
Totale proventi da partecipazioni	*-*
16) altri proventi finanziari	-
a) da crediti iscritti nelle immobilizzazioni	-
da imprese controllate	-
da imprese collegate	-
da imprese controllanti	-
da imprese sottoposte al controllo delle controllanti	-
altri	-
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	*-*
b/c) da titoli iscr.nelle immob.che non costituisc.partecip.e da titoli iscr.nell'attivo circ.no partecip	-
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	-
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-
d) proventi diversi dai precedenti	-
da imprese controllate	-
da imprese collegate	-
da imprese controllanti	-
da imprese sottoposte al controllo delle controllanti	-
altri	-
Totale proventi diversi dai precedenti	*-*
Totale altri proventi finanziari	*-*
17) interessi ed altri oneri finanziari	-
verso imprese controllate	-
verso imprese collegate	-

	31/12/2019
verso imprese controllanti	-
verso imprese sottoposte al controllo delle controllanti	-
altri	-
Totale interessi e altri oneri finanziari	-
17-bis) utili e perdite su cambi	-
Totale proventi e oneri finanziari (15+16-17+-17-bis)	-
D) Rettifiche di valore di attivita' e passivita' finanziarie	**-**
18) rivalutazioni	-
a/b/c/d) rival.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-
a) di partecipazioni	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	-
d) di strumenti finanziari derivati	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-
Totale rivalutazioni	-
19) svalutazioni	-
a/b/c/d) sval.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-
a) di partecipazioni	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-
d) di strumenti finanziari derivati	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-
Totale svalutazioni	-
Totale delle rettifiche di valore di attivita' e passivita' finanziarie (18-19)	-
Risultato prima delle imposte (A-B+-C+-D)	**(2.773)**
20) imposte sul reddito dell'esercizio, correnti, differite e anticipate	**-**
imposte correnti	-
imposte relative a esercizi precedenti	-
imposte differite e anticipate	-
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	-
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	-
21) Utile (perdita) dell'esercizio	**(2.773)**