CiviBank

La Banca per il NordEst

134rd YEAR

ANNUAL REPORT 2020

REPORTS AND FINANCIAL STATEMENTS AT 31/12/2020

Reports and Financial Statements at 31/12/2020

Approved by the Shareholders' Meeting

of 14 April 2021

BANCA DI CIVIDALE
A cooperative joint-stock company – founded in 1886
Registered office and headquarters: Via Sen. Guglielmo Pelizzo n. 8/1;
33043 Cividale del Friuli;
Bank of Italy Register No. 5758.8.0; Italian Banking Association Code 05484.1;
Taxpayer ID, VAT reg. no. and Udine Companies Register no. 00249360306;
Share capital at 31/12/2019: € 50,913,255, fully paid-in
A member of the Interbank Deposit Protection Fund

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Boards and senior management of Banca di Cividale at the date of approval of the financial statements at and for the year ended 31/12/2020

Board of Directors

Chairperson	Michela Del Piero
Deputy Chairpersons	Andrea Stedile Guglielmo Pelizzo
Directors	Alberto Agnoletto Manuela Boschieri Massimo Fuccaro Riccardo Illy Franco Sala Livio Semolič

Board of Statutory Auditors

Chairperson	Pompeo Boscolo
Standing members	Gianluca Pico Massimo Miani
Substitute members	Andrea Volpe Chiara Repetti

Board of Arbitrators

Chairperson	Renzo Zanon
Standing members	Lorenzo Cozzarolo Giampaolo Piccoli Alessandro Rizza Eugenio Scarbolo
Substitute members	Giuseppe Bertolo Valentino Custrin

Senior management

General Manager	Mario Crosta
Acting Assistant General Manager	Gianluca Picotti
Assistant General Manager	Gabriele Rosin

Independent auditors	KPMG S.p.A.

NOTICE OF THE EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING

The extraordinary and ordinary Shareholders' Meeting of Banca di Cividale S.C.p.a (hereinafter "**CiviBank**", the "**Bank**") is convened for 12 April 2021, at 9:30 AM, in first call and, where necessary, for **14 April 2021**, at **9:30 AM**, in second call, at the offices of notary Filippo Zabban in Milan, Via Metastasio 5, to pass resolutions on the following

AGENDA

– Extraordinary business –

1. Transformation of "Banca di Cividale Società Cooperativa per Azioni" into a joint-stock company and adoption of a new text of the Articles of Association containing amendments relating to the transformation, including those relating to the adoption of "benefit company" status. Any related business.

– Ordinary business –

2. Individual financial statements at and for the year ended 31 December 2020:

2.1. Approval of the Bank's financial statements at and for the year ended 31 December 2020, accompanied by the directors' report on operations, the Statutory Auditors' report and the Independent Auditors' report.

2.2. Allocation of the result for the year entirely to retained earnings.

3. Partial renewal of the Board of Directors:

3.1. Appointment of one member of the Board of Directors for the years 2021-2023.

3.2. Determination of compensation.

4. Approval of the remuneration and incentive policies of the Bank for the year 2021 and information regarding the implementation of the policies approved by the Shareholders' Meeting for the year 2020.

5. Authorisation to purchase and dispose of treasury shares pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code, including through the use of the provision for the purchase of treasury shares. Any related business.

6. Conditional on the approval of the draft resolution set out in the sole item on the extraordinary section, adoption of a new text of the regulations of the Articles of Association containing the amendments relating to the Bank's transformation.

7. Proposal to set the share premium pursuant to Art. 2528, para. 2, of the Italian Civil Code, and Art. 6, para. 1, of the Articles of Association. Any related business.

8. Appointment of the Board of Arbitrators for the years 2021-2023. Any related business.

* * *

Information on share capital at 22 March 2021

At 22 March 2021, the Bank's subscribed and paid-in share capital amounted to €50,913,255.00 and was divided into 16,971,085 ordinary shares. At the Shareholders' Meeting, each shareholder will be entitled to one (1) vote, regardless of the number of shares held. At 22 March 2021 the Bank also held 338,014 treasury shares.

The total number of shareholders entitled to participate in and vote at the Shareholders' Meeting is 14,225.

Methods of conduct of the Shareholders' Meeting

In view of the ongoing health emergency caused by the Covid-19 pandemic, and in accordance with the fundamental principles of protection of the health of the Bank's shareholders, employees, officers and advisors, CiviBank has decided to adopt the methods provided for in Decree-Law No. 18 of 17 March 2020, converted by Law No. 27 of 24 April 2020, as extended by Decree-Law No. 183 of 31 December 2020, converted, with amendments by Law No. 21 of 26 February 2021 (the "**Cure Italy Decree-Law**") to hold the Shareholders' Meeting.

Pursuant to the Cure Italy Decree-Law, **entitled shareholders may participate in the Shareholders' Meeting solely through the designated representative** pursuant to Art. 135-*undecies* of Legislative Decree No. 58 of 24 February 1998 (the "**Consolidated Finance Act**" or "**CFA**") according to the methods set out below, with shareholders and their proxies other than the aforementioned designated representative barred from access to the location of the meeting. In addition, proxy authorisation (or sub-authorisation) will be granted to the designated representative in derogation from the provisions of Art. 150-*bis*, para. 2-*bis*, of Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Banking Act**" or "**CBA**"), Art. 135-*duodecies* of the CFA, Art. 2539, para. 1, of the Italian Civil Code and Art. 23 of the Bank's Articles of Association (the "**Articles of Association**"), which impose limits on the number of proxy authorisations that may be granted to a single party.

For this purpose, the Bank has designated Società per Amministrazioni Fiduciarie Spafid S.p.A. ("**Spafid**" or the "**Designated Representative**"), with its registered office in Milan, the designated representative pursuant to Art. 135-*undecies* of the CFA. In accordance with the provisions of the

Cure Italy Decree-Law, directors, statutory auditors, representatives of the independent auditors, the Designated Representative and the other persons whose participation is requested may also participate in the Shareholders' Meeting by telecommunications systems that guarantee their identification and participation, without requiring them to be in the same location as the Chairperson and the secretary taking the minutes.

Standing to participate in the Shareholders' Meeting and exercise of voting rights

Pursuant to Art. 23 of the Articles of Association, standing to participate in the Shareholders' Meeting and exercise voting rights – exclusively through the Designated Representative pursuant to the Cure-Italy Decree – falls to those who (i) are registered in the Shareholder Register for at least 90 days prior to the date of the Shareholders' Meeting in first call (*i.e.* **12 January 2021**) and (ii) have demonstrated ownership of their shares through a specific share ownership certificate issued by the intermediary responsible for keeping the accounts (*i.e.* the depository bank) and submitted by the end of the second (2nd) day before the date of the Shareholders' Meeting in first call (*i.e.* by **10 April 2021**) according to the methods indicated on the Bank's website at the address www.civibank.it, in the section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*".

With regard to the share ownership certificate referred to in (ii):

1. shareholders who have deposited their shares in an account held with the Bank are not required to provide the Bank with the share ownership certificate referred to in (ii), since ownership of the shares will be verified at the Bank's initiative;
2. shareholders who have deposited their shares in an account held with depositary intermediaries other than the Bank are required to append the share ownership certificate referred to in (ii) to the proxy authorisation (or sub-authorisation) form for the Designated Representative;
3. all shareholders who, pursuant to Art. 23, para. 5, of the Articles of Association, wish to grant sub-authorisation to the Designated Representative through another shareholder must append the share ownership certificate referred to in (ii) to the proxy authorisation form, even if their shares are deposited in an account held with the Bank.

No provision has been made for procedures for voting by mail or by electronic systems.

Representation at the Shareholders' Meeting and proxy authorisation for the Designated Representative

Pursuant to the Cure Italy Decree-Law, shareholders of the Bank authorised to participate in the Shareholders' Meeting and to exercise voting rights may participate in the Shareholders' Meeting **solely through the Designated Representative**, by granting a specific proxy authorisation (or sub-authorisation) to Spafid, at no cost to them (except for transmission expenses).

The proxy authorisation (or sub-authorisation) for the Designated Representative may be granted, according to the methods described below, using either:

1. the "ordinary proxy authorisation form" pursuant to Art. 135-*novies* of the CFA; or
2. the "designated representative proxy authorisation form" pursuant to Art. 135-*undecies* of the CFA;

as illustrated below.

Proxy authorisation for the Designated Representative pursuant to Art. 135-novies of the CFA

Shareholders of the Bank entitled to participate in the Shareholders' Meeting and exercise voting rights may elect to be represented at the Shareholders' Meeting by the Designated Representative by granting the latter a proxy authorisation (or sub-authorisation) pursuant to Art. 135-*novies* of the CFA containing voting instructions on all or some of the matters on the agenda. The proxy authorisation (or sub-authorisation) will have effect solely for matters in relation to which voting instructions are provided.

The proxy authorisation (or sub-authorisation) must be granted using a hand-signed paper document or an electronically signed electronic document pursuant to Art. 135-*novies*, para. 6, of the CFA. For this purpose, shareholders may use the specific proxy authorisation form available from the Bank's website at the address www.civibank.it, in the section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*", and at the Bank's registered office and branches ("ordinary proxy authorisation form").

Pursuant to Art. 5 of the Bank's Shareholders' Meeting Regulations (the "**Shareholders' Meeting Regulations**"), in the event of sub-authorisation pursuant to Art. 135-*novies* of the CFA, the signature of the shareholder who has granted proxy authorisation to a person other than the Designated Representative must be authenticated by the employees of the Bank appointed by the Board of Directors or by a public official authorised to do so, while ensuring, in any event, confidentiality regarding voting instructions and observance of the social-distancing measures imposed by the current emergency situation.

The proxy authorisation (or sub-authorisation) must be delivered to the Designated Representative, with the subject line of the e-mail or outside of the envelope indicating "Proxy authorisation for the Designated Representative for the 2021 Extraordinary and Ordinary CiviBank Shareholders' Meeting" along with a signed copy of an identification document and, where the shareholder is a legal entity, documentation attesting to signing authority in accordance with Art. 7 of the Articles of Association.

It also bears recalling that: (*i*) shareholders who have deposited their shares in an account held with intermediaries other than the Bank are required to append the share ownership certificate of the intermediary responsible for keeping the accounts (*i.e.* the depository bank) to the form; and (*ii*) all shareholders with proxy authorisation who, pursuant to Art. 23, para. 5, of the Articles of Association, wish to grant sub-authorisation to the Designated Representative must append the share ownership certificate of the intermediary responsible for keeping the accounts (*i.e.* the depositary bank) to the proxy authorisation form, even if the shareholders are deposited in an account held with the Bank.

The notification of proxy authorisation (or sub-authorisation) must be performed according to the methods specified on the Bank's website at the address www.civibank.it, section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*", and in the ordinary proxy authorisation form.

In order to allow the Bank and the Designated Representative to receive and verify proxy authorisations in advance of the commencement of the proceedings of the Shareholders' Meeting, it is recommended that entitled persons have their proxy authorisations (or sub-authorisations) delivered by 11:59 PM on the second (2nd) day before the date of the Shareholders' Meeting in first call (*i.e.* by **10 April 2021**) ([1]). The proxy authorisation (or sub-authorisation) and voting instructions may be modified and withdrawn by that same deadline according to the same methods as established for granting them.

Proxy authorisation to the Designated Representative pursuant to Art. 135-undecies of the CFA

Shareholders of the Bank entitled to participate in the Shareholders' Meeting and exercise voting rights may also elect to be represented by the Designated Representative by granting the latter a specific proxy authorisation pursuant to Art. 135-*undecies* of the CFA containing voting instructions on all or some of the matters on the agenda. The proxy authorisation will only be effective for the matters on which voting instructions have been granted.

The proxy authorisation for the Designated Representative must be granted by signing the specific proxy authorisation form available, with the related instructions for compilation and transmission, from the Bank's website at the address *www.civibank.it*, section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*", as well as from the Bank's registered office and branches ("designated representative proxy authorisation form").

The proxy authorisation must be delivered to the Designated Representative, with the subject line of the e-mail or outside of the envelope indicating "Proxy authorisation for the Designated Representative for the 2021 Extraordinary and Ordinary CiviBank Shareholders' Meeting" along with a signed copy of an identification document and, where the shareholder is a legal entity, documentation attesting to signing authority in accordance with Art. 7 of the Articles of Association.

It should also be noted that shareholders who have deposited their shares in an account held with depository intermediaries other than the Bank are required to append the share ownership certificate of the intermediary responsible for keeping the accounts (*i.e.* the depository bank) to the form.

The proxy authorisation must be delivered, together with the above documentation, by the end of the second (2nd) day before the date of the Shareholders' Meeting in first call (*i.e.* by **11:59 PM** on **10 April 2021**)([2]) according to the methods indicated on the Bank's website at the address *www.civibank.it*, section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*", and in the proxy authorisation form for the designated representative. The proxy authorisation and voting instructions may be modified and withdrawn by the same deadline according to the same methods established for granting them.

Shares for which proxy authorisation has been granted will be counted when determining whether the Shareholders' Meeting has been duly constituted; in respect of matters for which voting instructions have not been provided, the shares will not be counted when determining the majority and percentage of capital required to pass resolutions.

*([1]) Where the proxy authorisation (or sub-authorisation) form is submitted through non-electronic channels (i.e. delivery to the collection points set up at the Bank's branches), entitled shareholders are required to have their proxy authorisations (or sub-authorisations) delivered to the Bank's branches **by 11:30 AM on 9 April 2021**. This is necessary in light of the branch opening hours in the current emergency situation related to the Covid-19 epidemic and the time technically required for the Bank to transmit the proxy authorisation (or sub-authorisation) forms it has received to Spafid.*

*([2]) Where the proxy authorisation (or sub-authorisation) form is submitted through non-electronic channels (i.e. delivery to the collection points set up at the Bank's branches), entitled shareholders are required to have their authorisations delivered to the Bank's branches by **11:30 AM** on **09 April 2021**. This is necessary in light of the branch opening hours in the current emergency situation related to the Covid-19 epidemic and the time technically required for the Bank to transmit the proxy authorisation forms it has received to Spafid.*

* * *

For any clarification regarding the granting of proxy authorisation to the Designated Representative (and in particular regarding the compilation of the proxy authorisation form, voting instructions and their transmission), Spafid may be contacted by e-mail at the address confidential@spafid.it or by telephone at the numbers (+39) 0280687317 or (+39) 0280687319 or (+39) 0280687335 (from 9 AM to 5 PM on office business days).

Right to ask questions regarding the matters on the agenda

Those with voting rights may ask questions regarding the matters on the agenda up to nine (9) days before the date of the Shareholders' Meeting in first call (*i.e.* by **03 April 2021**). Persons who demonstrate ownership of the shares on the date they submit their question are entitled to a response.

Only questions regarding the matters on the agenda will be considered.

Questions must be submitted, in writing, by ordinary e-mail to the address assemblea2021@civibank.it, including in the subject-line of the e-mail the phrase "*2021 Shareholders' Meeting – questions regarding the matters on the agenda*". Questions must be accompanied (i) by the personal particulars of the requesting shareholder (surname and name, place and date of birth or, in the case of an entity or company, name, registered office and taxpayer identification code) and (ii) a specific certification, with effect until the date of submission of the question, issued by the depositary intermediary, attesting to the ownership of the shares by the requesting party.

The certification referred to in (ii) is not required (a) for shareholders who have deposited their shares in an account held with the Bank; and (b) for shareholders who have deposited their shares in an account held with a depositary intermediary other than the Bank, where the Bank receives the share ownership certificate of the depositary intermediary in question required for participation in the Shareholders' Meeting.

Responses will be provided to questions received by the deadlines indicated, after it has been verified that the questions are pertinent and the person asking them has standing to do so, by publishing the responses on the Bank's website at the address www.civibank.it, in the section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*", at least five (5) days before the Shareholders' Meeting (*i.e.* by **07 April 2021**).

The Bank may provide a single response to questions with the same content.

* * *

Transformation

The transformation of the Bank into a "joint-stock company" (the "**Transformation**"), where approved by the Shareholders' Meeting, as set out in this notice of meeting (sole item on the agenda of the extraordinary section), will enter into effect contingent upon, and with effect from the date of, the satisfaction of the condition that the total liquidation value to be paid by CiviBank for the liquidation of the shares for which the right of withdrawal in relation to the Transformation has been exercised and that have not been purchased or placed upon the completion of the liquidation procedure set out in Art. 2437-*quater*, paragraphs 1, 3 and 4, of the Italian Civil Code, does not exceed €13,000,000.00 (thirteen million euro) (the "**Condition**").

Once the period for exercising the right of withdrawal pursuant to Art. 2437-*bis* of the Italian Civil Code has ended, or at the end of the liquidation process governed by Art. 2437-*quater*, paragraphs 1, 3 and 4 of the Italian Civil Code, the Bank will promptly announce the satisfaction of the Condition.

If the Condition is met, due to the effect of the Transformation *(i)* the text of the Bank's Articles of Association will enter into effect, with the amendments relating to the Transformation (the "**New Articles of Association**") and (*ii*) the Bank's new shareholders' meeting regulations (where approved).

Partial renewal of the Board of Directors

As a consequence of the approval by the Shareholders' Meeting, in ordinary section, of the individual financial statements of CiviBank at and for the year ended 31 December 2020 (per the first part of the ordinary section of the agenda), the term of one (1) member of the Board of Directors currently in office will end. Accordingly, the Shareholders' Meeting referred to in this notice of meeting, in ordinary section, will be called upon to appoint 1 (one) new member of the Board of Directors for the years 2021-2023. It bears recalling, in this regard, that pursuant to Art. 24 of the Articles of Association and Art. 16 of the Shareholders' Meeting Regulations, members of the Board of Directors are selected without applying the vote-by-list mechanism.

Pursuant to Art. 24 of the Articles of Association and Art. 15 of the Shareholders' Meeting Regulations, candidates for Director may be (*i*) nominated by groups of shareholders representing at least 1.5% of those entitled to vote in the Shareholders' Meeting or (*ii*) selected by the Board of Directors. Pursuant to Art. 14 of the Shareholders' Meeting Regulations, all candidates must meet the requirements established by the applicable laws and regulations in force from time to time. As already announced to the shareholders in the press release circulated on 23 March 2021, candidates other than those selected by the Board of Directors, in accordance with Art. 24 of the Articles of Association and Art. 16 of the Shareholders' Meeting Regulations, must be presented to the Bank personally at the company's office, or by registered mail with return receipt, at least 15 (fifteen) days before the date of first call of the Shareholders' Meeting (*i.e.* by **28 March 2021**). Once it has been verified that they meet formal requirements, nominations will be promptly disclosed to the public on the Company's website at the address www.civibank.it, in the section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*".

Each shareholder may contribute to presenting a maximum number of candidates equal to the number of the members of the Board of Directors to be elected (i.e., one (1)). In the event of failure to comply with this rule, the shareholder's endorsement of the candidates will not be regarded as valid and therefore will not be counted for any of the candidates supported by the shareholder concerned. Moreover, the signatures of shareholders supporting candidates other than those proposed by the Board of Directors must be authenticated by the same persons responsible for authenticating proxy authorisations for the Shareholders' Meeting. The Bank will promptly verify the satisfaction of formal requirements by the candidates presented. In the event of irregularities, the improperly nominated candidates will be disqualified and notice thereof will be given promptly.

Shareholders entitled to participate in the Shareholders' Meeting and exercise voting rights will be asked to place a mark next to the name of the candidate selected for the office of Director. The foregoing is without prejudice to the right of each entitled shareholder to enter the surname and name of an individual not included in the lists in the dedicated spaces. Votes cast in a way that does not enable the intentions of the shareholder casting the vote or the identity of the person voted for to be determined unambiguously will be disregarded.

Pursuant to Art. 24 of the Articles of Association and Art. 18 of the Shareholders' Meeting Regulations, the candidate who has received the most votes will be elected. In the event of a tied vote, the eldest candidate will be elected.

Pursuant to Art. 24 of the Articles of Association and Art. 18 of the Shareholders' Meeting Regulations, the individual elected to the office of Director will be required to inform the Bank of the acceptance of the position within five (5) business days from the resolution appointing them to the position. If such acceptance is not forthcoming, the first of those not elected will be considered appointed.

Proposal to set the value of the shares pursuant to Art. 2528, para. 2, of the Italian Civil Code, and Art. 6, para. 1, of the Articles of Association

As a consequence of the approval by the Shareholders' Meeting, in ordinary section, of the individual financial statements of CiviBank at and for the year ended 31 December 2020 (as set out in the first point of the ordinary section of the agenda), the value of the shares will need to be determined pursuant to Art. 2528, para. 2, of the Italian Civil Code and Art. 6, para. 1, of the Articles of Association. This value will cease to have any importance when the Transformation enters into effect since it is provided for solely in the law and the Articles of Association governing the Bank in cooperative form and not also in those governing the Bank in the form of joint-stock company, whereas in the event of non-approval the Transformation it will also continue to be applied pursuant to the law and Articles of Association.

Appointment of the Board of Arbitrators

As a consequence of the approval by the Shareholders' Meeting, in ordinary section, of the individual financial statements of CiviBank at and for the year ended 31 December 2020 (per the first point of the ordinary section of the agenda) the term of the members of the Board of Arbitrators currently in office will end.

Similarly to what is stated in the foregoing paragraph, it should be recalled that the Board of Arbitrators is a company board that will cease to exist when the Transformation enters into effect since it is not provided for in the law and Articles of Association governing the Bank in the form of joint-stock company, whereas in the event of non-approval of the Transformation it will remain in place.

Accordingly, without prejudice to the foregoing, the Shareholders' Meeting to which this notice of meeting refers, in ordinary section, will be called on to appoint, from among the shareholders, five (5) Regular Arbitrators and two (2) Alternate Arbitrators for the years 2021-2023. It bears recalling, in this regard, that pursuant to Art. 24 of the Articles of Association and Art. 16 of the Shareholders' Meeting Regulations, members of the Board of Arbitrators are selected without applying the vote-by-list mechanism.

Pursuant to Art. 46 of the Articles of Association and Art. 14 of the Shareholders' Meeting Regulations, all candidates must be shareholders.

Refer to the foregoing with regard to the partial renewal of the Board of Directors for information concerning *(i)* the methods, forms and timescales for presenting candidacy for the office of member of the Board of Arbitrators; *(ii)* the conditions and formalities of exercise of voting rights in the Shareholders' Meeting; and *(iii)* and the methods of election and announcement of those elected.

Right of withdrawal

With regard to the proposed Transformation and adoption of the New Articles of Association, shareholder-members who do not contribute to the passage of the relevant resolution (i.e., contrary, absent or abstaining shareholder-members) and shareholders will be entitled to the right of withdrawal pursuant to Art. 2437 of the Italian Civil Code.

The liquidation value of the shares for which the right of withdrawal is exercised has been set by the Board of Directors at €5.28 per share, in accordance with the criteria laid down in Article 2437-*ter*, paragraph 2, of the Italian Civil Code.

For information regarding the right of withdrawal, the relevant liquidation value and exercise by the Board of Directors of the right to limit the redemption of the shares for which the right of withdrawal is exercised pursuant to Article 28, paragraph 2-*ter,* of the CBA refers, see the specific report prepared by the Board of Directors and made available to the shareholder-members according to the legal terms and conditions.

Documentation

The documentation regarding the subjects on the agenda of the Shareholders' Meeting, including, in particular, the illustrative reports of the Board of Directors on the matters on the agenda containing the draft resolutions – will be made available to the public on the date of publication of this notice at the company's registered office, on the Bank's website at the address www.civibank.it, in the section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*", and from the authorised storage facility "*eMarket Storage*" at the address www.emarketstorage.com.

This notice of meeting is being published on the Bank's website at the address www.civibank.it, in the section "*CiviBank* – Investor Relations – *2021 Shareholders' Meeting*", in the *Official Journal of the Italian Republic* and on the authorised storage facility "*eMarket Storage*" at the address www.emarketstorage.com.

* * *

The Bank thanks the shareholders for their collaboration in complying fully with this notice and with the special and other laws that have given rise to it.

The information contained in this notice may be subject to updates, changes or additions in view of the current emergency situation relating to the Covid-19 epidemic and the consequent measures adopted from time to time by the competent authorities. Any and all updates, changes or additions to the information in this notice will be provided promptly according to the same methods as adopted for publishing this notice.

* * *

Cividale del Friuli, 27 March 2021

For the Board of Directors, the Chairperson
(Michela Del Piero)

Letter from the Chairperson

Dear shareholders,
In presenting to you the 2020 financial statements, it is my pleasure to highlight some significant factors that emerge from the accounting document. First of all, in faithfully pursuing the goals of the previous strategic plan, we have reached a turning point in the bank's existence: after a phase of consolidation and reorganisation, we have moved to the planned growth phase. All financial statement indicators for the 134th year point to the beginning of this new development process, the fruit of the work done in recent years, undertaken during the most critical phase of Italy's recent history. Not only did the pandemic not slow our institution's commercial efforts, but our entire organisation stepped up its commitment, albeit in truly difficult conditions. A laudable effort that yielded gratifying results.
Loans to customers were up by over 5% to nearly €3 billion. In such a critical year for the local economy, we disbursed new loans of €661 million (+8.4% on 2019), of which €485 million to companies and €176 million to households. We also took account of the difficulties reported to us by customers by proceeding with 5,350 moratoria of loans disbursed for a total value of €723 million.
At the same time, efforts to reduce non-performing loans continued to be pursue decisively: -22.4% in one year.
Total funding, direct and indirect, amounted to €4,232 thousand, evidence of the trust that our customers place in our bank. In a single year accounts increased by more than 800, a sign of the effective marketing initiatives taken by the network.
Equity rose to €291 million, up by 2.2% on the previous year. Finally, net income increased by 148%, reaching €6.8 million. If net income is the measure of management efficiency, solidity is the true guarantee for shareholders and customers. In this respect, the CET1 ratio of 15% (it was 13.6% in 2019) places our bank well above the industry average.
In light of these results and Italy's economic prospects, the Board of Directors has updated its Strategic Plan with an extension to 2023, hinged on company growth and geographical expansion, out of an awareness that CiviBank has remained the only autonomous banking institution in Northeastern Italy. The plan is the product of a thorough process of analysis coordinated by the new general manager, Mario Crosta, who on 1 January of this year took over from Federico Fabbro who retired.
The guidelines for the company strategy for the next three years call for: 1) a total increase in loans of €430 million, 2) consolidation of the presence in Friuli Venezia Giulia and an expansion of our bases of operation in Veneto, Trentino and Emilia, 3) capital enhancement that calls for a CET1 ratio of 15.5% and a total capital ratio of 16.4% until 2023 and 4) a net income of over €14 million at the end of the three-year period.
By the end of 2021 we aim to open branches in Padua and Montebelluna (TV) as the digitalisation process of the institution continues with the primary objective of reinforcing customer security standards. The search for greater competitiveness will also involve identifying new partnerships in the bancassurance and wealth management sectors.
This is an ambitious, yet feasible plan that aims to add further value to our company and increase the satisfaction of our shareholder-members.

The Chairperson
Michela Del Piero

Financial highlights and balance sheet ratios

BALANCE SHEET DATA (thousands of euro)	31/12/2020	31/12/2019	Change %
Financial assets - securities and derivatives	968,397	1,143,610	-15.3%
Loans to customers	2,978,130	2,832,876	5.1%
Total assets	4,961,060	4,337,553	14.4%
Direct funding	3,070,450	2,697,388	13.8%
Indirect funding	1,162,020	1,126,978	3.1%
- of wich: Assets under management	943,301	906,365	4.1%
Total funding	4,232,470	3,824,366	10.7%
Shareholders' equity	291,192	284,920	2.2%

Reclassified balance sheet

ASSETS (thousands of euro)	31/12/2020	31/12/2019	Change %
Cash and cash equivalents	773,290	118,579	552.1%
Financial assets measured at fair value through profit or loss	21,685	35,660	-39.2%
Loans to customers	*1,735*	*14,613*	*-88.1%*
Securities and derivatives	*19,950*	*21,047*	*-5.2%*
Financial assets measured at fair value through other comprehensive income	147,243	167,107	-11.9%
Securities	*147,243*	*167,107*	*-11.9%*
Financial assets measured at amortised cost	3,810,152	3,802,116	0.2%
Due from banks	*32,554*	*28,397*	*14.6%*
Loans to customers	*2,976,395*	*2,818,263*	*5.6%*
Securities	*801,204*	*955,456*	*-16.1%*
Investments in associates and companies subject to joint	2,359	3,190	-26.0%
Property, plant and equipment and intangible assets	85,250	89,561	-4.8%
Owned	*71,805*	*74,211*	*-3.2%*
Rights of use acquired with leases - IFRS 16	*13,446*	*15,350*	*-12.4%*
Tax assets	62,174	71,247	-12.7%
Other assets	58,907	50,380	16.9%
Total assets	**4,961,060**	**4,337,840**	**14.4%**

LIABILITIES (thousands of euro)	31/12/2020	31/12/2019	Change %
Due to banks measured at amortised cost	1,516,483	1,266,666	*19.7%*
Due to customers measured at amortised cost	3,064,511	2,685,040	*14.1%*
Securities issued measured at amortised cost	5,939	12,348	*-51.9%*
Financial liabilities held for trading	63	125	-50.0%
Tax liabilities	1,710	2,379	-28.1%
Other liabilities	73,415	78,051	-5.9%
of which lieasing liabilities - IFRS 16	*13,861*	*15,580*	*-11.0%*
Specific provisions (1)	7,748	8,310	-6.8%
Shareholders' equity (2)	291,192	284,920	2.2%
Total liabilities	**4,961,059**	**4,337,840**	**14.4%**

(1) The aggregates include items "90. Employee termination benefits" and "100. Provisions for risks and charges";
(2) The aggregate includes items "110. Valuation reserves," "130. Equity instruments," "140. Reserves," "150. Share premium". "160. Share capital", "170. Treasury shares," and "180. Net income (loss) for the year".
Amounts payable to institutional counterparties (Cassa Compensazione e Garanzia) have been reclassified from "Due to customers" to "Due to banks".

Reclassified income statement

RECLASSIFIED INCOME STATEMENT (thousands of euro)	31/12/2020	31/12/2019	Change %
Net interest income	63,683	60,472	5.3%
Net commissions	31,298	32,551	-3.8%
Dividends	35	160	-78.4%
Net trading income (4)	11,011	13,062	-15.7%
Other operating income (expenses) (3)	927	584	58.9%
Operating income	**106,954**	**106,828**	**0.1%**
Personnel expenses	(40,855)	(41,994)	-2.7%
Other administrative expenses (1)	(17,211)	(18,330)	-6.1%
Net impairment/write backs on property, plant and equipment and intangible assets (2)	(5,013)	(4,878)	2.8%
of which right of use depreciation - IFRS 16	*(2,110)*	*(2,074)*	1.7%
Operating cost	**(63,080)**	**(65,202)**	**-3.3%**
Income (loss) from operating	**43,874**	**41,626**	**5.4%**
Charges/write-backs on impairment of loans	(26,617)	(36,901)	-27.9%
Charges/write-backs on impairment of other financial assets	393	697	-43.7%
Charges/write-backs on impairment of equity investments	(831)	(79)	946.2%
Profit (loss) on disposal of investments	(6)	(70)	-91.2%
Net provisions for risks and charges	(1,391)	1,926	-172.2%
Income (loss) before tax from continuing operations	**15,422**	**7,199**	**114.2%**
Tax on income from continuing operations	(6,128)	(2,123)	188.7%
Levies and other charges concerning the banking industry after tax	(2,511)	(2,342)	7.2%
Net income	**6,783**	**2,733**	**148.2%**

(1) Other administrative expenses include recoveries of taxes and duties and other recoveries recognised under "200. Other operating income/expenses" (€7,728 thousand in 2020 and €7,644 thousand in 2019). The ordinary and extraordinary charges levied against banks by virtue of the single resolution mechanism ("SRF") and national resolution mechanism ("NRF") and the deposit guarantee scheme ("DGS") have been presented, net of the related tax effect, in a separate item of the reclassified income statement, "Taxes and levies relating to the banking system net of taxes".
(2) Net adjustments to property, plant and equipment and intangible assets include items "180. Charges/write-backs on impairment of property, plant and equipment" and "190. Charges/write-backs on impairment of intangible assets."
(3) Other income and expenses correspond to "200. Other operating income/expenses" net of the reclassifications presented above.
(4) Net trading income or loss corresponds to "Item 80. Net trading income or loss, Item 100. Profits (losses) on disposal or repurchase of financial assets measured at amortised cost net of profits/losses on loans, Item 100. Profits (losses) on the sale or repurchase of financial assets measured at fair value through comprehensive income and financial liabilities and Item 110. Profits (losses) on other financial assets and financial liabilities designated at fair value through profit or loss".

BALANCE SHEET RATIOS	31/12/2020	31/12/2019
Indirect funding from customers / Total funding	27.5%	29.5%
Assets under management / Indirect funding from customers	81.2%	80.4%
Direct funding from customers / Total liabilities	61.9%	62.2%
Loans to customers / Direct funding from customers	97.0%	105.0%
Loans to customers / Total assets	60.0%	65.3%

CREDIT RISK INDICATORS	31/12/2020	31/12/2019
Bad Loans / Loans to customers	4.9%	6.8%
Net bad loans / Loans to customers	1.6%	2.4%
Cost of risk / Income (loss) from operating	63.8%	78.2%
Net bad loans / Regulatory capital	15.4%	23.8%
Bad loans hedging	9.4%	12.4%
Net Bad loans hedging	4.8%	6.5%
Other impaired loans hedging	51.6%	50.6%
Cost of credit (*)	0.89%	1.31%

(*) Calculated as the ratio of net impairment losses on loans to net loans to customers

Profitability ratios	31/12/2020	31/12/2019
Net interest income/Operating Income	59.5%	56.6%
Net commision income/Operating Income	29.3%	30.5%
Cost/income	59.0%	61.0%
Net income for the period/Total Assets	0.14%	0.06%
Net income for the period/RWA	0.34%	0.12%

Productivity ratios	31/12/2020	31/12/2019
Operating cost / N° of employees	109	107
Operating income / N° of employees	184	157
Loans to customers / N° of employees	5,126	4,652
Direct funding / N° of employees	5,285	4,429

Structure ratios	31/12/2020	31/12/2019
Loans to customers / Total net assets	60.0%	65.3%
Direct funding / Total net assets	61.9%	62.2%
Assets under management / Indirect funding from customers	81.2%	80.4%
Loans to customers / Direct funding from customers	96.9%	104.5%
Total assets / Shareholders' equity	1703.7%	1522.5%

OPERATING STRUCTURE	31/12/2020	31/12/2019
N° of employees	581	609
Branches	64	64

Basic Earning per share	31/12/2020	31/12/2019
Adjusted attributable profit	6,783	2,733
Weighted average number of shares	16,971,085	16,971,085
Basic Earning per share	**0.40**	**0.16**

SOLVENCY RATIOS	31/12/2020	31/12/2019	Change
Risk weighted assets (Rwa)	2,019,256	2,188,699	(169,443)
Common Equity Tier 1 capital	303,768	298,496	5,272
Total own funds	303,768	298,496	5,272
CET1 capital ratio	15.0%	13.6%	n.c.
Total capital ratio	15.0%	13.6%	n.c.
Common Equity Tier 1 capital - fully phased	*282,632*	276,576	6,056
Total own funds- fully phased	*282,632*	276,576	6,056
CET1 capital ratio - fully phased	*14.2%*	12.8%	n.c.
Total capital ratio - fully phased	*14.2%*	12.8%	n.c.

Directors' report on operations

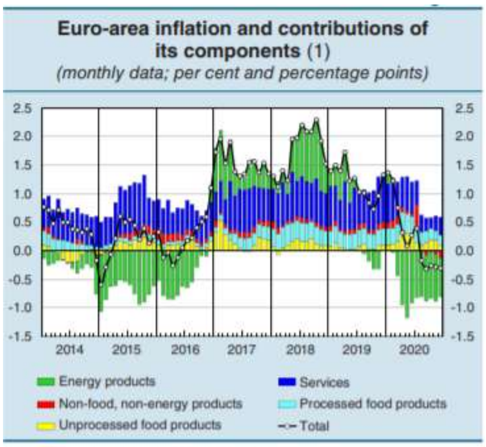
The macroeconomic scenario[3]

The international economy

After recovering in the summer months, in the fourth quarter the global economy slowed as a result of the new wave of the pandemic. In the fourth quarter of 2020 the uptick in cases slowed economic activity. The service sector was most severely affected by the pandemic containment measures. The outlook is negative on the whole, but in particular for tourism and recreation services. Only in China, where cases were reduced essentially to zero in spring, do indices point to expansion across all sectors. An agreement on future relations between the United Kingdom and the European Union was reached on 30 December 2020, at the end of complex negotiations.
On the whole the agreement allows the European Union and the United Kingdom to maintain some benefits of bilateral trade, primarily in the exchange of goods, while also protecting the EU against distortions of competition and lowering of standards by the United Kingdom.
Consumer inflation in the main economies remains below pre-pandemic levels. Long-term expectations observed on financial markets improved on the positive news regarding vaccine efficacy, which contributed to more favourable assessments of growth.

Euro Area

At the end of the year, as case numbers rose and containment measures were intensified, economic activity is believed to have weakened in the euro area. The European Central Bank's Governing Council reconfigured its monetary policy instruments to ensure favourable financing conditions for the entire pandemic crisis period.
GDP is estimated to have declined in the fourth quarter after a recovery in the third quarter that offset a cumulative loss of 15% in the first half of the year.
PMI indicators are compatible overall with a downturn in activity: on the average, in the fourth quarter signs of recovery were consolidated in manufacturing, while weakening in services.
On the basis of the preliminary data, the change in consumer prices in December was -0.3% over twelve months (Fig. 1). The component stands at the lowest level ever recorded; it is weighed down by the weakness of prices of services connected to tourism (and transport in particular). According to the forecasts circulated in December, the change in consumer prices is estimated at 1.0% in 2021 and at 1.1% in 2022 and 1.4% in 2023.

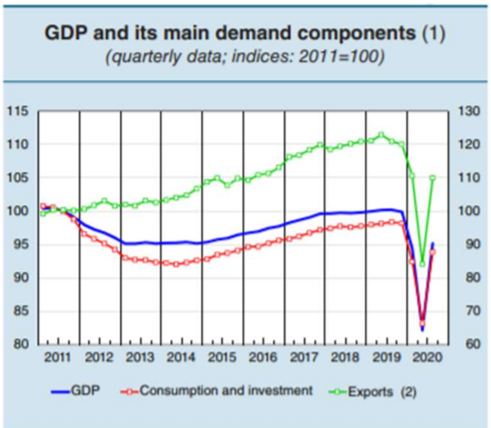


Sources: Based on Eurostat and ECB data.

Figure 1

The Italian economy

The Italian economy showed considerable resilience, recording faster-than-expected growth in the summer months (Fig. 2). However, preliminary figures for the fourth quarter indicate a new downturn, bringing the estimate of GDP decline to -3.5% on the previous quarter.
The consequences of the second wave of cases due to the new restrictions on economic activities are believed to be less intense than those applied in spring and had greater impact on services, whereas manufacturing is expected to have been less severely affected. In the final months of the year, the indicators prepared by Confcommercio showed a significant decline in spending on services, in particular recreation and tourism services, and a less accentuated reduction in purchases of goods. Expectations for the real-estate and construction sector, after a recovery in the



Source: Based on Istat data.

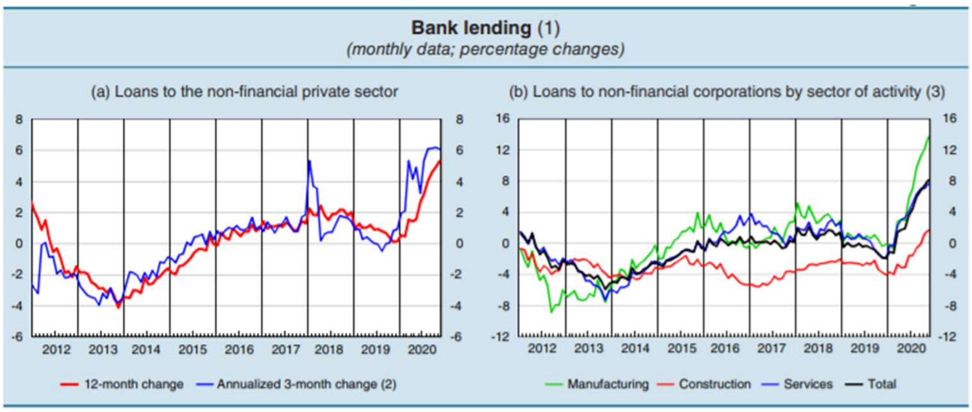
Figure 2

[3]Sources The Bank of Italy's Bollettino Economico.
ECB's Economic Bulletin.

summer months, indicate a decline in purchases and sales and value added in the fourth quarter of 2020.
Household spending – which also declined early in the year – rose by 12.4% in the third quarter, with an increase spread across all components and a particularly significant increase in purchases of durable goods. The propensity to save decreased, while remaining at high levels, whereas disposal income increased, despite stabilising at pre-pandemic levels.
The consumer price index remained negative in the final months of the year; inflation was affected by the reduction in energy prices and price performance in the service sectors most affected by the crisis (tourism and transport). Analysts' and companies' inflation expectations also continue to point to very contained values in the coming year.

Banking

The monetary and government policy measures in support of liquidity made it possible to maintain loose supply conditions overall. Bank credit continued to grow robustly, buoyed by extensive use of government-guaranteed loans by companies. Households benefited from low interest rates, registering an increase in the use of mortgage loans, whereas consumer credit was affected by spending-side dynamics to a slight degree (Fig. 3). The guarantee schemes for new loans and moratoria on existing loans adopted by the Italian government in support of liquidity for companies and households were extended until June 2021. In the final months of the year funding increased by 7.5% compared to 12 months prior, above all due to the effect of the increase in deposits. The highly accommodative monetary policy conditions allowed the cost of funding to be kept at very contained levels.



Source: Supervisory reports.
(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. Percentage changes are calculated net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. – (2) The data are seasonally adjusted using a methodology that conforms with the guidelines of the European Statistical System. – (3) Twelve-month changes; until December 2013, the data for each sector are not corrected for value adjustments.

Figure 3

In the third quarter the flow of new non-performing loans compared to total loans declined further (0.9% compared to 1.3% in the second quarter) and reflects the support measures taken by the Italian government. The improvement in bank asset quality was also witnessed by the rise in the coverage ratio for non-performing loans and the reduction in non-performing loans as a percentage of total loans (gross and net NPL ratios), due in part to sale transactions.

The cooperative banking system4

In 2020 the Italian banking system – and the cooperative banking system within it – found itself facing a difficult scenario caused by the effects of the pandemic. In any case, the year was shaped by the rise in customer loans and deposits and by the progressive decline in non-performing loans through sale and securitisation transactions.
In detail, the rise in performing loans to cooperative banks is estimated at 2.9%, compared to 1.7% for the system. The loans disbursed to SMEs exceeded €30 billion, confirming support from cooperative banks to the local economy and smaller businesses. Similarly, on the funding side, deposits also increased by 8.6%, whereas long-term funding decreased slightly. Overall, the funding of cooperative banks showed similar growth to other banks.
In 2020 the number of cooperative and local bank branches declined to 16, in keeping with the general trend at the level of the Italian bank industry nationally, within the framework of general cost-cutting efforts. The market share of cooperative banks contracted slightly to just over 16.0%.

[4] Source: Italian National Association of Cooperative Banks: Overview and Outlook for the Italian Economy – February 2021

The Covid-19 pandemic

Governmental, legal and regulatory action

The first major measure taken by the Italian government to cope with the effects of the pandemic on the national economy was Decree-Law No. 18 of 17 March 2020 ("Cure Italy"), converted, with amendments, by Law No. 27 of 24 April 2020, containing measures designed to protect the health of citizens, support the productive economy and protect the workforce, while also limiting the reduction in income and consumption over time and keeping jobs and businesses active, followed by the Decree of the Minister of Economy and Finance of 25 March 2020.
The "Cure Italy" Decree authorised the issuance of €25 billion of Italian government bonds in 2020 to fund the adoption of a series of economic measures such as:

- ✓ enhancement of Italy's National Health Service;
- ✓ measures in support of labour, through the extension of special social redundancy fund schemes (Exceptional Redundancy Fund for workers not protected by income support measures) and ad hoc legislation reducing working hours and supporting workers;
- ✓ funds earmarked to support liquidity for companies by refinancing for the Central Guarantee Fund for SMEs and support for an extraordinary moratorium designed to aid microenterprises and SMEs in overcoming the decline in production. In addition, funds were set aside to encourage the sale of non-performing loans and the extension to self-employed workers and freelance professionals of access to the first home mortgage solidarity fund (Gasparrini Fund) without any proof of means (ISEE filing), in addition to instituting a fund covering guarantees granted by the government to companies affected by the health emergency;
- ✓ suspension of social-security and welfare payments of withholdings/contributions.

This initial intervention was followed by another initiative in April, Decree-Law No. 23 of 8 April 2020 ("Liquidity") including additional measures such as:

- ✓ government guarantees of €200 billion for companies granted through SACE of the Cassa Depositi e Prestiti group to banks contingent on a series of conditions that include a prohibition on beneficiaries from paying dividends for the next 12 months and the mandatory allocation of the loan to support productive activities based in Italy. The guarantee – which covers from 90% to 70% of the amount of the loan depending on the company's size – may be granted until 30 June 2021 (following the extension introduced by the 2021 Budget Act) for loans with terms no longer than six years and the limit of the amount lent may not exceed the greater of 25% of 2019 sales and twice the company's personnel costs in 2019. In the first year the interest rate may not exceed 0.25% for SMEs and 0.50% for other companies. The guarantee is also applicable to factoring transactions;
- ✓ guarantees of up to 100% for new loans to SMEs, the amount of which cannot exceed either 25% of sales, twice spending on salaries and requirements, to be self-certified, for capital costs during the year and investment costs in the subsequent 18 months, in cases of small and medium enterprises, and in the subsequent 12 months, for companies with no more than 499 employees. For amounts up to €800 thousand, the guarantee is obtained in mixed form (90% from the government and 10% from private guarantee consortia), whereas for amounts up to €5 million the guarantee covers 90%;
- ✓ 100% guarantees for new loans granted by banks and financial intermediaries to SMEs and individuals whose business activity has been harmed by the COVID-19 emergency; however, such loans may not exceed 25% of the revenues or twice the annual spending on salaries in the last applicable year, up to a maximum of €30,000 per company, with a loan term of up to 120 months and 24 months of pre-amortisation.

The beneficiaries may be SMEs, individuals operating businesses or practising trades or professions, brokers, insurance agents and sub-agents and non-profit organisations, including legally recognised religious organisations. Applications must be accompanied by a self-certification by the person applying for the loan releasing the bank from further review relating to the formal verification of what has been reported, without prejudice to the obligations established by anti-money laundering legislation.
In addition:

- ✓ the entry into force of the Business Crisis and Insolvency Code was deferred until 1 September 2021 (original date of 15 August 2020);
- ✓ a "golden power" scheme was implemented to protect the Italian economy by safeguarding the principle of national security (necessitating prior authorisation for significant transactions), including all companies, regardless of their size, considered to be in the national interest. The protection has thus been extended to cover not only the financial sector, but also health and food and agriculture;

- ✓ the possibility for Consob to lower the threshold for significant equity investments temporarily (a threshold which, when reached, triggers an obligation for the company to report equity investments held pursuant to Art. 120 of the CFA to the Supervisory Authority) and also to expand the list of companies that are subject to it to include widely held firms.

The subsequent Decree-Law No. 34 of 19 May 2020 ("Relaunch") continued the interventions introduced by the "Cure Italy" Decree, reinforcing and extending them in time to meet the needs of the phase of gradual reopening of the economy ("Phase 2") launched on 4 May 2020. In addition to measures in support of labour, inclusion and income, as well as those targeting health, safety and local entities, the measure (for total net debt of €55 billion) involved significant interventions in favour of the liquidity and capitalisation of companies, support for the productive sectors most affected by the emergency, investments and innovation. In particular, they include:

- ✓ a complex, robust system of tax measures, including exemption from payment of the 2019 IRAP balance and the first instalment (of 40%) of the 2020 IRAP prepayment, the repeal of "safeguard clauses" and the related VAT and excise duty increases and the introduction and reinforcement of tax reductions in the form of tax credits, which in some cases may be transferred to third parties, such as financial intermediaries;
- ✓ the increase in the funding of the First Home Mortgage Guarantee Fund and the Venture Capital Support Fund;
- ✓ a provision according to which the regions and autonomous provinces, the other local entities and chambers of commerce may adopt aid measures for companies. Aid may be granted in the form of direct subsidies, relief from taxes and payments and other forms, such as repayable advances, guarantees, loans and equity investments. In particular, the guarantees relate to both loans for investments and loans for working capital and were available to be granted by 31 December 2020 directly or through banks or other parties authorised to provide credit in Italy;
- ✓ in relation to securitisation transactions for which a government guarantee (GACS) has been or is to be granted, the possibility for the Ministry of Economy and Finance to agree to modifications to the settlement of securities or contracts for securitisation transactions, agreed upon between the parties to a transaction, which call for suspension of one or more payment dates of the mechanisms for subordination or deferral of payments owed to parties tasked with collecting the loans sold, conditional on performance objectives, provided that these payment dates fall between the date of entry into force of the Decree and 31 July 2021, the modifications do not entail a change in the rating of the senior notes and the temporary suspension is justified by the slowing of recoveries caused by the measures introduced in response to the pandemic;
- ✓ the introduction of simplified methods of concluding contracts relating to the provision of investment services, participation in umbrella collective investment undertakings (UCITS) and insurance undertakings, to ensure continuity of access to services and products by investors and to overcome operating difficulties deriving from the pandemic scenario;
- ✓ the introduction of emergency income, an economic support measure for households in difficulty due to the COVID-19 emergency.

Decree-Law No. 76 of 16 July ("Simplifications") was approved in July. It is divided into four areas: i) simplifications relating to public contracts and construction; ii) procedural simplifications and responsibilities; iii) simplification measures for support for and spread of digital administration; and iv) simplifications relating to business, environment and green economy activities.

With Decree-Law No. 104 of 14 August (the "August Decree"), among the other measures taken in response to the COVID-19 economic emergency, loan moratoria pursuant to Art. 56 of Decree-Law No. 18/2020 (Cure Italy) and other governmental measures were extended until 31 January 2021 (until 31 March 2021 in the case of the tourism industry). The 2021 Budget Act continued the extension until 30 June 2021.

The government implemented new health containment measures to reduce the number of new cases in the second wave of the COVID-19 pandemic that swept across all Europe in the autumn.

At the same time, four different Decree-Laws ("Restoration," "Restoration 2", "Restoration 3" and "Restoration 4") were adopted to ensure prompt economic support to the categories most severely affected by the restrictions, adopting extensive measures calling for: i) outright contributions; ii) suspension of taxes, contributions and payments; iii) tax credits on commercial rentals; iv) additional weeks of redundancy fund benefits; and v) two additional months of emergency income. The amendments made when the four decrees were converted included some amendments to Law No. 3/2012 governing the resolution of excessive debt crises, with facilitated access granted to this mechanism for other smaller entities as well; the rapid procedure

for access to the Fund for the suspension of mortgages for the purchase of a first home was maintained and applicability of the mortgage moratorium was extended to loans that have been in repayment for less than one year.
In a situation without historical precedents since the end of the Second World War, the national initiatives would be insufficient without being accompanied by adequate, consistent measures by supranational and monetary authorities.
The European Union intervened i) by raising to €800 thousand the threshold for state aid allowed to be granted to undertakings in difficulty; ii) temporarily suspending the Stability pact to allow national governments to respond to the economic consequences of the pandemic; and iii) implementing a package of €37 billion to assist health systems, companies and workers affected by the emergency. At their meeting on 9 April 2020 the euro area finance ministers reached a general agreement, finalised in May 2020, on i) flexible use of the European Stability Mechanism (ESM) with a new line of credit to support financing for direct and indirect health care and the costs of treatment and prevention (the loan may reach 2% of the debtor nation's GDP and may be applied for by all Member States by December 2022) up to a total amount of €240 billion; ii) the establishment of a pan-European guarantee fund of €25 billion by the European Investment Bank (EIB) in support of a plan of disbursements to European companies of up to €200 billion; iii) the formation of "Support to mitigate Unemployment Risks in Emergency" (SURE), a European fund against unemployment that through €100 billion of voluntary state guarantees will enable financing of national "redundancy schemes" and similar job protection schemes; and iv) the creation of a temporary fund linked to the European budget (Next Generation EU) totalling €750 billion, of which €390 billion in subsidies and €360 billion in loans, financed by innovative financial instruments, targeted and proportional to the extraordinary costs caused by the pandemic. Italy could receive up to €209 billion, equal to approximately 28% of the fund's total resources. In parallel with the package for the recovery, EU leaders agreed on a long-term EU budget for the 2021-2027 period of €1,074.3 billion, approved by the European Parliament on 17 December 2020, with support for measures including investments in the digital and green transition, as well as modernisation and resilience, contributing to new, reinforced sectors of intervention.
Considering the €540 billion of funds already available for the three safety networks (for workers, companies and member states), the total EU recovery package thus amounts to €2,364.3 billion.
In response to and in accordance with the interventions by the competent authorities exercising the flexibility granted to them by prudential regulations, while also fulfilling some requests for changes by the authorities (e.g., the ECB press release of 20 March 2020), the European Parliament and Council intervened, approving Regulation (EU) No 2020/873 of 24 June 2020 ("Quick Fix"), amending Regulations (EU) No 575/2013 ("CRR") and (EU) No 2019/876 ("CRR 2") as regards certain adjustments in response to the COVID-19 pandemic. The Regulation applies some amendments aimed at the European framework for bank capital requirements, designed to maximise the capacity of banks to disburse the loans required to support the economy, while also ensuring stability and financial and prudential solidity.
Other major amendments include:

- ✓ an extension of the transitional provisions for the gradual application of the international accounting standard IFRS 9 introduced by the CRR.

Since the economic consequences of COVID-19 will presumably result in a significant increase in provisions for expected credit losses calculated according to the IFRS 9 impairment model, European lawmakers implemented a new 5-year transitional regime, from 2020 to 2024, to reduce the potential impact on CET1 of the increase in provisions for non-performing assets recognised on each reference date after 1 January 2020. The formula for calculating the amount to be included in Common Equity Tier 1 (CET1) capital during the new transitional period was modified concurrently;

- ✓ the provisions on the "Temporary treatment of unrealised gains and losses" on the basis of which during the period from 1 January 2020 to 31 December 2022 entities are authorised to exclude from the calculation of CET1 the amount of unrealised gains and losses accumulated with effect from 31 December 2019, corresponding to exposures to central governments, regional governments or local authorities and public sector entities, to the exclusion of non-performing financial assets. Entities that decide to rely on the temporary treatment must inform the competent authority at least 45 days before the submission date for reports of information underlying the treatment in question and must also publish this decision;
- ✓ rules on the most favourable prudential treatment of non-performing loans (NPLs) deriving from the pandemic covered by government guarantees granted by Member States during the crisis;
- ✓ the deferral until 1 January 2023 of the date of application of the leverage ratio reserve requirement applicable to globally systemic institutions (G-SIIs), previously set for 1 January 2022;

- ✓ the modification of the offsetting mechanism in order to permit the temporary exclusion of some exposures held by the credit institution to central banks from the calculation of the leverage ratio;
- ✓ the anticipation by one year (27 June 2020) of the date of initial application of the provisions of the CRR 2 that grant a favourable prudential treatment within the framework of the standardised method to exposures arising from loans based on a one-fifth wage or pension assignment, loans to SMEs and loans to entities that manage infrastructure projects.

In addition to monetary policy measures, the ECB took action with regard to supervised entities:
clarifying that in the emergency context banks are nonetheless called upon to apply solid prudential standards, to pursue adequate policies for recognising and covering non-performing exposures and to conduct solid capital and liquidity planning and risk management;

- ✓ granting the possibility of operating temporarily below the capital and liquidity levels that were determined prior to the health emergency;
- ✓ authorising banks in advance to use part of equity instruments that do not qualify as Common Equity Tier 1 (CET1) instruments to meet second pillar requirements (this measure was initially set to enter into force in January 2021, as part of the final revision of the Capital Rights Directive, CRD V);
- ✓ introduced greater regulatory flexibility with regard to the treatment of non-performing loans (NPLs) in order to allow banks to benefit fully from the guarantees and moratoria implemented by the public authorities;
- ✓ emphasising the present need to respond to the excessive volatility of bad debt provisions in order to avoid excessive pro-cyclicity of regulatory capital and financial statements, within the framework of its prudential mandate it recommended that all banks avoid pro-cyclical assumptions in their internal models for determining their provisions and that those banks that have not done so thus far opt for the IFRS 9 transitional rules;
- ✓ reiterating, on 4 December 2020, in its letter to banks concerning identifying and measuring credit risk, the need for solid management of this risk in order to provide the maximum support to the economy in the post-pandemic phase. In particular, the ECB expects the following: i) all contractual modifications that may be qualified as concessions and granted to debtors in difficulty pursuant to Art. 47 of the CRR must be properly classified as forborne, whereas for loans that do not meet the general criteria of payment moratoria banks must assess and classify, on a case-by-case basis, whether the modifications meet the definition of a concession and financial difficulties; ii) a periodic assessment of the debtors' unlikely-to-pay positions, including exposures that benefit from general payment moratoria, manual assessment, process improvement, classification indicators and criteria and efficacy of their early warning systems; iii) identification and detection of all credit risks beginning with the initial phases; iv) proper estimation of provision levels using realistic assumptions and parameters that are appropriate to the current scenario; and v) exercise of adequate supervision of the critical elements of the management of credit risk and the provision of the most likely impact of the crisis in terms of classification to the various risk, provision and capital stages.

In response to the health emergency, other authorities also intervened, adopting extraordinary provisions issued at the national and European level. In further detail:

- ✓ within the framework of prudential regulations, on 12 March 2020 the European Banking Authority (EBA) published a press release in which i) it recommended that national authorities fully exploit the flexibility of action afforded within the regulations in support of the banking sector and planning of supervisory activities, including onsite inspections, in a pragmatic, flexible manner, and possibly defer those deemed inessential; and ii) in order to allow banks to focus on major transactions, decided to postpone the stress test exercise throughout the EU until 2021;
- ✓ on 25 March 2020 the EBA also published two public statements interpreting the functioning of the prudential framework regarding the classification of loans in default, the identification of forborne exposures and their accounting treatment. The clarification concerns the implications of the moratoria adopted at the national level and the prudential and accounting treatment of exposures. Acknowledging the exceptional nature of, and severe disturbance wrought on the economy by, the COVID-19 epidemic, the guidelines initially issued by the various authorities, and by the EBA in particular, were not to consider "public" moratoria (deriving from legislative measures) and "industry" ("non-legislative") moratoria granted in response to the ongoing emergency as interventions causing the exposures that benefited from them to fall within those subject to forbearance measures. The same applied to "private" (non-legislative) moratoria promoted by individual banks where the criteria applied were consistent with the "public" or "industry" initiatives. The flexibility afforded ensured effective management of the large quantities of

applications received. Although on 21 September 2020, in order to prevent the risks of massive reclassifications, the EBA had announced the gradual abandonment of this position for moratoria granted after 30 September 2020, on 2 December 2020 – after having carefully monitored the course of the pandemic crisis and, in particular, the impact of the "second wave" – the Authority decided to reactivate application of its Guidelines until 31 March 2021, with retroactive effect from 1 October 2020, in order to ensure the possibility of moratoria to those loans that had not benefited from it in the past. However, at the same time the EBA also modified the Guidelines to introduce two additional constraints on the risk of an undue increase in losses not recognised in financial statements: one of a total maximum duration of nine months for new moratoria and the request that banks present to their supervisors assessment plans for exposures subject to moratoria that do not become unlikely-to-pay.

On 2 June 2020 the EBA published its guidelines for reporting and public disclosure obligations concerning exposures subject to measures applied in light of the COVID-19 crisis. The Guidelines – which the Bank of Italy implemented by communication of 30 June 2020 – require that information be provided on loans subject to legislative and non-legislative moratoria; on loans subject to forbearance measures; and on new loans guaranteed by the government or another public entity;

- ✓ in other prudential developments, on 25 March 2020 the European Securities and Markets Authority (ESMA) issued a public statement on some accounting implications of the economic support and aid measures adopted by EU member states in response to the pandemic. The Authority emphasised that these measures – which include the moratoria on the repayment of loans – had an impact on the calculation of expected losses in accordance with International Financial Reporting Standard 9 (IFRS 9). The ESMA statement provides guidelines for issuers and auditors for the application of international accounting standard IFRS 9 "financial instruments", in particular with regard to the calculation of expected losses and the related publication requirements, and follows in the footsteps of the statement issued by the European Banking Authority on 25 March 2020 with regard to the prudential framework and the accounting implications of COVID-19.

On 20 May 2020 the ESMA published a public statement that deals with the implications of the pandemic on the half-yearly financial statements of listed issuers, in particular the preparation of the interim financial statements pursuant to IFRSs and reports on operations for the 2020 half-yearly reporting period. The ESMA emphasised the need for issuers to provide up-to-date information that is useful to investors in adequately reflecting the current and expected impact of COVID-19 on the financial situation, performance and cash flows of issuers. In addition, the ESMA also stressed the importance of providing information on the main risks and uncertainties to which issuers are exposed.

By communication of the Bank of Italy of 15 December 2020, the provisions governing banks' financial statements (Circular No. 262 of 2005) were expanded upon to provide the market with information regarding the effects of COVID-19 and economic support measures on risk management strategies, goals and policies and on the financial performance and financial position situation of intermediaries. The additions take account, where applicable, of the documents published in recent months by European regulatory and supervisory authorities and by standards designed to clarify the methods of application of IASs/IFRSs in the current context (with particular regard to IFRS 9). Attention was also called to the disclosure required by the amendment to IFRS 16 regarding COVID-19 rent concessions and further modifications were applied to take account of the new disclosure requirements pursuant to IFRS 7 relating to interest rate benchmark reform;

On 17 December 2020, the Italian Banking Association, in accordance with the EBA's update to the Guidelines on legislative and non-legislative moratoria, gave notice of an additional extension until 31 March 2021 of the deadline for the decision to grant a moratorium by the bank and a limit of nine months on the duration of the modification of the loan repayment plan following the application of the moratorium, inclusive of any periods of suspension already granted in response to the epidemiological emergency.

Outlook

The reporting year was characterised by the COVID-19 pandemic, which began with a first wave in March followed by a second wave after the summer. The first European nation to be affected by the virus to a significant degree was Italy, where the government imposed various restrictions on mobility designed to impede the spread of the virus. Analogous measures were also taken by other European countries and various lockdowns were implemented, with a negative effect on the economy.

COVID-19 is expected to generate long-term overall economic damages. In a scenario of overall decline, in 2020 GDP is expected to decline by -6.8% in the Eurozone and -3.5% in the United States. The concrete

monetary and tax policy impulse is expected to contribute to mitigating these dynamics. The true key factor for 2021-2022 growth expectations will be vaccine efficacy. Although the news regarding distribution is positive, growth prospects remain negative overall, tied to the evolution of the pandemic and its implications for the economic and financial conditions of households and companies.
In the medium term, the recovery of the Euro Area economy continues to be sustained by the expansionary monetary policies implemented by the ECB, which will contribute to preserving favourable financing conditions during the pandemic period.

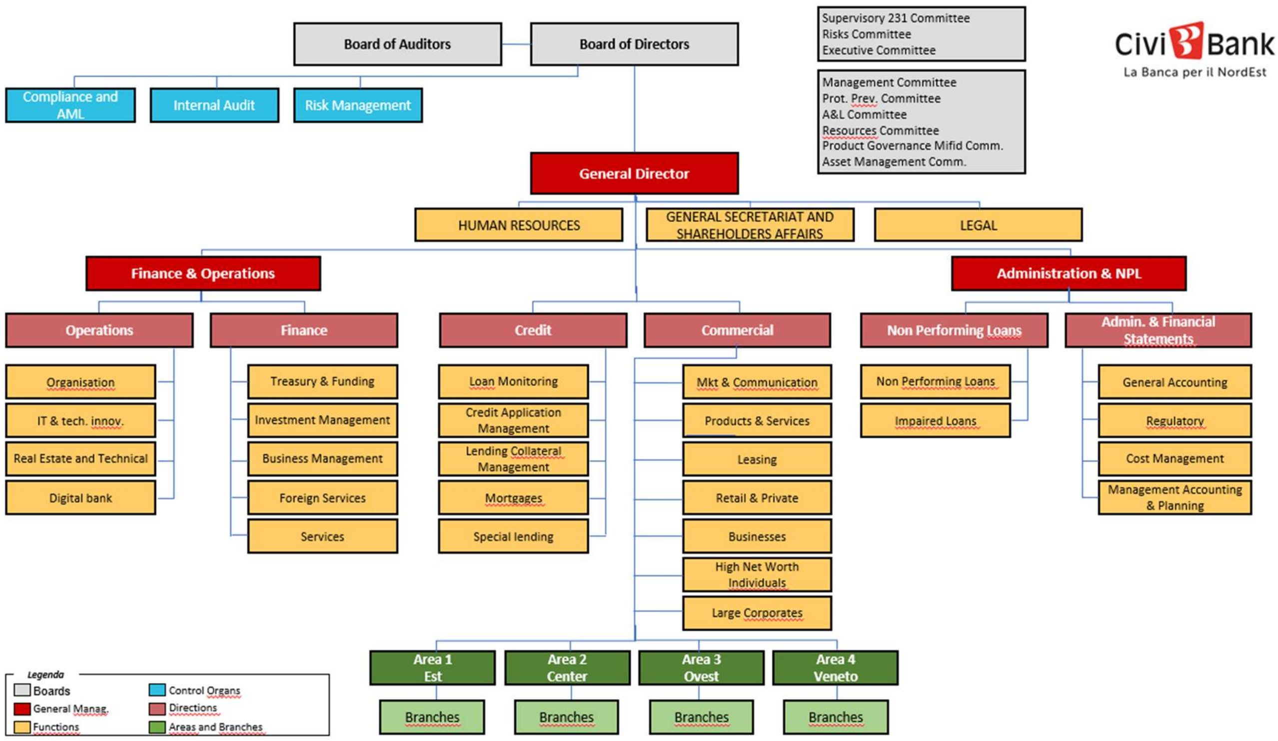
The Banca di Cividale branch network

The Bank's branch network consisted of 64 operational branches at 31 December 2020.
The Bank has a presence in eight provinces in the regions of Friuli Venezia Giulia and Veneto, distributed as follows:

- 34 in the province of Udine;
- nine in the province of Pordenone;
- six in the province of Gorizia;
- five in the province of Treviso;
- five in the province of Venice;
- three in the province of Trieste;
- one in the province of Belluno; and
- one in the province of Vicenza.

Organisational structure

The following chart shows the basic organisational structure of Banca di Cividale S.c.p.A.:



Human resources

At 31 December 2020 the human resources of Banca di Cividale S.c.p.A. numbered 581, compared to 609 at 31 December 2019.
During the year, 22 employees were hired and 50 left service. The sales network (branches) employs a staff of 398, representing 68.5% of the total headcount.

Human resources statistics

Classification of staff by professional category:

	31.12.2020			31.12.2019		
	Men	Women	Total	Men	Women	Total
Senior managers	12	1	**13**	8	2	**10**
Middle managers	174	55	**229**	190	52	**242**
Middle managers – part time	-	5	**5**	-	8	**8**
3rd professional area	152	139	**291**	155	138	**293**
3rd professional area – part time	2	37	**39**	3	44	**47**
2nd professional area	1	3	**4**	3	6	**9**
Total	**341**	**240**	**581**	**359**	**250**	**609**

Incoming and outgoing personnel:

	Changes 2020			Changes 2019		
	Men	Women	Total	Men	Women	Total
Hirings	15	7	**22**	24	13	**37**
Seconded employees	-	-	**-**	2	-	**2**
Terminations	33	17	**50**	14	7	**21**

Breakdown of workforce by age, gender and education:

	31.12.2020			31.12.2019		
	Men	Women	Total	Men	Women	Total
No. of employees by gender	341	240	**581**	359	250	**609**
Percentage of employees by gender	58.7%	41.3%	**100.0%**	58.9%	41.1%	**100.0%**
Average age (years)	47.59	44.31	**46.23**	47.54	44.10	**45.82**
Level of education						
University degree	167	125	**292**	170	125	**295**
Secondary school diploma	168	113	**281**	182	123	**305**
Other	6	2	**8**	7	2	**9**

Breakdown of workforce between headquarters and branch network:

	Number of employees			
	31/12/2020	%	31/12/2019	%
Headquarters	183	31.5%	186	30.5%
Branch network	398	68.5%	423	69.5%
Total	**581**	**100.0%**	**609**	**100.0%**

Training

The 2020 Training Plan was drafted based on the guidelines set out in the three-year Strategic Plan. In further detail, training programmes were implemented with the aim of: bringing current skills into line with the strategic skills identified in the plan and requested by the market; disseminating the knowledge present within the company to achieve uniform behaviour; and disseminating company values and objectives.

Training activity for sales network personnel was focused above all on refreshing knowledge in the area of investment and insurance services, in accordance with the reference regulations issued by IVASS and CONSOB. In 2020 the Bank's structured training process resulted in the provision of 20,225 hours of training, with an average training commitment per person of 34.8 hours per person. For statistical purposes, it should be noted that the figures cited have been calculated on the basis of the headcount as at 31/12/2020.

Document on compensation policies

The general principles of the governance provisions issued by the Bank of Italy place especial emphasis on the mechanisms for providing compensation and incentives to bank strategic supervision and control body members, management, employees and contractors, and state that those mechanisms are among the key factors to fostering the competitiveness and governance of banks, in addition to being a means of attracting and retaining employees with professional skills and expertise suited to the company's needs.

Such compensation mechanisms are to be inspired by the principles of sound, prudent risk management policies and are to be consistent with long-term company strategies and objectives. Supervisory regulations

thus envisage that personnel compensation policies, including any plans based on financial instruments (e.g., stock options), be subject to approval by the shareholders' meeting.
The shareholders' meeting is thus called upon to approve the Compensation Policies for 2020. This document provides a detailed account of the compensation and incentive policies of Banca di Cividale S.C.p.A. and the principles of propriety, fairness and transparency upon which those polices are founded, in accordance with the Bank's business philosophy, which aims to create sustainable economic, but also social, value in the medium term.
In response to the supervisory provisions, this document envisages that a part of the variable compensation of key staff is to be paid in financial instruments, specifically the Bank's shares. Detailed information about compensation policies will be provided during the shareholders' meeting.

Bonus and incentive system
Within the framework of human resource management policies, bonuses (of a fixed and variable nature) were awarded during the year as recognition for the professionalism and the qualitative and quantitative performance of personnel.

Non-financial reporting (NFR)

In accordance with Article 5 (3) (b) of Legislative Decree No. 254/2016, the Bank has prepared a separate non-financial report, to which the reader is referred. The 2020 non-financial report, drafted in accordance with the GRI reporting standard (Sustainability Reporting Guidelines), 'in accordance - core' option, is available from the "Sustainability" section of the Bank's website.

Corporate management and the pursuit of a common objective

The shareholders
There were 14,315 shareholders in total as at 31 December 2020.

Annual report on the mutual nature of the cooperative and corporate social responsibility

The above report, in addition to discharging the obligation imposed by the reformed text of Article 2545 of the Italian Civil Code, represents an important opportunity to provide shareholders with objective, measurable data that certify that the Bank's operations are consistent with the mutual spirit of the Company as envisaged in Article 3 of the Articles of Association. In other words, the report allows the Bank to provide further evidence that the cooperative model is well suited, even in the current competitive scenario, to meeting the needs of economic, moral and cultural promotion expressed by the society and communities in which the Bank operates.
Banca di Cividale combines an entrepreneurial approach with a socially responsible way of doing business, as outlined in its Articles of Association, which establish the spirit of mutual aid that inspires the Bank in responding to the need for economic, moral and commercial promotion expressed by the community and social context in which the Bank operates. In its endeavours, the Bank is inspired by the principles of lawfulness, loyalty, propriety and transparency as it pursues its primary goal of creating value for its shareholders, customers, employees and local communities at large.
In 2020 the Board of Directors continued to steer the institution's operations towards a primary focus on shareholders. Shareholders are of central importance since they are also customers of the Bank. The twofold role of shareholder and customer is an advantage that emphasises the bond of trust and strengthens the mutual orientation of commercial initiatives.
Article 3, paragraph 3, of the Articles of Association expressly states that "in accordance with its institutional goals, the Company shall provide its shareholder-customers with access to specific services under privileged conditions, just as it shall give preference to its shareholders in issuing loans, all other conditions being equal."
Putting the concept of the mutual nature of a cooperative bank into practice is just one of the goals of the initiatives designed to benefit shareholders. The other aims pursued by these initiatives are:

- ✓ putting a more concrete value on being a shareholder as well as a customer of Banca di Cividale, through tangible benefits;
- ✓ improving the sense of being a part of the shareholder structure;
- ✓ expanding the social foundation in the Bank's local community, in view of increased loyalty.

During 2020, the Bank continued to pursue the principles and objectives enunciated above by offering shareholders financial and banking products at economic conditions more favourable than the standard terms. The advantages offered to shareholders include:

- ✓ special conditions for fees for registration in the shareholder register;

- ✓ special conditions for the custody and administration of the Bank's shares;
- ✓ special conditions for loans to consumer shareholders;
- ✓ special conditions for the CiviPrestito Scuola & Sport children's educational programmes;
- ✓ special conditions for home mortgage loans for consumer shareholders.
- ✓ ECOprestito Bike: the consumer credit programme in which Banca di Cividale contributes the implementation of initiatives aimed at energy-savings and overall improvement in the quality of the environment and local community by promoting bicycle purchase and use among its customers. ECOprestito Bike 2020 provided the Bank's shareholders with access to more favourable economic conditions than offered to ordinary customers.
- ✓ Pension Fund Scholarships: in 2020 the Bank set aside a maximum of €30,000 for the award of 40 scholarships to particularly meritorious student shareholders and children of shareholders, to be allocated to the creation of a position with the Arca Previdenza Pension Fund with the aim of promoting investment education and contributing to the development of a culture of retirement saving among young people and their families, in addition to rewarding deserving students.
- ✓ Healthy shareholders: an agreement with the "Città di Udine" Clinic offering discounts on private healthcare services.

Yet it is not only initiatives aimed at shareholders that bear witness to the Bank's pursuit of the mutual objectives envisaged in its Articles of Association. The focus on the local community's needs is borne out by a number of initiatives aimed at providing social, cultural, athletic, solidarity and environmental support. Most such initiatives contribute to the lives of hundreds of entities and associations spread throughout the territory, giving rise to intense activity with an important effect on local communities (see the 2020 Non-Financial Report).

Main aspects of commercial activity

Commercial and marketing policy

The climate in 2020 was exceptional and unforeseeable, with radically changed needs for families and companies; the initiatives taken were strongly influenced by the health emergency environment, which considerably changed both methods of contact with customers and the demand for products and services.
The Bank continued to implement its commercial policy, involving initiatives aimed at reaching targets within the framework of direct, transparent relations with their customers.

Products and services for individuals and families

The Bank's line of products and services for individuals and families can be divided into four general areas: payment and services, credit, personal and wealth protection and savings and investment.

Payment and service products

The Bank's diversified range of current account solutions, aimed at satisfying customers' specific needs, continued to contribute to increasing the number of new customers who decided to choose our Bank. The number of bank accounts rose by over 800, giving rise to a 1% increase in the Bank's customers.
Customers also continued to make increasing use of the Bank's online information and transaction services, securely, 24 hours a day, from home or various mobile devices (PCs, tablets and smartphones). At the end of the year, there were over 48,000 users of the various services (single-bank Internet banking and multi-bank CBI active and passive services), an increase of 8% on the previous year. The security safeguards in place remained effective, as witnessed by the very modest level of fraudulent activity, due to non-compliance with basic security measures by certain users.
Significant among the activities performed in 2020 were the adaptation of methods of access to Internet banking services to strong authentication requirements, which ensure full security for customers' banking transactions, and the release of the new CiviBank online app for smartphones and tablets, which further improves the quality of the service offered in terms of practicality of use and security.
The payment card segment continued to perform well in 2020. There are over 44,000 Bancomat® Maestro debit cards in issue, around one-half of which are already equipped with contactless technology, now also available on the PagoBancomat® circuit. The total active Nexi credit and prepaid cards reached 32,000; growth was driven by CiviPay prepaid cards, up by 10%, and the launch of the new debit product, distributed to over 1,200 customers in the second half of 2020. In 2020 over 2,000 repayment plans were activated with the Easy Shopping service (available since December 2019), which enables the deferral of payment of expenditures of over €250 by credit card. In addition, the spread of mobile payments also continued (led by Apple Pay for iOS devices and Google Pay for Android devices), allowing CiviBank to become fully operational and cover the

entire market range of personal devices (smartphones and smartwatches) and thus enable customers to make payments without using their physical cards, both at POS terminals in physical commercial establishments and via online channels. Through the app it was also possible to maintain full control of the operation of payment cards and receive payment notifications. The number of POS terminals installed on merchants' premises reached over 4,800, up on the previous year, with transaction volumes falling to €146 million (-20.9%) due to the ongoing health emergency.

Consumer credit
In 2020 the Bank focused on maintaining credit offerings appropriate to the needs expressed by households, primarily in order to ensure access to home ownership, while also focusing on the temporary suspension of mortgage payments and loans as a consequence of the Covid crisis and related support measures for households.
To facilitate access to home mortgage credit, customers meeting the requirements continued to make use of the Primary Residence Mortgage Guarantee Fund (Law No. 147/2013), which provides families with free government guarantees for home mortgage loans. In the latter part of the year this resulted in significant restrictions on operations due to changes in the law; these restrictions were lifted by the 2021 Budget Act, which restored the previous, broader requirements for access.
This programme, which is available nationwide, is in addition to the aid available in Friuli Venezia Giulia: subsidies for first home purchases, applications for which may also be submitted directly to the Bank's branches, and the Regional Residential Construction Guarantee Fund, which offers a guarantee for a portion of first home mortgage loans, also at no cost to the families benefiting from the measure.
Thanks to these guarantee schemes, the Bank continued to grant loans, frequently increasing the eligible credit limit up to 100% of the price of purchase or value of the property, thereby considerably facilitating access to homes for many families.
In order to aid families struggling to make their mortgage payments, the Bank also continued active implementation of policies aimed at facilitating mortgage renegotiation, including through the suspension of repayment of the principal portion of instalments for up to twelve months, and/or extension of loan terms, with reduction of the repayment commitment. This policy is implemented both within the framework of nationwide banking industry initiatives and through measures designed in response to specific, justified individual situations.
In the personal loan segment, commercial offerings were characterised by the launch of a new line of products, Civiprestito, and a revamping of credit products intended for energy saving initiatives and improving the energy efficiency of buildings, under the name Ecoprestito.
In 2020 the volume of mortgage loans issued for home purchases or renovations to consumer households stood at €149 million. The personal loans issued in 2020 amounted to €16.7 million, in addition to the volumes of new loans to households disbursed in collaboration with Deutsche Bank and Agos of €9.9 million, bringing the total consumer credit granted to local families to €175.6 million.

Individual and wealth protection products
In bancassurance, collaboration with the Swiss insurance Group Helvetia and the Trentino-based group ITAS continued in 2020. The products strengthened the focus on individual and wealth protection, primarily involving protection for borrowers against serious external events (death, disability or loss of employment) that could jeopardise their ability to meet their obligations to repay mortgage and other loans, whereas insurance investment productions privilege security and control of financial risk in pursuit of capital growth in the medium term.
The total premiums collected in 2020 exceeded €7.5 million.

Loans to businesses
However, CiviBank confirmed its support for the local community with a further increase in loans disbursed compared to 2019. Businesses in Northeastern Italy received strong support in coping with the pandemic from CiviBank: overall, +19.3% new loans for SMEs, for a total value of €485 million.
CiviBank participated in all the initiatives adopted by the regions of Friuli Venezia Giulia and Veneto to cope with the emergency (suspensions, moratoria, interest-free soft loans, contributions on guarantee consortium fees), while collaborating constantly with institutions for financial interventions in support of customers. True to its spirit as a local relationship bank, CiviBank provided timely advice to businesses striving to complete public support requests and then in the review and approval process.

Particularly important were direct operations with the SME Guarantee Fund (Law No. 662/1996), which facilitates access to credit for SMEs through public guarantees, with €178 million of new loans related to the COVID-19 emergency.
Further support for credit was provided by collaboration with the guarantee consortia system. New loans disbursed thanks to guarantees provided by the guarantee consortia for Friuli Venezia Giulia and Veneto came to approximately €54 million.
The agreement with the European Investment Bank (EIB) allowed additional resources a total of €7 million to be obtained, used to provide financing to SMEs at competitive interest rates, thanks to the financial advantage conferred by the EIB.
The Bank's enhanced efforts to promote the various subsidised credit instruments made available by the regions of Friuli Venezia Giulia and Veneto yielded significant results, bringing additional public resources directly into various sectors of the economy.
The primary sector in Friuli Venezia Giulia benefited from a total of €14.4 million disbursed drawing on the revolving funds for agriculture pursuant to Regional Law No. 80/1982; in addition, in the course of the year, measures were agreed with the region that enabled the suspension of outstanding soft loan payments, at no charge to businesses.
Subsidised lending to industry, artisans, commerce and services showed a significant rise in the flow of new loans. In management of the resources of the Revolving Fund for Economic Initiatives (FRIE) and the Fund for the Development of SMEs and Services, the Bank submitted total applications for new loans of €73 million, representing a significant share of the total of the Friuli Venezia Giulia region as a whole.

Savings and investment products

Despite the severe financial market volatility due to the effects of the pandemic crisis, in 2020 investment products continued to meet with investors' interest.
This market performance – supported, in any case, by the fiscal policies adopted by governments and the accommodating stance taken by the main central banks – did not prevent the year from ending with an increase in the main aggregates: the asset management solutions sector recorded an increase in assets under management of €37 million (+4.1%) and in particular of +6.8% for asset management service and +12.1% for the bancassurance sector.
These results were made possible by the commercial measures and advice provided by the Bank's network despite the lockdown periods and limitations on travel.
There were numerous occasions for online/webinar training and commercial planning designed to support customers by the competent head offices and the Bank brought into full operating practice its expansion of the CiviBank line of portfolio management schemes (as completed in the previous year by the important partnership agreements entered into with major external managers and advisors) and the bancassurance sector with a revamped range of insurance products available to customers. In the area of customer liquidity, mention should be made of the extremely positive performance of current account funding (€382 million of 20.4%), with particular regard to funding from corporate customers.
Finally, during the year the CiviBanker and Affluent financial advisors networks were enhanced through the new personnel recruited in early 2021.
Fund-raising efforts in support of investments in the local real economy was also extended to communities in which the Bank does not have a physical presence through its branch network. In addition to the "ContoGreen" online account, a deposit account reserved solely for Internet channel customers, which allowed the Bank to raise funds in major Italian metropolitan areas, in 2020 the Bank continued its agreement with the German fintech Raisin, which manages the main pan-European savings deposit platform. The partnership enables the Bank to be present on the innovative online portal Raisin to raise deposits from individual German investors and, starting in February 2020, on the Dutch market as well. The funds raised will be reinvested in financing for the local economy.
"ContoGreen" funding is used to support lending to investments in the local real economy and energy and earthquake improvement of residential buildings in the Bank's areas of operation. In 2020 "ContoGreen" recorded deposit volumes of €90 million. ContoGreen is reserved solely for Internet channel customers; it made it possible to extend fund-raising to communities in which the Bank is not present with branches, and above all to major Italian metropolitan areas (Milan, Rome, Naples and Turin).

Changes in the organisational structure and procedures

In 2020, owing to the COVID emergency, which dramatically reduced personal contact, digitalisation of relationships with customers accelerated significantly. This goal was pursued not only through the temporary measures established by the various presidential decrees, but also the adoption of the digital signature device for all branch managers and their substitutes and the ability to enter into contracts with customers remotely using such devices.

In addition, with the IT outsourcer several development projects were launched with the regard to the creation of a digital signature device with an OTP, to be used both in the branch and remotely, the launch of digital collaboration to form and manage relationships directly through Internet banking and the launch of the ability to open accounts online by developing digital onboarding in accordance with supervisory regulations.

In view of the progressive increase in the use of the various devices, such as smartphones, tablets, etc., to manage relationships remotely, particular emphasis was placed on security devices, specifically as regards “cybercrime”, which is becoming increasingly sophisticated and insidious, with targeted, far-reaching modes of operation. Phishing and smishing attacks are now an everyday phenomenon, harming even the most sophisticated of users.

Accordingly, various “cyber threat intelligence” and “antifraud” systems were analysed to protect banking services and individual users from external cyberattacks. These tools will be adopted in early 2021.

Significant events during the year

The following is an account of the most important events that shaped the Bank's operations in 2020, in chronological and logical sequence.

Health emergency tied to the spread of the Covid-19 (coronavirus) epidemic

See the specific paragraph of the Notes, Part A, Section 4 – Other aspects.

2019-2022 Strategic Plan

The update to the 2019-2022 business plan was approved in March. The Strategic Plan’s mission will be to remain independent and serve as a key partner to the households and businesses in the Triveneto region in order to promote social, economic and cultural growth in the local community.

In order to achieve its ambitious growth objectives, the Strategic Plan also calls for a recapitalisation of up to €65 million, in addition to the assignment of bonus warrants to current shareholders, which will be more completely implemented once the current health emergency phase has come to an end.

Sale of non-performing loans

In December a sale of non-performing loans (NPLs) was completed within the framework of the multi-originator securitisation designated POP NPLs 2020, backed by a guarantee issued by the Ministry of Economy and Finance (“GACS”), which entailed the transfer to third parties of all risks and benefits relating to the loan portfolio sold (derecognition). The transaction entailed the sale of a portfolio of non-performing loans with a total value (GBV at 31 December 2019) of €37.5 million.

Subsequent events

Appointment of the new general manager

With effect from 1 January 2021, Mario Crosta, who joined Banca di Cividale in 2020 in the role of co-general manager, took up the position of general manager of CiviBank. Born in Piove di Sacco (PD), Italy, in 1963, he graduated with a degree in Political Science from the University of Padua. His previous experience was with Istituto Bancario San Paolo di Torino, then Sanpaolo IMI, with various roles followed by the position of assistant general manager and general manager of Banca Popolare Etica and then assistant general manager and general manager of Banca di Piacenza. He has sat on the boards of directors of CSE Scarl, Luigi Luzzatti Scpa, Consulting Spa, Etica sgr spa and Fondazione Achille Grandi and is a member of the executive council of Fondazione Culturale Responsabilità Etica. He is currently chairman of Cobapo – Consortium of Cooperative Banks - and alternate auditor of ASSBB – Association for the Development of Bank and Stock Market Studies.

Approval of the new organisational structure

The new company organisational structure, oriented towards criteria of simplification of the organisational structure, commercial efficacy and efficiency of bank office activities, was approved in January 2021. The organisational change will proceed in phases with the immediate launch of the general aspect of organisational revision; then, following the organisational analyses required to increase back office efficiency, further mergers and simplifications of officers and activities will be assessed and a complete revision of the organisational structure will be conducted.

Update of the strategic plan guidelines with an extension to 2023

In February of this year the Board of Directors approved the update to the guidelines of the 2019-2022 business plan, which was completed in March with the approval of the plan numbers and the approval of the update to the plan as extended to 2023.

Commercial paper issuance program

The Euro Commercial Paper Programme, incorporating the changes in this area introduced by the Relaunch Decree (34/2020), modifying the Commercial Paper Act to allow banks to also issue this type of financial instrument, was signed in early March 2021. The commercial paper, of which up to €600 million will be issued over three years, will allow CiviBank to obtain funding on money-market maturities and provide the issuer with an interesting opportunity to diversify sources of funding, which will be used to replace the other more onerous financial instruments in terms of the cost of funding.

With the exception of the foregoing, from the end of 2020 to the date of approval of this report there were no material events of a sort that would have a significant effect on either the financial performance and financial position of the Company or the representation thereof.

Operating performance in 2020

Analysis of main balance sheet aggregates and earnings results

In order to provide a more effective presentation of earnings results, in the reclassified balance sheet and income statement certain restatements have been applied with respect to the accounting schedules (the details of which are presented at the foot of each reclassified table).

Reclassified balance sheet

For the purposes of this financial report, amounts payable to institutional counterparties (Cassa Compensazione e Garanzia) have been reclassified from “Due to customers” to “Due to banks” (a total of €408,853 thousand at 31.12.2020 and €548,783 thousand in the comparative period).

ASSETS (thousands of euro)	**31/12/2020**	**31/12/2019**	**Change %**
Cash and cash equivalents	773,290	118,579	552.1%
Financial assets measured at fair value through profit or loss	21,685	35,660	-39.2%
Loans to customers	*1,735*	*14,613*	*-88.1%*
Securities and derivatives	*19,950*	*21,047*	*-5.2%*
Financial assets measured at fair value through other comprehensive income	147,243	167,107	-11.9%
Securities	*147,243*	*167,107*	*-11.9%*
Financial assets measured at amortised cost	3,810,152	3,802,116	0.2%
Due from banks	*32,554*	*28,397*	*14.6%*
Loans to customers	*2,976,395*	*2,818,263*	*5.6%*
Securities	*801,204*	*955,456*	*-16.1%*
Investments in associates and companies subject to joint	2,359	3,190	-26.0%
Property, plant and equipment and intangible assets	85,250	89,561	-4.8%
Owned	*71,805*	*74,211*	*-3.2%*
Rights of use acquired with leases - IFRS 16	*13,446*	*15,350*	*-12.4%*
Tax assets	62,174	71,247	-12.7%
Other assets	58,907	50,380	16.9%
Total assets	**4,961,060**	**4,337,840**	**14.4%**

LIABILITIES (thousands of euro)	**31/12/2020**	**31/12/2019**	**Change %**
Due to banks measured at amortised cost	1,516,483	1,266,666	*19.7%*
Due to customers measured at amortised cost	3,064,511	2,685,040	*14.1%*
Securities issued measured at amortised cost	5,939	12,348	*-51.9%*
Financial liabilities held for trading	63	125	-50.0%
Tax liabilities	1,710	2,379	-28.1%
Other liabilities	73,415	78,051	-5.9%
of which lieasing liabilities - IFRS 16	*13,861*	*15,580*	*-11.0%*
Specific provisions (1)	7,748	8,310	-6.8%
Shareholders' equity (2)	291,192	284,920	2.2%
Total liabilities	**4,961,060**	**4,337,840**	**14.4%**

(1) The aggregates include items "90. Employee termination benefits" and "100. Provisions for risks and charges";
(2) The aggregate includes items "110. Valuation reserves," "130. Equity instruments," "140. Reserves," "150. Share premium". "160. Share capital", "170. Treasury shares," and "180. Net income (loss) for the year".

Loans to customers

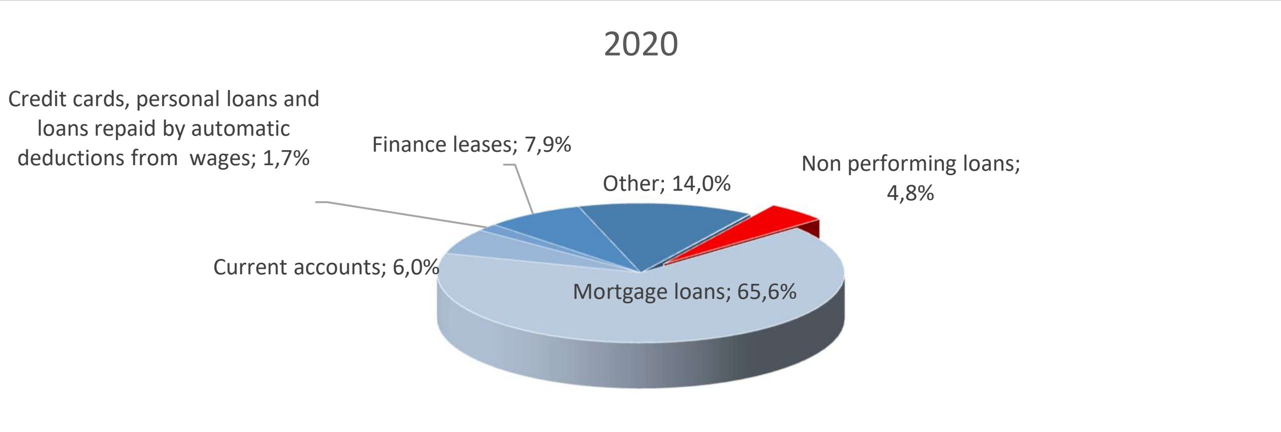
At 31 December 2020 **loans to customers** amounted to €2,978,130 thousand, up by 5.1 % from €2,832,876 thousand as at 31/12/2019. Performing loans increased by 7.1 %. During the year, total new disbursements exceeded €661.1 million. New loans to individuals and households for the year reached €175.7 million; whereas new loans to businesses exceeded €484.3 million (+19.5% on the previous year).

Breakdown of loans to customers - figures in thousands of euros

(thousands of euro)	31/12/2020	31/12/2019	Change %
Current accounts	177,817	246,704	-27.9%
Mortgage loans	1,953,837	1,677,080	16.5%
Credit cards, personal loans and loans repaid by automatic deductions from wages	50,509	47,588	6.1%
Finance leases	234,645	235,476	-0.4%
Other	415,635	427,056	-2.7%
Capitalization policies	1,735	13,564	-87.2%
Total performing loans	**2,834,179**	**2,647,468**	**7.1%**
Bad debts	46,894	69,404	-32.4%
Unlikely to pay	85,844	102,160	-16.0%
Past-due loans	11,213	13,844	-19.0%
Total non performing loans	**143,951**	**185,408**	**-22.4%**
Total loans	**2,978,130**	**2,832,876**	**5.1%**

The table includes:

- ✓ item 40) Financial assets measured at amortised cost - letter b (excluding Securities)
- ✓ Loans included in item 20) Financial assets designated at fair value through profit or loss mandatorily measured at fair value.



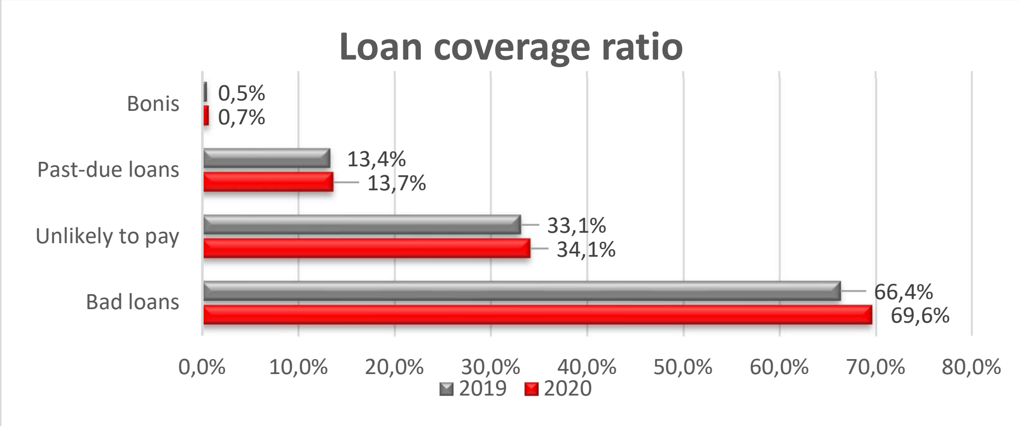
Quality of customer loans - breakdown

Tipologie esposizioni / valori	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Hedging	Net exposure	Hedging
A. ESPOSIZIONI PER CASSA				*31/12/20*	*31/12/20*	*31/12/19*	*31/12/19*
A.1 Banca di Cividale Scpa							
Bad loans	154,369	107,475		46,894	**69.6%**	69,404	66.4%
Unlikely to pay	130,316	44,472		85,845	**34.1%**	102,160	33.1%
Past-due loans	12,986	1,773		11,213	**13.7%**	13,844	13.4%
Other assets	2,854,577	X	20,398	2,834,179	0.7%	2,647,468	0.5%
TOTAL A.1	**3,152,248**	**153,720**	**20,398**	**2,978,130**	**5.5%**	**2,832,876**	**6.7%**

The table includes:

- ✓ item 40) Financial assets measured at amortised cost - letter b (excluding Securities)
- ✓ Capitalisation policies of €1.7 million

At the end of the period, non-performing exposures (NPEs), net of adjustments, amounted to €143,951 thousand, **down by 22.4%** compared to December 2019, with a coverage ratio of 51.6%. In further detail, net non-performing exposures were €46,894 thousand, a **decrease of 32.4%** compared to December 2019, with a coverage ratio of 69.6% (66.4% in December 2019). Unlikely to pay exposures stood at €85,844 thousand, a **reduction of 16.0%** with respect to the end of the previous year, resulting in a coverage ratio of 34.1% (33.1% in December 2019), whereas past due exposures were €11,213 million (down **by 19.0%** compared to December 2019), with a coverage ratio of 13.7% (13.4% in December 2019).



Customer funding

Direct and indirect funding reached €4,232,470 thousand at the end of 2020, up by 10.7% on the previous year.

	31/12/2020	31/12/2019	Change	Change %
Direct funding	**3,070,450**	**2,697,388**	**373,062**	**13.8%**
Due to customers	3,064,511	2,685,040	379,471	14.1%
Debt securities issued	5,939	12,348	(6,409)	-51.9%
Indirect funding:	**1,162,020**	**1,126,978**	**35,042**	**3.1%**
Assets under administration	218,719	220,613	**(1,894)**	-0.9%
Assets under management	943,301	906,365	**36,936**	4.1%
Total funding	**4,232,470**	**3,824,366**	**408,104**	**10.7%**

Direct funding

Direct funding from the Bank's customers comprises item 10.b "Due to customers" and item 10.c "Debt securities issued" on the liabilities side. At year-end, the aggregate amounted to €3,070,450 thousand, up by 13.8% compared to 31 December 2019.

Direct funding from customers – figures at 31 December 2020 in thousands of euros

	31/12/2020	31/12/2019	Change	Change %
Direct funding	**3,070,450**	**2,697,388**	**373,062**	**13.8%**
Due to customers	3,064,511	2,685,040	379,471	14.1%
Debt securities issued	5,939	12,348	(6,409)	-51.9%

The aggregate may be broken down into "Debt securities issued" (0.2%) and "Due to customers" (the remaining 99.8%).

Breakdown of "Due to customers" in thousands of euros

Breakdown	31/12/2020	31/12/2019	%
Current accounts and demand deposits	2,253,127	1,871,719	20.4%
Time deposits	523,236	514,426	1.7%
Other payables	288,147	298,895	-3.6%
Total	**3,064,511**	**2,685,040**	14.1%

Breakdown of "Debt securities issued" in thousands of euros

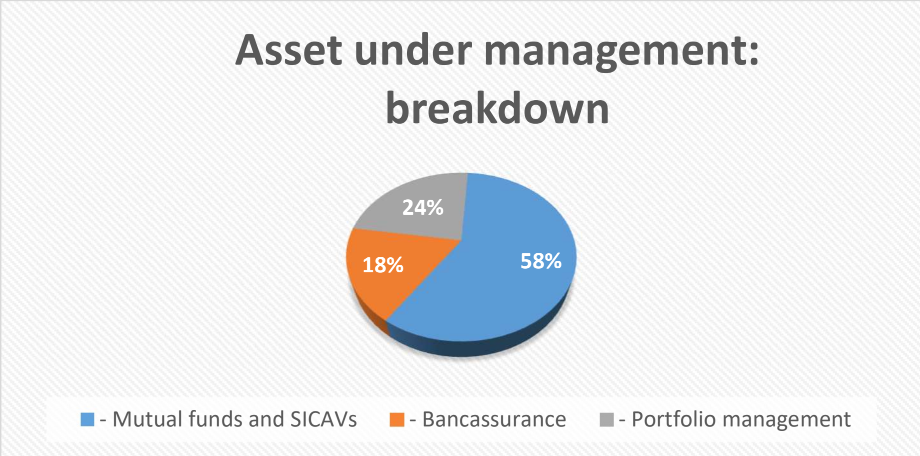
Breakdown	31/12/2020	31/12/2019	%
Bonds	5,939	12,348	-51.9%
Total	**5,939**	**12,348**	-51.9%

Indirect funding and asset management

Indirect funding, which comprises assets under management and administration, came to €1,162,020 thousand at the end of 2020, an increase of 3.1%.

Indirect funding from customers – figures at 31 December 2020 in thousands of euros

	31/12/2020	31/12/2019	Change	Comp. %	Change %
Assets under management	**943,301**	**906,365**	**36,936**	**81.2%**	**4.1%**
- Mutual funds and SICAVs	550,493	546,088	4,405	47.4%	0.8%
- Bancassurance	169,649	151,327	18,322	14.6%	12.1%
- Portfolio management	223,159	208,950	14,209	19.2%	6.8%
Assets under administration	**218,719**	**220,613**	**(1,894)**	**18.8%**	**-0.9%**
Total indirect funding	**1,162,020**	**1,126,978**	**35,042**	**100.0%**	**3.1%**



An analysis of the components of indirect funding shows that assets under management came to €943,301 thousand at 31 December 2020, up by 4.1% compared to the previous year. This aggregate, which consists of mutual funds and SICAVs (open-end investment companies), bancassurance products and the securities- and funds-based portfolio management schemes operated by the Bank, accounted for 81.2% of total indirect funding at the end of 2020.
The largest percent increase may be attributed to the bancassurance products component, which rose by 12.1%, reaching €169,649 thousand, whereas investment funds and SICAVs remained essentially unchanged. The portfolio management component increased by 6.8%, or €14,209 thousand, compared to the previous year.

Interbank market activities

At 31 December 2020, the Bank's funding and lending activity on the interbank market had resulted in a net debt position of €710,639 thousand (compared to a net debt position of €1,119,690 thousand at 31 December 2019).

Interbank position	31/12/2020	31/12/2019	Assolute	Change %
Cash and cash equivalents	773,290	118,579	654,711	552.1%
Loans to banks	32,554	28,397	4,156	14.6%
Due to banks	(1,516,483)	(1,266,666)	(249,817)	19.7%
Net Interbank Position	**(710,639)**	**(1,119,690)**	**409,051**	**-36.5%**

TLTRO III – Targeted Longer Term Refinancing Operations

At 31 December 2020 ECB funding operations amounted to €988.5 million.
In 2020 the Bank participated in two additional longer-term targeted refinancing operations (TLTRO-III), amounting to €595.4 million in June 2020 and €355.67 million in September, in addition to the first transaction of €37.43 million in December 2019.
The interest rate for each transaction was set at a level equal to the average rate for the main Eurosystem refinancing operations for the duration of the respective TLTRO-III, except for periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022, in which an interest rate lower by at least 50 basis points will be applied. Banks that grant eligible net loans in excess of the relevant reference value (benchmark net lending or benchmark outstanding amount) may benefit from a reduction in interest rates.
There are three different criteria for assessing interest rates for loans to a counterparty (lending performance) that refer to three different observation periods: the special reference period from 1 March 2020 to 31 March 2021, the second reference period from 1 April 2019 to 31 March 2021 and the additional special reference period from 1 October 2020 to 31 December 2021.
In the 2020 financial statements, the interest accrued on the above liabilities totalled €4.259 million. Despite referring to financial liabilities, this interest has been recognised in the income statement among "Interest income".

Finance

Management of the Bank’s liquidity and proprietary securities portfolio is entrusted to the Finance Service, which follows guidelines laid down by the Assets and Liabilities Committee (ALCO). According to the ALCO’s directives, a Bank’s proprietary securities portfolios are managed in close coordination with local funding and lending trends. The ALCO’s periodic reports on the securities portfolio and liquidity, which are normally provided on a monthly basis, or whenever circumstances arise that may have a significant impact on the strategies in place, ensure that the performance, risk profile, risks and development guidelines for financial asset and liability management are constantly monitored.

Held-to-collect (HTC) portfolio

At year-end, the HTC portfolio amounted to €801,204 thousand and consisted primarily of government bonds, with a residual share of corporate bonds and ABSs measured at amortised cost and at fair value. The HTC-FV portfolio that amounts to €1,564 thousand is in addition to this period.

Held-to-collect-and-sell (HTCS) portfolio

At year-end, the HTCS portfolio amounted to €127,351 thousand and consisted of government bonds and corporate bonds measured at fair value.

Held-to-sell (HTS) portfolio

At year-end, the HTS portfolio amounted to €712 thousand measured at fair value and consisted of government bonds and corporate bonds.

Other comprehensive income (OCI) portfolio

At year-end, the OCI portfolio amounted to €17,446 thousand measured at fair value and consisted primarily of shares of CIUs. This portfolio is in addition to the portfolio of equity interests that do not constitute control, joint control or significant interests of €19,892 thousand.

Exposure to sovereign credit risk

Following the growing interest by the market in exposures held by companies in sovereign debt securities, and as recommended by the European Securities and Markets Authority (ESMA) in document no. 2011/226, below is a breakdown of exposures of this nature held by Banca di Cividale as at 31 December 2020. As indicated in the ESMA document, “sovereign debt” is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.
The following tables present the Bank's exposure to sovereign credit risk by carrying amount, broken down by type of instrument.

Exposure to sovereign debt - book value (thousands of Euro)	Italy
Financial assets measured at fair value through profit or loss	-
a) financial assets held for trading	-
Financial assets measured at fair value through other comprehensive income	**118,293**
Financial assets measured at amortised cost	**736,951**
b) loans to customers	736,951
Total	**855,244**

Liquidity and the proprietary securities portfolio

At 31 December 2020 the proprietary securities portfolio amounted to €980 million: €865 million is the exposure to the core portfolio, €45 million to the private debt portfolio and €51 million to the satellite portfolio, whereas the financial assets in the OCI portfolio amount to €19 million.
The proprietary portfolio reached the targets planned for the year, providing an important contribution to both net interest income and operating revenues.
The exposure to interest rate risk remains extremely modest; the portfolio had an average duration of 2.297 years. In securitised funding, in April a new recent increase transaction was completed for the securitisation designated CIVITAS 3 - RMBS, through the sale to the vehicle of an additional portfolio of performing loans for RMBSs. With regard to A.BA.CO. funding, in 2020 many changes were introduced by the ECB and Bank of Italy, enabling banks to increase liquidity reserves through the use of this instrument, including to a significant degree. During the year the increase in liquidity reserves arising from A.BA.CO. amounted to €75.4 million.
In terms of liquidity, at 31 December 2020 liquidity reserves eligible for refinancing operations with the European Central Bank amounted to €1,533 million, with a net balance of one-month total liquidity reserves

of €825 million and a liquidity coverage ratio significantly above the regulatory limits. Refinancing with the European Central Bank is represented solely by participation in the TLTRO III for €988.5 million.

Property, plant and equipment and intangible assets
Property, plant and equipment and intangible assets amounted to €85,251 thousand and include €147 thousand of intangible assets and €13,446 thousand resulting from the application of the new accounting standard IFRS 16. The details of property, plant and equipment are provided below:

Used in operations	31/12/2020	31/12/2019	Change %
Land	4,932	4,932	0.0%
Buildings	53,914	55,219	-2.4%
Movables	2,692	3,142	-14.3%
Electrical plant	447	468	-4.5%
Total Property and equipment used in operations	**61,985**	**63,761**	**-2.8%**
Investment property			
Land	2,670	3,247	-17.8%
Buildings	7,003	7,083	-1.1%
Total Investment Property	**9,673**	**10,330**	**-6.4%**
Property and equipment acquired under finance lease			
Buildings	11,906	13,737	-13.3%
Other	1,540	1,613	-4.5%
Total Property and equipment acquired under finance lease	**13,446**	**15,350**	**-12.4%**
Total	**85,104**	**89,441**	**-4.8%**

Provisions for risks
Other provisions for risks and charges are accrued to account for current obligations resulting from past events that are considered likely to require an outlay of economic resources in order to discharge the obligation. For a detailed examination of the changes during the year, refer to the specific paragraph of the notes.

Shareholders' equity
At year-end, shareholders' equity, including the net income for the year, amounted to €291,192 thousand.

Own funds and capital adequacy
Own funds stood at €303,768 thousand at 31 December 2020.

Own Funds and Solvency Ratios	31/12/2020	31/12/2019
OWN FUNDS	-	-
Common Equity Tier 1 (CET1) net of regulatory adjustments	303,768	298,496
Additional Tier 1 (AT1) capital net of regulatory adjustments	-	-
TIER 1 CAPITAL (tier 1)	**303,768**	**298,496**
Tier 2 (T2) capital net of regulatory adjustments	-	-
Total Own Funds	**303,768**	**298,496**
RISK-WEIGHTED ASSETS	0	0
Credit and Counterparty Risk	1,979,048	2,146,245
Settlement and Market Risk	73	54
Operational Risk	14,870	14,699
Other specific Risk*	25,265	27,701
RISK-WEIGHTED ASSETS	**2,019,256**	**2,188,699**
SOLVENCY RATIOS %		
Common Equity Tier 1 ratio	15.04%	13.64%
Tier 1 ratio	15.04%	13.64%
Total Capital Ratio	15.04%	13.64%

* The item includes all the elements not considered in the previous items that are included in the calculation of complex capital requirements

Own funds, risk weighted assets and solvency ratios at 31 December 2020 have been determined on the basis of the harmonised rules for banks and investment firms set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR) of 26 June 2013, which transpose into the European Union the standards set by the Basel Committee on Banking Supervision ("Basel 3 Framework"), and on the basis of the related Bank of Italy circulars.
CiviBank opted for the "static approach" to the introduction of IFRS 9 provided for in Regulation (EU) No. 2017/2395. This approach enables the re-introduction into common equity of a progressively decreasing percentage ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022) of the impact of IFRS 9, calculated net of the tax effect, resulting from the comparison between IAS 39 value adjustments at 31 December 2017 and IFRS 9 value adjustments at 1 January 2018.

Regulation (EU) No. 2017/2395 also governs the disclosure obligations that entities are required to publish, while referring the issue of specific guidelines on the subject to the EBA. In accordance with the Regulation, the EBA has issued specific guidelines according to which banks that adopt a transitional approach to the impact of IFRS 9 (such as the above static approach) are required to publish "fully loaded" values (as if the transitional approach had not been applied) and transitional values for Common Equity Tier 1 (CET1) capital, Tier 1 capital, Total Capital, total risk-weighted assets, capital ratios and the leverage ratio.
At 31 December 2020, considering the transitional treatment adopted to mitigate the impact of IFRS 9, own funds amounted to €303,768 thousand, compared to risk-weighted assets of €2,019,256 thousand, primarily deriving from credit and counterparty risks, and, to a lesser extent, from operational and market risks. At that same date, considering the full inclusion of the impact of IFRS 9, own funds amounted to €282,632 thousand, compared to risk-weighted assets of €1,994,793 million.
Own funds, calculated considering the full inclusion of the impact of IFRS 9 (i.e., fully loaded), take account of the provisions of the 2019 Budget Act, which calls for the conversion to instalments, for tax purposes, of value adjustments applied upon first-time adoption of the accounting standard, with the resulting recognition of DTAs. These DTAs have been considered at 15% of their carrying amounts when calculating transitional own funds, in line with the provisions of Article 473-*bis* CRR with regard to the application of the static approach, whereas they have been entirely included among deductible elements in fully loaded own funds. In any event, the impact of such DTAs on fully loaded own funds is temporary since they will be recovered by 2028.
In determining Common Equity Tier 1 capital, account was taken of the net income certified for the period ended 30/06/2020 by the auditors, whereas the portion of the net income for the period ended 31/12/2020 in excess was neutralised since it was not certified at the date of preparation of own funds.
On the basis of the foregoing, solvency ratios at 31 December 2020, calculated according to the transitional treatment for the impact of IFRS 9 ("IFRS 9 Transitional") had the following values: a Common Equity Tier 1 ratio of 15.0%, Tier 1 ratio of 15.0% and Total capital ratio of 15.0%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 fully loaded), solvency ratios at 31 December 2020 were as follows: a Common Equity ratio of 14.2%, Tier 1 ratio of 14.2% and Total capital ratio of 14.2%.
Finally, it should be noted that on 06 April 2020 CiviBank received a notice of "decision" relating to the capital requirement to be satisfied with effect from the next report after the notice of the decision following the results of the Supervisory Review and Evaluation Process (SREP). The capital requirement to be met overall in terms of the Total Capital Ratio is 12.35%, composed of a minimum requirement of 9.85% (8.00% attributable to regulatory minimum requirements and 1.85% attributable to additional requirements determined on the basis of the SREP), with the remainder referring to the capital conservation buffer component. To ensure compliance with minimum requirements even in the event of a deterioration in the economic and financial scenario, the supervisory authority also indicated an expectation regarding the holding of additional resources of 0.50%.

Reconciliation between book shareholders' equity and Common Equity Tier 1 capital

Reconciliation between book shareholders' equity and Common Equity Tier 1 capital	31/12/2020	31/12/2019
Shareholders' equity	290,640	284,920
Shareholders' equity	**290,640**	**284,920**
Regulatory adjustments (including adjustments of the transitional period)	**13,128**	**13,576**
- Non eligible net income	(4,700)	(2,733)
- Deductions for CET1 instruments on which the institution has a real or purchase obligation	(102)	(636)
- Deductions relating to intangible assets	(147)	(119)
- Deductions relating to deferred tax assets that are based on future profitability	(2,888)	(4,649)
- Deductions relating to investments not significant beyond the threshold	-	-
- Regulatory value adjustments	(172)	(206)
- Regulatory adjustments relating to deferred tax assets	-	-
- Regulatory adjustments: other prudential filters	-	-
- Transitional provisions	21,137	21,920
Common Equity Tier 1 (CET 1) net of regulatory adjustments	**303,768**	**298,496**

Common Equity Tier 1 capital increased by €5,272 thousand during the period. The trend shows a significant reduction in deductions relating to deferred tax assets, including in view of the transformation of deferred tax assets recognised pursuant to Art. 55 of Decree-Law No. 18 of 17 March 2020. The part of the net income of €6,783 thousand exceeding the net income for the period ended 30 June 2020 was not included in positive elements.

Performance of risk-weighted assets

Performance of risk-weighted assets	
Risk weighted assets as at 31/12/2019	**2,188,699**
Credit risk	(167,197)
Market and Regolamentory risks	19
Operational risk	171
Other specific risks	(2,436)
Risk weighted assets as at 31/12/2020	**2,019,256**

Assets weighted for credit risks decreased by €167,197 thousand in 2020. The change was due to the benefit relating to the modification of the SME supporting factor, which enabled more favourable weighting of credit risk and a decrease in exposures in default against a backdrop of an increase in loans.

Financial performance

The results for the period are illustrated below in condensed, reclassified form, according to the presentation criteria deemed best suited to representing the Bank's operating performance. The aggregations and reclassifications applied with respect to the items of the tables envisaged in Bank of Italy Circular No. 262/06 are detailed in the notes to the tables.

RECLASSIFIED INCOME STATEMENT (thousands of euro)	31/12/2020	31/12/2019	Change %
Net interest income	63,683	60,472	5.3%
Net commissions	31,298	32,551	-3.8%
Dividends	35	160	-78.4%
Net trading income (4)	11,011	13,062	-15.7%
Other operating income (expenses) (3)	927	584	58.9%
Operating income	**106,954**	**106,828**	**0.1%**
Personnel expenses	(40,855)	(41,994)	-2.7%
Other administrative expenses (1)	(17,211)	(18,330)	-6.1%
Net impairment/write backs on property, plant and equipment and intangible assets (2)	(5,013)	(4,878)	2.8%
of which right of use depreciation - IFRS 16	*(2,110)*	*(2,074)*	1.7%
Operating cost	**(63,080)**	**(65,202)**	**-3.3%**
Income (loss) from operating	**43,874**	**41,626**	**5.4%**
Charges/write-backs on impairment of loans	(26,617)	(36,901)	-27.9%
Charges/write-backs on impairment of other financial assets	393	697	-43.7%
Charges/write-backs on impairment of equity investments	(831)	(79)	946.2%
Profit (loss) on disposal of investments	(6)	(70)	-91.2%
Net provisions for risks and charges	(1,391)	1,926	-172.2%
Income (loss) before tax from continuing operations	**15,422**	**7,199**	**114.2%**
Tax on income from continuing operations	(6,128)	(2,123)	188.7%
Levies and other charges concerning the banking industry after tax	(2,511)	(2,342)	7.2%
Net income	**6,783**	**2,733**	**148.2%**

(1) Other administrative expenses include recoveries of taxes and duties and other recoveries recognised under "200. Other operating income/expenses" (€7,728 thousand in 2020 and €7,644 thousand in 2019). The ordinary and extraordinary charges levied against banks by virtue of the single resolution mechanism ("SRF") and national resolution mechanism ("NRF") and the deposit guarantee scheme ("DGS") have been presented, net of the related tax effect, in a separate item of the reclassified income statement, "Taxes and levies relating to the banking system net of taxes".
(2) Net adjustments to property, plant and equipment and intangible assets include items "180. Charges/write-backs on impairment of property, plant and equipment" and "190. Charges/write-backs on impairment of intangible assets."
(3) Other income and expenses correspond to "200. Other operating income/expenses" net of the reclassifications presented above.
(4) Net trading income or loss corresponds to "Item 80. Net trading income or loss, Item 100. Profits (losses) on disposal or repurchase of financial assets measured at amortised cost net of profits/losses on loans, Item 100. Profits (losses) on the sale or repurchase of financial assets measured at fair value through comprehensive income and financial liabilities and Item 110. Profits (losses) on other financial assets and financial liabilities designated at fair value through profit or loss".

Net interest income amounted to €63,683 thousand, up by 5.3% compared to 2019. The component relating to business with customers increased by 5.9% compared to the same period in 2019. There was a significant contribution to net interest income of TLTRO operations (€4.3 million compared to €2.3 million in 2019); that relating to financial assets decreased by 20.5%, impacted by the interest rate structure at all-time lows.
Net fee and commission income amounted to €31,298 thousand and was down moderately (-3.8%) despite the severe limitation of economic exchanges both during the lockdown and as a result of the restrictions on economic activity relating to the spread of the pandemic.
In detail, commissions declined by 2.7% on commercial banking activity and by 2.5% on management, intermediation and advisory (asset management, insurance products and securities placement). Within this item, there was a 1% increase in the securities intermediation and placement component.
Dividends and similar income amounted to €35 thousand, compared to €160 thousand in 2019.
Net trading income was €11,011 thousand, down by 15.7% on the previous year.
In particular, net realised gains on financial assets designated at fair value through comprehensive income and at amortised cost (securities) amounted to €11,326 thousand, whereas trading performance amounted to a positive €1,117 thousand. Mandatory fair value measurement yielded a negative €1,432 thousand.
Net operating revenues amounted to €106,954 thousand, up by 0.1% from €106,828 thousand in 2019.
Operating expenses totalled €63,080 thousand. Personnel expenses, even including the costs of renewing the national category agreement, amounted to €40,855 thousand, down by 2.7% on 2019. Other administrative

expenses were €17,211 thousand, down by 6.1% on 2019 despite the costs of the COVID-19 emergency, due to the savings arising from constant efforts to optimise the cost basis. Net adjustments to property, plant and equipment and intangible assets amounted to €5.0 million, up by 2.8% on the previous year, due in part to the impairment losses on certain items of property, plant and equipment.
Net impairment losses for credit risk were €26,617 thousand and include €6,700 thousand relating to the update of macroeconomic assumptions associated with the calculation of impairment losses on performing loans according to the standard IFRS 9; the total coverage of non-performing loans amounted to 51.6%. **Net impairment losses on financial assets** amounted to €393 thousand and referred to the measurement of HTC and HTCS securities.
Net provisions for risks and charges presented a negative balance of €1,391 thousand and referred primarily to provisions for legal risks.
Income before tax from continuing operations thus amounted to €15,422 thousand. Income taxes for the period totalled €6,128 thousand.
Net taxes and levies relating to the banking system (SRF-NRF) amounted to €2,511 thousand (€3,700 thousand gross of taxes).
The net income for the period thus amounted to €6,783 million.

Statement of cash flows

Performance of main items of the statement of cash flows

a) Financial assets mandatorily measured at fair value (+€13,892 thousand); the change was mainly due to the redemption of an investment certificate maturing on 15/12/2020;
b) Financial assets designated at fair value through comprehensive income (+€20,982 thousand); the change was primarily due to the sale of government bonds and debt securities;
a) Financial assets measured at amortised cost (-€22,892 thousand); the change was due to the increase in loans to customers, offset to a small extent by the sale of securities measured at amortised cost;
b) Other assets (-€2,783 thousand); the change was due in large part to the VAT refund for which a refund was applied and the fee and commission income to be received;
c) Financial liabilities at amortised cost (+€621,159 thousand); the change was due to the increase in direct funding from customers, repurchase agreements and deposits with central banks;
d) Other liabilities (-€10,627 thousand); the change was due in large part to SEPA credit transfers to be settled and securitisation transactions.

Strategic management of the Bank’s equity investments

Help Line S.p.A.

Help Line S.p.A. is the NEXI Group’s contact centre and was created in 2010 as part of the larger project of integrating the members of the NEXI Group, from the merger of Società Help Phone S.r.l. and Si Call S.p.A. and the subsequent absorption of the Help Desk unit of CartaSi S.p.A. The company provides third parties with services based on the use of telephone and remote channels in the fields of customer support, debt recovery and telemarketing. Help Line S.p.A. manages inbound services (incoming telephone calls), outbound services (outgoing telephone calls), Web interactions (help via the Internet) and high value-added services (datawarehousing, back office, and fraud prevention). The company’s shareholders are NEXI, with a 70.32% interest, and Banca di Cividale, with a 29.68% interest.
The investee was measured on the basis of (i) the Help Line Inertial Business Plan – EBITDA provided by the company and (ii) integrated with the linear projection of the most recent available date with regard to the other economic components. The measurement model used resulted in an impairment loss (considered long-term) on the investee of €831 thousand.

ACIRENT S.p.A.

The company operates in the short-term vehicle rental sector and holds the Herz L.t.d. licence for Friuli Venezia Giulia and part of eastern Veneto. Airport rental stations (Treviso and Ronchi dei Legionari) were both operated under an agency scheme, whereas city offices are operated under franchise arrangements (Udine, Trieste, Pordenone and Feltre). The company has 20 years of experience in managing fleets of vehicles intended for rental without drivers and also operates in the long-term lease sector for companies and individuals, in synergy with the operations of the ACU Group, from which it receives the technical and organisational support of the latter’s facilities for managing fleets of vehicles intended for operational lease (garages, roadside assistance, logistical support, etc.).

CiviESCO SRL

CiviESCo is an energy service company fully owned by CiviBank that operates in the energy efficiency sector in Northeastern Italy. It collects and analyses energy consumption data by providing advice regarding high-yield cogeneration recognition, efficient user systems and white certificate management procedures. It also provides technical solutions used to achieve energy consumption reduction targets by adopting economic sustainability criteria. At 31 December 2020 the investee had net income (IAS-IFRS) of €330 thousand.

Risk management and monitoring

Risk management

Banca di Cividale takes a particularly conservative approach to risk management, implemented within a specific organisational framework consisting of internal rules, operating procedures and control units, structured according to a model that integrates monitoring methods at various levels, all converging with the goals of ensuring the efficiency and effectiveness of operating processes, preserving the company’s assets, protecting it from losses, ensuring the reliability and integrity of information and verifying the proper conduct of operations in accordance with internal and external regulations.
In accordance with supervisory regulations, the Bank has developed and standardised specific risk management processes broken down into various logical phases: determination of the risk appetite, assumption of risk, drafting of risk management and control policies, definition of limits, measurement of risk, monitoring and reporting, stress tests and critical situation management.
Risks are primarily identified and their significance assessed within the framework of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), which in accordance with prudential regulations relate to what are known as “first and second pillar obligations”. The significance of the risks to be assessed is determined by considering both supervisory regulations and specific company considerations such as the products and services offered to customers, the scope and characteristics of business with associated parties in respect of company operations, the volumes of financial aggregates and the corresponding capital requirements, the markets of reference and vulnerability to the economic situation.
The risk appetite, an important parameter to be referred to in drawing up the strategic plan and a logical foundation for planning, is determined for the Bank's significant risks when defining the Risk Appetite Framework (RAF), in a manner that takes account of existing prudential rules, the business model adopted, the Bank’s core funding and lending methods and the ability of control units to monitor and measure risks.

With regard to the Risk Appetite Framework (RAF), an outline has been prepared and introduced, including a definition, in keeping with the risk appetite, of the business model, strategic plan and turnaround plan, risk appetite, tolerance thresholds, risk limits, risk governance policies and the processes of reference for setting and implementing such policies. The process of defining and periodically revising the RAF is carried out in conjunction with the Risk Management Function and the Management Planning and Control Function, which supports the general management during the phases of application review and preparation of proposals to be submitted for the approval of the Board of Directors. The process requires a high level of consistency and thorough reconciliation of the RAF, business model, strategic plan, ICAAP, ILAAP, recovery plan, budgets, company organisation and internal control system. The Board of Directors reviews the system of risk targets at least annually and then updates it, when the requirements for so doing have been met.
In accordance with supervisory regulations, the Bank also drafts a condensed recovery plan, normally to be prepared every other year, according to the template provided by the supervisory regulations. A Recovery Plan (governed by the Bank Recovery and Resolution Directive, transposed into Italian law by Legislative Decree No. 180 of 16 November 2015) must be drafted by each intermediary. The Plan provides a detailed description of the procedures to be followed and tools created by the bank to prevent and resolve a possible crisis situation, whether systemic or idiosyncratic in nature, i.e. whether the crisis has internal origins and it is presumed its effects may remain limited to the bank and its most direct counterparties.
A clear identification of the risks to which Banca di Cividale is potentially exposed (the "risk map") represents the essential foundation for an informed assumption and effective management of such risks.
Considering the Bank's mission and operations, together with the market scenario in which it operates, the risks assessed as part of the ICAAP (Annex A, "Risks to be subject to assessment in the ICAAP", Part One, Title III, of Circular 285, "Supervisory Provisions for Banks") have been identified as material, with the exception of several specific types deemed immaterial (country risk, transfer risk and basis risk), with the addition of real-estate risk, privacy risk, to be considered a subset of operational risk, and the risk associated with the share of restricted assets, which is included in the assessment of liquidity risk. It should be noted that the 32nd update to Bank of Italy Circular no. 285/2013 of 21 April 2020, in contrast to the previous version, provides for an expansion of the list of risks included in Annex A. CiviBank had already added several "new" risk types included in the aforementioned update to its company risk map, with the exception of behavioural risk (which represents the current or prospective risk of losses due to an inappropriate offering of financial services and the resulting trial costs, including cases of intentionally inadequate or negligent behaviour), which had been considered within the context of operational risk and reputational risk.

Credit risk

In accordance with its mission and business model, the Bank is primarily exposed to credit risk. In 2020 lending activity was influenced by the COVID-19 state of emergency (lockdown phase, followed by a phase of reopening of production and commercial activities and restoration of personal movement in the summer months and an alternating phase of closings and reopenings specific to the various regions in the final part of the year, in view of the second phase of the pandemic), and the socioeconomic effects that it yielded. In order to implement the various financial support measures identified at the governmental level, focusing on households and companies, and above all loan moratoria (including the activation of extensions of maturities) and lending backed by government guarantees, according to the measures contained in the "Cure Italy", "Liquidity" and subsequent Decree-Laws, the Bank issued specific internal operating instructions, approved by the Board of Directors, in addition to implementing a dedicated operating process involving its branches, with the support of the head office departments (Lending Department, in collaboration with a supporting task force).

In the area of credit risk, the Bank reinforced its monitoring process in order to take close account of the indications provided by the main European authorities (European Banking Authority and ECB) and IASB.

With regard to the criteria for classifying exposures within Stage 2 of loans to customers, as included in the Bank's IFRS 9 Policy, an addition to the existing process was formulated in order to ensure, in the current scenario and on a temporary basis, that the transfer of an exposure to Stage 2 is based on a significant increase in the "structural" credit risk attributable to the counterparty and is not related exclusively to liquidity tensions and short-term critical factors strictly attributable to the spread of the COVID-19 epidemic, as suggested by the various European authorities.

Accordingly, in order to mitigate the effects of the deterioration of the portfolio attributable to the COVID-19 emergency, the Bank introduced a process of "confirming" significant deterioration (for the purposes of classification of the loan position to Stage 2), involving a position-by-position analysis conducted by the branch's managers, also acquiring qualitative information to assess future performance, and first-level validation by the Loan Monitoring Function and second-level validation by Risk Management applied to a predefined set of counterparties.

In this setting, it should be noted that at 30 December 2020 the gross exposure classified to Stage 2 remained essentially at the levels of the end of 2019, whereas the main effects on the income statement were observed on the performing loan portfolio, due to the inclusion of the worsened macroeconomic scenario in the models for calculating collective impairment losses, as required by IFRS 9 (update of forward-looking information). In addition, in calculating the expected loss on performing loans, the Bank also assessed the adoption of management overlays to include ad hoc corrections, not captured by the models, to account for the performance of specific sectors of the economy in this particular COVID-19 scenario: an increase was made to the provision for performing counterparties for the sectors "Accommodation and dining services", "Tourism and dining real-estate" and "Wholesale and retail commerce", which are considered among the sectors most affected by the pandemic and have the worst post-COVID-19 recovery prospects, at least in early 2021.

Despite the significant change in the external environment and the impact of factors slowing recovery activities (such limited court operations), in 2020 the Bank is continuing to pursue its goal of reducing its non-performing loans, as formulated in the update to its 2020-2022 Long-Term Plan submitted in June 2002 to the supervisory authorities and prepared in continuity with the strategy adopted in the two previous years, focused largely on recovery activities through internal management and, in the event of opportunities, multi-originator sales of non-performing bad loans backed by GACS.

All goals set for 2020, as well as for the previous years 2018 and 2019, were reached and considerably exceeded, in keeping with the strategy formulated, resulting in a decline in the incidence of gross non-performing loans (gross NPL ratio) of 13.1 percentage points compared to the figure at the end of 2017 (from 22.5% at 31 December 2017 to 9.4% at 31 December 2020) and three percentage points compared with the end of 2019, together with an increase in the coverage ratio for all classes of non-performing loans (past due by more than 90 days, unlikely to pay and bad debts).

It should also be mentioned that some indicators connected to credit risk did not reflect all the adverse effects of the COVID-19 scenario. In 2020 and this first part of 2021, the legislative measures involving moratoria and interventions in support of household incomes and continuity of operation for companies have had the effect of containing the flow of non-performing loans, possibly to a significant degree. In the absence of the extension of support measures for customers and an economic recovery, the Bank foresees deterioration of the loan portfolio with new non-performing loan flows at higher levels than in 2020, including in view of the impacts of the entry into force, with effect from 1 January 2021, of the new definition of default, as provided in Art. 178 of Regulation (EU) No 575/2013 (CRR) and in accordance with the Guidelines of the European Banking Authority (EBA/GL/2016/07) and Commission Delegated Regulation (EU) No 171/2018 of 19 October 2017.

Concentration risk

The exposure to concentration risk, for both individual counterparties and groups of associated customers and economic sectors, remains within the operational limits set by the specific internal regulations on internal capital, calculated according to the simplified approach (the "granularity adjustment" formula), indicated in prudential regulations (Annex B to Title III, Chapter 1, of Bank of Italy Circular 285/2013, "Supervisory provisions for banks") and the measurement of geographical and sector concentration risk, according to the application of the method proposed within the Italian Banking Association framework.

Market risk (including sovereign risk)

The portfolios relating to the regulatory trading book and the associated market risk profile are modest in extent. The current composition of assets entails an exposure to sovereign risk related to the scope of the portfolio invested in Italian government securities and, to a lesser extent, in securities issued by banks, with approximately 82.9% of the proprietary portfolio's total exposure classified as hold-to-collect. The exposure to the Italian Republic at the annual level changed as a function of the size of the portfolio, declining compared with the previous year. Italian government securities remain exposed to the elements of volatility typical of the market. With respect to the interest rate risk and price risk associated with the securities in portfolio, the greatest risk is represented by a possible increase in short-term rates, which would entail a decline in net interest income. By contrast, a rise in medium-to-long term interest rates would result in a depreciation of the values of the portfolios and a decline in the unrealised component, which according to supervisory regulations should be deducted from Common Equity Tier 1 capital and own funds only to the extent relating to securities classified as HTCS (held-to-collect-and-sell). In this regard, this risk factor is mitigated by the size of the Bank's HTCS portfolio and Banca di Cividale's adoption of the temporary treatment that allows entities to exclude from the calculation of elements of Common Equity Tier 1 capital unrealised gains and losses, measured at fair value, taken to comprehensive income, during the transitional period 1 January 2020 - 31 December 2022 (Art. 468 of Regulation (EU) No 575/2013 (CRR) as amended by Regulation (EU) No 2020/873 of 24 June 2020). The average duration of the Bank's proprietary securities portfolio decreased from 2.77 years at the end of 2019 to 2.44 years at 31 December 2020.

Operational risks (including IT risk, legal risk and privacy risk)
Operational risk is inherent in banking business and is associated with all organisational and production processes. Consequently, all processes carried out by the Bank generate such risk. Operational risk may be defined as the risk of losses caused by inadequate or dysfunctional procedures, human resources and internal systems, or by external events. Within the risk map adopted by the Bank, operational risk also includes legal operational risk and privacy risk.
Exposure to operational risks remained essentially constant over the course of the year, in terms of both the number and type of events and the amount of the operating losses sustained.

IT risk
This is the risk of current or potential losses due to the inadequacy or failure of technical infrastructure hardware and software capable of compromising the availability, integrity, accessibility and safety of such data infrastructure.
The Bank's exposure to IT risk is assessed through normally annual periodic "risk-self-assessment" activity designed to determine the probability of occurrence and the impact of possible risk events, residual risk, i.e. the risk to which the bank is exposed once the controls and mitigation measures in place are applied by all parties involved in providing and managing services.
In the intention of increasing payment security, Directive (EU) No 2015/2366 on payment services on the domestic market (PSD2) also provides that payment service providers (PSPs) are required to provide the supervisory authorities, annually or at shorter intervals, an up-to-date, in-depth assessment of operational and security risks relating to the payment services that they provide, as well as the adequacy of the mitigation measures and control mechanisms implemented to confront such risks. Bank of Italy Circular 285/2013 (Part One, Title IV, Chapter 4 "The IT system", Section VII "Organisational principles relating to specific activities or risk profiles") establishes that a report on the results of this risk analysis must be transmitted by 30 April of each year. The result of the first risk analysis conducted by Banca di Cividale on 2019 yielded a residual risk assessment associated with the IT assets within the PSD2 payment services perimeter of "medium-low" risk and a residual risk assessment for operational risks of a "low" level.

In 2020 no significant dysfunctions of IT systems, external IT attacks or similar intrusions resulting in a disruption of activities or unauthorised release of information concerning the Bank or its customers were identified. The Bank has adopted all necessary measures and safeguards.

Interest rate risk
This is the risk associated with assets not held for trading, deriving from the possibility that a change in the rates on which the bank's assets and liabilities are indexed may result in an adverse effect on net interest income or the present value of assets and liabilities, and thus a decrease in the Bank's economic value.
Considering the level of interest rates recorded during the year and the continuation of the European Central Bank's monetary policy, the Bank's exposure to instantaneous rate curve shocks remained at a medium level throughout the year, recording a decrease in economic value in ordinary conditions, calculated on the basis of the simplified method defined by the new regulatory provisions (32nd update to Bank of Italy Circular 285/2013) on amounts similar to the figure at 31/12/2019.

Liquidity risk
In 2020 the strategic objective of pursuing a structural balance between loans to customers and direct funding (known as the "funding gap") through the diversification of funding sources by maturity, form, counterparty and market was reached. The Bank's liquidity remains at adequate levels and the annual goals set in the funding plan were achieved: as at 31 December 2020, the Basel 3 regulatory ratios (LCR and NSFR), adopted as internal metrics for measuring liquidity risk, far exceeded the supervisory requirements.

The process of assessing the adequacy of the Bank's liquidity profile also includes the risk associated with the level of encumbered assets (“asset encumbrance”), i.e. the risk that such assets may increase due to situations of significant tension, such as plausible, while improbable, shocks, including as regards the downgrading of the Bank's credit rating (where present), the write-down of collateral and increased margin requirements. The main transactions outstanding as at 31 December 2020 that entail the encumbrance of proprietary assets are funding operations with the ECB, in which the Bank also makes use of securities created through self-retained securitisation operations, repurchase agreements and funding transactions with the European Investment Bank (EIB).

Residual risk

Residual risk is the risk that the recognised techniques for mitigating credit risk used by the Bank (such as guarantees) may prove less effective than expected and is primarily generated by the credit process. Exposure to such risk in terms of "unexpected loss" stands at medium-low levels.

Reputational risk

During the year there were not found to be any elements that modified – or that might significantly modify in the near term – the positive perception of the Bank by the various groups of its stakeholders (customers, counterparties, shareholders, investors and supervisory authorities). The overall assessment of this type of risk is tied to the specific activity performed by the banking industry at large and the many potential processes capable of generating reputational risks, in the complex current general scenario, considering, inter alia, factors of uncertainty tied to the system and supervisory regulation.

Strategic and business risk

The degree of exposure to strategic risk remained at a medium-high level in 2020, a view based on assessments focused in particular on external factors relating to the market and regulatory environment in which the Bank operates, as also present in previous years. In this regard, the profitability of banks in the euro area continues to be affected by persistently low interest rates, competition from the banking and non-banking sector (new fintech operators) and rising compliance costs. In addition, technological progress is pushing the frontier of efficiency and driving significant investments to be able to meet customers’ new needs. The spread of the COVID-19 pandemic also introduces a level of greater uncertainty and complexity regarding future scenarios, with a particular focus that needs to be placed on the development of credit risk and the potential greater provisions with an impact on the income statement. Accordingly, there continues to be a strong focus, including on the part of the supervisory authorities, on the sustainability of business models and the profitability levels achieved by credit institutions.

Associated party risk

Exposure to associated parties remained constant during the year and is fully consistent with the limits established by prudential regulations and company policies.

Securitisation risk

This is the risk associated with the significant transfer of credit risk within the framework of the securitisation transactions involving multi-origination sales of bad loans backed by GACS guarantees.

This represents the “risk that the economic substance of a securitisation transaction is not fully reflected in risk assessment and management decisions”.

In view of the objectives for reducing NPL volumes set in the operating plans for reducing non-performing loans, the Bank participated in: 1) the multi-originator sale through securitisation designated “POP NPLs 2019”, backed by GACS guarantee, structured by Luigi Luzzatti S.c.p.A., finalised on 10 December 2019; the derecognition of the loans was certified by a specific report by the bank’s auditor on 17 February 2020 and then the government guarantee on the senior notes was issued on 27 April 2020; 2) the multi-originator securitisation of a portfolio of non-performing loans designated “POP NPLs 2020”, structured by Luigi Luzzatti S.c.p.A., finalised on 4 December 2020; on 25 January 2021 an application was filed with the Minister of Economy and Finance for admission to the GACS scheme, whereas the derecognition of the loans was certified by a specific report by the Bank’s auditor on 10 March 2021.

In accordance with regulatory provisions, the Bank has adopted a “Policy for the significant transfer of credit risk of securitised portfolios” and an internal document entitled the “Guidelines for the process of recognising the SRT and the certification of maintenance of the SRT” which provides a summary, for each phase of the transaction (structuring, closing, periodic monitoring), of the “operating” process to be followed, already present in part in the policy (from the periodic reports that the originating function sends the other responsible functions, verification of the requirements for derecognising transferred loans and the related ongoing maintenance of the SRT to be activated by Risk Management, etc.).

Property risk
The current or prospective risk of potential losses due to fluctuations in the value of the Bank's proprietary real estate portfolio, or to the reduction of the income generated by that portfolio, remains at stable levels compared with the previous year and medium-low average risk level.

Excessive leverage risk
The leverage indicator falls at a value deemed normal at the company level and far exceeds the minimum level according to supervisory regulations.

Compliance risk
Compliance risk is the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct, governance codes).
According to the supervisory provisions concerning the internal control system, supervision of compliance has been extended to all rules and procedures concerning company activity, albeit variously adapted to the traditional, directly applicable areas and other specialistic areas, such as taxation, for which there are already other forms of supervision. The exposure to compliance risk is primarily assessed in reference to regulations governing the core business of the banking industry proper.
The risks associated with some regulatory areas (banking transparency, usury, conflicts of interest, related parties, market abuse and ICT compliance) are monitored by assigning various phases of the oversight process to personnel assigned to other organisational units, through the appointment of a liaison officer, who is coordinated by the head of the Compliance function.
These areas are in addition to other regulatory areas that are already expressly subject to forms of specialised oversight (protection and safety in the workplace and tax legislation). In contrast, following the entry into force of GDPR (25 May 2018), privacy is now managed by the Data Protection Officer, appointed within the Compliance function.

Privacy risk
Although privacy risk has not been expressly defined by either the Bank of Italy provisions or Regulation (EU) No. 679/2016 (GDPR), Banca di Cividale views it in general terms as the failure by the Bank to adopt technical and organisational measures adequate to ensuring that it is able to demonstrate that personal data regarding natural persons is processed in accordance with the regulations. However, with reference to the specific data protection impact assessment process, privacy risk is considered the likelihood of occurrence of a threat that may compromise the confidentiality, integrity or availability of personal information that may give rise to a breach of the rights and freedoms of natural persons.
Privacy risk is to be regarded as a subset of operational risk, with some overlap with both legal risk and IT risk; it is essentially made up of the following components:

- ✓ a regulatory component, which represents the direct consequence of the failure to define or comply with, or of the inadequate definition or compliance with, standards, rules, processes, procedures, controls and security measures "in compliance" with Regulation No. 679/2016, the instructions from the European Data Protection Board, Legislative Decree No. 196/2003 (Privacy Code), as amended by Legislative Decree No. 101/2018, and the instructions from the Data Protection Authority;
- ✓ a reputational component, which represents the direct consequence of the personal data breach and entails a negative external perception of the company associated with the inefficacy or insufficiency of the security measures adopted;
- ✓ an economic component, consisting in the application to the Bank of administrative fines by the supervisory authority, in the event of non-compliance with the provisions of Regulation (EU) No. 679/2016, and in compensation for material or non-material damages suffered by the data subject due to a breach of Regulation (EU) No. 679/2016.

The company has adopted various measures to protect against this type of risk, including the appointment of an internal Data Protection Officer (DPO) assigned to the Compliance Function, in the belief that it is more effective and efficient to entrust this role to an internal staff member of the Compliance Function, which takes a risk-based approach to conducting its activity. In addition to ensuring ongoing advice regarding the protection of the data of all company units, the DPO ensures prompt planning and reporting of his activities to company bodies, preparing an annual report containing a summary of the audits conducted, the results obtained, any weaknesses identified and the measures proposed to remedy them.

Money-laundering risk

Money-laundering risk is the risk of being involved in a set of transactions designed to give a lawful appearance to capital that is in fact illicit in origin, thus making it more difficult to identify and recover, where applicable. To protect against this type of risk, the law provides for a thorough system of safeguards that include, among other elements, a due diligence procedure and a specific company function tasked with ensuring that the Bank's operations are compliant with laws and supervisory regulations on an ongoing basis. This task is assigned to the Anti-Money Laundering Function, which also conducts preliminary reviews in cases of suspicious transactions reports, in support of the specific company officer.

Appropriate internal rules and risk policies have been adopted for the governance of the risks described above. The methods of supervision and organisational oversight of risks are established in the context of these policies through the definition of operating limits and/or management and control processes.

For a complete description of the organisational structure and operating procedures covering the various areas of risk and methods used to measure and prevent those risks, refer to Chapter E of the notes, Risks and hedging policies.

With regard to the third pillar **public disclosure**, the prudential supervisory provisions applicable to banks have been consolidated into Bank of Italy Circular 285 of 17 December 2013, as amended, the issuance of which is functional to application of Community regulations (the CRR, Regulation EU 575/2013, and the CRD IV, Directive 2013/36/EU) containing the reforms of the Basel Accord ("Basel 3"). The subject matter, as specifically mentioned in Part II, Chapter 13 of the above Circular, is governed directly by the CRR (Part Eight, Disclosure by Institutions, and Part Ten, Title I, Chapter 3) and by the regulations of the European Commission containing regulatory or implementing technical standards. In particular, as established in the CRR, banks must publish the required disclosures on at least an annual basis. The public disclosure documents, which essentially reflect the contents of the annual ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) are available from the Bank's website, www.civibank.it.

The internal control system

According to supervisory regulations, the internal control system is "the fundamental element of a bank's overall governance system. It ensures that company activity is in line with company strategies and policies and is guided by principles of sound and prudent management."

The Bank's Board of Directors plays a fundamental role in risk management, establishing strategic guidelines, approving risk management policies and assessing the degree of efficiency and adequacy of the internal control system, with particular regard to risk control.

For the preliminary and advisory phases of internal control and monitoring of company risk management, the Board of Directors relies on the internal Risk Committee, composed of a majority of independent directors. The Committee interfaces with the Bank's three control functions, whose work it analyses and whose adequacy it assesses.

The Board of Statutory Auditors also plays a central role, attending meetings of the Risk Committee and performing supervisory duties relating to the efficacy and adequacy of the risk management and control system, in addition to internal auditing of the functioning and adequacy of the overall internal control system.

In accordance with the supervisory regulations, the Bank has instituted the following permanent, independent company control functions: i) Compliance; ii) Risk Management; and iii) Auditing. The former two functions are responsible for level-two controls, whereas Auditing is responsible for level-three controls. The Anti-Money Laundering Function is also a part of the company control functions. These functions are assured functional independence, since they possess the authority, resources and competencies necessary to discharge their duties and are situated in an adequate hierarchical and functional position. In particular, the heads of the risk management, compliance and internal auditing functions report directly to the Board of Directors, the body with the strategic supervision function.

In short, the Bank's internal control system includes the following three levels of control:

- ✓ line controls (level one): these are intended to ensure that transactions are properly conducted; they are performed directly by production units, are incorporated into IT procedures and systems or are executed as part of back-office activities;
- ✓ level-two controls: these include, as stated above, risk management, compliance and anti-money laundering activity. They are intended to ensure, among other objectives: the proper implementation of the risk management process; the observance of the operating limits assigned to the various functions; and the compliance of company operations with laws and regulations, including self-imposed regulations. Level-two control functions are independent of assumption and management functions (production and management units). They contribute to defining risk governance policies and the risk management process.
- ✓ level-three controls: this is the internal auditing activity conducted by the Auditing Function aimed at identifying anomalous performances and breaches of rules and procedures, as well as at periodically assessing the completeness, adequacy, functionality (in terms of efficiency and efficacy) and reliability of the organisational structure of the other components of the overall internal control system; it is conducted on an ongoing basis, with periodic frequency, or in exceptional cases, by units independent of production units, including through onsite inspections.

Disclosure required by joint Bank of Italy, ISVAP and CONSOB documents

The Bank of Italy, Consob and ISVAP Document No. 2 of 6 February 2009 and the subsequent Document No. 4 of 3 March 2010 require that financial reports contain information on the business outlook, with particular regard to the going-concern assumption, financial risks, impairment testing of assets and uncertainty in the use of estimates.

In light of the main financial performance and position indicators, the directors of Banca di Cividale believe that they may be reasonably certain that the Bank will carry on its operations for the foreseeable future. The financial statements at 31 December 2020 have therefore been prepared on a going-concern basis. In this connection, it bears emphasising that the Bank's activity is focused on implementing the guidelines established in the 2019-2022 Business Plan in March to include 2023.

With regard to the requirements relating to the disclosure of financial risks, impairment testing of assets and uncertainties in the use of estimates, refer to the information provided in the directors' report on operations and the notes, within the framework of the specific subjects discussed. In further detail, the risks associated with economic and financial market performance have been described in the chapter on the macroeconomic scenario of reference. Specific analyses have been devoted to the outlook for Italy's economy and finances. Finally, additional information is provided in the chapter on operating performance and the subsequent chapters commenting on results. Information on financial and operational risks is provided in the section of the notes dedicated to risk management. In addition, information on the classification of several types of financial instruments to the various fair value levels is provided in the notes. At year-end, the impairment testing required by IAS 36 was performed and specific tests were conducted to assess possible impairment losses on equity investments, on basis of an analysis of the presence of impairment indicators. Specific tests were performed with regard to the recognition of deferred tax assets. For detailed information, refer to Part B of the notes.

Legal risks

Money-laundering (Legislative Decree No. 231/2007)

Responsibility for overseeing compliance with anti-money laundering legislation, in accordance with Bank of Italy rules governing the anti-money laundering organisation, procedures and internal controls, falls to the Anti-Money Laundering function within the Anti-Money Laundering and Compliance Service, the head of which has been placed in charge of the function in accordance with those rules.

The Anti-Money Laundering Function has the mission of preventing and combating transactions involving the laundering of money and financing for terrorism. To this end, it ensures that IT and organisational procedures are consistent with the objective of preventing and combating the breach of applicable laws and internal rules governing money-laundering. It also performs specific monitoring activity aimed at identifying any potentially suspect transactions.

The Anti-Money Laundering function sends Italy’s Ministry of the Economy and Finance notices of breaches of rules governing the use of cash and bearer securities. It also responds to requests from the authorities concerning the reporting of suspect transactions to the Financial Information Office.

The head of the function, as the party delegated to report suspect transactions, conducts analysis with the support of analysts, carries out preliminary investigation and sends reports of suspect transactions pursuant to Art. 35 of Legislative Decree No. 231/07.

Information concerning disputes

For detailed information concerning disputes, including disputes of a tax nature, and the main pending judicial actions, refer to Chapter E of the notes, Risks and hedging policies (Section 5 - Operational risks).

Administrative liability (Legislative Decree No. 231/2001)

In consideration of the provisions of Legislative Decree 231/01, the Bank has adopted a specific Organisational Model. That Model pursues the primary goal of setting up a well-organised, organic system of organisational and control principles and procedures suited to preventing or reducing the risk of the commission of the offences set forth in the Decree.

The Founding and Operational Rules govern the Supervisory Board’s activity.

The Supervisory Board is entrusted with the task of supervising:

- ✓ the efficacy and adequacy of the Model in relation to the company's structure and its effective ability to prevent the commission of the Offences;
- ✓ compliance with the Model's prescriptions by corporate bodies, employees and other addressees, in the latter case also through the competent company units;
- ✓ the appropriateness of updating the Model, where it is found necessary to adjust it in connection with changes in company conditions and/or legislation; and
- ✓ the company's fulfilment of its obligations under applicable anti-money laundering legislation.

The supervision and control function identified in Legislative Decree No. 231/2001 has been assigned to the Board of Statutory Auditors, as indicated by the Bank of Italy.

Related-party transactions

The subject is governed by Article 2391-bis of the Italian Civil Code, according to which the administrative bodies of companies that have recourse to the risk capital market are required, in accordance with the general principles indicated by Consob, to adopt rules that ensure the “transparency and substantive and procedural propriety of related-party transactions” undertaken directly or through subsidiaries. The control body is required to supervise compliance with the rules adopted and review the matter in its report to the shareholders’ meeting.

By resolution 17221 of 12 March 2010, exercising the authority delegated to it under Article 2391-bis of the Italian Civil Code, Consob approved the Regulations for Transactions with Related Parties (also referred to hereinafter as the “Consob Regulations”), subsequently amended by resolution 17389 of 23 June 2010, which lays down the general principles to be observed by companies that obtain funding from the risk-capital market

when setting rules aimed at ensuring the transparency and substantive and procedural propriety of transactions with related parties.
In relation to its specific activity, the Bank is also subject to the provisions of Article 136 of the Consolidated Banking Act, as recently amended by Law 221/2012, governing the obligations of bank officers.
On 12 December 2011, the Bank of Italy published new supervisory rules governing risk assets and conflicts of interests within banks and banking groups in regard to “Associated Parties” (ninth update of Circular 263 of 27 December 2006, hereinafter the “Bank of Italy Rules”), in supplementation of the provisions of the Consob Regulation. The definition of Associated Parties includes not only related parties, as defined in the Consob Regulation, but also parties associated with such related parties, as identified in supervisory provisions. The new rules aim to prevent the risk that the proximity of certain parties to the Bank’s decision-making centres may compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with such parties, with possible distortions of the resource-allocation process, and are in addition to, and only partly overlap with, the other applicable provisions on the subject (Article 2391 of the Italian Civil Code, Article 136 of the Italian Consolidated Banking Act, the Consob Regulation and IAS 24).
In 2020 Banca di Cividale, in accordance with the combined provisions of the regulations cited above, adopted its Procedures for Transactions with Related Parties and Associated Parties (the “BPC RPT Procedures”).
On 3 December 2014 the Board of Directors approved the document Dealings with Related Parties and Parties Identified Pursuant to Article 136 of the Consolidated Banking Act and Article 2391 of the Italian Civil Code with the aim of grouping together internal conflict of interest rules into a single document. This document brings together the pre-existing rules and procedures issued in application of the supervisory provisions concerning activities at risk with associated parties (ninth update to Circular 263/06), the Consob Regulation on Transactions with Related Parties (Resolution 17221 of 12 March 2010), Article 136 of the Consolidated Banking Act, Obligations of Bank Officers and the related supervisory instructions and, finally, Article 2391 of the Italian Civil Code, Interests of Directors. In accordance with applicable regulations, the document has been published on the website at the address
https://www.civibank.it/civibank/corporate-governance/procedura-parti-correlate

Major transactions
No transactions with related parties considered major transactions pursuant to the Procedures for Related-Party Transactions cited above were undertaken during the reporting period. In 2020 there were no additional atypical and/or unusual transactions to be disclosed pursuant to Consob bulletin no. DEM/6064293 of 28 July 2006.

Transactions of an ordinary or recurring nature
The transactions of an ordinary or recurring nature undertaken in 2020 with related parties are part of the Bank's ordinary operations, are normally subject to market conditions and meet the requirement of mutual economic expedience in accordance with the internal procedures cited above.
Detailed information regarding related-party transactions, including information on the impact of outstanding transactions and positions with related parties on the Bank's financial performance and financial position, accompanied by tables summarising those effects, are set forth in Chapter H of the Notes.

Business outlook
In 2020 the recovery remains fragile and uncertain due to the course of the pandemic and the COVID-19 vaccination campaign that has just begun. At the end of 2020 many countries were forced to reintroduce containment measures that will remain in place for at least the first six months of 2021. The risk of viral mutations is increasing and the many victims caused by the pandemic amplified the risks associated with the accumulation of debt. The authorities will need to seek to control the epidemic by ensuring rapid vaccine distribution and continuing to support the economic recovery with stimulus measures.
The Italian banking system is significantly increasing loans to the productive sector in response to the liquidity crisis due to the pandemic, which has swept over Italian companies.
After the recovery of the economic cycle, the next two years may be characterised by an increase in demand for mortgages and loans to households, until now sustained by moratoria.
In the coming months funding will continue to increase in view of the high degree of uncertainty; companies and families will increase their liquidity both as a precaution and due to a greater propensity for savings oriented towards forms of liquid, low-risk investment. Improvement in the pandemic and global economy is then expected to result in a decrease in current account deposits, increasing the propensity for consumption and then resulting in less aversion to risk for families that focus on more remunerative forms of investment.

The ECB introduced further measures in December 2020 and no substantial changes in the rate of remuneration on deposits with the monetary authority are expected over the next three years. Overall net interest income will continue to be driven by the benefit relating to the ECB funds owing to the more favourable conditions on TLTROIII financing extended until June 2022 and the additional auctions that will be conducted in 2021. The contribution to net interest income from the profitability of the securities portfolio tied to government bonds yield could be lower.

Although the extraordinary measures introduced to support the solvency of families and companies in 2020 made it possible to limit the increase in default rates, in 2021 it is likely that the risk level will increase due to the gradual lifting of the effects of the extraordinary measures and due to the delay in the formation of non-performing loans.

In 2021 the Bank will continue to benefit from the ECB's significant extraordinary monetary policy measures with possible recourse to TLTRO III operations.

The Bank remains active with various measures in response to the situation that, in concert with the efforts made by governments and central banks, are designed to reduce the effects of the pandemic to the greatest possible extent.

Despite the scenario, the Bank will focus on carrying out the initiatives that characterise the Strategic Plan updated in March to include 2023. The update to the planning document calls for development based on five pillars. In detail, these are (i) increased size, (ii) development of the service margin, (iii) optimisation of credit management, (iv) innovative management of the Finance Area; and (v) development of an efficient machine, facilitated by the digital transformation.

Proposed allocation of the net income for the year

Shareholders,

The financial statements submitted for your review have been drafted in accordance with IASs/IFRSs as required by Legislative Decree No. 38 of 28 February 2005 and order of the Bank of Italy no. 262 of 22 December 2005, as amended, and have been audited by the independent auditors KPMG S.p.A., a copy of whose report is included in the financial statement package. The financial statements we ask you to approve show the following results, in concise form:

Balance sheet

Total Assets	**4,961,060,449**	
Liabilities		4,669,868,733
Share capital		50,913,255
Share premiums		167,021,562
Reserves		68,267,154
Valuation reserves		865,141
Treasury stock		(2,658,396)
Total liabilities and shareholders' equity (excluding Income for the period)		**4,954,277,449**
Net income (loss) for the period		**6,783,000**

It should be noted that the Board, in the resolution on the allocation of net income, in view of the recommendations of the Bank of Italy, which on 16 December 2020 invited less significant Italian banks (i) to refrain from authorising or paying dividends or limit their amounts to no more than 15% of cumulative 2019-2020 profits or 20 basis points of the CET1 ratio (in any event the lower of the two); and (ii) to refrain from authorising or paying temporary dividends on 2021 profits; and (iii) to exercise extreme prudence in paying variable remuneration, decided to allocate the entire 2020 net income to reserves.

We therefore propose the following allocation of net income for the year to the shareholders' meeting:

Allocation of net income	31/12/2020	31/12/2019
To Legal reserve	678,300	273,300
To Statutory reserve	6,104,700	2,459,700
Net income for the period	**6,783,000**	**2,733,000**

If you approve the foregoing proposal for allocation of the net income, share capital and reserves will be as follows:

	Amounts to 31/12/2020	Allocation of net income	Amounts after allocation of net income
Share capital	50,913,255		50,913,255
Share premiums	167,021,562		167,021,562
Reserves	68,267,154	6,783,000	75,050,154
Valuation reserves	865,141		865,141
Treasury shares	(2,658,396)		(2,658,396)

Cividale del Friuli, 10 March 2021
The Board of Directors

Board of Statutory Auditors' report on the financial statements of Banca di Cividale S.c.p.A. at and for the year ended 31 December 2020

Shareholders,

The Board of Statutory Auditors presents to you its report on its activity during the year ended 31 December 2020, the financial statements for which have been submitted for your approval, and which the Board of Directors has made available, along with the report on operations and the other prescribed documents, within the terms established in applicable legislation.

The Board of Statutory Auditors in office at the date of this report is composed of its chairman, Pompeo Boscolo and standing auditors Gianluca Pico and Massimo Miani.

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The Bank's performance has been appropriately illustrated in the documents submitted to the Shareholders' Meeting, with an account of financial performance and financial position and the operating result achieved in 2020. The key events for the year have also been reported.

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In performing its supervisory and control activity, the Board of Statutory Auditors complied with the law, supervisory regulations for banks, the circulars and communiques from the Bank of Italy, applicable legislation and the principles of conduct recommended by Italy's National Council of Accountants and Accounting Experts.

The Board of Statutory Auditors would like to emphasise that the frequency and methods with which the meetings of the Board of Directors were held permitted thorough fulfilment of the disclosure obligations imposed by the law and Articles of Association. By participating in all meetings of the Board of Directors, the Board of Statutory Auditors was able to monitor the course of decisions and the ongoing evolution of the Bank, while also consistently reporting on its own activity.

Meetings with heads and/or liaisons at the Bank's various functions allowed the information necessary to the performance of the supervisory and control duties performed by the Board of Statutory Auditors to be obtained.

There was significant interaction with the heads of control functions (Internal Auditing, Risk Management, Compliance and Anti-Money Laundering), who provided the Board with access to the results of their activities and the reports prepared by their functions.

The Board of Statutory Auditors' participation in the Risk Committee allowed for the exchange, in accordance with supervisory regulations, of all information of mutual interest and the ensuing coordination for the performance of their respective duties.

During meetings with the external auditors, the statutory auditors also reviewed proper application of accounting and administrative principles and the best allocation and representation in the financial statements of elements with a material impact at the level of economic, financial and investment aspects. The external auditors did not report any aspects deserving of mention and/or facts to be censured.

The Board of Statutory Auditors supervised the financial reporting process, the efficacy of the internal control systems, the statutory auditing of the annual accounts and the independence of the independent auditors.

With respect to the pursuit of the common objective, as established in art. 2545 of the Italian Civil Code and art. 3 of the Articles of Association, please refer to the description and details provided in the report on operations.

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Health emergency tied to the spread of the Covid-19 (coronavirus) epidemic

The rapid spread of the coronavirus has become one of the greatest challenges at the global level in recent decades. The epidemic broke out in China and then spread swiftly to other countries, including Italy, forcing the various governments to take measures designed to contain the risk of contagion.

From day one of the emergency, CiviBank took strict preventive measures, adopting all the security protocols indicated in the various decrees and all the most appropriate additional precautionary measures designed to protect the health of its employees and customers, with an eye to also ensuring the Bank's smooth operational functioning. Important decisions were made quickly, such as shift scheduling for branch personnel and the widespread adoption of remote working.

At the same time, additional remote access methods were implemented for customers, expediting the introduction of new online features.

In view of the end of September deadline set by the European Banking Authority – the date by which debtors are expected to apply for an end of the period of suspension in response to the economic slowdown caused by COVID-19 – CiviBank, in accordance with the guidelines issued by the Authority, applied of its own initiative an extension of the moratoria for all customers who had benefited from it, allowing them to refuse this measure where they were in a position to adhere to the regular payment schedules of their mortgage and other loans. By virtue of the extension approved in August 2020 by the Board of Directors, it set a deadline for suspensions of 30/6/2021 for companies and of 30/09/2021 for consumers, moving up by a few months the legislative measures issued at the end of the year, while remaining within the regulatory parameters established by the European Banking Authority.

Significant events during the year

For further information about the significant events during the year cited below, refer to the Directors' report on operations:

2019-2022 Strategic Plan

The update to the 2019-2022 business plan was approved in March. The Strategic Plan's mission will be to remain independent and serve as a key partner to the households and businesses in the Triveneto region in order to promote social, economic and cultural growth in the local community.

In order to achieve its ambitious growth objectives, the Strategic Plan also calls for a recapitalisation of up to €60 million, in addition to the assignment of bonus warrants to current shareholders, which will be more completely implemented once the current health emergency phase has come to an end.

Sale of non-performing loans

In December a sale of non-performing loans (NPLs) was completed within the framework of the multi-originator securitisation designated POP NPLs 2020, backed by a guarantee issued by the Ministry of Economy and Finance (“GACS”), which entailed the transfer to third parties of all risks and benefits relating to the loan portfolio sold (derecognition). The transaction entailed the sale of a portfolio of non-performing loans with a total value (GBV at 31 December 2019) of €37.5 million.

In addition to what is indicated in the Board of Directors’ report, the Board of Statutory Auditors examined the document on the Bank's compensation policies, approved by the Board of Directors on 10 March 2021. In this regard, on the basis of available information, the Board of Statutory Auditors believes that the principles set out in the document are not in conflict with the company's objectives, strategies and policies for prudent risk management.

Subsequent events

For information regarding subsequent events, refer to the directors’ report on operations, which describes the appointment of the new general manager, the approval of the new organisational structure, the implementation of the new programme for the issuance of commercial paper and the updated guidelines to the strategic plan extended to 2023.

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Related-party transactions

The Board of Statutory Auditors notes that, in respect of related-party transactions, the Board of Directors has adopted rules, pursuant to Art. 2391-*bis* of the Italian Civil Code and applicable legislation, that ensure "*the transparency and substantive and procedural propriety of transactions*."

The transactions in question are part of normal banking business and generally are subject to arm's length conditions and concluded in accordance with Art. 136 of the Consolidated Banking Act and supervisory regulations. Information about the transactions concluded is provided in the notes.

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Information about the activity performed

<u>*Compliance with the law and Articles of Association*</u>

We supervised compliance with the law, Articles of Association and principles of sound management, and we determined that the Directors' actions were consistent with the law and Articles of Association, compliant with the principles of sound and prudent management and in accordance with the need to achieve the Bank's interests. Having obtained adequate information about the business conducted and the most significant transactions from the standpoint of financial performance, cash flow and financial position undertaken by the Bank, we may reasonably affirm, on the basis of the information obtained, that such transactions were undertaken in accordance with the law and Articles of Association, were in the Bank's interest and did not appear manifestly imprudent or excessively risky, were not in conflict of interest, did not conflict with the resolutions passed by the shareholders' meeting and were not otherwise such as to compromise the integrity of the Bank's assets.

Atypical or unusual transactions
There were no atypical and/or unusual transactions in 2020.

Complaint pursuant to art. 2408 of the Italian Civil Code
The Board of Statutory Auditors did not receive any complaints.

Principles of sound management
We investigated and supervised compliance with the principles of proper administration, sound and prudent management, transparency of information and operating performance, obtaining information from function heads, and we do not have any observations on this subject.

Adequacy of the organisational structure
To the extent of our competence, we supervised the organisational structure, acknowledging the changes made and planned and, on the basis of the information obtained from the various company functions, considering the Bank's size and complexity, it is our opinion that the organisational structure is essentially adequate. We invite the Bank to continue with the constant process of updating its organisational structure to the new technological and market scenarios.

Adequacy of the administrative and accounting system
We supervised the suitability of the administrative and accounting system and its ability to identify and properly represent operating events in the financial statements, and we may reasonable state, to the extent of our competence and on the basis of the information obtained from the independent auditors, that the administrative and accounting system is adequate and reliable.

Risk management and monitoring
The Bank takes a particularly conservative approach. Its organisational system consists of a set of internal rules, operating procedures and control units, which is organised by integrating control methods at various levels. The organisational structure is intended to ensure that operating processes are efficient and effective, so as to safeguard the integrity of the company's assets, guard against losses, guarantee that information is reliable and complete and verify that business is conducted properly, in accordance with internal and external rules.
In compliance with supervisory regulations, the Bank has developed and codified specific risk management processes and launched a series of reporting measures to manage any critical issues.
It bears recalling that risk appetite – an important parameter for defining the strategic plan and for planning – is set by the Board of Directors when defining the Risk Appetite Framework (RAF).
With regard to the significance of risks, in accordance with prudential regulations, the Board of Statutory Auditors also supervised compliance with the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

Adequacy of the internal control system
The Board of Statutory Auditors assessed and supervised the adequacy of the internal control system. Refer to the corporate governance report prepared by the Board of Directors, which shows that the internal control and risk management system is adequate to the Bank's characteristics.
The supervisory activity performed by the Board of Statutory Auditors involved constant interaction with control functions (Internal Auditing, Risk Management, Compliance and Anti-Money Laundering) to supervise compliance with company rules and procedures and the adequacy and efficacy of the overall control system.
Control functions continue with the process of implementing a homogeneous vision of risk management, adopting uniform criteria of analysis and supplementing processes, based on uniform, schematic methods. Attention should be drawn to the autonomy and independence of control functions, which in accordance with the company's organisational structure, report directly to the Board of Directors, thus ensuring that they enjoy the necessary autonomy from the other company units.
The Risk Committee plays a significant role within the control system, permitting the exchange with the Board of Statutory Auditors of all information of mutual interest and the necessary coordination for the performance of their respective duties.
In accordance with the proportionality principle, the Board of Statutory Auditors believes that there is room for further improvement, but that the internal control system is effective on the whole, while emphasising the importance of uniform, adequate and timely internal information flows.

Evaluation of independence requirements

The Board of Statutory Auditors does not have any observations with regard to the application of the evaluative criteria adopted by the Board of Directors to assess the independence of its members.
The statutory auditors confirm that they remain independent.

Organisation, Supervision and Control Model pursuant to Legislative Decree 231/2001

The supervision and control function identified in Art. 6 of Legislative Decree No. 231/2001 has been assigned to the Board of Statutory Auditors, as indicated by the Bank of Italy.
The supervisory activity performed did not bring to light any critical issues relating to the operating and internal control activities carried out. The organisational model is being updated to the new process structure and the expansion of the administrative liability of entities to new offences.

Independent auditors

The independent auditors, KPMG S.p.A., issued their report on the financial statements at and for the year ended on 31 December 2020 on today's date.
In their report, they give an unqualified positive opinion.
To the extent of their competence, the auditors expressed a positive judgment of the consistency of the report on operations.
During meetings with the independent auditors, the Board of Statutory Auditors was not informed of any aspects requiring mention and/or circumstances deserving censure. The Internal Control and Audit Committee's Report (the "Additional Report") was forwarded to the Board of Statutory Auditors pursuant to Article 11 of Regulation (EU) No 537/2014. This Report does not identify any significant deficiencies in the internal control system with respect to the financial reporting process and/or in the accounting system.

Specific observations

Pursuant to Art. 2426 (1) (5) of the Italian Civil Code, the Board of Statutory Auditors reports that the assets recognised in the balance sheet do not include any start-up and expansion costs, research and development costs or capitalised advertising costs.

Tax dispute

It should be noted (see Chapter E), Section 5) of the notes, “Qualitative disclosures” “Tax dispute”), with effect from 2018 the Bank was served an assessment notice based on the audit conducted by the Italian Revenue Agency – Regional Department for Friuli Venezia Giulia concerning 2013. The charges concern a series of decreases in taxable expenses, with the most serious alleged irregularity by far being that regarding the purported breach of the pertinence principle (Art. 109 of the Consolidated Income Tax Act) in connection with impairment losses on defaulted loans, which the Bank regarded as deductible when figuring its corporate taxable income in accordance with the application of the principle of "derivation" of the income statement, but which the revenue authorities conversely regard as non-tax deductible.
The Bank appealed the assessment notices relating to 2013 before the Provincial Tax Commission with reference to the non-deductible impairment losses on receivables deemed non-deductible by the tax authority pursuant, respectively, to the combined provisions of Articles 101, paragraph 5, 106, paragraph 3, and 109, paragraph 5, of the Consolidated Income Tax Act; it will also appeal the assessment notices for the years 2014 and 2015 by the legal deadlines. In further reference to impairment losses on receivables deemed non-deductible by the tax authority pursuant, respectively, to the combined provisions of Articles 101, paragraph 5, 106, paragraph 3, and 109, paragraph 5, of the Consolidated Income Tax Act.
The first hearing for the discussion of the petitions pending before the Provincial Tax Commission of Trieste was held, after various continuations as a result of the health emergency, on 9 March 2021. The operative judgment has yet to be filed.
With the support of opinions from the qualified professionals it has retained, the Bank believes that it will be able to prove that the various charges are baseless and therefore has lodged a petition with the competent tax commission. The Directors believe that the risk of an unfavourable outcome to the dispute commenced with the Italian Revenue Agency may be designated "possible". Accordingly, in application of IAS 37, no provision for risks and charges has been recognised in the 2019 annual financial statements in respect of the amount sought by the revenue authorities, since only the accrual for the estimated legal fees was available.

Investigation by the Public Prosecutor’s Office of Udine

In the matter of the trial of CiviBank for corporate criminal liability pursuant to Legislative Decree No. 231/2001 arising from the trigger offences of which former senior executives had been accused and relating to the investigation launched by the Public Prosecutor's Office of Udine in 2013, in 2019 the Criminal Court of

Udine handed down a judgment fully acquitting Banca di Cividale S.p.A. and Banca Popolare di Cividale S.C.ar.L, and hence CiviBank, on the grounds that there was no case to answer, of the administrative offences with which they had been charged, by operative judgment rendered during the public hearing held on 26 February 2019 (and filed on 5 March 2019) and grounds filed on 27 May 2019.
The Public Prosecutor did not lodge an appeal, but one of the parties did. On the basis of this judgment acquitting CiviBank (which remains subject to an assessment of whether to continue as civil claimant), it is once again confirmed that it has been decided not to set aside provisions for risks due to liability pursuant to Legislative Decree No. 231/2001.

Liability suit (as claimant)
A company liability action based on the resolution passed by the Shareholders' Meeting on 30 April 2016 is pending before the Companies Court of Trieste, in the first instance, pursuant, inter alia, to Articles 2393 and 2407 of the Italian Civil Code, against several ex-directors and statutory auditors of the Bank and against directors of the then-subsidiary Tabogan S.r.l. for matters relating, inter alia, to the construction of the Bank's new office.
In 2020 various hearings were held, resulting in a proposal for settlement involving withdrawal of the suits and actions relating to the entire historical affair that gave rise to the dispute, with the parties each bearing their respective expenses. However, no basis was found to exist for considering a change of defensive strategy involving continuation of the suit.

Non-financial report
As part of its duties, the Board of Statutory Auditors supervised compliance with Legislative Decree No. 254 of 30 December 2016, particularly as regards the preparation process and contents of the Non-Financial Report drafted by Banca di Cividale S.c.p.A. In this regard, having examined both the certification by the independent auditors pursuant to Article 3 (10) of Legislative Decree No. 254/2016 and the declaration rendered by the same independent auditors within the framework of their report on the financial statements pursuant to Article 4 of the Consob Regulation implementing the above Decree, the Board did not present any observations.

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Shareholders,
On the basis of the information provided in this report, the Board of Statutory Auditors may reasonably assure you that the activity performed and the information obtained have not brought to light any circumstances requiring censure and/or irregularities or omissions to be reported or cited in this report.
The Board of Statutory Auditors confirms that the annual financial statements have been prepared in accordance with the IASs/IFRSs issued by the International Accounting Standards Board (IASB) and have been also drafted in compliance with the instructions issued by the Bank of Italy.
In their report, the independent auditors express an unqualified positive opinion, without objections and/or requests for information. To the extent of their competence, the independent auditors also express a positive opinion concerning the consistency of the report on operations with the financial statements.
To the extent of our competence, on the basis of the information obtained, we have determined that the annual financial statements have been prepared in accordance with general preparation principles and measurement criteria consistent with accounting standards. The notes complete the financial statements with the necessary figures and information and provide extensive, detailed information.
In consideration of the foregoing, in light of the unqualified positive opinion, without objections and/or requests for additional information, expressed by the independent auditors, we hereby grant our consent to the approval of the annual financial statements at and for the year ended on 31 December 2020, and further acknowledge that the proposed allocation of net income for the year put forth by the Board of Directors is not in contrast with the law, regulations or the Articles of Association.

Cividale del Friuli, 26 March 2021

The Board of Statutory Auditors
(Pompeo Boscolo)
(Gianluca Pico)
(Massimo Miani)

Independent auditors' report pursuant to Article 14 of Legislative Decree No. 39 of 27 January 2010 and Regulation (EU) No 537/2014

KPMG

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca di Cividale S.C.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banca di Cividale S.C.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Banca di Cividale S.C.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost - caption 40"

Notes to the financial statements "Part C - Notes to the income statement": section 8 "Net impairment losses/gains - caption 130"

Notes to the financial statements "Part E - Risks and related hedging policies": section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €3,773.1 million at 31 December 2020, accounting for 76.1% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €22.5 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, the borrower's estimated repayment ability, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate.	Our audit procedures included: — gaining an understanding of the banks' processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; — analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); — analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein as well as of the adjustments made due to the economic effects attributable to the Covid-19 pandemic; we carried out these procedures with the assistance of experts of the KPMG network; — selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates

For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	applied complied with those provided for in such models; — selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — analysing the significant changes in the financial asset categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost, also in light of the increased reporting requirements currently in force due to the Covid-19 pandemic.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 13 April 2019, the bank's shareholders appointed us to perform the statutory audit of its financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The bank's directors are responsible for the preparation of a directors' report at 31 December 2020 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the bank's financial statements at 31 December 2020 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the bank's financial statements at 31 December 2020 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Banca di Cividale S.C.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Trieste, 25 March 2021

KPMG S.p.A.

(signed on the original)

Pietro Dalle Vedove
Director of Audit

ANNUAL FINANCIAL STATEMENTS
Balance sheet

	Balance sheet - Assets	31/12/2020		31/12/2019	
10	Cash and cash equivalents		773,289,953		118,578,707
20	Financial assets measured at fair value through profit or loss		21,684,830		35,660,316
	a) financial assets held for trading	939,862		1,023,090	
	c) other financial assets mandatorily measured at fair value	20,744,968		34,637,226	
30	Financial assets measured at fair value through other comprehensive income		147,242,810		167,106,952
40	Financial assets measured at amortised cost		3,810,152,393		3,802,116,099
	a) due from banks	37,051,431		46,915,906	
	b) loans to customers	3,773,100,962		3,755,200,193	
70	Equity investments		2,359,063		3,190,063
80	Property and equipment		85,103,514		89,441,346
90	Intangible assets		146,972		119,461
100	Tax assets		62,173,767		71,246,730
	a) current	3,740,361		4,680,007	
	b) deferred	58,433,406		66,566,723	
120	Other assets		58,907,147		50,380,149
	Total assets		**4,961,060,449**		**4,337,839,823**

	Balance sheet - liabilities and shareholders' equity	31/12/2020		31/12/2019	
10	Financial liabilities measured at amortised cost		4,600,793,547		3,979,634,273
	a) due to banks	1,107,629,138		717,882,636	
	b) due to customers	3,487,225,471		3,249,403,511	
	c) securities issued	5,938,938		12,348,126	
20	Financial liabilities held for trading		62,635		125,375
60	Tax liabilities		1,710,057		2,379,131
	a) current	974,367		1,764,818	
	b) deferred	735,690		614,313	
80	Other liabilities		59,554,309		62,471,014
90	Employee termination benefits		3,776,261		4,989,810
100	Provisions for risk and charges:		3,971,924		3,320,360
	a) commitments and guarantees given	780,131		556,296	
	c) other provisions for risks and charges	3,191,793		2,764,064	
110	Valuation reserves		865,141		842,469
140	Reserves		68,267,154		65,534,154
150	Share premiums		167,021,562		167,021,562
160	Share capital		50,913,255		50,913,255
170	Treasury shares (-)		(2,658,396)		(2,124,581)
180	Net income (loss) (+/-)		6,783,000		2,733,000
	Total liabilities and shareholders' equity		**4,961,060,449**		**4,337,839,823**

Income statement

Income Statement		31/12/2020		31/12/2019	
10	Interest income and similar revenues		79,946,124		78,318,419
	of which: interest income calculated using the effective interest rate method	79,433,117		77,834,441	
20	Interest expense and similar charges		(16,262,790)		(17,846,125)
30	**Net interest income**		**63,683,334**		**60,472,294**
40	Commission income		36,052,372		38,039,032
50	Commission expense		(4,754,327)		(5,488,483)
60	**Net commission income**		**31,298,045**		**32,550,549**
70	Dividends and similar income		34,511		159,666
80	Net trading income		1,117,058		275,501
100	Profit (loss) on disposal or repurchase of:		7,622,309		1,669,939
	a) financial assets measured at amortised cost	6,612,770		361,692	
	b) financial assets measured at fair value through other comprehensive income	1,004,882		1,295,989	
	c) financial liabilities	4,657		12,258	
110	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss		(1,431,922)		62,374
	b) other financial assets mandatorily measured at fair value	(1,431,922)		62,374	
120	**Total income**		**102,323,335**		**95,190,323**
130	Charges/write-backs on impairment of:		(22,475,336)		(25,089,348)
	a) financial assets measured at amortised cost	(22,542,422)		(25,459,794)	
	b) financial assets measured at fair value through other comprehensive income	67,086		370,446	
140	Profits (Losses) on changes in contracts without derecognition		(45,446)		(60,797)
150	**Net Financial income**		**79,802,553**		**70,040,178**
160	G&A expenses:		(69,494,661)		(71,420,215)
	a) personnel expenses	(40,855,357)		(41,993,643)	
	b) other administrative expenses	(28,639,304)		(29,426,572)	
170	Net provisions for risks and charges		(1,390,925)		1,926,478
	a) commitments and guarantees given	(223,835)		824,810	
	b) other net provisions	(1,167,090)		1,101,668	
180	Net impairment/write-backs on property, plant and equipment		(4,954,378)		(4,815,410)
190	Net impairment/write-backs on intangible assets		(58,865)		(62,901)
200	Other operating income (expenses)		8,655,208		8,227,882
210	**Operating cost**		**(67,243,621)**		**(66,144,166)**
220	Profit (loss) on equity investments		(831,000)		(79,427)
250	Profit (loss) on disposal of investments		(6,205)		(70,465)
260	**Income (loss) before tax from continuing operations**		**11,721,727**		**3,746,120**
270	Tax on income from continuing operations		(4,938,727)		(1,013,120)
280	**Income (loss) after tax from continuing operations**		**6,783,000**		**2,733,000**
300	**Net income**		**6,783,000**		**2,733,000**

Statement of comprehensive income

	Items	31/12/2020	31/12/2019
10	**Net profit for the year**	**6,783,000**	**2,733,000**
	Other comprehensive income (net of tax) that may not be reclassified to the		
20	Equity instruments designated at fair value through other comprehensive income	(352,521)	8,725,743
30	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-	-
40	Hedging of equity instruments designated at fair value through other comprehensive income	-	-
50	Property and equipment	-	-
60	Intangible assets	-	-
70	Defined benefit plans	(21,600)	(169,662)
80	Non-current assets classified as held for sale	-	-
90	Share of valuation reserves connected with investments carried at equity	-	-
	Other comprehensive income (net of tax) that may be reclassified to the income statement		
100	Hedges of foreign investments	-	-
110	Foreign exchange differences	-	-
120	Cash flow hedges	-	-
130	Hedging instruments (not designated elements)	-	-
140	Financial assets (other than equities) measured at fair value through other	396,792	476,643
150	comprehensive income	-	-
160	Share of valuation reserves connected with investments carried at equity	-	-
170	**Share of valuation reserves connected with investments carried at equity**	**22,671**	**9,032,725**
180	**Total other comprehensive income (item 10 + 170)**	**6,805,671**	**11,765,725**

Statement of changes in shareholders' equity (2020)

Year 2020	Balance at 31/12/2019	Change in opening balance	Balance at 01/01/2020	Allocation of result for previous period: Reserves	Allocation of result for previous period: Dividends and other uses	Changes during the year: Changes in reserves	Equity transactions: New share issues	Equity transactions: Purchase of treasury stock	Equity transactions: Extraordinary dividend distribution	Equity transactions: Change in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Total comprehensive income at 31/12/2020	Shareholders' equity at 31/12/2020
Share capital	**50,913,255**		**50,913,255**	-	-	-	-	-	-	-	-	-	-	**50,913,255**
a) ordinary shares	50,913,255		50,913,255	-	-	-	-	-	-	-	-	-	-	50,913,255
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**167,021,562**		**167,021,562**		-	-	-		-	-	-	-	-	**167,021,562**
Reserves	**65,534,154**	-	**65,534,154**	**2,733,000**	-	-	-	-	-	-	-	-	-	**68,267,154**
a) income	65,534,154		65,534,154	2,733,000	-	-	-	-	-	-	-	-	-	68,267,154
b) other	-		-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**842,469**		**842,469**			-							**22,672**	**865,141**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(2,124,581)**		**(2,124,581)**					**(533,815)**						**(2,658,396)**
Net income (loss) for the period	**2,733,000**		**2,733,000**	**(2,733,000)**		-	-	-	-	-	-	-	**6,783,000**	**6,783,000**
Shareholders' equity	**284,919,859**	-	**284,919,859**	-	-	-	-	**(533,815)**	-	-	-	-	**6,805,672**	**291,191,716**

Statement of changes in shareholders' equity (2019)

Anno 2019	Esistenze al 31/12/2018	Modifica saldi apertura	Esistenze al 01/01/2019	Allocazione risultato esercizio precedente: Riserve	Allocazione risultato esercizio precedente: Dividendi e altre destinazioni	Variazioni dell'esercizio: Variazioni di riserve	Operazioni sul patrimonio netto: Emissione nuove azioni	Operazioni sul patrimonio netto: Acquisto azioni proprie	Operazioni sul patrimonio netto: Distribuzione straordinaria dividendi	Operazioni sul patrimonio netto: Variazione strumenti di capitale	Operazioni sul patrimonio netto: Derivati su proprie azioni	Operazioni sul patrimonio netto: Stock options	Redditività Complessiva esercizio 2019	Patrimonio netto al 30/12/2019
Capitale	**50,913,255**		**50,913,255**	-	-	-	-	-	-	-	-	-	-	**50,913,255**
a) azioni ordinarie	50,913,255		50,913,255	-	-	-	-	-	-	-	-	-	-	50,913,255
b) altre azioni	-		-	-	-	-	-	-	-	-	-	-	-	-
Sovrapprezzi di emissione	**167,021,562**		**167,021,562**		-	-	-		-	-	-	-	-	**167,021,562**
Riserve	**45,805,310**	-	**45,805,310**	**2,043,000**	-	**17,685,844**	-	-	-	-	-	-	-	**65,534,154**
a) di utili	45,805,310		45,805,310	2,043,000	-	17,685,844	-	-	-	-	-	-	-	65,534,154
b) altre	-		-	-	-	-	-	-	-	-	-	-	-	-
Riserve da valutazione	**9,495,588**		**9,495,588**			**(17,685,844)**							**9,032,725**	**842,469**
Strumenti di capitale	-		-	-	-	-	-	-	-	-	-	-	-	-
Azioni proprie	**(1,260,357)**		**(1,260,357)**					**(864,224)**						**(2,124,581)**
Utile (Perdita) di esercizio	**2,043,000**		**2,043,000**	**(2,043,000)**		-	-	-	-	-	-	-	**2,733,000**	**2,733,000**
Patrimonio netto	**274,018,358**	-	**274,018,358**	-	-	-	-	**(864,224)**	-	-	-	-	**11,765,725**	**284,919,859**

Statement of cash flows - direct method

OPERATING ACTIVITY	31/12/20		31/12/19	
1. Operations		**35,557,169**		**33,090,770**
- interest income received (+)	80,062,936		80,602,368	
- interest expense paid (-)	(14,674,658)		(17,846,125)	
- dividends and similar revenues	34,511		159,666	
- net commissions (+/-)	32,935,635		33,989,072	
- staff costs	(42,289,324)		(41,986,191)	
- other expenses (-)	(30,631,047)		(30,118,430)	
- other revenues (+)	10,020,380		8,134,328	
- taxes and duties (-)	98,735		156,081	
- Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-		-	
2. Liquidity generated/absorbed by financial assets: (+/-)		**9,281,592**		**(400,102,908)**
- financial assets held for trading	83,228		(722,615)	
- financial assets recognised at fair value	-		-	
- financial assets available for sale	13,892,258		(5,227,281)	
- loans to custumers	20,981,998		160,926,381	
- due from banks: repayable on demand	(22,892,012)		(545,119,293)	
- other assets	(2,783,881)		(9,960,100)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**610,406,301**		**456,128,651**
- due to banks: repayable on demand	621,159,274		471,850,896	
- due to banks: other	(125,375)		(167,610)	
- due to customers	-		-	
- other liabilities	(10,627,598)		(15,554,635)	
Net liquidity generated/absorbed by operating activity A (+/-)		**655,245,061**		**89,116,513**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		-		**579,428**
- disposal of equity investments	-		579,428	
- dividends received on equity investments	-		-	
- disposal of property, plant and equipment	-		-	
- disposal of intangible assets	-		-	
- disposal of subsidiaries and business units	-		-	
2. Liquidity absorbed by: (-)		-		-
- purchase of equity investments	-		-	
- purchase of property, plant and equipment	-		-	
- purchase of intangible assets	-		-	
- purchase of subsidiaries and business units	-		-	
Net liquidity generated/absorbed by investing activity B (+/-)		-		**579,428**
FUNDING ACTIVITY				
- issue/purchase of own shares	(533,815)		(864,224)	
- issue/purchase of capital instruments	-		-	
- distribution of dividends and other uses	-		-	
Net liquidity generated/absorbed by funding activity C (+/-)		**(533,815)**		**(864,224)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**654,711,246**		**88,831,717**

RECONCILIATION		
Cash and cash equivalents at the start of the period E	118,578,707	29,746,990
Total net liquidity generated/absorbed during the period D	654,711,246	88,831,717
Cash and cash equivalents: effect of exchange rate changes F	0	0
Cash and cash equivalents at the end of the period G = E +/-D+/-F	**773,289,953**	**118,578,707**

NOTES TO THE FINANCIAL STATEMENTS

Chapter A – ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

Section 1 Statement of compliance with international accounting standards

In application of Legislative Decree No. 38 of 28 February 2005, the financial statements of Banca di Cividale are prepared in accordance with the international accounting standards (IASs/IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, the adoption of which was compulsory at 31 December 2020, including the relative Interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as established by Regulation (EC) No. 1606 of 19 July 2002.

International accounting standards have been interpreted and applied in reference to the Conceptual Framework for Preparation and Presentation of Financial Statements ("Framework"), although not endorsed by the European Commission, Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or by the IFRIC in completion of the accounting standards issued.

Account has also been taken of the notices from the supervisory authorities (Bank of Italy, Consob and ESMA) providing recommendations on the disclosures to be presented in the financial statements with regard to the most material aspects or the accounting treatment of particular transactions.

The financial statements at 31 December 2020 have also been prepared on the basis of the "Instructions for the Preparation of the Separate and Consolidated Financial Statements of Banks and Financial Institutions that are the Parent Companies of Banking Groups" issued by the Bank of Italy exercising the powers established by Art. 43 of Legislative Decree No. 136/2015, by Order of 22 December 2005, issuing Circular No. 262/05, with the subsequent updates of 18 November 2009, 21 January 2014, 22 December 2014, 15 December 2015, 22 December 2017 and 30 November 2018.

Those Instructions set out a compulsory presentation for the financial statements and the basis for the preparation thereof, as well as the contents of the notes to the financial statements.

The financial statements have been prepared using the IAS/IFRS international accounting standards in force at 31 December 2020 (including the SIC and IFRIC interpretation documents).

The following table shows the new international accounting standards or amendments to the accounting standards already in effect, with the relevant endorsing regulations enacted by the European Commission, which entered into force in financial year 2020.

Document title	Date issued	Effective date	Endorsement date and publication date
Amendments to references to the Conceptual Framework in the IFRSs	March 2018	1 January 2020 (*)	29 November 2019 (EU) 2019/2075 - 6 Dec. 2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019 (EU) 2019/2104 – 10 Dec. 2019
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020 (EU) 2020/34 – 16 Jan. 2020
Definition of a Business (amendments to IFRS 3)	October 2018	1 January 2020	21 April 2020 (EU) 2020/551 – 22 Apr. 2020
Covid-19-Related Rent Concessions (Amendments to IFRS 16)	May 2020	1 June 2020 (**)	9 October 2020 (EU) 2020/1434 – 12 Oct. 2020

(*) The new *Conceptual Framework for Financial Reporting* was published on 23 March 2018 and entered into effect immediately for the members of the IASB Board who develop the new Standards. For entities that prepare financial statements it entered into effect from 1 January 2020.

(**) **IASB Board:** entry into force with effect from years beginning on or after 1 June 2020; early application is also permitted for financial statements not authorised for publication by 28 May 2020 (date of publication of the amendments to IFRS 16).

EU: the regulations on publication have retroactive effect and therefore amendments to IFRS 16 must be applied at the latest with effect from 1 June 2020 for financial years beginning on or after 1 January 2020.

Some amendments – none of which of particular importance to Banca di Cividale S.c.p.A. – to the standards already in force, which have been endorsed by the European Commission, are applicable for the first time with effect from 2020.

The following is a summary of the endorsing regulations:

- Regulation (EU) 2075/2019: the Regulation of 29 November 2019 adopted several amendments to IFRSs relating to the references to the Conceptual Framework. The Conceptual Framework provides a description of the concepts that underlie financial reports drafted in accordance with IFRSs and is intended to assist the IASB in developing new accounting standards, financial statement drafters in formulating an accounting standard in the absence of a specific provision of IFRSs and all those who need to understand and interpret IFRSs. The new Conceptual Framework is not subject to endorsement by the European Union because it is a document that provides only a conceptual framework of the IFRSs and is not an accounting standard.

- Regulation (EU) No 2104/2019: the Regulation of 29 November 2019 adopted some amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors designed to clarify and improve the understanding of the definition of material information. It should be noted that materiality depends on the nature and the significance of the information or both. The entity also verifies whether information, on its own and together with other information, is material in the overall context of the financial statements.
- Regulation No. 1434/2020: by the Regulation of 9 October 2020 some amendments were introduced to IFRS 16 Leasing to adopt the amendments "COVID-19 Rent Concessions" published by the IASB on 28 May 2020 in order to provide an optional, temporary practical expedient for lessees, i.e. the option not to apply the accounting rules for the treatment of lease modifications in cases of COVID-19 rent concessions. The regulation is applicable with effect from 1 June 2020 for financial years beginning on or after 1 January 2020. This case is not relevant to CiviBank.
- Regulation (EU) No 551/2020: The IASB document "Definition of a Business (Amendments to IFRS 3 Business Combinations)" was endorsed by Regulation (EU) No 2020/551 of 21 April 2020, published in the Official Journal of the European Union on 22 April 2020. In this document, the IASB modified the definition of a business included in IFRS 3 in order to clarify some interpretative doubts that emerged during the post-implementation review of that standard conducted from 2013 to 2015.
- Regulation (EU) No 34/2020: The document issued by the IASB "Interest Rate Benchmark Reform (Amendments to IFRS 9: Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)" was endorsed by Regulation (EU) No 2020/34 of 15 January 2020, published in the Official Journal of the European Union on 16 January 2020. The Regulation in question introduced some amendments relating to hedge accounting designed to prevent uncertainties regarding the amount and timing of cash flows arising from interest rate reform from entailing an interruption of existing hedges and difficulties in designating new hedging relationships. To this end, a simplification has been implemented, presuming that the existing interest rate benchmarks are not modified by the interbank rate reform. The amendments in question fall within the framework of the project designed to analyse the effects on the financial statements of the interbank rate reform (the Interest Rate Benchmark Reform or IBOR). The issue relates to the recent developments pertaining to the revision or replacement of certain benchmarks for determining interest rates in the various jurisdictions, such as LIBOR, TIBOR and, at the European level, EONIA and Euribor, on the basis of the indications by the G20 and the Financial Stability Board.

Section 2 General basis of preparation

The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows (hereinafter, the "financial statements") and the notes to the financial statements. A report on operations, earnings results and financial position has also been included. The figures presented in the financial statements are expressed in euro, whereas the tables in the notes, as well in the report on operations, are expressed in thousands of euros, unless otherwise indicated.
The financial statements have been prepared in application of the general preparation principles set forth in IAS 1, the accounting standards illustrated in Chapter A.2 of the notes (international accounting standards endorsed by the European Union the adoption of which was compulsory at 31 December 2020) and the general requirements laid down in the Framework for the Preparation and Presentation of Financial Statements drafted by the International Accounting Standards Board (IASB).
The instructions provided by the Bank of Italy in Circular No. 262 of 22 December 2005, sixth update, were followed when preparing the financial statements. Those Instructions set out a compulsory presentation for the financial statements and the basis for the preparation thereof, as well as the contents of the notes to the financial statements.
The financial statements for the year ended 31 December 2020 have been prepared in a clear manner and provide a fair and true representation of the Bank's financial position and earnings results for the year. No exceptions to the application of IASs/IFRSs were made in these financial statements. The directors' report on operations and notes contains the disclosures required by international accounting standards, Italian law, the Bank of Italy and Consob, in addition to voluntary disclosures deemed necessary to a truthful, accurate account of the Bank's situation.
The publication of the financial statements for the year ended 31 December 2020 was authorised by the Board of Directors on 10 March 2021. Banca di Cividale is a cooperative company limited by shares, registered and domiciled in Italy.

Contents of the financial statements

Balance sheet and income statement

The balance sheet and income statement consist of items, sub-items and further information (the "of which" within items and sub-items). Items with nil balances in both the reporting year and previous year have not been presented. In the income statement, revenues are indicated without sign, whereas costs are presented in parentheses.

Statement of comprehensive income

The statement of comprehensive income begins with net income (loss) for the year and presents income components taken to valuation reserves, net of the related tax effect, in accordance with international accounting standards. Comprehensive income is presented by separately stating income components that will not be recycled to the income statement in the future and those that instead may subsequently be reclassified to net income (loss) for the year if certain conditions are met. Items with nil balances in both the reporting year and previous year have been presented. Negative amounts are presented in parentheses.

Statement of changes in shareholders' equity

The statement of changes in shareholders' equity presents the composition of and changes in shareholders' equity accounts during the reporting year and the previous year, broken down into share capital, equity reserves, reserves from retained earnings, reserves from the valuation of assets or liabilities and net income or loss. Treasury shares are deducted from shareholders' equity.

Statement of cash flows

The statement of cash flows has been prepared according to the direct method, which shows the main categories of gross receipts and payments, i.e. without offsetting. Cash flows during the year are presented by classifying them as operating, investing and financing activity. In particular, operating activity includes economic components and all financial assets and liabilities
other than investing activity that generated or absorbed cash.
Investing activity includes cash inflows and outflows due to the sale/purchase of property, plant and equipment, intangible assets and equity investments. Financing activity includes cash flows relating to the issue or purchase of equity instruments, the distribution of dividends undertaken during the year. In the statement, cash flows relating to cash generated during the year are indicated without sign, whereas those relating to cash used are preceded by the minus sign.

Content of the notes

The notes to the financial statements include the information provided for by International Financial Reporting Standards and Circular No. 262 of the Bank of Italy issued on 22 December 2005 and subsequent updates applicable to the preparation of these financial statements.

Business outlook and the going-concern assumption

For information on the going-concern assumption, refer to the report on operations, which forms an integral part of this document. For information on the impairment testing of assets and uncertainty in the use of estimates, refer to the pertinent sections of the notes (Chapter A - Accounting policies and Chapter B - Notes to the balance sheet).

Section 3 Subsequent events

Please refer to the corresponding section of the report on operations.
The report on operations contains information on the actions taken by the Bank to ensure business continuity, with the utmost focus on best protecting the health and safety of employees and customers with regard to the aforementioned spread of the coronavirus epidemic.

Section 4 Other aspects

Risks, uncertainties and impacts of the COVID-19 pandemic

The rapid spread of the coronavirus has become one of the greatest challenges at the global level in recent decades.
The epidemic broke out in China and then spread swiftly to other countries, including Italy, forcing the various governments to take measures designed to contain the risk of contagion.
From day one of the emergency, CiviBank took strict preventive measures, adopting all the security protocols indicated in the various decrees and all the most appropriate additional precautionary measures designed to protect health. Important decisions were made quickly, such as shift scheduling for branch personnel and the widespread adoption of remote working of employees, while also ensuring that the Bank is functioning properly in operational terms.
At the same time, additional remote access methods were implemented for customers, expediting the introduction of new online features.
Businesses in Northeastern Italy received strong support in coping with the pandemic from CiviBank: +19.3% new loans to SMEs, for a total of €485 million (of which €170 million of loans relating to the COVID-19 emergency benefiting from the public guarantee from the SME Guarantee Fund).
In view of the end of September deadline set by the European Banking Authority – the date by which debtors are expected to apply for an end of the period of suspension in response to the economic slowdown caused by COVID-19 – CiviBank, in accordance with the guidelines issued by the Authority, applied of its own initiative an extension of the moratoria for all customers who had benefited from it, allowing them to refuse this measure where they were in a position to adhere to the regular payment schedules of their mortgage and other loans. By virtue of the extension approved in August 2020 by the Board of Directors, it set a deadline for suspensions of 30/6/2021 for companies and of 30/09/2021 for consumers, moving up by a few months the legislative measures issued at the end of the year, while remaining within the regulatory parameters established by the European Banking Authority. This activity, which represents further proof of CiviBank's close relationship to its local economy, has facilitated and simplified access to aid measures for customers affected directly or indirectly by the economic slowdown due to the pandemic crisis.
For all moratoria limited to the COVID-19 environment, where there is not a definitive modification of the contractual clauses and active involvement in negotiation of the contractual parties, CiviBank has identified

peculiarities that mean that the transaction cannot be qualified as an outright renegotiation for accounting and reporting purposes.
For further information regarding the main risks and uncertainties associated with, among other considerations, the COVID-19 pandemic, and credit risk in particular, see the description provided in the report on operations and Part E of the notes.

1) COVID-19 contractual modifications

The COVID-19 epidemic, a severe health emergency that is sweeping across global society and economies, broke out in 2020: the contagion reached "pandemic" level according to the World Health Organisation and its spread is constituting a severe economic shock for the countries most affected, Italy included.
Beginning in the second week of March 2020, governmental authorities and regulators in the banking sector undertook a series of initiatives designed to support families and companies and to prevent the short-term economic effects from turning into a long-term earnings and balance sheet crisis for the banking sector, with significant pro-cyclical effects on the real economy.
On 2/4/2020 the European Banking Authority (EBA) issued Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the COVID-19 crisis (EBA/GL/2020/02), which hold that the application of the general payment moratorium does not itself lead to reclassifying an exposure as "forborne" (whether performing or non-performing), unless it has already been classified as forborne when the moratorium is applied.
In response to the invitations from the various national and European authorities, Banca di Cividale, applying the temporary framework granted by the aforementioned EBA/GL/2020/02, granted its customers access to a wide range of debt moratorium initiatives. These measures were granted in application of both specific Italian laws and sector initiatives promoted by the Italian Banking Association and of specific initiatives of the Bank similar to the foregoing. In particular, the following initiatives were offered:

- ✓ Application of Decree-Law 18/2020 of 17 March 2020, as amended by Decree-Law 104/2020 of 14/08/2020 and Law 178/2020 of 30/12/2020, containing the initial economic measures designed to combat the emergency. In summary, the measures related to:
  1. Suspension, until 30 June 2021, of loans to SMEs, micro-enterprises and sole proprietorships;
  2. Suspension of 18 months on first-home mortgages (Gasparrini fund), including for borrowers in economic difficulties due to Covid (loss of employment and reduction of revenues);
- ✓ Application of the 2019 Agreement for Credit - Companies in Recovery 2.0 (Italian Banking Association) and subsequent addenda.
- ✓ Application of the Agreement on the suspension of the principal amount of loans secured by mortgages on real properties and unsecured loans subject to repayment in instalments to families in difficulty as at 21 April 2020 (Italian Banking Association) and subsequent addenda.
- ✓ Application of moratoria granted by the Bank to both consumers and companies similar to the above.

In accordance with the ESMA declaration clarifying that it is improbable that contractual modifications arising from such moratoria will be considered substantial, the Bank did not automatically proceed to classify loans subject to moratoria as forborne unless there were specific forbearance circumstances.

2) Amendment of the accounting standard IFRS 16

On 28 May 2020 the IASB published the document "Amendment of IFRS 16 COVID-19-Related Rent Concessions" which was endorsed by the European Commission on 15 December 2020.
These amendments provide lessees with an exemption (allowed but not mandatory) in assessing whether a COVID-19-related rent concession is a modification of the lease contract. Companies that apply this exemption, available with effect from 1 June 2020,
account for changes in the contract as if they were not amendments to the lease contract.
If this exemption is applied by the lessee:

- ✓ forgiveness or reductions of rent are accounted for as variable payments by derecognising the part of the lease liability that is forgiven or reduced;
- ✓ changes in rent that reduce rent over a period but increase it proportionally in a subsequent period require that interest accrue on the lease liability and be reduced to reflect the rent paid to the lessor.

This exemption may only be applied when the following conditions are met:

- ✓ the rent concessions are a direct consequence of the COVID-19 pandemic;
- ✓ the revised rent is equal to or lower than that due immediately prior to the revision;
- ✓ the reduction relates to rent due by 30 June 2021;

- ✓ there are no substantial modifications of other terms and conditions of the lease contract.

It should be noted that the Bank did not apply the exemption allowed by the amendment to the standard IFRS 16.

Other issues

The application of accounting standards entails the use of estimates and assumptions affecting the values of line items and disclosures provided regarding contingent assets and liabilities. For the purposes of the assumptions underlying the estimates adopted, all information available at the date of the accounting statements and all other factors considered reasonable to this end are taken into account.
In particular, estimation processes were adopted in support of the carrying amounts of certain items of the financial statements at 31 December 2020, as provided for in the accounting standards. Such processes are essentially based on estimates of the future recoverability of the amounts recognised and have been carried out on a going-concern basis. These processes underlie the carrying amounts as at 31 December 2020.
Estimates are revised at least annually, when preparing the financial statements.
The risk of uncertainty in estimation, from the standpoint of the significance of the items of the financial statements and the aspect of measurement requested by the management, is essentially present in determining:

- ✓ the fair value of financial instruments not quoted in active markets;
- ✓ adjustments due to credit risk;
- ✓ provisions for risks and charges.

Government grants

Article 35 of Decree-Law No. 34/2019 (the "Growth Decree"), converted into Law No. 58/2019, introduces a reformulation of the rules on the transparency of government grants set out in Article 1, paragraphs 125-129, of Law No. 124/2017. The reformulation indicates that transparency obligations apply to information regarding subventions, subsidies, advantages, grants or aid, in monetary form or in kind, "not of a general character and not of the nature of consideration, remuneration or compensation" actually disbursed by public administrations and the entities set out in Article 2-*bis* of Legislative Decree No. 33/2013.
In light of this reformulation, the additional interpretative clarification provided with Assonime Circular No. 32 of 23 December 2019 confirms that transparency obligations apply to the award of economic advantages arising from a bilateral relationship between a public entity and a specific beneficiary. They expressly exclude sums received by a company as consideration for a service rendered, remuneration for an assignment received or due as compensation. They also exclude economic advantages received in application of a general system, such as tax relief or grants accessible to all parties that meet certain conditions. In consideration of the above, CiviBank does not have any cases to report in financial year 2020.
In the interest of completeness of information, see also the National Register of State Aid, available for public consultation from the relevant website, which publishes aid measures and the related individual aid granted and recorded in the system by the managing authorities. For CiviBank, the cases indicated therein for the year 2020 are not, in light of the foregoing, subject to the financial statement transparency obligations set out in paragraphs 125 and 125-*bis*.

A.2 – MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section describes the accounting policies adopted in preparing the financial statements for the year ended 31 December 2020 and includes an illustration by item of the criteria for recognition, classification, measurement, derecognition and, where relevant, the criteria for the recognition of income components.

1 - Financial assets designated at fair value through profit or loss

This category includes financial assets other than those classified as financial assets designated at fair value through comprehensive income and financial assets measured at amortised cost.
Item "20. Financial assets designated at fair value through profit or loss" includes:

- ✓ financial assets held for trading, essentially debt and equity securities, and the positive value of derivative contracts other than those designated as effective hedging instruments, held for trading purposes;
- ✓ financial assets designated at fair value refer to assets the designation of which at fair value through profit or loss eliminates or significantly reduces a measurement inconsistency (sometimes termed an "accounting asymmetry"). The Bank currently does not classify any financial assets as designated at fair value;
- ✓ other financial assets mandatorily measured at fair value, consisting of financial assets that do not meet the requirements for measurement at amortised cost or fair value through comprehensive income. In particular, the item includes financial assets that: i) give rise to cash flows that are not solely payments of capital and interest (i.e., they do not pass the SPPI test); ii) are not held within a business model the purpose of which is to hold the financial assets in order to obtain their cash flows or collect cash flows through the sale of the asset; and iii) units in CIUs.

Debt securities, equity securities and units in CIUs are recognised on the settlement date, loans on the disbursement date and derivative financial instruments on the subscription date. Upon initial recognition they are recognised at fair value, normally represented by the consideration for the transaction, without including the transaction costs/revenue attributable to the instrument, taken directly to profit or loss.
Reclassifications of financial assets to other categories are only permitted where the entity changes the business model within which they are held. In such rare cases, a financial asset designated at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or financial assets designated at fair value through comprehensive income. The transfer value is the reclassification date fair value and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate on the reclassified financial asset is based on its reclassification date fair value, and the reclassification date is taken as the date of initial recognition for allocation to the various credit risk stages for the purposes of determining impairment on financial assets.
After initial recognition, financial assets at fair value through profit or loss are measured at fair value and the effects of the application of this approach are taken to profit or loss. Accordingly, all associated gains and losses, including trading gains and losses, interests and dividends collected and changes in fair value due to changes in market rates, share prices and other market variables, are taken to profit or loss.
The fair value of financial instruments quoted on active markets is determined on the basis of the official prices of the most advantageous market to which the Bank has access. If, for a given financial instrument, the conditions for identifying an active market have not been satisfied, it will be necessary to make use of a measurement technique, by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties in balanced bargaining conditions.
Financial assets, or portions thereof, are derecognised when the contractual rights to the cash flows have expired or been transferred without retaining essentially all the associated risks and benefits. Conversely, if a substantial share of the associated risks and benefits is retained following the transfer of legal title to financial assets, the assets concerned will continue to be carried.

2 - Financial assets designated at fair value through comprehensive income

This category includes financial assets for which both of the following conditions have been met:

- ✓ they are held within a business model the purpose of which is both to collect the associated contractual cash flows and to sell the instrument concerned;
- ✓ the contractual clauses meet the requirements of the SPPI test, i.e. the cash flows represent, on given dates, payments of principal and interest accrued on the amount of the principal to be repaid.

This item also includes equity instruments not held for trading which upon initial recognition the entity opted to designate at fair value through comprehensive income. Debt and equity securities are recognised at the settlement date, whereas loans are recognised on the disbursement date. Upon initial recognition they are

recognised at fair value, inclusive of the transaction costs and revenues attributable to the instrument concerned.
Reclassifications of financial assets to other categories are only permitted where the entity changes the business model within which they are held. In such rare cases, a financial asset designated at fair value through comprehensive income may be reclassified to financial assets measured at amortised cost or financial assets designated at fair value through profit or loss. The transfer value is the reclassification date fair value and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification to the amortised cost category, the cumulative gain (loss) taken to the valuation reserve is applied as an adjustment to the financial asset's reclassification date fair value. In the event of reclassification to fair value through profit or loss, the cumulative gain (loss) previously taken to the valuation reserve is reclassified from equity to net income (loss) for the year. After initial recognition, assets classified at fair value through comprehensive income other than equity securities are measured at fair value, with changes in value taken to comprehensive income and the impacts of the application of the amortised cost approach, the effects of impairment and any foreign exchange effects taken to profit or loss. Changes in value taken to comprehensive income are recycled to profit or loss when the asset in question is derecognised.
Equity instruments which the entity has opted to designate at fair value through comprehensive income are measured at fair value with changes taken to comprehensive income. This effect may not be recycled to profit or loss, even in the event of sale. Dividends are taken to profit or loss.
The fair value of financial instruments quoted on active markets is determined on the basis of the official prices of the most advantageous market to which the Bank has access. If, for a given financial instrument, the conditions for identifying an active market have not been satisfied, it will be necessary to make use of a measurement technique, by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties in balanced bargaining conditions. Interest is calculated according to the effective interest rate method. The effective interest rate is the rate that results in the present value of the cash flows expected over the lifetime of the instrument being equal to the carrying amount of the asset concerned. Expected cash flows have been determined considering all contractual terms of the instrument and include all fees and basis points paid or received between the parties to the contract, transaction costs and all other premiums or discounts that can be measured and are considered an integral part of the transaction's effective interest rate. The use of the effective interest rate to calculate interest entails the distribution of interest over the life of the instrument. Dividends on equity instruments are taken to profit or loss when the right to receive payment of the dividends accrues. At each reporting date, financial assets designated at fair value through comprehensive income other than equity instruments are tested for impairment according to the rules set out in the standard IFRS 9; adjustments applied are taken to profit or loss.
Financial assets, or portions thereof, are derecognised when the contractual rights to the cash flows have expired or been transferred without retaining essentially all the associated risks and benefits.

3 - Financial assets measured at amortised cost

This category includes financial assets for which both of the following conditions have been met:
- ✓ they are held within a business model the purpose of which is to collect the associated contractual cash flows;
- ✓ the contractual clauses meet the requirements of the SPPI test, i.e. the cash flows represent, on given dates, payments of principal and interest accrued on the amount of the principal to be repaid.

Specifically, without prejudice to satisfaction of the requirements set out in the foregoing paragraph, item “40. Financial assets measured at amortised cost” includes:
- ✓ loans to banks;
- ✓ loans to customers;
- ✓ debt securities;
- ✓ other instruments relating to operating receivables associated with the provision of financial activities and services, in accordance with the Consolidated Banking Act and Consolidated Finance Act.

Loans are initially recognised when disbursed and debt securities on the settlement date. Upon initial recognition they are measured at fair value, which normally corresponds to the amount disbursed, inclusive of the costs and income directly attributable to the transaction and determinable at inception. Reclassifications of financial assets to other categories are only permitted where the entity changes the business model within which they are held. In such rare cases, a financial asset measured at amortised cost may be reclassified to financial assets at fair value through comprehensive income or financial assets at fair value through profit or loss. The transfer value is the reclassification date fair value and the effects of the reclassification apply prospectively from the reclassification date. The gains or losses resulting from the difference between the

amortised cost of the financial asset and its fair value are taken to profit or loss in the event of reclassification to financial assets designated at fair value through profit or loss and comprehensive equity, and to comprehensive income, through the specific valuation reserve, in the event of reclassification to financial assets designated at fair value through comprehensive income. After initial recognition, the loans are measured at amortised cost using the effective interest rate method.
The effective interest rate is the rate that results in the present value of the cash flows expected over the lifetime of the instrument (until maturity or "expected" maturity or, where appropriate, over a lesser period) being equal to the carrying amount of the asset concerned. The use of this rate to calculate interest entails the distribution of interest over the life of the instrument. Expected cash flows have been determined considering all contractual terms of the instrument and include all fees and basis points paid or received between the parties to the contract, transaction costs and all other premiums or discounts that can be measured and are considered an integral part of the transaction's effective interest rate. Amortised cost is not calculated for short-term transactions, where the effect of calculation is deemed immaterial, and for loans with indefinite maturities or revocable loans. Such loans are measured at cost, and the associated costs/income are taken to profit and loss in a linear manner over the contractual term of the loan. At each reporting date, financial assets measured at amortised cost are tested for impairment according to the rules set out in the standard IFRS 9; adjustments applied are taken to profit or loss.
If the grounds for impairment cease to apply due to an event that occurs after such a loss has been recognised, a recovery is recognised through the income statement. The amount of the recovery cannot result in a carrying amount for the financial asset in excess of its amortised cost if no impairment losses had been recognised in previous periods. Recoveries on impairment associated with time-value effects are included in net interest income. The original contractual conditions could be modified over the life of the financial instrument by the will of the contractual parties. In such cases, it must be verified whether the original asset is to continue to be carried or the original instrument is to be derecognised and a new financial instrument recognised. Generally, modifications of a financial asset result in the derecognition of the asset and the recognition of a new asset when they are "substantial" and the assessment as to whether the modification is "substantial" must be based on qualitative and quantitative considerations. More specifically, the analyses set out in the foregoing paragraph must consider:

- ✓ the purposes of the modifications: the reference is to renegotiations due to financial difficulties (forbearance measures), rather than to negotiations for commercial reasons (generally aimed at bringing the cost of debt into line with market conditions);
- ✓ the existence of objective triggers that are believed to entail derecognition in view of their impact on the original contractual cash flows.

Financial assets, or portions thereof, are derecognised when the contractual rights to the cash flows have expired or been transferred without retaining essentially all the associated risks and benefits. If a significant share of the associated risks and benefits is retained following the transfer of legal title to financial assets, the assets concerned will continue to be carried.

Finance leases
Loans to customers in respect of leased assets are recognised upon the commencement of the contracts in question, i.e. when the assets are formally delivered. Loans to customers in respect of leased assets are recognised at amortised cost, i.e. the initial value of the investment, inclusive of the initial direct costs incurred and directly attributable commissions, less principal repayments and adjusted by the depreciation calculated according to the effective interest rate method, i.e. by discounting estimated future payment flows over the expected term of the financing by the effective interest rate. Criteria similar to those previously illustrated were adopted for impairment losses and recoveries. They are subject to impairment according to the rules set out in IFRS 9 for financial assets measured at amortised cost discussed above.

5 - Equity investments
Item "70. Equity investments" includes the value of equity interests in companies subject to joint control and significant influence. Equity investments in jointly controlled entities are investments in respect of which the power to make decisions regarding the relevant activities is shared between two or more parties. Equity investments in associated entities are investments in entities over which significant influence is exercised, i.e. the power to participate in decisions regarding financial and management policies, without this power translating into a situation of control.
If 20% or more of the votes that may be cast in the investee's general meeting are held, directly or indirectly, it is supposed that significant influence exists, unless the contrary can be proved. In particular, significant

influence is not considered to exist, even when more than a 20% interest is held in the investee, if only financial rights are held to the investments, without access to management policies and without governance rights.
Conversely, if less than 20% of the votes that may be cast in the investee's general meeting are held, directly or indirectly, it is supposed that significant influence is not exercised, unless such influence may be clearly demonstrated. Equity investments are measured at cost upon initial recognition and then at cost, unless impairment losses occur.
In accordance with IAS 36, equity investments become impaired when their carrying amount exceeds their recoverable amount, defined as the greater of fair value less costs to sell and value in use. Fair value is determined on the basis of the best available information to reflect the amount that an entity could obtain, at the reporting date, by disposing of the asset in a free transaction between informed, willing parties, less costs to sell. The results of recent transactions involving similar assets undertaken within the same sector are considered when determining this amount. Value in use is calculated using models based on the discounting of expected cash flows.
The owner of the asset is only required to determine its recoverable amount if there are circumstances representing evidence of potential impairment. The following indicators have been taken into account in assessing whether equity investments have become impaired:

- ✓ significant changes in the environment in which the entity operates have occurred during the year or may occur in the near future, resulting in an adverse effect on the investee;
- ✓ market interest rates or other rates of return on investment capital have increased during the year and such increases are likely to affect the discounting rate used in calculating the value in use of the investment and significantly reduce its recoverable amount;
- ✓ significant changes adversely affecting the investee have occurred during the year or are expected to occur in the near future;
- ✓ there is evidence that the investee's financial performance is or will be worse than expected;
- ✓ the investee is expected to experience substantial financial difficulties;
- ✓ the investee becomes subject to insolvency proceedings;
- ✓ there are quantitative indicators of a significant, prolonged decrease in the financial asset's fair value, below its initial carrying amount. In particular, such indicators consist of market quotations or valuations that are more than 30% below the initial carrying amount or that remain below the carrying amount for a period of over 18 months;

When there are indicators of impairment, an impairment loss is recognised to the extent that the recoverable amount is less than the carrying amount, and the resulting adjustment is taken to profit or loss. If the grounds for impairment cease to apply due to a subsequent event, a recovery is recognised through profit or loss.
Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is transferred along with substantially all the associated risks and benefits.

6 - Property, plant and equipment

Items of property, plant and equipment purchased on the market are recognised to item "80. Property, plant and equipment" when the main risks and benefits relating to the asset are acquired. "Non-investment property" is property used to conduct company business, assuming that it is to be used for a period in excess of one year, whereas "investment property" is property held in order to collect rent or in view of appreciation of the property, or for both reasons. Both investment and non-investment property is initially recognised at cost, inclusive of all charges directly attributable to the purchase or placement in service of the asset. Extraordinary maintenance expenses that increase the future economic benefits are allocated to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

Property, plant and equipment is then measured at cost, less accumulated depreciation, adjusted for any impairment losses or recoveries, with the exception of non-investment property and fine art, which are measured according to the appraisal method.

Property, plant and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount consists of the cost of the assets less their estimated residual value at the end of the depreciation period. Buildings are amortised at a rate deemed appropriate to account for the deterioration of the assets over time due to use. Land is not depreciated, even when purchased separately, since it has an indefinite useful life, nor are valuable works of art or other decorative, historic assets, since their useful lives cannot be estimated and their value is normally destined to increase over time.

Each asset's residual amount, useful life and depreciation methods are revised at the end of each year and, where necessary, adjusted on a prospective basis.

If there is evidence that an asset may have become impaired, the carrying value and recoverable amount of the asset are compared. Any impairment losses are recognised in the income statement. If the grounds for impairment cease to apply, a recovery is recognised, in an amount that may not exceed the asset's value net of depreciation charges, in the absence of any previous impairment losses.

Items of property, plant and equipment are derecognised on disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected to flow from its disposal.

7 - Intangible assets

Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Goodwill, which represents the positive difference between the purchase cost and the fair value of an acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. Where this is not the case, the cost of an intangible asset is recognised in the income statement in the year in which it is incurred.

For assets with finite useful lives, cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected to flow from the asset.

Assets with indefinite useful lives are not subject to systematic amortisation, but rather periodically tested for impairment. If there is any evidence that an asset may have become impairment, that asset's recoverable amount is estimated. The impairment loss, which is recognised through the income statement, is equal to the difference between the carrying amount and recoverable amount of the asset.

In particular, intangible assets include:

- ✓ technology-related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years;
- ✓ trademarks and licences.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to flow from the use of the asset.

9 - Current and deferred taxation

Income tax, calculated according to the national tax code, is accounted for as a cost on an accrual's basis, in a manner consistent with the method applied to account for the costs and revenue that give rise to the tax. It thus represents the balance of current and deferred taxation relating to the net income or loss for the year. Current tax assets and liabilities include the tax positions of the Bank with respect to Italian tax authorities. More specifically, these items include the net balance of current tax liabilities for the year, calculated on the basis of a conservative estimate of the tax charges due for the year, assessed according to the tax code currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes paid or tax credits from previous years that the Bank claimed against taxes payable in future years. Current tax

assets also include tax credits in respect of which a tax refund claim has been filed by the Bank with the relevant tax authorities.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years. Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are set off against one another.
If deferred tax assets and liabilities refer to items affecting the income statement, they are recognised through income taxes. Where the deferred tax assets and liabilities relate to transactions recognised directly in equity without passing through the income statement (such as adjustments due to the first-time adoption of IASs/IFRSs and the measurement of available-for-sale financial instruments), such assets and liabilities are recognised in equity, through specific reserves, where applicable (e.g., valuation reserves).

10 - Provisions

The item may be broken down as follows.

Commitments and guarantees given

This sub-item refers to provisions for credit risk adjustments recognised in respect of commitments to grant finance and financial guarantees given that fall within the scope of application of the IFRS 9 impairment rules ("Rules for determining the impairment of financial assets").
The same approaches to allocation to the three credit risk stages and calculation of expected credit losses set out with regard to financial assets measured at amortised cost or at fair value through comprehensive income are generally applied to these items.
The item also includes provisions for risks and charges recognised in respect of other types of commitments and guarantees given, the characteristics of which mean that they fall outside the scope of application of the IFRS 9 impairment rules.

Other provisions for risks and charges

Provisions for risks and charges are recognised when an entity has a (legal or constructive) present obligation as the result of a past event, when it is probable that resources capable of generating economic benefits will need to be expended in order to discharge the obligation and the amount of the obligation may be estimated reliably. The amount recognised represents the present value of the amount that an entity would reasonably incur to extinguish the obligation at the reporting date. Discounting is not applied where the time value effect on the obligation is deemed immaterial. Once recognised, provisions are reviewed at each reporting date and adjusted to reflect the best current estimate. Where it is no longer likely that resources capable of generating economic benefits will need to be expended to discharge the obligation, the provision is released and the excess amount taken to profit or loss. In particular, the amount includes provisions relating to disputes that are determined taking into account, where available, the amount sought by the counterparty, the technical estimate prepared internally on the basis of accounting evidence and/or evidence brought to light during the trial and, in particular, the amounted estimated by the court-appointed technical expert, where appointed, in addition to legal interest, calculated on the principal from the date of service of the introductory document, and any expenses to be reimbursed in the event of an adverse judgment. The item also includes provisions relating to long-term employee benefits other than pension benefits, the amount of which is determined by projecting future outlays on the basis of historical and statistical analyses and the demographic curve, and then discounting the resulting cash flows at a market interest rate. The actuarial gains and losses resulting from changes in previously applied actuarial assumptions result in the recalculation of the liability and are taken to profit or loss.

11 – Financial liabilities at amortised cost

This item includes amounts due to banks, amounts due to customers and debt securities issued, and primarily refers to funding raised on the interbank market and from customers, including through the placement of bonds and certificates of deposit. A financial instrument issued is classified as a liability when, on the basis of the substance of the contract, there is a contractual obligation to deliver money or another financial asset to another party. Transactions are recognised when they are executed, except for transactions involving the remittance of bills and the placement of securities, which are recognised when they are settled. Financial liabilities are initially measured at fair value, which corresponds to the consideration received, net of directly attributable transaction costs, and thereafter at amortised cost, according to the effective interest rate method. Amortised cost has not been calculated for short-term transactions, where the effect of calculation is deemed immaterial. The items in question also include amounts due in respect of commitments to purchase own equity instruments, where the conditions for the recognition of such commitments have been met. Financial liabilities, or parts of such liabilities, are derecognised when they are extinguished, that is when the obligation is discharged or cancelled or expires. Such assets are also derecognised when they are repurchased on the market. Derecognition is based on the fair value of the component issued and the component repurchased at the purchase date. Any gains or losses deriving from the transaction, depending on whether the recognised amount of the repurchased component is greater or less than the purchase price, are recognised through the income statement. If a security is then placed again, this transaction is treated as a new issue and is recognised at the new placement price.

12 - Financial liabilities held for trading

Financial liabilities held for trading consist of derivative contracts held for trading that present a negative fair value. They are recognised at the subscription or issue date, at the fair value of the instrument, without considering any directly attributable transaction costs or income. Financial liabilities held for trading are measured at fair value through profit or loss. They are derecognised when the contractual rights to the related cash flows expire or when the liability is transferred, along with substantially all of the risks and benefits of ownership.

14 - Foreign currency transactions

Foreign currency transactions are initially recognised in the functional currency using the applicable exchange rate on the transaction date. At every subsequent balance-sheet date:

- ✓ monetary items are translated at the exchange rate prevailing at the balance-sheet date;
- ✓ non-monetary items measured at historic cost are translated at the exchange rate prevailing at the transaction date; and
- ✓ non-monetary items designated at fair value are translated using the exchange rate prevailing at the date the fair value was determined.

A monetary item is the right to receive, or the obligation to deliver, a fixed or determinable number of units of a currency. Conversely, the fundamental characteristic of non-monetary items is the absence of the right to receive, or the obligation to deliver, a fixed or determinable number of units of a currency. Translation differences relating to monetary items are recognised through the income statement when they arise, whereas those relating to non-monetary items are recognised through shareholders' equity or the income statement, depending on the manner in which the gains or losses that include this component are recognised. Costs and revenues in foreign currencies are measured at the exchange rate prevailing at the date of recognition or, if they have yet to accrue fully, at the exchange rate prevailing at the balance-sheet date.

15 - Other information

Rules for determining the impairment of financial assets

Pursuant to IFRS 9, at each reporting date, financial assets other than those designated at fair value through profit or loss are tested to determine whether there is evidence that their carrying amounts may not be fully recoverable. A similar analysis is also conducted for commitments to grant finance and guarantees granted, which fall within the scope of impairment testing pursuant to IFRS 9.

Where such evidence ("evidence of impairment") is found to exist, the financial assets concerned – in a manner consistent with all remaining assets attributable to that same counterparty – are considered impaired and reclassified to stage 3. With regard to such assets, alignment of the accounting and regulatory definitions of default – already achieved – means that the current criteria for classifying exposures as "non-performing" / "impaired" may be considered identical to the criteria for classifying exposures to stage 3;

In cases of such exposures, represented by financial assets classified, pursuant to Bank of Italy Circular No. 262/2005, to the categories of non-performing positions, unlikely-to-pay positions and positions past due by more than 90 days, adjustments equal to the expected losses over their entire residual lives must be recognised.

For financial assets for which there is no evidence of impairment (performing financial instruments), it must be verified whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. The consequences of this verification, from the standpoint of classification (or, more properly, staging) and measurement, are as follows:

- where such indicators exist, the financial asset is classified to stage 2. In this case, in accordance with international accounting standards, despite the absence of a manifest impairment loss, measurement is based on recognising adjustments equal to the credit losses expected over the entire residual life of the financial instrument (known as the “lifetime expected credit loss”). Such adjustments are reviewed at each subsequent reporting date both to periodically determine whether they are consistent with the constantly updated loss estimates and to take account of the changed time horizon for calculating the expected credit loss where the indicators of “significantly increased” credit risk cease to apply.
- where such indicators do not exist, the financial asset is classified to stage 1. In this case, in accordance with international accounting standards, despite the absence of a manifest impairment loss, measurement is based on recognising the expected credit losses on the specific financial instrument over the following twelve months (the “12 month expected credit loss”). Such adjustments are reviewed at each subsequent reporting date both to periodically determine whether they are consistent with the constantly updated loss estimates and to take account of the changed time horizon for calculating the expected credit loss where there are indicators of “significantly increased” credit risk.

Forward-looking information relating to, among other subjects, the development of the macroeconomic scenario is included when calculating expected credit losses (“ECLs”).

The elements that according to the Standard, as implemented by Banca di Cividale, are the main drivers to be considered when measuring financial assets, and in particular when identifying a “significant increase” in credit risk (a necessary and sufficient condition for the asset being measured to be classified to stage 2) are as follows:

- ✓ the counterparty's rating, where available, quantifies credit risk; the difference in terms of 'notches' between the rating class when the relationship is formed and the rating class assigned on the reporting date is used as a proxy for measuring the change in credit risk (e.g., as the relative threshold for significant deterioration of credit risk);
- ✓ the presence of any, of amounts past due by at least 30 days; in other words, in such cases the exposure's credit risk is presumed to have “increased significantly”, resulting in “transfer” to stage 2 (where the exposure was previously classified to stage 1);
- ✓ any forbearance measures, where applicable, which are also presumed to entail the classification of the exposures in question among those for which credit risk has “increased significantly” since initial recognition;
- ✓ the assignment to the individual relationship or counterparty, where applicable, of qualitative factors relating to non-performance as at the reporting date, defined by the Bank within the framework of the process of identifying particularly risky positions, as part of credit monitoring, the occurrence of which is presumed to indicate that there has been a significant increase in credit risk, unless there is evidence to the contrary.

Once the definitive allocation of the exposures to the various credit risk stages has been determined, expected credit losses (ECLs) are calculated at the level of each transaction or tranche of a security, based on the internal models developed at the consortium level by the IT provider (to which the Bank has fully outsourced ITO activities and services), through the parameters probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are subject to appropriate calibration measures inclusive of each bank's historical series. Some special criteria apply to the staging of securities. In contrast to loans, purchase transactions involving this type of exposure after initial purchase may customarily fall within the scope of ordinary management of the positions (with the resulting need to select a method to be adopted to identify sales and redemptions in order to determine the residual quantities of the individual transactions with which to associate a credit quality/rating upon origination to be compared with that at the reporting date). Within this framework, it was decided that the use of the “first-in, first-out” or “FIFO” method (for the recycling to the income statement of the ECL recognised, in the event of sales or redemptions) contributes to more transparent management of the portfolio, including from the standpoint of front-office personnel, while also permitting assessments of creditworthiness to be constantly updated on the basis of new purchases. External providers have been consulted as part of the process of calculating expected credit losses on securities. It bears emphasising that the “first-in, first-out” or “FIFO” method has been used to calculate the recycling to the income statement of the expected credit loss recognised in the event of sales. It should be noted that Banca di Cividale does not apply the “Low Credit Risk Exemption,” which would allow it not to perform the significant deterioration of credit risk test for transactions that as at the measurement date present low credit risk, with the exception of the portfolio of debt securities with an investment grade rating.

The financial instruments considered non-performing according to the Bank of Italy rules, in keeping with IASs/IFRSs and European supervisory regulations, have been classified to Stage 3, as summarised below:

- ✓ Bad debts: these are the on- and off-balance sheet exposures to a party in a state of insolvency (including where not established by the courts) or substantially equivalent situations, regardless of any loss projections formulated by the bank. Exposures the anomalous nature of which relates to country risk are excluded;
- ✓ Unlikely-to-pay positions: these are on- and off-balance sheet exposures to a single debtor which in the bank's view is unlikely to discharge its credit obligations (principal and interest) in full without recourse to actions such as enforcement of guarantees, regardless of the presence of any past-due amounts or instalments;
- ✓ Non-performing past-due positions: these are on-balance sheet positions other than those classified as bad debts or unlikely-to-pay positions that at the reporting date are past due by more than 90 days. In identifying past-due loans, only the individual debtor approach has been used for all positions in portfolio since 1 January 2014.

In conducting the analytical assessment of Stage 3 loans, the loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the position's original effective interest rate. Cash flows are estimated by taking account of the guarantees securing the debt exposure. Where guarantees are not likely to be enforced, their present value must be considered; otherwise, their realisable value, net of recovery expenses, must be considered. Individual impairment losses are based on the presumed losses on the single non-performing loan positions. The expected credit loss on non-performing loans classified as low-value unlikely-to-pay positions or as non-performing past-due positions is calculated for uniform categories based on internal statistical models applied separately to each position. Forward-looking factors that temper the weighted probability of occurrence of the various future scenarios have also been included in the assessment of exposures classified to stage three. Accordingly, the expected losses on non-performing exposures that may potentially be sold are calculated on the basis not only of the cash flows expected to be recovered through internal management, but also the cash flows expected to be recovered through the possible sale of the positions concerned.

Treasury shares

Any treasury shares in portfolio are deducted from equity. Similarly, the original cost of such treasury shares and the gains and losses on their subsequent sale are recognised as changes in equity.

Leasehold improvements

The costs of renovating third-party properties are capitalised in view of the fact that over the term of the lease agreement the company using the property has control of the assets and may derive future economic benefits from them. Such costs, classified among other assets in accordance with the Bank of Italy's Instructions, are depreciated over a period not to exceed the term of the lease agreement.

Employee termination benefits

As a result of the entry into force of the 2007 Finance Act, which advanced to 1 January 2007 the effective date of the reform of supplementary pension schemes enacted in Legislative Decree No. 252 of 5 December 2005, employee termination benefits consist solely of sums accrued through 31 December 2006. In further detail, portions of employee termination benefits accrued from 1 January 2007 are considered "defined-contribution plans" for accounting purposes in accordance with IAS 19. The expense is limited to the contribution defined by the provisions of the Italian Civil Code, without the need to apply any actuarial approach.

Conversely, the provision for employee termination benefits accrued as at 31 December 2006 continues to be considered a defined-benefit plan for accounting purposes in accordance with IAS 19. However, the liability associated with employee termination benefits is subject to actuarial assessment without pro-rating service rendered inasmuch as the service to be assessed may be considered fully accrued.

All actuarial gains and losses on defined-benefit plans are recognised immediately through comprehensive income. Such actuarial gains and losses arise as the result of adjustments to previous actuarial assumptions due to actual experience or the modification of those assumptions. They are allocated to a specific equity reserve.

Recognition of revenue and costs

Revenues arising from the use by third parties of an entity's assets that generate interest, commissions or dividends are recognised when it is probable that the economic benefits from a given transaction will flow to the entity and the amount of revenue can be determined reliably. Interest and commissions are recognised through the income statement according to the classification of the financial instrument to which they refer, whereas dividends are recognised when shareholders become entitled to receive payment. Other commissions are recorded on an accrual basis.

Costs are recognised when they are incurred by following the principle of the correlation of costs and revenue that arise directly and jointly from the same transactions or events. If costs and revenue may only be correlated generically and indirectly, the costs are recognised over multiple periods according to a systematic allocation approach. When costs may not be associated with revenue, they are immediately recognised through the income statement.

Determining amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the amount at maturity, less any reduction for impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or until the repricing date. To calculate present value, the effective interest rate is applied to the future cash payments or receipts over the entire useful life of the financial asset or financial liability – or a shorter period if certain conditions have been met (for example, the revision of market rates).

After initial recognition, amortised cost allows the revenues and costs deducted from or added to the instrument to be allocated over that instrument's entire expected life through the amortisation process. Amortised cost is determined differently depending on whether the financial asset or financial liability to be measured is fixed-rate or floating-rate and, in the latter case, whether the range of rate fluctuation is known in advance. For instruments with fixed rates or fixed rates by time bands, future cash flows are quantified according to the known interest rate (single or floating) over the life of the loan. For floating-rate financial assets or financial liabilities, the range of fluctuation of which is not known in advance (for example, because it is linked to an index), cash flows are determined according to the most recent known rate. Whenever the rate is revised, the repayment schedule and effective interest rate are recalculated over the entire useful life of the instrument, i.e. through its maturity date. The adjustment is recognised as income or expense in the income statement.

The amortised cost method is applied to financial assets measured at amortised cost, financial assets at fair value through comprehensive income and financial liabilities measured at amortised cost.

Financial assets and financial liabilities traded at arm's length conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid, including directly attributable transaction costs and commissions in the case of instruments measured at amortised cost.

Transaction costs are internal or external marginal costs and income attributable to the issuance, acquisition or disposal of a financial instrument that may not be charged back to the customer. Such commissions, which

must be directly attributable to the individual financial asset or financial liability concerned, affect the original effective return and result in a difference between the effective interest rate associated with the transaction and the contractual interest rate. Transaction costs do not include costs or income associated with several transactions without distinction and components associated with events that may occur during the life of the financial instrument, but are not uncertain upon initial definition, such as give-up commissions, commitment fees and prepayment fees. In addition, costs that the entity would be required to incur irrespective of the transaction (e.g., administrative costs, stationery costs and communications costs) and costs that despite being specifically attributable to the transaction fall within normal loan management practice (for example, disbursement activities) are not considered when determining amortised cost.
In the case of loans in particular, the costs considered include those attributable to the financial instrument, the fees paid to distribution channels, the fees paid for consulting/counsel regarding organising and/or participating in syndicated lending and, finally, the upfront fees relating to loans disbursed at above market rates, whereas the revenues considered when calculating amortised cost include the upfront fees related to loans disbursed at below-market rates, the fees for participating in syndicated transactions and the brokerage fees paid to brokerage firms.
In the case of securities issued, amortised cost is calculated by considering the fees for the placement of bonds paid to third parties, the fees paid to securities exchanges and the fees of auditors' services in respect of each issuance programme, whereas amortised cost does not include fees paid to rating agencies, legal fees and consulting/auditing fees for annual updates to securities prospectuses, the costs of using indices and fees that arise over the life of the bond in issue.

Use of estimates and assumptions in preparing the annual financial statements

In preparing the annual financial statements, use has been made of estimates and assumptions that could have an impact on the amounts recognised in the balance sheet and the income statement and disclosed in the notes. Specifically, the greatest use of subjective assessments by management is required in the following cases:

- ✓ determining the amount of impairment losses for financial assets, especially loans and receivables;
- ✓ determining the fair values of financial instruments to be used for disclosure purposes and using valuation models to determine the fair values of financial instruments not quoted in active markets;
- ✓ assessing the appropriateness of the value of goodwill;
- ✓ determining the amounts of staff provisions and provisions for other risks and charges; and
- ✓ preparing estimates and assumptions relating to the recoverability of deferred tax assets.

Reasonable estimates and assumptions to be used in accounting for management transactions are formulated through subjective assessments founded upon the use of all available information and past experience.

Part A.3 – TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

In 2020 the Bank did not undertake any transfers between the various fair value levels. There were no residual assets reclassified in previous years at 31 December 2020.

Part A.4 - FAIR VALUE

QUALITATIVE DISCLOSURES

This section includes the disclosure regarding financial instruments subject to reclassification from one portfolio to another pursuant to the rules set forth in IFRS 9 and the disclosure regarding the fair-value hierarchy in accordance with the provisions of IFRS 13.
Fair value is the price at which an asset may be sold or a liability transferred in a transaction between market participants at the measurement date.
Consequently, it is an exit price and not an entry price.
The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.
For financial instruments measured at fair value on a recurring basis, the bank attributes higher priority to the use of observable inputs and lower priority to measurement techniques that do not use market inputs. In particular, the bank establishes the order of priority, criteria and conditions that result in the choice of one of the following measurement techniques:

- ✓ mark-to-market: a measurement method coinciding with classification to level 1 of the fair value hierarchy;
- ✓ comparable approach: a measurement method based on the use of observable market inputs, the use of which entails classification to level 2 of the fair value hierarchy;
- ✓ mark-to-model: a measurement method involving the application of pricing models whose inputs result in classification to level 3 (use of at least one significant non-observable input) of the fair value hierarchy.

The fair value of financial instruments quoted on active markets is determined on the basis of the official prices of the market to which the Bank has access (mark to market).
A financial instrument is considered quoted in an active market where quoted prices are promptly and regularly available from sources such as securities exchanges, dealers, brokers, pricing agencies or regulatory authorities and such prices represent actual market transactions that take place regularly in normal trading. If an official quotation in an active market does not exist for a financial instrument as a whole, but there are active markets for its component parts, the fair value is determined on the basis of the relevant market prices for its component parts.
If, for a given financial instrument, the conditions for identifying an active market have not been satisfied and it thus is not possible to classify it to level 1 of the fair value hierarchy and apply the mark-to-market approach, it will be necessary to make use of a measurement technique, by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties in balanced bargaining conditions.
If this measurement technique is based on observable market inputs, the instrument is classified as level 2 and a comparable approach is applied. If the measurement techniques adopted also use non-observable inputs, and their contribution to the determination of fair value is to be regarded as significant, the measurement of the financial asset or liability is to be considered level 3 (mark to model).
The following is an account of the criteria used in measuring portfolios at fair value.

Bonds

Such securities are measured according to the liquidity conditions of their respective markets of reference. Liquid instruments quoted in active markets are measured at mark-to-market and the positions are therefore classified to level 1 of the fair value hierarchy. If there are no quotations that meet the criteria for an active market, the criterion of comparison to similar securities quoted on info providers is applied, an operating quotation in an inactive market is applied or a measurement based on inputs observable on active markets is used and the instrument is classified to level 2 of the fair value hierarchy. If a fair value quotation cannot be determined by applying the foregoing criteria, the instrument is classified as level 3 and its price is determined through a specific request to a market broker or the implementation of a specific pricing model.

Mutual funds and shares of CIUs

These are classified to level 1 when there is a bid/ask quotation representative of an active market and a possible transaction price. Alternatively, such instruments are measured according to their official net asset value (NAV) at the end of the period. Such assets are classified to level 2 or level 3 of the fair value hierarchy depending on the availability of NAV, portfolio transparency and position liquidity.
In some cases, where the NAV does not represent the actual value of the underlying elements, the underlying investments are measured on the basis of the information available at the measurement date.

Amounts due from and to banks, loans to customers, amounts due to customers and debt securities issued

For financial instruments carried at amortised cost and classified among amounts due to and from banks, loans to customers, amounts due to customers and debt securities issued, fair value is determined as follows for the purposes of disclosure in the financial statements:

- ✓ the fair value of medium-/long-term performing loans to customers is determined by discounting projected cash flows on the basis of a risk-free curve, to which a spread representative of credit risk, determined on the basis of expected losses (PD and LGD), is applied. The fair value thus determined is classified to level 3 of the fair value hierarchy;
- ✓ the fair value of amounts due to and from banks with longer maturities is determined by discounting the projected cash flows according to a risk-free curve, to which a spread representative of credit risk is applied;
- ✓ the fair value of non-performing loans to customers (bad debts, unlikely-to-pay positions and past-due positions) is determined by discounting the positions according to a risk-free market rate, net of any adjusting provisions representative of the associated credit risk. For such exposures, the exit price would be significantly influenced by projected impairment losses, which are the result of a subjective assessment by the manager of the position, with regard to the recovery rate and timing. As a consequence, such positions are classified to level 3 of the fair value hierarchy;
- ✓ the carrying amount at initial recognition is regarded as a sound approximation of the fair value of demand or short-term assets and liabilities. The fair value thus determined is classified to level 3 of the fair value hierarchy by convention;
- ✓ the fair value of bonds carried at amortised cost is measured by reference to quotations on an active market, or on the basis of a valuation technique based on the discounting of the security’s cash flows using the interest rate curve of reference, corrected as appropriate to take account of the change in creditworthiness on the basis of the method described above for the assessment of bonds. The same applies for considerations regarding the fair value hierarchy;
- ✓ the fair value of debt securities classified to the portfolio “Financial assets measured at amortised cost: a) loans to banks; b) loans to customers” and of repurchase agreements has been determined through the use of valuation models, as described above for financial assets and liabilities measured at fair value.

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

If, for a given financial instrument, the conditions for identifying an active market have not been satisfied and it thus is not possible to classify it to level 1 of the fair value hierarchy and apply the mark-to-market approach, it will be necessary to make use of a measurement technique, by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties in balanced bargaining conditions.
If this measurement technique is based on observable market inputs, the instrument is classified as level 2 and a comparable approach is applied.
The measurement techniques applied in this case include:

- ✓ the use of recent market transactions between knowledgeable, independent parties;
- ✓ reference to the fair value of a financial instrument having the same characteristics;

- ✓ cash flow discounting techniques;
- ✓ option valuation techniques;
- ✓ the use of commonly used pricing techniques, provided that such techniques yield prices in line with those applied in actual exchanges.

The market inputs used in the comparable approach are:

- ✓ prices quoted on active markets for similar assets or liabilities;
- ✓ prices quoted for the instrument in question or similar instruments on inactive markets, i.e., markets on which there are few transactions. The prices are not current or vary substantially over time and amongst the various market markets, or little information is made public;
- ✓ observable market inputs (e.g., interest rates, observable yield curves, credit spreads, quoted volatilities);
- ✓ inputs that derive from observable market data, for which the relationship is supported by parameters such as correlation.

If the measurement techniques adopted also use non-observable inputs, and their contribution to the determination of fair value is to be regarded as significant, the measurement of the financial asset or liability is to be considered level 3.
The mark-to-model approach applies to all financial instruments for which there is no active market, where:

- ✓ significant adjustments to the observable inputs used based on non-observable inputs are necessary;
- ✓ the estimate of fair value is based on the bank's internal assumptions concerning future cash flows and the discount curve used;
- ✓ the measurement techniques used are of sufficient complexity to entail significant model risk.
- ✓ The main inputs used in this approach are:
- ✓ for real estate funds, a NAV adjustment model aimed at taking account of the issuer's default risk;
- ✓ for structured bonds, the discounted cash flow model, applied on the basis of estimates of future cash flows and/or the discount factor;
- ✓ for equity instruments, the market approach (a model based on market multiples and price matrices), the Black-Scholes-Merton model and the binomial model.

A.4.2 Valuation processes and sensitivity
The Bank conducted an assessment of the potential impacts of sensitivity to unobservable market parameters in the measurement of instruments classified to level 3 in the fair-value hierarchy and measured at fair value on a recurring basis. That assessment indicated that the impacts concerned were not material with respect to the situation represented. In further detail, the portfolio of instruments measured at fair value on a recurring basis and classified to level 3 of the fair-value hierarchy consists primarily of equity investments, subject to impairment testing when the requirements for so doing have been met, and investments in fund shares.

A.4.3 Fair-value hierarchy
IFRS 13 establishes that financial instruments measured at fair value are to be classified according to the degree of observability of the inputs analysed when pricing them.
Specifically, three levels of classification have been established:

- ✓ Level 1: the fair value of the instruments classified to this level is determined on the basis of quoted prices observable on active markets;
- ✓ Level 2: the fair value of the instruments classified to this level is determined on the basis of measurement models that use inputs observable on active markets;
- ✓ Level 3: the fair value of the instruments classified to this level is determined on the basis of measurement models that primarily use inputs not observable on active markets.

The levels indicated above are to be applied in hierarchical order, giving the highest priority to the use of observable market parameters that permit the assets or liabilities to be measured on the basis of the assumptions used by market participants and the lowest priorities to measurement techniques that do not contemplate market parameters and thus reflect a greater degree of discretion in measurement by the bank.

QUANTITATIVE DISCLOSURES

A.4.5 Fair-value hierarchy
The following tables show the breakdown of portfolios of assets and liabilities measured at fair value into the aforementioned levels and annual changes in assets and liabilities of this kind classified to level 3.

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

Financial assets / liabilities at fair value	31/12/2020 L1	31/12/2020 L2	31/12/2020 L3	31/12/2019 L1	31/12/2019 L2	31/12/2019 L3
1. Financial assets measured at fair value through profit or loss	712	1,792	19,181	943	2,641	32,077
a) financial assets held for trading	712	228	-	943	80	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	1,564	19,181	-	2,560	32,077
2. Financial assets measured at fair value through other comprehensive income	127,351	680	19,213	146,948	736	19,423
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**128,063**	**2,472**	**38,394**	**147,890**	**3,377**	**51,500**
1. Financial liabilities held for trading	-	63	-	-	125	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	**63**	-	-	**125**	-

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

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

	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
	Total	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE				
1. Opening balance	-	-	-	**32,077**	**19,423**	-	-	-
2. Increases	-	-	-	**991**	**106**	-	-	-
2.1. Purchases	-	-	-	950	68	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-	-	-
2.2.1.Income statement	-	-	-	-	-	-	-	-
- of which unrealised gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	41	38	-	-	-
3. Decreases	-	-	-	**13,887**	**316**	-	-	-
3.1. Sales	-	-	-	1,020	-	-	-	-
3.2. Redemptions	-	-	-	11,902	-	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	1	316	-	-	-
- of which unrealised losses	-	-	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	964	-	-	-	-
4. Closing balance	-	-	-	**19,181**	**19,213**	-	-	-

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

None of the items in the table, provided for by the Bank of Italy, A.4.5.3 "Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)" presents values.

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

Financial assets / liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2020 BV	31/12/2020 L1	31/12/2020 L2	31/12/2020 L3	31/12/2019 BV	31/12/2019 L1	31/12/2019 L2	31/12/2019 L3
1. Financial assets measured at amortised cost	3,810,152	757,672	56,217	3,439,486	3,802,116	930,611	27,552	3,201,333
2. Investment property	9,673	-	-	9,673	10,330	-	-	10,330
3. Non-current assets or groups of assets being divested	-	-	-	-	-	-	-	-
Total	**3,819,825**	**757,672**	**56,217**	**3,449,159**	**3,812,446**	**930,611**	**27,552**	**3,211,663**
1. Financial liabilities measured at amortised cost	4,600,794	-	2,890	4,598,724	3,979,634	8,301	3,947	3,964,490
2. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**4,600,794**	-	**2,890**	**4,598,724**	**3,979,634**	**8,301**	**3,947**	**3,964,490**

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

It is assumed that the carrying amounts of non-performing loans classified to level three of the fair value hierarchy are a reasonable approximation of their fair values. This assumption is based on the fact that the calculation of fair value is primarily influenced by the expectation of a recovery, based on subjective assessment by the manager.
Similarly, the fair value of performing loans classified to level three is based on models that rely on primarily non-observable inputs (e.g., internal risk parameters).
As a result, and due to the lack of a secondary market, the fair value presented in the financial statements, for disclosure purposes only, could differ significantly from the prices of any sales.

A.5 Day-one profit/loss

On the basis of the composition of the financial instruments portfolio and the results of the analyses performed, no day-one profits were identified. "Day-one profit" is defined as the difference, upon initial recognition, not immediately recognised in the income statement pursuant to IAS 39 AG 76 and AG 76A, between the transaction price and value obtained through the use of valuation techniques that make use of non-market inputs.

Chapter B – NOTES TO THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - item 10

1.1 Cash and cash equivalents: composition

	31/12/2020	31/12/2019	%
a) Cash	16,102	19,244	-16.3%
b) Free deposits with Central banks	757,188	99,335	n.s.
Total	**773,290**	**118,579**	**552.1%**

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

2.1 Financial assets held for trading: composition by type

	31/12/2020			31/12/2019			%
	L1	L2	L3	L1	L2	L3	
A. Cash assets							
1. Debt securities	712	0	-	892	-	-	-20.2%
1.1 structured securities	-	-	-	-	-	-	-
1.2 other debt securities	712	0	-	892	-	-	-20.2%
2. Equities	0	0	-	51	-	-	-100.0%
3. Quotas of UCI	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-
Total A	**712**	**0**	**-**	**943**	**-**	**-**	**-24.5%**
B. Derivatives							
1. Financial derivatives	-	228	-	-	80	-	184.7%
1.1 trading	-	228	-	-	80	-	184.7%
1.2 fair value option	-	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-
Total	**-**	**228**	**-**	**-**	**80**	**-**	**184.7%**
TOTAL (A+B)	**712**	**228**	**-**	**943**	**80**	**-**	**-8.1%**

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

	31/12/2020	31/12/2019	%
A. ON-BALANCE-SHEET FINANCIAL ASSETS	-	-	-
1. Debt securities	**712**	**892**	-20.2%
a) Governments and central banks	-	-	-
b) Other government agencies	0	878	-100%
c) Banks	-	-	-
d) Other financial companies	11	11	0.0%
of which: insurance	-	-	-
e) Non financial companies	702	3	n.s.
2. Equity securities	**0**	**51**	**-100%**
a) Banks	-	-	-
b) Other issuers	**0**	51	-100%
of which: insurance	-	51	-100%
c) Non financial companies	0	-	0%
d) Other issuers	-	-	-
3. Quotas of UCI	-	-	-
4. Loans	-	-	-
a) Governments and central banks	-	-	-
b) Other government agencies	-	-	-
c) Banks	-	-	-
d) Other financial companies	-	-	-
of which: insurance	-	-	-
e) Non financial companies	-	-	-
f) Households	-	-	-
Total A	**712**	**943**	**-24.5%**
B. Derivatives	**228**	**80**	**184.7%**
a) Central counterparties	-	-	-
b) Other	**228**	**80**	**184.7%**
Total B	**228**	**80**	**184.7%**
TOTAL (A+B)	**940**	**1,023**	**-8.1%**

2.5 Other financial assets mandatorily measured at fair value: composition by type

	31/12/2020			31/12/2019			%
	L1	L2	L3	L1	L2	L3	
1. Debt securities	-	**1,564**	-	-	**1,539**	-	**1.6%**
1.1 Structured securities	-	-	-	-	-	-	0.0%
1.2 Other debt securities	-	1,564	-	-	1,539	-	1.6%
2. Equities	-	-	-	-	-	-	-
3. Quotas of UCI	-	-	17,446	-	-	18,485	-5.6%
4. Loans	-	-	**1,735**	-	**1,020**	**13,593**	**-88.1%**
4.1 Repurchase agreements	-	-	-	-	-	-	-
4.2 Other	-	-	1,735	-	1,020	13,593	-88.1%
Total	-	**1,564**	**19,181**	-	**2,559**	**32,078**	**-40.1%**

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

2.6 Other financial assets mandatorily measured at fair value: composition by borrower/issuer

	31/12/2020	31/12/2019	%
1. Equities	-	-	-
of which: banks	-	-	-
of which: other financial companies	-	-	-
of which: non financial companies	-	-	-
2. Debt securities	**1,564**	**1,539**	**2%**
a) Central Banks	-	-	-
b) Public administration	-	-	-
c) Banks	-	-	-
d) Other financial companies	1,564	1,539	**2%**
of which: insurance companies	-	-	-
e) Non financial companies	-	-	-
3. Quotas of UCI	**17,446**	**18,485**	-5.6%
4. Loans	**1,735**	**14,613**	**-88%**
a) Central Banks	-	-	-
b) Public administration	-	-	-
c) Banks	-	-	-
d) Other financial companies	1,735	14,613	-88.1%
of which: insurance companies	1,708	13,594	-87.4%
e) Non financial companies	-	-	-
f) Households	-	-	-
Total	**20,745**	**34,637**	**-40.1%**

Section 3 - Financial assets designated at fair value through comprehensive income - item 30

3.1 Financial assets designated at fair value through comprehensive income: composition by type

	31/12/2020			31/12/2019			%
	L1	L2	L3	L1	L2	L3	
1. Debt securities	127,351	-	-	146,947	-	-	-13.3%
1.1 Structured securities	-	-	-	-	-	-	-
1.2 Other debt securities	127,351	-	-	146,947	-	-	-13.3%
2. Equities	-	680	19,213	-	736	19,424	-1.3%
3. Loans	-	-	-	-	-	-	-
Total	**127,351**	**680**	**19,213**	**146,947**	**736**	**19,424**	**-11.9%**

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

3.2. *Financial assets designated at fair value through comprehensive income: composition by borrower/issuer*

	31/12/2020	31/12/2019	%
1. Debt securities	**127,351**	**146,947**	**-13.3%**
a) Central Banks	-	-	-
b) Public administration	119,327	133,000	-10.3%
c) Banks	7,263	7,833	-7.3%
d) Other financial companies	-	5,109	-100.0%
of which: insurance companies	-	-	-
e) Non financial companies	760	1,005	-24.3%
2. Equities	**19,892**	**20,160**	**-1.3%**
a) Banks	6,496	6,935	-6.3%
b) Other issuers:	13,396	13,225	1.3%
- other financial companies	2,677	2,677	0.0%
of which: insurance companies	2,500	2,500	0.0%
- non financial companies	10,719	10,548	1.6%
- other	-	-	-
3. Loans	-	-	-
a) Central Banks	-	-	-
b) Public administration	-	-	-
c) Banks	-	-	-
d) Other financial companies	-	-	-
of which: insurance companies	-	-	-
e) Non financial companies	-	-	-
f) Household	-	-	-
Total	**147,243**	**167,107**	**-11.9%**

3.3 Financial assets designated at fair value through comprehensive income: gross value and total adjustments

	Gross amount				Total adjustment			Total partial write-offs *
	Stage 1	of which: Instrument with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	**127,392**	-	-	-	**42**	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31.12.2020	**127,392**	-	-	-	**42**	-	-	-
Total 31.12.2019	**147,056**	-	-	-	**109**	-	-	-
of which: purchased or originated credit-impaired financial assets	X	X	-	-	X	-	-	-

* *Value to be presented for disclosure purposes*

3.3a Loans designated at fair value through comprehensive income subject to COVID-19 support measures: gross value and total adjustments

Not applicable.

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

4.1 Financial assets measured at amortised cost: composition of loans to banks by type

Items	31/12/2020						31/12/2019					
	Book value			Fair Value			Book value			Fair Value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	L1	L2	L3
A. Claims on central banks	**24,246**	-	-	-	-	**24,246**	**20,223**	-	-	-	-	**20,223**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirement	24,246	-	-	X	X	X	20,223	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from banks	**12,805**	-	-	**4,588**	**X**	**8,307**	**26,693**	-	-	**18,522**	**X**	**8,174**
1. Loans	8,307	-	-	-	-	8,307	8,174	-	-	-	-	8,174
1.1 Current accounts and free deposits	6,249	-	-	X	X	X	6,116	-	-	X	X	X
1.2 Time deposits	2,058	-	-	X	X	X	2,058	-	-	X	X	X
1.3 Other financing	-	-	-	X	X	X	-	-	-	X	X	X
- repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- other	-	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	**4,498**	-	-	**4,588**	-	-	**18,519**	-	-	**18,522**	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt securities	4,498	-	-	4,588	-	-	18,519	-	-	18,522	-	-
Total	**37,051**	-	-	**4,588**	-	**32,554**	**46,916**	-	-	**18,522**	-	**28,397**

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

4.2 Financial assets measured at amortised cost: composition of loans to customers by type

Items	31/12/2020						31/12/2019					
	Book value			Fair Value			Book value			Fair Value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	L1	L2	L3
1. Loans	**2,832,444**	**143,950**	**73**	-	-	**3,406,932**	**2,633,904**	**184,359**	**94**	-	-	**3,172,936**
1.1. Current accounts	177,817	20,494	-	X	X	X	246,704	33,463	22	X	X	X
1.2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	1,953,837	109,653	73	X	X	X	1,677,080	132,755	72	X	X	X
1.4. Credit cards, personal loans and loans repaid by automatic deductions from wages	50,509	1,454	-	X	X	X	47,588	1,649	-	X	X	X
1.5. Finance leases	234,645	9,765	-	X	X	X	235,476	11,050	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other	415,635	2,584	-	X	X	X	427,056	5,442	-	X	X	X
2. Debt securities	**796,707**	-	-	**753,084**	**56,217**	-	**936,937**	-	-	**912,089**	**27,552**	-
2.1. structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2. other debt securities	796,707	-	-	753,084	56,217	-	936,937	-	-	912,089	27,552	-
Total	**3,629,151**	**143,950**	**73**	**753,084**	**56,217**	**3,406,932**	**3,570,841**	**184,359**	**94**	**912,089**	**27,552**	**3,172,936**

At 31 December 2020 net finance lease exposures amounted to €265,938 thousand, after deducting provisions for impairment of €10,897 thousand. Of these exposures €28,889 thousand relates to pre-financing for progress on work on real property that is posted to the item "Other financing". Net non-performing exposures came to €9,766 thousand.

The lease contracts entered into have the following characteristics:

- ✓ all of the risks and rewards associated with ownership of the asset are transferred to the lessee;
- ✓ on signing the lessee pays an advance that is retained by the lessor when the contract begins to generate income and is deducted from the amount financed;
- ✓ the lessee makes periodic payments over the useful life of the contract, the amount of which may vary according to benchmarking clauses;
- ✓ at the end of the contract, the lessee is granted the option to purchase the asset governed by the contract at below the fair value on the strike date, which means that it is reasonably certain that the option will be exercised.

Since the lessor retains legal ownership of the asset for the entire life of the contract, the asset itself constitutes an implicit guarantee of the lessee's exposure, with the consequence that there is no residual amount not covered by the guarantee. In cases of assets that currently cannot be sold or subject to rapid obsolescence, ancillary guarantees are also requested from the lessee or, alternatively, the supplier of the asset.

During the year, charges for potential lease payments of €2,648 thousand were recognised. In this regard, it bears recalling that IAS 17 defines a potential lease payment as the part of a payment the amount of which is not predetermined, but which is based on the future value of a parameter that changes for reasons other than the passage of time (such as a percentage of future sales, the amount of future use, future price indices or future market interest rates).

4.3 Financial assets measured at amortised cost: composition of loans to customers by borrowers/issuers

	31/12/2020			31/12/2019		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired
1. Debt securities	**796,707**	-	-	936,937	-	-
a) Public administration	736,755	-	-	908,765	-	-
b) Other financial companies	54,778	-	-	27,375	-	-
of which: insurance	-	-	-	-	-	-
c) Non financial companies	5,174	-	-	797	-	-
2. Loans:	**2,832,444**	**143,950**	**73**	**2,633,904**	**184,359**	**94**
a) Public administration	4,097	0	-	4,634	-	-
b) Other financial companies	137,202	1,454	-	131,814	3,544	-
of which: insurance	150	-	-	-	-	-
c) Non financial companies	1,374,305	79,057	73	1,236,483	101,947	94
d) Households	1,316,840	63,439	-	1,260,973	78,868	-
Total	**3,629,151**	**143,950**	**73**	**3,570,841**	**184,359**	**94**

4.4 Financial assets measured at amortised cost: gross value and total adjustments

	Gross amount				Total adjustment			Total partial write-offs *
	Stage 1	of which: Instrument with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	799,907	-	1,805	-	478	30	-	-
Loans	2,671,900	-	213,545	297,671	12,562	7,884	153,721	5,555
Total 31.12.2020	**3,471,807**	-	**215,350**	**297,671**	**13,040**	**7,914**	**153,721**	**5,555**
Total 31.12.2019	**3,429,586**	-	**203,315**	**373,194**	**8,454**	**6,691**	**188,834**	**19,170**
of which: purchased or originated credit-impaired financial assets	X	X	-	270	X	-	196	-

* Value to be presented for disclosure purposes

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

	Gross amount				Total adjustment			Total partial write-offs *
	Stage 1	of which: Instrument with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
1. EBA-compliant moratoria loans and advances	577,161	-	109,517	9,233	3,871	4,637	2,629	-
2. Other loans and advances with Covid-19 related forbearance measures	-	-	-	-	-	-	-	-
3. Newly originated loans and advances	151,238	-	3,644	2,514	260	16	180	-
Total 31.12.2020	728,399	-	113,161	11,747	4,131	4,653	2,809	-
Total 31.12.2019	-	-	-	-	-	-	-	-

Section 5 - Hedging derivatives - item 50

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 6 - Change in fair value of macro fair value hedge portfolios - item 60

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 7 - Equity investments - item 70

7.1 Equity investments: information on investments

	Registered office	Headquarters	% holding	% of votes
A. Companies under exclusive control				
1 Civitas SPV S.r.l. *	Conegliano (TV) - Via V. Alfieri n. 1	Conegliano (TV) - Via V. Alfieri n. 1	0.00%	
2 Civiesco Srl	Udine - Via Vittorio Veneto n. 24	Udine - Via Vittorio Veneto n. 24	100.00%	
B. Companies subject to joint control				
C. Companies under significant influence				
1 Acirent S.p.A.	Udine - Via Crispi n. 17	Udine - Via Crispi n. 17	30.00%	
2 Help Line	Cividale del Friuli (UD) - Via G. Pelizzo n. 8	Cividale del Friuli (UD) - Via G. Pelizzo n. 8	29.68%	

** Civitas SPV S.r.l. is a special purpose entity included among the equity investments of Banca di Cividale due to its status as originator of the securitisation operation (without derecognition of the assets transferred) and the contractual conditions of the transaction.*

7.2 Significant equity investments: carrying amounts, fair values and dividends

	Book Value	Fair Value	Dividends received
A. Companies under exclusive control			
1 Civitas SPV S.r.l. *	-	-	-
2 Civiesco Srl	89	-	-
B. Companies subject to joint control			
C. Companies under significant influence			
1 Acirent S.p.A.	548	-	-
2 Help Line	1,722	-	-
	2,359	-	-

7.3 Significant equity investments: accounting information

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Adjustments to / writebacks on property, equipment and intangible assets	Income (Loss) before tax from continuing operations	Income (Loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Comprehensive income (3) = (1) + (2)
A. Companies under exclusive control		**3,322**	**1,156**	**4,030**	**448**	**3,503**	**(22)**	**(10)**	**455**	**330**	-	**330**	-	**330**
1 Civitas SPV S.r.l. *	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Civiesco Srl ***	-	3,322	1,156	4,030	448	3,503	(22)	(10)	455	330	-	330	-	330
B. Companies subject to joint control														
C. Companies under significant influence		**4,116**	**19,479**	**6,234**	**17,361**	**34,135**	-	-	**204**	**138**	-	**138**	-	**138**
1 Acirent S.p.A. **	X	1,709	5,400	5,050	2,059	3,798	X	X	72	66	-	66	-	66
2 Help Line ***	X	2,407	14,079	1,184	15,302	30,337	X	X	132	72	-	72	-	72
Total	-	**7,438**	**20,635**	**10,264**	**17,809**	**37,638**	**(22)**	**(10)**	**659**	**468**	-	**468**	-	**468**

** Civitas SPV S.r.l. is a special purpose entity included among the equity investments of Banca di Cividale due to its status as originator of the securitisation operation (without derecognition of the assets transferred) and the contractual conditions of the transaction.*
*** Financial statements at 31/12/2019*
**** Financial statements at 31/12/2020*

7.5 Equity investments: annual changes

	31/12/2020	31/12/2019
A. Opening balance	**3,190**	**3,769**
B. Increases	-	-
B.1 Purchases	-	-
of which business combinations	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**831**	**579**
C.1 Sales	-	579
C.2 Impairments	-	-
C.3 Writedowns	831	-
C.4 Other changes	-	-
of which business combinations	-	-
D. Closing balance	**2,359**	**3,190**
E. Total revaluations	-	-
F. Total writedowns	-	-

Item C.3 relates solely to the impairment loss on the investee company Help-Line.

7.7 Commitments regarding investments in companies subject to significant influence
No commitments have been recognised in respect of companies subject to significant influence, as shown in the list of equity investments provided in the foregoing table 7.1.

7.8 Significant restrictions
No commitments have been recognised in respect of the list of equity investments presented in table 7.1 above.

Section 8 - Property, plant and equipment - item 80

8.1 Operating property, plant and equipment: composition of assets measured at cost

	31/12/2020	31/12/2019	%
1. Property and equipment owned	**61,985**	**63,761**	**-2.8%**
a) land	4,932	4,932	0.0%
b) buildings	53,914	55,219	-2.4%
c) movables	2,692	3,142	-14.3%
d) electrical plant	447	468	-4.5%
e) other	-	-	-
2. Property and equipment acquired under finance lease	**13,446**	**15,350**	**-12.4%**
a) land	-	-	-
b) buildings	11,906	13,737	-13.3%
c) movables	-	-	-
d) electrical plant	-	-	-
e) other	1,540	1,613	-4.5%
Total	**75,431**	**79,111**	**-4.7%**
of which: resulting from the enforcement of guarantees			

The following are the estimated useful lives of depreciable items of property, plant and equipment by asset class:
- land: indefinite;
- works of art: indefinite;
- buildings – 2% – 50 years;
- furniture – 12% – 9 years;
- plant – 15% – 7 years;
- plant – 30% – 4 years;
- plant – 7.5% – 14 years;
- fixtures – 15% – 7 years; and
- electronic machines – 20% – 5 years.

8.2 Investment property: composition of assets measured at cost

Breakdown	31/12/2020				31/12/2019			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Property and equipment owned	**9,673**	-	-	**9,673**	**10,330**	-	-	**10,330**
a) land	2,670	-	-	2,670	3,247	-	-	3,247
b) buildings	7,003	-	-	7,003	7,083	-	-	7,083
2. Property and equipment acquired under finance lease	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**9,673**	-	-	**9,673**	**10,330**	-	-	**10,330**
of which: resulting from the enforcement of guarantees	-	-	-	-	-	-	-	-

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

8.6 Operating property, plant and equipment - Owned assets and rights of use acquired under leases: annual changes

	Land	Buildings	Furniture	Electrical plant	Other	Total
A. Opening gross balance	4,932	89,956	13,536	12,320	2,063	122,808
A.1 Total net writedowns	-	20,999	10,395	11,852	451	43,696
A.2 Opening net balance	4,932	68,957	3,141	468	1,613	79,112
A.3 Change in opening balances (FTA IFRS16)	-	-	-	-	-	-
A.4 Opening net balance	4,932	68,957	3,141	468	1,613	79,112
B. Increases	-	74	173	153	431	831
B.1 Purchases	-	74	82	120	414	690
of wich: business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	91	33	17	141
C. Decreases	-	3,210	622	174	504	4,510
C.1 Sales	-	-	94	33	38	165
C.2 Depreciation	-	2,953	528	141	466	4,088
C.3 Writedowns for impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	257	-	-	-	257
D. Closing net balance	4,932	65,821	2,692	447	1,540	75,433
D.1 Total net writedowns	-	23,952	10,832	11,960	917	47,660
D.2 Closing gross balance	4,932	89,773	13,524	12,407	2,456	123,093
E. Measurement at cost	-	-	-	-	-	-

8.6 Of which - Operating property, plant and equipment - Owned rights of use: annual changes

	Land	Buildings	Furniture	Electrical plant	Other	Total
A. Opening gross balance	4,932	76,088	13,536	12,320	42	106,918
A.1 Total net writedowns	-	20,869	10,395	11,852	42	43,157
A.2 Opening net balance	4,932	55,219	3,141	468	-	63,761
A.3 Change in opening balances (FTA IFRS16)	-	-	-	-	-	-
A.4 Opening net balance	4,932	55,219	3,141	468	-	63,761
B. Increases	-	4	173	153	-	330
B.1 Purchases	-	4	82	120	-	206
of wich: business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	91	33	-	124
C. Decreases	-	1,309	622	174	-	2,105
C.1 Sales	-	-	94	33	-	127
C.2 Depreciation	-	1,309	528	141	-	1,978
C.3 Writedowns for impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Closing net balance	4,932	53,914	2,692	447	-	61,986
D.1 Total net writedowns	-	22,178	10,832	11,960	42	45,011
D.2 Closing gross balance	4,932	76,092	13,524	12,407	42	106,997
E. Measurement at cost	-	-	-	-	-	-

8.6 Of which - Operating property, plant and equipment - Rights of use acquired under leases: annual changes

	Land	Buildings	Furniture	Electrical plant	Other	Total
A. Opening gross balance	-	15,402	-	-	2,022	17,424
A.1 Total net writedowns	-	1,665	-	-	409	2,074
A.2 Opening net balance	-	13,737	-	-	1,613	15,350
A.3 Change in opening balances (FTA IFRS16)	-	-	-	-	-	-
A.4 Opening net balance	-	13,737	-	-	1,613	15,350
B. Increases	-	70	-	-	431	501
B.1 Purchases	-	70	-	-	414	484
of wich: business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	17	17
C. Decreases	-	1,901	-	-	504	2,405
C.1 Sales	-	-	-	-	38	38
C.2 Depreciation	-	1,644	-	-	466	2,110
C.3 Writedowns for impairment recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	257	-	-	-	257
D. Closing net balance	-	11,906	-	-	1,540	13,446
D.1 Total net writedowns	-	3,309	-	-	875	4,184
D.2 Closing gross balance	-	15,215	-	-	2,415	17,630
E. Measurement at cost	-	-	-	-	-	-

8.7 Investment property: annual changes

	Total 31/12/2020	
	Land	Buildings
A. Opening gross balance	3,247	7,083
B. Increases	-	209
B.1 Purchases	-	209
B.2 Capitalised improvement costs	-	-
B.3 Positive fair value differences	-	-
B.4 Write-backs	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from property used in operations	-	-
B.7 Other changes	-	-
C. Decreases	**577**	**289**
C.1 Sales	-	-
C.2 Depreciation	-	289
C.3 Negative fair value differences	-	-
C.4 Impairment losses	577	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to other assets	-	-
a) property used in operations	-	-
b) non-current assets held for sale and discontinued operatior	-	-
C.7 Other changes	-	-
D. Final carrying amount	**2,670**	**7,003**
E. Fair value measurement		

Item C.4 relates solely to the impairment loss on owned land.

Section 9 - Intangible assets - item 90

9.1 Intangible assets: composition by category

	31/12/2020		31/12/2019		%
	finite useful life	indefinite useful life	finite useful life	indefinite useful life	
A.1 Goodwill	X	-	X	-	-
A.2 Other intangible assets	-	-	-	-	-
A.2.1 Assets measured at cost	147	-	119	-	23.5%
a) Internally generated intangible assets	-	-	-	-	-
b) Other assets	147	-	119	-	23.5%
A.2.2 Assets measured at fair value	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-
b) Other assets	-	-	-	-	-
Total	**147**	-	**119**	-	**23.5%**

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Fin.	Indef.	Fin.	Indef.	
A. Gross initial carrying amount	-	-	-	449	-	449
A.1 Total net adjustments	-	-	-	330	-	330
A.2 Net initial carrying amount	-	-	-	119	-	119
B. Increases	-	-	-	86	-	86
B.1 Purchases	-	-	-	86	-	86
B.2 Increases of internally generated	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	58	-	58
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	X	-	-	58	-	58
- Write-downs recognised in	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative fair value differences	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	-	-	-	147	-	147
D.1 Total net adjustments	-	-	-	388	-	388
E. Gross final carrying amount	-	-	-	535	-	535
F. Measurement at cost	-	-	-	-	-	-

Key: DEF: definite-term INDEF: indefinite-term

Section 10 - Tax assets and tax liabilities - item 100 of assets and item 60 of liabilities

10.1 Deferred tax assets: composition

Composition by type:	31/12/2020	31/12/2019
Tax effect on AFS reserve	454	147
Staff costs	778	774
Credit losses	41,221	47,817
Fiscal losses	3,017	3,995
Property and equipment	1,916	1,916
Fta Ifrs 9	8,807	9,908
Other	2,240	2,011
Total	**58,433**	**66,567**

10.2 Deferred tax liabilities: composition

Composition by type:	31/12/2020	31/12/2019
Tax effect on AFS	451	329
Fta Ifrs 9	256	256
Other	29	29
Total	**736**	**614**

10.3 Changes in deferred tax assets (through the income statement)

	31/12/2020	31/12/2019
1. Opening balance	56,347	58,559
2.Increases	3,660	782
2.1 Deferred tax assets recognised during the year	3,660	782
a) in respect of previous periods	45	185
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) other	3,615	596
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	10,621	2,994
3.1 Deferred tax assets derecognised during the year	7,157	2,994
a) reversals	-	-
b) writedowns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	7,157	2,994
3.2 Reduction in tax rates	-	-
3.3 Other decreases	3,464	-
a) conversion in tax assets set forth in Italian Law 214/20	3,464	-
b) other	-	-
4.Closing balance	**49,386**	**56,347**

10.3-bis Changes in deferred tax assets pursuant to Law 214/2011

	31/12/2020	31/12/2019
1. Opening balance	**47,817**	**47,817**
2.Increases	-	-
3. Decreases	6,595	-
3.1 Reversals	-	-
3.2 Transformation into tax credits	-	-
a) from losses for the year	-	-
b) from fiscal losses	-	-
3.3 Other decreases	6,595	-
4.Closing balance	**41,221**	**47,817**

10.4 Changes in deferred tax liabilities (through the income statement)

	31/12/2020	31/12/2019
1.Opening balance	29	273
2. Increases	-	-
2.1 Deferred tax liabilities recognised during the year	-	-
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	244
3.1 Deferred tax liabilities derecognised during the year	-	-
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	244
4. Closing balance	**29**	**29**

10.5 Changes in deferred tax assets (through equity)

	31/12/2020	31/12/2019
1.Opening balance	10,219	10,868
2. Increases	8	144
2.1 Deferred tax assets recognised during the year	8	144
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	8	144
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	1,180	793
3.1 Deferred tax assets derecognised during the year	80	793
a) reversals	-	-
b) writedowns for supervening non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	80	793
3.2 Reduction in tax rates	-	-
3.3 Other decreases	1,101	-
4.Closing balance	**9,047**	**10,219**

10.6 Changes in deferred tax liabilities (through equity)

	31/12/2020	31/12/2019
1.Opening balance	585	986
2. Increases	451	328
2.1 Deferred tax liabilities recognised during the year	451	328
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	451	328
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	329	730
3.1 Deferred tax liabilities derecognised during the year	329	730
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	329	730
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	706	585

Probability test on deferred taxes

According to international accounting standard IAS 12, deferred tax assets and liabilities are recognised according to the following criteria:

- ✓ a deferred tax liability must be recognised for all taxable temporary differences;
- ✓ a deferred tax asset is to be recognised for all deductible temporary differences if it is probable that sufficient taxable income will be earned for the deductible temporary differences. Deferred tax assets not previously recognised – inasmuch as the requirements for their recognition had not been satisfied – are to be recognised in the year in which those requirements are met.

Accordingly, the amount of the deferred tax assets recognised must be tested each year in order to determine whether it is reasonably certain that future taxable income will permit the recovery of the assets.

Considering the amount of the Bank's recognised deferred tax assets, for the 2020 financial statements, as for previous years, an analysis was conducted with the aim of verifying whether forecast earnings are sufficient to ensure the recovery of such assets and therefore justify their continuing recognition in the financial statements (a process known as the “probability test”).

In performing the probability test on the other IRES deferred tax assets and IRAP deferred tax assets carried by the Bank at 31 December 2020, the deferred tax assets deriving from temporary taxable differences relating to impairment and losses on loans (other than those arising from first-time application of the international accounting standard IFRS 9; see below) were considered separately. In this regard, it is relevant that, with effect from the tax period ended on 31 December 2011, IRES (corporate income) deferred tax assets recognised in the financial statements on the basis of tax losses deriving from the deferred deduction of qualified temporary differences may be converted into tax credits (Art. 2 (56-bis) of Law Decree No. 225 of 29 December 2010, introduced by Art. 9 of Law Decree No. 201 of 6 December 2011). With effect from tax period 2013, a similar conversion option applies when a net negative value of production is declared in an IRAP (regional production tax) return, including in the case of IRAP deferred tax assets deriving from qualified temporary differences that have formed part of the net negative value of production (Art. 2 (56-*bis* 1) of Law Decree No. 225 of 29 December 2010, introduced by Law No. 147/2013). These forms of convertibility – which are in addition to those already envisaged where the individual financial statements present a loss for the year (Art. 2, paragraphs 55 and 56 of Law Decree No. 225/2010, as most recently amended by Law No. 147/2013) – represent an additional, complementary means of recovery, which is intended to ensure that deferred tax assets may be recovered in all situations, regardless of the company's future profitability. In fact, if qualified temporary differences exceed taxable income or the net value of production in a given year, the recovery of deferred tax assets does not take the form of a reduction of current taxes, but rather of the recognition of deferred tax assets on the tax loss or net negative value of production, convertible into tax credits pursuant to Article 2, paragraphs 56-bis and 56-bis.1, of Law Decree No. 225/2010. The convertibility of deferred tax assets on tax losses and the net negative value of production resulting from qualified temporary differences is therefore a sufficient condition for the recognition of qualified deferred tax assets in the financial statements, excluding them from the scope of application of the earnings probability test.

A further limit on the outright deductibility of deferred tax assets was introduced by Article 11 of Law Decree No. 59 of 3 May 2016, amended by Law Decree No. 237 of 23 December 2016, which rendered the eligibility for conversion into a tax credit of qualified deferred tax asset that is not associated with an actual prepayment of taxes (a “type-2 DTA”) contingent on an annual payment of 1.5% of the total value of the asset in the years 2016-2030. No payment is due to convert into tax credits qualified deferred tax assets associated with an actual prepayment of greater taxes (“type-1 DTAs”). Considering that all deferred tax assets were all found to be “type-1 DTAs”, the Bank is not currently required to make such payments.

Art. 1, paragraphs 1067 and 1068, of the 2019 Budget Act (Law No. 145 of 30 December 2018) provides for the deductibility (for both IRES and IRAP purposes), over ten tax periods, starting with that in progress on 31 December 2018, of value adjustments to loans to customers recognised by banks and financial entities upon first-time adoption of the international accounting standard IFRS 9. As clarified in the illustrative report on the measure, the deferred tax assets recognised on the basis of the deferral of the above deduction cannot be converted into tax credits pursuant to the aforementioned provisions of Decree-Law No. 225/2010. Accordingly, such taxes must be subject to the probability test.

The 2020 Budget Act (Law No. 160 of 27 December 2019) established new, longer timing for reversals of qualified DTAs.

In particular, the Law further modified the temporary scheme provided for in Article 16, paragraphs 3-4 and 8-9 of Decree Law No. 83/2015 regarding the deductibility, for IRES and IRAP purposes, of losses on loans to banks and financial and insurance companies, arranging that the deduction of the 12% share, originally

applicable for the tax period in progress at 31 December 2019, be postponed, in equal instalments, to the tax period in progress at 31 December 2022 and the three subsequent periods (2022, 2023, 2024 and 2025).
In the interest of completeness, it should be reported that Art. 55 of Decree-Law No. 18 of 17 March 2020 calls for the conversion of the deferred tax assets carried in the financial statements deriving from tax losses due to the sale of non-performing loans for valuable consideration. These effects were also taken into account in the probability tests described above.
On this basis, the probability test for other IRES deferred tax assets is structured as follows:

a) identifying, among other deferred tax assets, tax assets that are "non-qualified" since they cannot be converted into tax credits from the Treasury (see the above);
b) analysing such non-qualified deferred tax assets and deferred tax liabilities carried in the balance sheet, distinguishing them by type and projected timing of recovery;
c) provisionally quantifying the Bank's future taxable income on the basis of the update to Business Plan for years until 2023 (explicit forecasting) and of the continuation of the "average" of the gross income streams for the final two years of explicit forecasting into the years 2024 and 2025 (implicit forecasting), with the consequent observation time horizon for the recovery of "non-qualified" deferred tax assets of five years.
d) preparing a "stand-alone" scenario that assumes a possible greater stress on the performance of future taxable income or loss.

The probability test for IRAP deferred tax assets was also conducted in individual form solely for non-qualified deferred tax assets (as mentioned above, for those convertible into tax credits from the Treasury, the certain prospects of use on the basis of the assumptions of conversion into tax credits provided for in paragraphs 56-*bis* and 56-*bis*.1, Art. 2, of Decree-Law No. 225/2010 in fact form a sufficient basis for recognition, ensuring that the probability test relating to them will implicitly be passed).
The test was conducted by comparing the prospective taxable income for IRAP purposes on the basis of the Business Plan for years until 2023 (explicit forecasting) and of the projection of the "average" of the gross income streams for the final two years of explicit forecasting into the years 2024 and 2025 (implicit forecasting), with the consequent observation time horizon for the recovery of "non-qualified" deferred tax assets of five years. Considering that, for IRAP purposes, as opposed to the case for IRES tax losses, there is no carry-forward provision for taxable income when there is a residual tax loss in one or more years, the IRAP deferred tax assets that may be recognised must be limited solely to those corresponding to the temporary differences that may be recovered in each year considered.

Section 11 - Non-current assets held for sale and discontinued operations and associated liabilities - item 110 of assets and item 70 of liabilities
This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 12 - Other assets - item 120
12.1 Other assets: composition

	31/12/2020	31/12/2019	%
Other assets - Amounts due from the tax authorities	23,088	18,178	27.0%
Other assets - Other	11,470	11,327	1.3%
Other items - Costs and advances pending financial allocation	70	34	104.7%
Other items - Varius items	24,281	20,841	16.5%
Total	**58,908**	**50,380**	**16.9%**

The various items include, among others:
- €9,171 thousand of commission income to be received;
- €2,752 thousand of invoices issued for lease payments;

Other items include:
- €1,145 thousand for processing of SDDs received;
- €905 thousand for charges on third-party goods;
- €2,808 thousand for prepaid expenses on securitisation transactions;
- €1,382 thousand for other prepaid expenses.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - item 10

1.1 Financial liabilities measured at amortised cost: composition of amounts due to banks by type

	31/12/2020				31/12/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**988,500**	**X**	**X**	**X**	**586,058**	**X**	**X**	**X**
2. Due to banks	**119,129**	**X**	**X**	**X**	**131,825**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	15,025	X	X	X	23,800	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Borrowings	104,056	X	X	X	107,950	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 other	104,056	X	X	X	107,950	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-	X	X	X	-	X	X	X
2.6 Other payables	47	X	X	X	75	X	X	X
Total	**1,107,629**	**-**		**1,112,769**	**717,883**	**-**		**722,529**

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

1.2 Financial liabilities measured at amortised cost: composition of amounts due to customers by type

	31/12/2020				31/12/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	2,253,127	X	X	X	1,871,719	X	X	X
2. Time deposits	523,236	X	X	X	514,426	X	X	X
3. Borrowings	408,809	X	X	X	548,783	X	X	X
3.1 Repurchase agreements	408,773	X	X	X	548,675	X	X	X
3.2 Other	36	X	X	X	109	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	13,861	X	X	X	15,580	X	X	X
6. Other payables	288,191	X	X	X	298,895	X	X	X
Total	**3,487,225**	**-**		**3,482,957**	**3,249,404**	**-**		**3,241,961**

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

1.3 Financial liabilities measured at amortised cost: composition of debt securities issued by type

	31/12/2020				31/12/2019			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities	**5,939**	**-**	**2,890**	**2,998**	**12,348**	**-**	**8,301**	**3,947**
1. Bonds	5,939	-	2,890	2,998	12,348	-	8,301	3,947
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	5,939	-	2,890	2,998	12,348	-	8,301	3,947
2. Other	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**5,939**	**-**	**2,890**	**2,998**	**12,348**	**-**	**8,301**	**3,947**

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

1.4 Composition of subordinated debt/securities

There were no outstanding subordinated bonds at 31 December 2020

1.5 Composition of finance lease payables

Breakdown	Amounts	
	31/12/2020	31/12/2019
Finance lease payables	13,861	15,580

Section 2 - Financial liabilities held for trading - item 20

2.1 Financial liabilities held for trading: composition by type

	31/12/2020					31/12/2019				
		FV					FV			
	NV	L1	L2	L3	FV*	NV	L1	L2	L3	FV*
A. On-balance-sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial derivatives	-	-	63	-	-	-	-	125	-	-
1.1 trading	X	-	63	-	X	X	-	125	-	X
1.2 associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 other	X	-	-	-	X	X	-	-	-	X
2 Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 trading	X	-	-	-	X	X	-	-	-	X
2.2 associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	-	**63**	-	**X**	**X**	-	**125**	-	**X**
Total (A+B)	**X**	-	**63**	-	**X**	**X**	-	**125**	-	**X**

Key: FV = fair value; FV* = fair value calculated by excluding the changes in value due to the change in the issuer's credit rating since the issue date; NV = nominal or notional value

Section 3 - Financial liabilities designated at fair value - item 30

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 4 - Hedging derivatives - item 40

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 5 - Change in fair value of macro fair value hedge portfolios - item 50

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 6 - Tax liabilities - item 60

For information on this section, please see Section 10 under Assets.

Section 7 - Liabilities associated with discontinued operations - item 70

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 8 - Other liabilities - item 80

8.1 Other liabilities: composition

	31/12/2020	31/12/2019	%
Other liabilities - Various items	53,755	57,998	-7.3%
Other liabilities - Amouns due to tax authorities	5,799	4,473	29.6%
Total	**59,554**	**62,471**	**-4.7%**

The various items include:

- ✓ securitisation liabilities of €8,036 thousand;
- ✓ SEPA credit transfers to be settled of €9,368 thousand;
- ✓ other liabilities due to accruals basis accounting of €4,767 thousand;
- ✓ leasing direct debits to be collected of €2,752 thousand;
- ✓ invoices to be received of €2,342 thousand.

Section 9 - Employee termination benefits - item 90

9.1 Employee termination benefits: annual changes

	31/12/2020	31/12/2019
A. Opening balance	**4,990**	**4,794**
B. Increases	**1,835**	**2,082**
B.1 Provision for the year	1,767	1,773
B.2 Other increases	68	309
C. Decreases	**3,048**	**1,886**
C.1 Severance payments	559	73
C.2 Other decreases	2,489	1,813
D. Closing balance	**3,776**	**4,990**
Total	**3,776**	**4,990**

Item C.2 "Other decreases" refers to the amounts transferred to the pension fund and INPS Treasury Fund. Under international accounting principles, employee termination benefits are considered post-employment benefits of the defined-benefit type. Accordingly, for accounting purposes, their value is determined through actuarial approaches based on a technical procedure known in actuarial literature as the "MAGIS" method. This method, based on a stochastic simulation of the Montecarlo type, allows projections to be prepared for the compensation costs for each employee, considering the demographic and compensation figures associated with each position, without aggregating those positions or introducing average values. The calculations were performed for the number of years necessary for all workers currently in service to leave service.
In accordance with IAS 19, the actuarial assessments have been conducted according to the accrued benefit method by using the Projected United Credit Method. Technical assessments were conducted according to the following parameters:

- ✓ annual technical discounting rate: 0.35%;
- ✓ annual inflation rate: 1.00%;

As required by ESMA, the actuarial assessment was repeated while leaving all other hypotheses unchanged but considering a discounting rate equal to the index for the Eurozone, Iboxx Corporate AA, with a duration of 10+ years, in a manner consistent with the average financial duration of prospective divestments tied to departures from the category subject to assessment.

Section 10 - Provisions for risks and charges - item 100

10.1 Provisions for risks and charges: composition

	31/12/2020	31/12/2019
1. Provisions for credit risk associated with commitments and financial guarantees given	780	556
2. Provisions on other commitments and other guarantees given	-	-
3. Post-employment benefits	-	-
4. Other provisions for risks and charges	3,192	2,764
4.1 legal disputes	1,987	1,054
4.2 personnel charges	847	747
4.3 other	358	963
Total	**3,972**	**3,320**

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Postemployment benefits	Other provisions for risk and charges	Total
A. Opening balance	**556**	-	**2,764**	**3,320**
B. Increases	**224**	-	**1,444**	**1,668**
B.1 Provision for the year	224	-	1,444	1,668
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to changes in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
of which: business combinations	-	-	-	-
C. Decreases	-	-	**1,016**	**1,016**
C.1 Use during the year	-	-	739	739
C.2 Changes due the changes in discount rate	-	-	-	-
C.3 Other decreases	-	-	277	277
D. Closing balance	**780**	-	**3,192**	**3,972**

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

	Provisions for credit risk associated with commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
1. Commitments to disburse funds	285	11	-	296
2. Financial guarantees given	256	145	83	484
Total	**541**	**156**	**83**	**780**

10.4 Provisions for other commitments and other guarantees given
Not applicable.

10.6 Provisions for risks and charges - other
Provisions for risks and charges consist of the following:

Provision for revocatory actions
This provision stood at €937 thousand as at 31 December 2020 and represents the estimated amount of foreseeable liabilities, calculated individually with the support of the Bank's legal counsel, in respect of judicial and out-of-court actions in which the Bank is a defendant.

Provisions for contingencies and complaints
At 31 December 2020 this provision amounted to €2,254 thousand, of which €964 thousand of accruals for complaints by customers and legal disputes with former employees and €748 thousand relating to the accrual for the voluntary redundancy procedure involving the use of the solidarity fund in support of income, employment, retraining and professional development and €542 thousand relating to legal fees for other legal disputes with customers.

Section 11 - Redeemable shares - item 120
11.1 Redeemable shares: composition
This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 12 - Shareholders' equity - items 110, 130, 140, 150, 160, 170 and 180
Shareholders' equity is defined by international accounting standards as "the residual value of an entity's assets after all liabilities have been deducted." From a financial standpoint, equity represents the monetary extent of the resources contributed by the owners or generated by the entity.
Capital management is the set of policies and decisions required to determine the capitalisation level, as well as the optimal combination of the various alternative capitalisation instruments aimed at ensuring that capital and capital ratios are consistent with the risk profile assumed, in full accordance with supervisory requirements.
In further detail, the capital policy adopted by the Bank is founded upon the three following approaches:

- ✓ full compliance with regulatory requirements (regulatory approach);
- ✓ appropriate monitoring of risks associated with banking operations (management approach); and
- ✓ support for company development projects (strategic approach).

At 31 December 2020, Banca di Cividale had fully subscribed and paid-in share capital of €50,913 thousand, divided into 16,971,085 ordinary shares.

12.1 Share capital and treasury shares: composition

	31/12/2020	31/12/2019	%
1. Share capital	50,913	50,913	0.0%
2. Share premiums	167,022	167,022	0.0%
3. Reserves	68,267	65,534	4.2%
4. (Treasury shares)	(2,658)	(2,125)	25.1%
5. Valuation reserves	865	842	2.7%
6. Capital instruments	-	-	-
7. Net income (loss) for the period	6,783	2,733	148.2%
Total	**291,192**	**284,920**	**2.2%**

12.2 Share capital - number of shares: annual changes

	Ordinary	Other
A. Shares at start of year	**16,971,085**	-
- fully paid	16,971,085	-
- partly paid	-	-
A.1 Treasury stock (-)	(236,718)	-
A.2 Shares in circulation: opening balance	**16,734,367**	-
B. Increases	-	-
B.1 New issues	-	-
- paid issues:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**90,086**	-
C.1 Cancellation	-	-
C.2 Purchase of own shares	90,086	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**16,644,281**	-
D.1 Treasury stock (+)	326,804	-
D.2 Shares at end of the year	16,971,085	-
- fully paid	16,971,085	-
- partly paid	-	-

12.3 Share capital: other information

Schedule illustrating eligibility for distribution, possible uses and origins of shareholders' equity reserves as required by Article 2427 of the Italian Civil Code

	Amount to 31/12/2020	UTILISATION OPTIONS	AMOUNT AVAILABLE	USE IN PRIOR YEARS FOR LOSS COVERAGE	OTHER
Share capital	**50,913**	-	-	-	-
Capital reserves	**167,887**	-	**167,887**	**167,887**	-
Share premiums	167,022	A - B - C	167,022	167,022	-
Valuation reserves	865	A-B	865	865	-
Other reserves	**72,392**	**A - B - C**	**68,267**	**68,267**	-
- legal reserve	22,870	B	22,870	22,870	-
- reserve for the purchase of treasury shares	(2,658)	-	-	-	-
- statutory reserve	45,281	A - B	45,281	45,281	-
- other reserves	116	A - B	116	116	-
- retained earnings	-	A - B	-	-	-
Net income for the period	6,783	-	-	-	-
Total	**291,192**	-	**236,154**	**236,154**	-
Non available	-	-	-	-	-
Available	**291,192**	-	**236,154**	**236,154**	-

a) for share capital increases; b) for coverage of losses c) for distribution to shareholders

12.4 Earnings reserves: other information

	31/12/2020	31/12/2019	%
Legal reserve	22,870	22,596	1.2%
Statutory reserve	45,281	42,288	7.1%
Other reserves	23,440	23,440	0.0%
FTA IFRS9	(23,426)	(23,426)	0.0%
Treasury shares	102	636	-84.0%
Total	**68,267**	**65,534**	**4.2%**

OTHER INFORMATION

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

	Nominal value on financial release obligations and guarantees			31/12/2020	31/12/2019
	First stage	Second stage	Third stage		
1. Commitment to supply funds	**619,609**	**381**	**3,399**	**623,389**	**570,517**
a) Central Banks	-	-	-	-	-
b) Public Administration	451	-	-	451	176
c) Banks	-	-	-	-	-
d) Other financial companies	6,005	-	-	6,005	12,254
e) Non-financial companies	537,884	243	2,664	540,790	481,196
f) Families	75,269	138	735	76,142	76,892
2. Financial release guarantees	**71,207**	**3,194**	**3,502**	**77,903**	**71,503**
a) Central Banks	-	-	-	-	-
b) Public Administration	1,229	-	-	1,229	260
c) Banks	7,659	-	-	7,659	-
d) Other financial companies	1,097	-	-	1,097	1,361
e) Non-financial companies	54,857	2,929	3,364	61,150	63,492
f) Families	6,365	265	137	6,767	6,391

2. Other commitments and other guarantees given

Not applicable.

3. Assets pledged as collateral for liabilities and commitments

Portfolios	31/12/2020	31/12/2019
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	45,215	-
3. Financial assets measured at amortised cost	611,985	547,881
4. Property and equipment	-	-
of which: property and equipment that constitute inventories	-	-

4. Management and intermediation services

Type of service	31/12/2020	31/12/2019
1. Trading in financial instruments on behalf of third parties	-	-
a) Purchases	-	-
1. settled	-	-
2. not yet settled	-	-
b) Sales	-	-
1. settled	-	-
2. not yet settled	-	-
2. Asset management	**221,836**	**207,357**
3. Custody and administration of securities	**2,884,533**	**3,063,663**
a) third-party securities held as part of depository bank services (excluding portfolio management)	-	-
1.securities issued by reporting entity	-	-
2. other	-	-
b) other third-party securities on deposit (excluding portfolio management): other	748,402	754,016
1. securities issued by reporting entity	39,913	47,440
2. other	708,489	706,576
c) third-party securities deposited with third parties	744,849	750,288
d) securities owned by bank deposited with third parties	2,136,131	2,309,647
4. Other	-	-

5-6 Financial assets/liabilities presented on a net basis, subject to master netting agreements or similar agreements

IFRS 7 requires that specific disclosure be provided for financial instruments that are set off in the balance sheet pursuant to IAS 32 or that are partially eligible for offsetting, upon the occurrence of certain conditions, in that they are governed by master netting agreements or similar agreements that do not comply with the criteria established by IAS 32 for offsetting in the financial statements.

For Banca di Cividale, there were no outstanding netting agreements for which balances are to be offset in the balance sheet pursuant to IAS 32.

The financial instruments potentially eligible for offsetting in the tables below are governed by the following agreements:

- ✓ for derivative instruments: an ISDA master agreement and clearing house netting agreements;
- ✓ for repurchase and reverse repurchase agreements: Global Master Repurchase Agreements (GMRAs);
- ✓ for securities lending: global master securities lending agreements (GMSLAs).

Technical forms	Gross amountof financial assets	Amount of financial liabilities offset in the financial statements	Net amount of financial assets shown in the financial statements	Related amounts not offse tin the financial statements		Net amount 31/12/2020	Net amount 31/12/2019
				Financial instruments	Cash deposits received as collateral	(f=c-d-e)	
	(a)	(b)	(c=a-b)	(d)	(e)		
1. Derivatives	206	-	206	-	-	206	-
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2020	**206**	-	**206**	-	-	**206**	**X**
Total 31/12/2019	**6**	-	**6**	-	-	**X**	**6**

Technical forms	Gross amountof financial assets	Amount of financial liabilities offset in the financial statements	Net amount of financial assets shown in the financial statements	Related amounts not offse tin the financial statements		Net amount 31/12/2020	Net amount 31/12/2019
				Financial instruments	Cash deposits received as collateral	(f=c-d-e)	
	(a)	(b)	(c=a-b)	(d)	(e)		
1. Derivatives	65	-	65	-	-	65	106
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2020	**65**	-	**65**	-	-	**65**	**X**
Total 31/12/2019	**106**	-	**106**	-	-	**X**	**106**

Chapter C – NOTES TO THE INCOME STATEMENT

Section 1 - Interest - items 10 and 20

1.1 Interest income and similar revenues: composition

	Debt securities	Loans	Other transactions	31/12/2020	31/12/2019	%
1. Financial assets measured at fair value through profit or loss	**68**	**513**	**-**	**581**	**579**	0.3%
1.1 Financial assets held for trading	28	-	-	28	71	-60.4%
1.2 Financial assets designated at fair value	-	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	39	513	-	552	507	8.9%
2. Financial assets measured at fair value through other comprehensive income	**358**	-	X	**358**	661	-45.9%
3. Financial assets measured at amortised cost	**4,745**	**68,536**	-	**73,281**	**73,209**	0.1%
3.1 Due from banks	108	67	X	175	579	-69.8%
3.2 Loans to customers	4,636	68,470	X	73,106	72,630	0.7%
4. Hedging derivatives	X	X	-	-	-	-
5. Other assets	X	X	-	-	-	-
6. Financial liabilities	X	X	X	**5,727**	3,869	48.0%
Total	**5,170**	**69,049**	-	**79,946**	**78,318**	**2.1%**
of which: interest income on impaired financial assets	-	3,698	-	-	4,752	
of which: interest income on financial lease	-	6,212	-	-	5,718	

1.2 Interest income and similar revenues: other information

1.2.1 Interest income on foreign currency financial assets

	31/12/2020	31/12/2019	%
Interest income on foreign-currency financial assets - securities	57	220	-74.2%
Total	**57**	**220**	**-74.2%**

1.2.2 Interest income on finance lease transactions

	31/12/2020	31/12/2019	%
1.2.2 Interest income on financial lease	6,212	5,718	8.6%
Total	**6,212**	**5,718**	**8.6%**

1.3 Interest expense and similar charges: composition

	Debt	Securities	Other liabilities	31/12/2020	31/12/2019	%
1. Financial liabilities measured at amortised cost	15,861	95	-	15,956	17,845	-10.6%
1.1 Due to Central Banks	-	X	X	-	-	-
1.2 Due to banks	1,235	X	X	1,235	1,570	-21.3%
1.3 Due to customers	14,626	X	X	14,626	15,312	-4.5%
1.4 Securities issued	X	95	X	95	964	-90.2%
2. Financial liabilities held for trading	-	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-	-
4. Other liabilities and allowances	X	X	-	-	-	-
5. Hedging derivatives	X	X	-	-	-	-
6. Financial assets	X	X	X	307	1	N.S.
Total	**15,861**	**95**	-	**16,262**	**17,846**	**-8.9%**
of which: interest expenses on lease deposits	**390**				**421**	

1.4 Interest expense and similar charges: other information

1.4.1 Interest expense on foreign currency financial liabilities

	31/12/2020	31/12/2019	%
Interest expence on foreign-currency financial assets	128	404	-68.2%
Total	**128**	**404**	**-68.2%**

Section 2 - Commissions - items 40 and 50

2.1 Commission income: composition

Type of services / Amounts	31/12/2020	31/12/2019	%
a) guarantees issued	901	1,011	-10.9%
b) credit derivatives	-	-	-
c) management, intermediation and advisory services:	10,833	11,200	-3.3%
1. trading in financial instruments	307	152	102.0%
2. foreign exchange	274	297	-7.7%
3. asset management	1,911	1,778	7.4%
4. securities custody and administration	111	118	-6.1%
5. depository services	-	-	-
6. securities placement	4,402	4,589	-4.1%
7. reception and transmission of orders	459	266	72.5%
8. advisory services	-	-	-
8.1. on investments	-	-	-
8.2. on financial structure	-	-	-
9. distribution of third-party services	3,370	4,000	-15.8%
9.1 asset management	-	-	-
9.1.1 individual	-	-	-
9.1.2 collective	-	-	-
9.2 insurance products	3,370	4,000	-15.8%
9.3 other	-	-	-
d) collection and payment services	8,917	9,882	-9.8%
e) servicing activities for securitizations	-	-	-
f) services for factoring transactions	-	-	-
g) tax collection services	-	-	-
h) management of multilateral trading facilities	-	-	-
i) management of current accounts	6,644	7,114	-6.6%
j) other	8,757	8,832	-0.8%
Total	**36,052**	**38,039**	**-5.2%**

2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2020	31/12/2019	%
a) at Bank branches:	9,682	10,367	-6.61%
1. portfolio management	1,911	1,778	7.45%
2. placement of securities	4,402	4,589	-4.07%
3. third party products and services	3,370	4,000	-15.76%
b) outside bank branches:	-	-	-
1. portfolio management	-	-	-
2. placement of securities	-	-	-
3. third party products and services	-	-	-
c) other distribution channels:	-	-	-
1. portfolio management	-	-	-
2. placement of securities	-	-	-
3. third party products and services	-	-	-

2.3 Commission expenses: composition

	31/12/2020	31/12/2019	%
a) guarantees received	47	91	-47.9%
b) credit derivatives	-	-	-
c) management and intermediation services:	229	354	-35.2%
1. trading in financial instruments	229	128	79.8%
2. foreign exchange	-	-	-
3. asset management	-	-	-
3.1 own portfolio	-	-	-
3.2 third-party portfolio	-	-	-
4. securities custody and administration	-	-	-
5. placement of financial instruments	-	226	100.0%
6. off-premises distribution of securities, products and services	-	-	-
d) collection and payment services	3,395	3,978	-14.7%
e) other services	1,083	1,066	1.6%
Total	**4,754**	**5,488**	**-13.4%**

Section 3 - Dividends and similar income - item 70

3.1 Dividends and similar income: composition

	31/12/2020		31/12/2019		%
	Dividends	Similar income	Dividends	Similar income	
A. Financial assets held for trading	1	-	1	14	0.0%
B. Other financial assets mandatorily measured at fair value	-	14	-	1	N.S.
C. Financial assets measured at fair value through other comprehensive income	19	-	145	-	-86.6%
D. Equity investments	-	X	-	X	-
Total	**21**	**14**	**145**	**14**	**-78.4%**

Section 4 - Net trading income or loss - item 80

4.1 Net trading income or loss: composition

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	0	957	(0)	(129)	828
1.1 Debt securities	0	842	(0)	(76)	767
1.2 Equity securities	0	113	(0)	(21)	92
1.3 Units in collective investment undertakings	0	1	-	(32)	(30)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	(227)
4. Derivatives	54	538	(54)	(813)	516
4.1 Financial derivatives	54	538	(54)	(813)	(275)
- on debt securities and interest rates	54	538	(54)	(813)	(275)
- on equity securities and equity indices	-	-	-	-	-
- on foreign currencies and gold	X	X	X	X	791
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**54**	**1,496**	**(54)**	**(942)**	**1,117**

Section 5 - Net fair value changes in hedge accounting - item 90

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 6 - Profit (loss) on disposal or repurchase - item 100

6.1 Profits (loss) on disposal of investments: composition

Transactions/Income components	Total 31/12/2020			Total 31/12/2019		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets measured at amortised cost	13,419	(6,806)	6,613	14,886	(14,524)	362
1.1 Due from banks	-	-	-	107	-	107
1.2 Loans to customers	13,419	(6,806)	6,613	14,779	(14,524)	255
2. Financial assets measured at fair value through other comprehensive income	1,225	(220)	1,005	2,010	(714)	1,296
2.1 Debt securities	1,225	(220)	1,005	2,010	(714)	1,296
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**14,644**	**(7,026)**	**7,618**	**16,896**	**(15,238)**	**1,658**
Financial liabilities valued at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	5	(0)	5	13	(1)	12
Total liabilities (B)	**5**	**(0)**	**5**	**13**	**(1)**	**12**

Section 7 - Profit (loss) on financial assets and liabilities designated at fair value - item 110

7.2 Net change in the value of other financial assets and liabilities designated at fair value through profit or loss: composition of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets	**92**	**32**	**(1,435)**	**(121)**	**(1,432)**
1.1 Debt securities	14	-	-	-	14
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	78	32	(1,434)	(8)	(1,333)
1.4 Loans	-	-	(1)	(113)	(113)
2. Financial assets: exchange differences	X	X	X	X	
Total	**92**	**32**	**(1,435)**	**(121)**	**(1,432)**

The capital losses on interests in CIUs refer to the units in:

- ✓ Fondo Immobiliare Asset Bancari of €488 thousand;
- ✓ Fondo Immobiliare Asset Bancari III of €381 thousand;
- ✓ Fondo Finint Fenice of €108 thousand;
- ✓ Fondo Housing Sociale of €40 thousand;
- ✓ Fondo Idea CCR of €196 thousand;
- ✓ Fondo Italiano di Investimento FII – Fondo di Fondi of €144 thousand;
- ✓ Fondo Italiano di Investimento FII Venture of €52 thousand;
- ✓ Fondo Sviluppo PMI - Italia II of €25 thousand.

Section 8 - Charges/write-backs on impairment - item 130

8.1 Net charges on impairment due to credit risk on financial assets measured at amortised cost: composition

	Impairment losses (1)			Recoveries		31/12/2020 (3) = (1) + (2)	31/12/2019	%
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3			
		Write-offs	Other					
A. Due from banks	(86)	-	-	2	-	(83)	(68)	23%
- Loans	(20)	-	-	-	-	(20)	0	-100%
- Debt securities	(66)	-	-	2	-	(63)	(68)	-6%
of which: purchased or originated credit-impaired	-	-	-	-	-	-	-	0%
B. Loans to customers	(6,184)	(3,227) -	22,990	452	9,489	(22,459)	(25,392)	-12%
- Loans	(6,122)	(3,227) -	22,990	1	9,489	(22,848)	(25,787)	-11%
- Debt securities	(62)	-	-	451	-	389	395	-1%
of which: purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Total	**(6,270)**	**(3,227)**	**(22,990)**	**454**	**9,489**	**(22,542)**	**(25,460)**	**-11%**

8.1a Net adjustments due to credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: composition

	Net impairment losses			Total 31/12/2020	Total 31/12/2019
	Stage 1 and stage 2	Stage 3			
		Write-off	Other		
1. EBA-compliant moratoria loans and advances	2,950	-	824	3,774	-
2. Other loans and advances with Covid-19 related forbearance measures	-	-	-	-	-
3. Newly originated loans and advances	277	-	180	457	-
Total 31/12/2020	**3,227**	**-**	**1,004**	**4,231**	**-**
Total 31/12/2019	-	-	-	-	-

8.2 Net charges on impairment due to credit risk on financial assets designated at fair value through comprehensive income: composition

	Impairment losses (1)			Recoveries		31/12/2020 (3) = (1) + (2)	31/12/2019	%
		Stage 3						
	Stage 1 and 2	Write-offs	Other	Stage 1 and 2	Stage 3			
A. Debt securities	134	-	-	(201)	-	(67)	(370)	-82%
B. Loans	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-
C. Total	**134**	-	-	**(201)**	-	**(67)**	**(370)**	**-82%**

Key: A = interest B = other write-backs

8.2a Net charges on impairment due to loans measured at fair value through comprehensive income subject to COVID-19 support measures: composition

Not applicable.

Section 9 - Profit/(loss) on contractual amendments not subject to derecognition - item 140

The item, a negative €45 thousand, refers to the adjustment to the accounting values of financial assets due to the modifications applied to contractual cash flows that do not give rise to derecognition.

Section 10 – Administrative expenses – item 160

10.1 Personnel expenses: composition

	31/12/2020	31/12/2019	%
1) Employees	40,379	41,355	-2.4%
a) wages and salaries	27,858	28,742	-3.1%
b) social security contributions	7,549	7,663	-1.5%
c) severance benefits	219	253	-13.2%
d) pensions	-	-	-
e) allocation to employee severance benefit provision	1,511	1,518	-0.5%
f) allocation to provision for pensions and similar liabilities	-	-	-
- defined contribution	-	-	-
- defined benefit	-	-	-
g) payments to external pension funds	1,199	1,204	-0.5%
- defined contribution	1,199	1,204	-0.5%
- defined benefit	-	-	-
h) costs in respect of agreements to make payments	-	-	-
in own equity instruments	-	-	-
i) other employee benefits	2,043	1,975	3.4%
2) Other personnel	179	306	-41.6%
3) Board of Directors	592	592	0.1%
4) Early retirement costs	-	-	-
5) Recovery of expenses for employees of the Bank seconded to other entities	(295)	(260)	13.4%
6) Reimbursement of expenses for employees of other entities seconded to the Bank	-	-	-
Total	**40,855**	**41,994**	**-2.7%**

10.2 Average number of employees by category

	2020	2019
Employees		
a) Senior management	13	10
b) Middle management	234	250
c) Other personnel	334	349
Other personnel	-	-
Total	**581**	**609**

10.4 Other employee benefits

Other employee benefits include €702 thousand in meal vouchers and €741 thousand in insurance policies.

10.5 Other administrative expenses: composition

	31/12/2020	31/12/2019	%
Maintenance and repairs	665	737	-9.8%
Electricity, heating and shared property service charges	994	1,071	-7.2%
Cleaning	539	444	21.5%
Rent payable	6	82	-92.5%
Management of real estate assets expenses	**2,204**	**2,334**	-5.6%
Fees and expences for mandatory activities	312	349	-10.6%
Legal expences for debt collection	1,549	1,530	1.2%
Legal expenses for banking activity	829	994	-16.6%
Consultancy services	1,401	1,385	1.1%
Professional and legal expenses	**4,091**	**4,258**	-3.9%
Office supplies and printing	131	142	-7.6%
Telephone, postal and data transmission	334	341	-2.1%
Insurance	310	281	10.4%
Membership fees	507	523	-3.0%
Commercial information	756	760	-0.5%
Security and transport of valuables	346	468	-26.1%
General structure costs	**2,384**	**2,515**	-5.2%
Travel expenses	**488**	**650**	-24.9%
Advertising and promotional expenses	**1,012**	**1,078**	-6.1%
Services provided by third parties	**6,925**	**6,804**	1.8%
Taxes and duties	**7,075**	**6,812**	3.9%
Contributions to SFR and DGS	**3,710**	**3,452**	7.4%
Other expenses	**750**	**1,524**	-50.8%
Total	**28,639**	**29,427**	**-2.7%**

Contributions to deposit guarantee schemes and resolution mechanisms

In enacting Directive 2014/49/EU (Deposit Guarantee Schemes Directive – "DGSD") of 16 April 2014, Directive 2014/59/EU (Bank Recovery and Resolution Directive – "BRRD") of 15 May 2014, and establishing the Single Resolution Mechanism (Regulation (EU) No 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules for bank crises, with the strategic aim of reinforcing the single market and systemic stability. Following the transposition of the above Directives into national legislation, with effect from 2015 credit institutions have been required to provide the financial resources necessary to fund the Interbank Deposit Protection Fund (FITD) and National Resolution Fund (merged into the Single Resolution Fund – SRF – with effect from 2016) by paying ordinary contributions and, where necessary, extraordinary contributions. In accordance with the DGSD, the FITD has required Italian banks to pay ordinary annual contributions until target level has been reached. This target level has been set at 0.8% of the total protected deposits of Italian banks participating in the FITD. This level must be reached by 3 July 2024. The amount of the contribution required of each bank is proportionate to the amount of its protected deposits as at 30 September of each year, as a percentage of the total protected deposits of Italian banks participating in the FITD, and to the risk level of the participating bank with protected deposits compared with the risk levels of all other banks participating in the FITD.

Under the BRRD, Italian banks must pay ordinary annual contributions until the SRF has reached financial resources of at least 1% of the total protected deposits of all authorised credit institutions in all participating Member States. This level must be reached by 1 January 2024. Each entity's contributions are calculated according to the ratio of its liabilities (net of protected deposits and own funds and, for entities belonging to a group, net of intra-group liabilities) to the total liabilities (net of protected deposits and own funds) of all Italian banks and to the risk level associated with each credit institution compared with the risk levels of all other Italian banks. It bears emphasising that if the available financial resources of the FITD and/or the SRF should prove insufficient to ensure reimbursement of depositors or to finance resolution, respectively, credit institutions are required to cover these needs through extraordinary contributions.

Ordinary contributions are recognised in item "160. b) Other administrative expenses" in application of interpretation IFRIC 21 *Levies*, according to which the liability associated with the payment of a levy (the contributions in question are considered equivalent to a levy from an accounting standpoint) arises when the "obligating event" occurs, i.e. when the obligation to pay the annual dues is incurred. In the case of the

contributions in question, it has been determined that the "obligating event" occurs in the first quarter for the SRF and in the third quarter for the FITD.
In further detail, in 2020:
- ✓ the ordinary and extraordinary contribution to the national resolution fund amounted to €2,033 thousand, charged to the income statement entirely in 2020, on the basis of the notification received from the Bank of Italy. It bears clarifying that this contribution was paid solely in "cash", since Banca di Cividale did not exercise the option of paying 15% of the amount through irrevocable payment commitments;
- ✓ the ordinary contribution to the FITD amounted to €1,668 thousand, was charged to the income statement in its entirety in 2020 and was paid in December 2020, in accordance with the notification received from the FITD that same month.

Interbank Deposit Protection Fund – Voluntary Scheme
Banca di Cividale is a participant in the FITD Voluntary Scheme, created in November 2015 to provide action in support of participating banks in extraordinary administration, in default or at risk of default.
At 31 December 2020 the fair value of the mezzanine and junior securities subscribed by the Voluntary Scheme totalled €11.5 million. The fair value of the residual investment held by Banca di Cividale in the Voluntary Scheme, taken to "Financial assets mandatorily measured at fair value", amounted to €27 thousand.

Section 11 - Net provisions for risks and charges - item 170
11.2 Net provisions for other commitments and other guarantees given: composition
Net provisions for commitments and other guarantees given indicate adjustments of €224 thousand.
11.3 Net provisions for other risks and charges: composition

	31/12/2020	31/12/2019	%
Customer disputes	(186)	(168)	10.7%
Legal disputes	(796)	1,494	-153.3%
Revocatory actions	(220)	(224)	-1.8%
Other	35	-	100.0%
Total	(1,167)	1,102	N.S.

Section 12 - Charges/write-backs on impairment of property, plant and equipment - item 180
12.1. Charges/write-backs on impairment of property, plant and equipment: composition

Assets/Income component	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Property, plant and equipment				
A.1 Owned	4,088	-	-	4,088
- operating assets	1,978	-	-	1,978
- investment property	2,110	-	-	2,110
A.2 Acquired under finance leases	289	577	-	866
- operating assets	289	577	-	866
- investment property	-	-	-	-
A.3 Inventories	X	-	-	-
Total	4,377	577	-	4,954

Section 13 - Charges/write-backs on impairment of intangible assets - item 190

13.1 Charges/write-backs on impairment of intangible assets: composition

Assets/Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	59	-	-	59
- generated internally by the Bank	-	-	-	-
- other	59	-	-	59
A.2 Acquired under finance leases	-	-	-	-
Total	59	-	-	59

Section 14 - Other operating income/expenses - item 200

14.1 Other operating expenses: composition

	31/12/2020	31/12/2019	%
Out-of-period expenses and reductions in assets	(927)	(827)	-12.0%
Other	(262)	(472)	44.4%
Total	(1,189)	(1,299)	8.5%

14.2 Other operating income: composition

	31/12/2020	31/12/2019	%
Other income - rentals and fees	349	340	2.6%
Expenses charged to others - recovery of taxes	5,655	5,440	4.0%
Expenses charged to others on deposits and current accounts	705	638	10.4%
Expenses charged to others - other	2,134	2,313	-7.7%
Out-of-period income and reductions in liabilities	1,001	796	25.7%
Total	9,844	9,527	3.3%

Section 15 - Profit (loss) on equity investments - item 220

15.1 Profit (loss) on equity investments: composition

Income component/Amount	31/12/2020	31/12/2019	%
A. Revenues	-	-	-
1. Revaluations	-	-	-
2. Profits on disposal	-	-	-
3. Write-backs	-	-	-
4. Other	-	-	-
B. Charges	831	79	-946%
1. Write-downs	831	-	-
2. Impairment losses	-	-	-
3. Losses on disposal	-	79	-100%
4. Other	-	-	-
Net result	(831)	(79)	-946%

Section 16 – Net adjustment to the fair value of property, plant and equipment and intangible assets – item 230

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 17 - Goodwill impairment - item 240

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 18 - Profit (loss) on disposal of investments - item 250

18.1 Profit (loss) on disposal of investments: composition

Income component/Amount	31/12/2020	31/12/2019
A. Real estate assets	-	(55)
- profits on disposal	-	-
- losses on disposal	-	(55)
B. Other assets (a)	(6)	(15)
- profits on disposal	-	2
- losses on disposal	(6)	(17)
Net result	**(6)**	**(70)**

Section 19 - Taxes on income from continuing operations (item 270)

19.1 Taxes on income from continuing operations: composition

	31/12/2020	31/12/2019	%
1. Current taxes (-)	(341)	(1,361)	75.0%
2. Changes in current taxes from previous periods (+/-)	-	1,200	-100.0%
3. Reduction of current taxes for the period (+)	-	1,134	-100.0%
3. bis Reduction in current taxes for the year for credit taxes set forth in Italian Law no. 214/2011 (+)	-	-	-
4. Change in deferred tax assets (+/-)	(4,598)	(2,230)	106.2%
5. Change in deferred tax liabilities (+/-)	-	244	100.0%
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	**(4,939)**	**(1,013)**	**387.5%**

19.2 Reconciliation of theoretical tax liability and actual tax liability recognised

	31/12/2020	31/12/2019
Income (loss) before tax from continuing operations	11,722	3,746
Theoretical taxable income	11,722	3,746
Income tax - theoretical tax expense	(3,223)	(1,030)
Effect of revenues that do not form taxable income	(637)	-
Income tax - actual tax expense	**(3,860)**	**(1,030)**
Theoretical tax expense - Irap	(545)	(174)
Effect of other changes	(533)	191
Actual tax expense - IRAP	**(1,078)**	**17**
Actual tax expenses for the period	**(4,939)**	**(1,013)**
of which: actual tax expenses from continuing operations	-	-
actual tax liabilities on the groups of assets being divested	-	-

Section 20 - Income (loss) after tax from discontinued operations - item 290

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Section 21 - Other information

There is no additional information to report beyond that provided in the previous sections.

Section 22 - Earnings per share

22.1 Average number of ordinary shares (fully diluted)

The methods of calculating basic earnings per share and diluted earnings per share are defined by IAS 33 *Earnings per Share*. Basic earnings per share is defined as the relationship between the net income attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period. The following table presents basic earnings per share and the details of the calculation.

Basic Earning per share	31/12/2020	31/12/2019
Adjusted attributable profit	6,783	2,733
Weighted average number of shares	16,971,085	16,971,085
Basic Earning per share	**0.40**	**0.16**

Banca di Cividale has not issued financial instruments that grant their holders the right to obtain ordinary shares.

Chapter D – COMPREHENSIVE INCOME

		31/12/2020	31/12/2019
10	**NET INCOME (LOSS)**	**6,783**	**2,733**
	Other comprehensive income without reclassification to profit or loss		
20	Equity instruments measured at fair value through other comprehensive income	(351)	8,726
	a) fair value changes	(351)	884
	b) transfer to other components of shareholders' equity	-	7,842
30	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-	-
	a) fair value changes	-	-
	b) transfer to other components of shareholders' equity	-	-
40	Hedging of equity instruments measured at fair value through other comprehensive income	-	-
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50	Property and equipment	-	-
60	Intangible assets	-	-
70	Defined benefit plans	(22)	(170)
80	Non-current assets held for sale and discontinued operations	-	-
90	Share of valuation reserves connected with investments carried at equity	-	-
100	Income taxes associated with other comprehensive income that may not be reclassified to the income statement	-	-
	Other comprehensive income that may be reclassified to the income statement	-	-
110	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120	Foreign exchange differences:	-	-
	a) value change	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
130	Cash flow hedges:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
	of which: gains (losses) on net positions	-	-
140	Hedging instruments (not designated elements)	-	-
	a) value change	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
150	Financial assets (other than equities) measured at fair value through other comprehensive income	395	477
	a) fair value changes	464	847
	b) reclassification to the income statement	(69)	(370)
	- adjustments for credit risk	(69)	(370)
	- gains/losses on disposals	-	-
	c) other changes	-	-
160	Non-current assets held for sale and discontinued operations	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
170	Share of valuation reserves connected with investments carried at equity:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	- impairment losses	-	-
	- gains/losses on disposals	-	-
	c) other changes	-	-
180	Income taxes associated with other comprehensive income that may be reclassified to the income statement		
190	**Income taxes associated with other comprehensive income that may be reclassified to the income statement**	**23**	**9,033**
200	**TOTAL COMPREHENSIVE INCOME (Item 10+190)**	**6,806**	**11,766**

Chapter E – RISKS AND HEDGING POLICIES

Introduction

Identifying the risks to which the Bank is actually or potentially exposed is of primary importance to assuming such risks in an informed manner and managing them effectively, using the appropriate tools and techniques to mitigate those risks.

The management and monitoring of risks at Banca di Cividale are founded upon the following basic principles:

- ✓ identifying responsibilities for assuming risks;
- ✓ adopting consistent, adequate measurement and control systems in formal and substantial terms in light of the extent of the risks to be monitored; and
- ✓ organisational separation of functions responsible for management and functions responsible for control.

These principles are formally stated and illustrated in specific policies and the related rules and procedures concerning risks identified as significant. These documents, which are submitted for the approval of the Bank's Board of Directors, govern the set of regulated risks, significant and periodically monitored indicators, observation thresholds and operating limits, breach management methods, stress tests applied and the company's organisational structure, bodies and functions charged with performing the activities concerned, in keeping with the roles and responsibilities assigned to them.

In this process, which takes place at various levels of the organisational structure, a fundamental role is played, in accordance with prudential regulations, by the Bank's Board of Directors, which is responsible for establishing directives and strategic guidelines concerning the assumption of risk, approving strategic and operational limits (RAF) and drawing up the related guidelines.

The Risk Appetite Framework (RAF) thus represents the general architecture within which the risks assumed by the Bank are managed, through the establishment of general principles concerning maximum risk tolerance and the ensuing structure for oversight of the Bank's overall risk profile and major specific risks. The process requires a high degree of consistency and reconciliation of the strategic plan, RAF, ICAAP, ILAAP, Recovery Plan, budget and internal control system.

Instituted pursuant to applicable supervisory regulations on corporate governance and the related provisions of the Articles of Association, the Risks Committee is an internal committee of the Board of Directors composed of three non-executive directors, at least two of whom are independent, and in which at least one of the members of the Board of Statutory Auditors participates. In accordance with supervisory regulations, the Risks Committee has preliminary review, consultative and propositional tasks relating to the internal control and risk management system. Its main purpose is to serve as "interface" between the Board of Directors, Board of Statutory Auditors, company control functions and the Bank's other organisational units.

The activities for which the Risk Committee is responsible according to supervisory regulations include liaising with company control functions. In accordance with the new supervisory rules (Bank of Italy Circular No. 285/2013), the organisational structure of Banca di Cividale identifies the Risk Management Function and Compliance Function (which also includes Anti-money Laundering Directive), which are to report directly to the Board of Directors, as the level-two company control functions. This is also assured for the Auditing Function, a level-three control function that is independent of the other company units. The three functions (Risk Management, Compliance and Internal Auditing) are part of the internal control system, governed by prudential supervisory regulations, the internal document Internal Control System Guidelines, and the Rules and Procedures for the Coordination of Control Functions.

Risk Management Function

It performs a risk control function, as prescribed by the specific supervisory rules. From a structural standpoint, in accordance with the current organisation chart in effect at 31 December 2020, the Risk Management Function includes a separate sub-unit known as Credit Risk, focused on systematic, integrated measurement and monitoring of the credit risk assumed by the bank.

The Risk Management Function is responsible for mapping, assessing and measuring the relevant company risks included in the "risk map", as well as periodically monitoring them. It collaborates in defining the RAF, the risk governance policies and the various phases of the risk management process, in addition to setting operating limits on the assumption of the various types of risk. It verifies the adequacy of the RAF and conducts ongoing assessment of the adequacy of the risk management process and compliance with operating limits, in addition to reporting periodically to the general management, Management Committee, ALCo, Risks Committee and the company boards on the activities performed, ensuring an adequate system of information flows, the content and frequency of which are established by internal rules and procedures. It is also tasked with formulating advance opinions on the consistency of major transactions with the RAF, and with analysing

the risks of new products and services and the risks arising from entry into new operating and market segments. It assists the company boards in assessing strategic risk by monitoring the significant variables, supporting the planning of the assessment of risk profiles, capital adequacy (capital management) and liquidity risk associated with the performance projected in company plans. It coordinates the activities of the ICAAP/ILAAP Process Group (responsible for the internal process of determining capital adequacy and for the internal liquidity adequacy assessment process) and the production of the annual ICAAP/ILAAP report in accordance with the supervisory guidelines. It also coordinates the process of preparing and drafting the recovery plan and updates to the recovery plan by periodically monitoring recovery indicators. It is responsible for the stage allocation process and the transfer criteria, as well as for verifying and monitoring the calculation of the impairment of performing loans and securities, within the framework of the process of preparing the financial statements in accordance with IFRS 9.
Within the framework of monitoring of credit risk carried out by Risk Management during the year new analyses were introduced with regard to the COVID-19 pandemic, and in particular with regard to exposures subject to moratoria and loans backed by government guarantees disbursed pursuant to the Liquidity Decree. With regard to the staging allocation (including second-level controls), Risk Management conducted specific analyses to measure the expected losses according to the IFRS 9 models tied to the COVID-19 pandemic.

Compliance Function
Legal compliance is the responsibility of an independent function, located within the framework of the Anti-Money Laundering Compliance Service, that supervises management of non-compliance risk, according to a risk-based approach, for all company activity, ensuring that internal procedures are adequate to prevent that risk. The Compliance Function is responsible for supervising compliance with laws governing financial intermediation services and complaint handling. The head of the Anti-Money Laundering Compliance Service was named the head of the function.
According to the organisational model, a Management Committee and an Asset and Liability Committee have been instituted, in addition to the Risk Committee, with the additional aim of ensuring an effective exchange of information regarding exposure to such risks between the various segments and maximising the efficacy of the overall control of those risks.
The Management Committee, in which the heads of the company control functions also participate, supports the general management in operational coordination of the guidelines established with the Strategic Plan and periodically compares company results with the objectives established in the Plan. Within the framework of the overall internal control system, it also plays a consultative, informative and propositional role with regard to decisions of an operational nature relating to initiatives and projects that have an effect on the risk management process and it aids the general manager in performing the roles assigned to the position by internal risk management policies.
The A.L.Co. (Assets and Liabilities Committee), in which the Manager of the Risk Management Function also participates, collaborates in determining the strategic guidelines and management policies for managing liquidity risk, including the policies for liquidity reserves and managing collateral, in addition to playing an advisory role with regard to risk assumption rules, liquidity risk mitigation and the identification of any corrective measures aimed at rebalancing the risk position. In general, it is charged with proposing strategic decisions in financial matters to the Board of Directors, through the General Manager, as well as with coordinating management policies for assets, liabilities and the associated risks, in light of market scenarios and the guidelines established in the current Strategic Plan. It also supports the General Manager in indicating behaviour for financing activity to company units, translating the guidelines set by the Board of Directors into operational terms and verifying that they are executed.

ICAAP, ILAAP and the Recovery Plan at Banca di Cividale
In accordance with the regulatory provisions governing the prudential control process, the Bank has implemented specific company rules, approved by the Board of Directors and periodically updated, that regulate the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).
The supervisory regulations require that ICAAP and ILAAP be based on appropriate company risk-management systems and presuppose adequate corporate governance mechanisms, an organisational structure with clearly defined lines of responsibility and an effective internal-control system. The corporate boards are responsible for the process and enjoy full autonomy in defining its structure and organisation to the extent of their respective expertise and prerogatives. They implement and promote updates to ICAAP and ILAAP with the aim of ensuring that they constantly adhere to the Bank's operational characteristics and strategic context.

The processes must be formalised, documented, internally audited and approved by the corporate boards. In detail, the processes aim to:

- ✓ identify capital and liquidity requirements on the basis of actual risk and the strategic guidelines set by the Bank, in accordance with the Risk Appetite Framework (RAF);
- ✓ ensure that capital and liquidity reserves are constantly adequate to current and prospective needs;
- ✓ keep all major risks under observation;
- ✓ ensure that regular attention is devoted to risk-measurement and -management processes, developing an increasingly strong “risk culture”; and
- ✓ define approaches, tools, methods, and organisational and control systems for risks and capital commensurate to the Bank's strategies, characteristics, scope and complexity, with a view towards constant, gradual refinement.

By April of each year, at the conclusion of the process described above, the Board of Directors approves the ICAAP/ILAAP Report at 31 December of the previous year, which represents both the point of convergence and end result of financial planning, risk management, capital management and liquidity management, as well as a tool to be used in strategic evaluation and implementation of business decisions.

With effect from 2017, regulations also require banks to prepare a Recovery Plan, a document dedicated to responding promptly and effectively to crisis situations, specifying the measures to be taken to restore the bank to financial equilibrium. Preparation of the Plan is based on the proportionality principle, in a manner consistent with the Bank’s business model, associated risk profile, degree of complexity and the volume of the various businesses conducted. Specific qualitative and quantitative recovery indicators are identified to be used as means of promptly identifying any leading signals of a potential state of crisis, integrated into the RAF scheme as thresholds. Within the framework of the escalation process, the Plan sets out the roles, responsibilities and decision-making levels that permit or do not permit crisis management action to be taken, to be implemented in particularly adverse scenarios, providing the Bank with access to a broader range of concretely implementable options and allowing it to maximise their effects for recovery purposes. This document is also approved and signed by the Board of Directors at least once every two years.

In order to ensure that company bodies and control functions are fully aware of and capable of managing risk factors and compliance with the RAF, in addition to the ICAAP and ILAAP reports, Risk Management prepares complete, timely information streams, concerning the assessment and monitoring of exposure to risk, submitted with the established frequency to the senior management, Management Committee, Risk Committee and other company bodies (Board of Directors and Board of Statutory Auditors). Specific stress tests are also introduced to permit a better assessment of risk exposure and how risks respond to adverse conditions, the relating mitigation and control systems and the adequacy of financial and organisational safeguards.

The disclosure obligations imposed by prudential regulations (Bank of Italy Circular 285/2013 and the CRR, Regulation EU No 575/2013) are discharged through preparation of the Disclosure by Institutions document published in the specific Investor Relations section of the company's website, www.civibank.it The document contains a disclosure for market operators of information concerning capital and liquidity adequacy, risk exposure, the general characteristics of management systems and the oversight thereof. The information, which is both qualitative and quantitative in nature, is provided through concise overviews, thus fostering the transparency and comparability of the data.

SECTION 1 – CREDIT RISK

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. General aspects

Lending is an essential aspect of the core business of Banca di Cividale. In this framework, the Bank is exposed to the risk that some loans may not be repaid either at maturity or thereafter, due to a deterioration of the borrower's financial conditions, and therefore need to be written off in whole or in part.
The provisions of the Credit Policy and the general operating parameters established and approved by the Board of Directors represent the framework of reference for developing and implementing the Lending Process of Banca di Cividale, in accordance with the Bank's Articles of Association, mission and values, and specifically: "to be a point of reference for families, government and businesses in the local community, and to promote and support the social, economic and cultural growth of the community in which it operates."
The strategies, powers and rules for granting and managing credit at Banca di Cividale are oriented towards the following general guidelines:

- ✓ achieving a sustainable growth target for lending, consistent with the risk appetite, with a view to maximising return;
- ✓ diversifying the portfolio, by limiting the concentration of exposures to individual counterparties/groups and individual sectors of the economy;
- ✓ efficiently selecting groups and individual borrowers to which to lend through a thorough analysis of creditworthiness aimed at limiting the risk of default;
- ✓ favouring lending in support of the real economy and production, during the current phase of the economic scenario.
- ✓ constantly monitoring borrowers, through both automatic procedures and systematic surveillance of positions, in order to identify any signs of imbalance in a timely manner and then launch the corrective measures aimed at preventing the relationship from deteriorating.
- ✓ The general guidelines for granting loans are consistent with the credit risk management policies set by the Board of Directors and are based on a definition of the elements that characterise the Bank's orientation in assuming and managing risk, with particular regard to the following aspects:
- ✓ the tolerated scope of non-performing exposures in the portfolio according to the pre-determined objectives set in the long-term plan for reducing non-performing loans according to a formal strategy aimed at optimising NPL management by maximising the present value of recoveries;
- ✓ concentration limits, including "large exposures";
- ✓ eligible customer segments;
- ✓ particular limitations on the characteristics of potential borrowers and guarantors;
- ✓ objectives for the mitigation of risk through the acquisition of guarantees;
- ✓ objectives for the profitability and capital absorption of loans;
- ✓ compliance with supervisory regulations in terms of credit quality and risk management and monitoring.

The Bank's credit risk profile takes the form of identifying specific indicators and setting limits on risk, subject to periodic assessment and review, as established in the RAF, for the various phases of the lending process (rating system; concentration limits; large exposures; major transactions; and associated parties) or the level-one risk management control phase (constant monitoring of the quality of the loan portfolio, pursued through the adoption of precise operating methods throughout all management phases of the preliminary relationship for assignment up to the level-two control performed by Risk Management).

Impacts of the COVID-19 pandemic

The update to the NPL Plan takes close account of the external context relating to the COVID-19 pandemic. Specifically, in the absence of an extension of customer support initiatives and an economic recovery, with effect from 2021 the Plan factors in an increase in the deterioration of the loan portfolio with new flows to levels above those of 2020, the year in which those family and business support measures contributed to mitigating the economic consequences of the COVID-19 pandemic.
The continuation of the economic situation due to the spread of the COVID-19 pandemic caused and will cause an extension of recovery times due to the limited operations of the courts and the largely unfavourable macroeconomic context has affected, and will continue to affect, customers' debt-servicing capacity.

Moratoria granted by the Bank

Refer to Part A - Section 4 of this document.

2. Credit risk management policies

2.1 Organisational aspects

- ✓ Within the organisational structure adopted by Banca di Cividale, management of credit risk is entrusted to the following organisational units, to varying extents, in accordance with the mission and activities assigned to each under specific internal rules and procedures:
- ✓ Administration and Financial Reporting Area: it operates according to guidelines set by the Board of Directors and by the Management Committee, in accordance with the guidelines and/or directives provided by the general management; the area is charged with responsibility for, coordination and management of the sectors operating within its assigned remit.
- ✓ Loan Department: it is tasked with overseeing the process of assuming all types of risks associated with lending, with the support of the Loan Administration and Loan Application Review functions. Through the general management, in consultation with the Risk Management function, it proposes credit management policies to the Board of Directors. It is responsible for ensuring that the lending process is compliant with the provisions of the law, supervisory authority, Articles of Association and internal rules and procedures, and it constantly updates the technical procedures for loan application review, assessment and disbursement and the associated internal rules. It supervises all roles involved in the lending process and ensures that the NPL Department receives support with its monitoring and ongoing management of risk positions, in order to keep credit quality within acceptable limits.
- ✓ Mortgage Administration: it is tasked with ensuring the regular performance of administrative and accounting obligations associated with the disbursement and management of mortgage loans, special loans, subsidised loans and other medium-to-long-term loans issued by the Bank; it monitors the adequacy of company policies and real estate appraisal reports prepared for the Bank and oversees the activities connected with real estate surveillance, availing itself of the support of the competent functions for the various types of loans.
- ✓ NPL Department is the unit into which the Anomalous Loan and Dispute functions have been merged and which has been assigned the following main tasks: optimisation of non-performing loan (NPL) management; identification of the optimal combination of the various recovery actions; support with the preparation of operating plans for managing NPLs; support for the creation of special projects (e.g., sale, securitisation, etc.); and periodic monitoring and reporting of the results achieved. The two functions' specific activities are described below.
- ✓ Anomalous Loans: with the aid of the loan monitoring IT procedure, it manages positions above the threshold set by the internal Regulation that present operational anomalies within the framework of the credit limits granted and/or unauthorised uses of credit, or that have been directly or indirectly affected by detrimental events, assigned to the unit on the basis of pre-defined quantitative and qualitative portfolio classification criteria; it provides instructions to the network in order to ensure that the necessary actions are taken at the operational level to restore positions to performing status, where possible, and in any event to ensure the best possible management of credit claims, including assessment of opportunities for transfer to the enforcement procedure. In accordance with internal rules and procedures, it submits proposals to the competent bodies regarding the amount of the provisions to be set aside when preparing the financial statements.
- ✓ Disputes: it manages legal aspects of positions classified as bad debts, and in particular is responsible for taking legal measures and actions aimed at recovering the amounts concerned. It is also tasked with conducting assessments of loss projections for individual disputed positions and proposing the necessary provisions.
- ✓ Loan Monitoring: it manages, maintains and implements the loan monitoring procedure in accordance with the evolving legal and regulatory situation by preparing additional tools for facilitating the identification and management of positions that present symptoms of deteriorating performance, in order to strengthen the culture of credit quality. It coordinates the activity of the deputy department heads with regard to activities relating to the "credit quality" functions assigned to them. It is tasked with managing relations with the outsourcers responsible for debt recovery activities for the positions within its purview and performing quantitative and qualitative checks on the monitoring activity performed by the competent functions (branches or Anomalous Loans), in addition to reporting periodically to the Loan Department and the general management on the checks carried out.

- ✓ *Risk Management*: it is responsible for identifying, assessing and monitoring, according to an integrated, systemic approach, the credit risk assumed by the bank, exposures to large risks and related-party transactions, while ensuring an adequate system for reporting to company bodies and the responsible production units. It collaborates in the preparation of the RAF, in the drafting of the lending policy with regard to the assumption of credit and concentration risk, and in setting the related operating limits. It proposes the quantitative and qualitative parameters required to define credit risk assumption policies, while also referring to stress scenarios. It is tasked with verifying the proper conduct of performance monitoring of individual exposures, in particular non-performing positions, and with assessing the consistency of classification, the appropriateness of provisions and the adequacy of the recovery process. Finally, it is charged with formulating advance opinions regarding the consistency with the RAF of the most significant transactions relating to credit facilities.
- ✓ Treasury & Funding Function: in the context of its specific operations, it is tasked with ensuring the compliance of financing activity with the rules and procedures governing credit risk as regards credit limits for institutional counterparties (monitoring of the system of limits imposed by the regulations).

2.2 Management, measurement and control systems

The risk profile of the loan portfolio of Banca di Cividale is monitored throughout all phases of the process, beginning with application review and assessment of the borrower's satisfaction of reliability requirements, through verification of the borrower's creditworthiness, the transaction’s risk level, the appropriateness of the return and the current and prospective sustainability of the credit risk. The power to approve loans is delegated according to the criteria set out in the Lending Process Rules and Procedures, which provide for specific loan authorisation powers assigned according to various factors including the amount of the credit facility, any collateral securing the facility, reports on the use of various services, the classification of the counterparty as non-performing, and specific cases falling within the exclusive purview of the Board of Directors.

The credit decision-making process is supported by an internal procedure (the Credit Portal), which allows management of all phases of the lending process (from contact with the customer to disbursement and application of credit lines), and which includes integrated consultation of the various external databases. All applications are automatically assigned to the competent level according to the rules and limits of amount laid down in the Lending Process Rules and Procedures.

Creditworthiness is analysed according to elements of a quantitative nature (income components, financial statement analysis, and internal and systemic performance data) and of a qualitative nature (a thorough understanding of the customer, the competitive environment, an analysis of the sector, shareholder composition, adverse entries, and so forth), with the use of specific data providers (foremost among which are: Bank of Italy Central Credit Register; CRIF Strategy One – an engine used to calculate an initial score used for individual borrowers only; the Cerved database for excerpts of chamber of commerce certificates and adverse judgments; and the Centrale Bilanci financial statement database).

One fundamental element of the set of parameters and instruments used to manage credit risk by the Bank is represented by the ratings calculated on the basis of specific statistical models and estimated specifically for the various customer segments (Corporate, Retail SME-Corporate, and Retail Individuals). With effect from 9 October 2017, following the change of the IT centre, Banca di Cividale implemented a rating system developed by the CSE consortium, the Bank's new full-outsourcing IT provider. Its main objective is to prepare monthly estimates, based on an associated rating class, of the creditworthiness of the Bank's borrowers and to monitor both the risk of default and the risk of downgrading.

The factors considered in the internal rating model for corporates are: a) the internal performance score, a quantitative score based on a statistical analysis of internal data relating to the performance of the borrower's relationships with the Bank; b) the nationwide performance score, a quantitative score based on a statistical analysis of information from the Centrale Rischi database regarding the customer's behaviour with other intermediaries in the banking system; and c) the financial statement score: a quantitative score based on a statistical analysis of earnings and financial performance indicators drawn from the company's annual financial statements in the Centrale Bilanci database or obtained by the Bank. The factors considered in the internal rating model for individuals are: a) the internal performance score, a quantitative score based on a statistical analysis of internal data relating to the performance of the borrower's relationships with the Bank; b) the nationwide performance score, a quantitative score based on a statistical analysis of information from the Centrale Rischi database regarding the customer's behaviour with other intermediaries in the banking system; and c) the socio-demographic score, a quantitative score based on a statistical analysis of the customer's personal particulars, behaviour and finances according to the Bank's internal records.

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The Bank's borrowers are classified according to a score of one to ten, consisting of nine categories of performing borrowers and one category of defaulted borrowers (D). A probability of default is associated with each rating class in each segment, referring to the probability that a borrower classified to a certain rating class will be reclassified to default status within a period of one year. Rating models are estimated on the basis of statistical analyses of the CSE Consortium's historical data and according to a calibration factor that takes account of the Bank's historical series.

Another parameter used by the Bank to measure and manage credit risk is loss given default ("management LGD"), which represents the rate of loss in the event of a default, i.e. the expected value for the relationship of the loss due to the default and the amount of the exposure at the time of default (exposure at default or "EAD"), expressed in percent terms. The estimated LGD on bad debts and the danger rate are taken as the basis for determining LGD. These parameters are also derived from management models developed by the CSE Consortium and adopted by the Bank starting in October 2017.

In accordance with the provisions of IFRS 9 *Financial Instruments*, for the purposes of identifying expected losses (impairment), the Bank has also adopted estimated risk parameters over a lifetime horizon conditioned by expectations relating to the projected macroeconomic scenarios ("forward-looking" scenarios), determined by internal models developed at the consortium level by the IT provider CSE (to which the Bank has fully outsourced ITO activities and services), on which appropriate calibration measures are performed, inclusive of each bank's historical series.

In accordance with prudential regulations and internal rules and procedures, the overall rating system and IFRS 9 expected credit loss models are subject to periodic reviews by the Risk Management Function within the framework of validation of the models used for non-regulatory purposes and of IFRS 9 validation, as part of a dedicated process that also involves specific activities performed by the CSE Consortium.

Risk parameters play a central role in disbursement, monitoring and performance management processes, and in particular they contribute to steering managers in deciding on the performance classification of positions. With effect from 1 January 2018, the above risk parameters (in particular, ratings and PD) are also used in classifying performing loans to customers (Stage 1 and Stage 2, in accordance with the accounting standard IFRS 9), for the purposes of identifying a significant increase in credit risk (a necessary and sufficient condition for classifying the asset being assessed in Stage 2).

After a loan is approved and disbursed, the position is assessed over time (on a fixed date or at defined intervals), initially by the branches, which are responsible for specific daily and monthly activities, as well as by the geographical areas.

Within the Lending Area's lending process and IT procedures, specific functions have been activated, allowing forborne exposures (exposures subject to forbearance measures) to be identified, managed and monitored, in accordance with prudential regulations. The notion of forborne positions does not represent an additional administrative status, but a further element for defining the customer's credit quality, complementary to, while not overlapping with, the previously existing classifications.

Definitive classification of a relationship as forborne is nonetheless subject to individual assessment by the decision-making body during the processes of reviewing creditworthiness. In accordance with applicable supervisory regulations, forborne exposures are classified to two categories (according to a transaction-based approach):

- ✓ non-performing forborne exposures, i.e. exposures subject to forbearance measures classified among non-performing positions (unlikely to pay and past due);
- ✓ forborne performing, i.e. exposures subject to forbearance measures classified as performing.

In particular, the quarterly reports prepared by Risk Management, which are addressed to the general management, Risks Committee, Board of Directors and the functions of the Lending Area, including the NPL Department, include:

- ✓ an analysis of the composition and performance of the loan portfolio by sector of the economy, with an emphasis on credit quality, including a breakdown of loans into performing positions classified to Stage 1 and Stage 2 and non-performing (past due, unlikely-to-pay and bad debts) and a comparison with the industry benchmark; the analysis also includes the transition matrices and the calculation of default rates;
- ✓ analysis relating to customer support measures (moratoria and loans secured by collateral) activated in response to the health and economic emergency relating to the COVID-19 pandemic;
- ✓ a dedicated analysis relating to the monitoring of the objectives set out in the plan for reducing non-performing loans, in accordance with the Bank's strategy;
- ✓ the qualitative analysis of risk profiles from a strategic standpoint; the application of stress tests on the risk level of the loan portfolio, including in terms of capital requirements;
- ✓ an analysis of concentration risk for single names and associated groups and an analysis of concentration risk by geographical area and sector, with a calculation of capital requirements as well in both ordinary and stress conditions.

Additional information is available concerning online management reporting tools, which allow all management units involved in implementing credit policies to maintain adequate oversight. In particular, analyses of the following are available:

- ✓ the performance of various classes of risk: composition, changes and comparisons by category and area;
- ✓ the ratings assigned to companies and individuals; portfolio composition; distribution by use; changes of class (deterioration/improvement);
- ✓ the primary exposures by risk class; and
- ✓ uses by sector (ATECO or SAE codes).

Supervisory regulations concerning internal control systems also require that the Risk Management Function conduct ongoing credit performance monitoring in order to determine:

- ✓ the proper functioning of the credit monitoring model and the proper use of monitoring parameters;
- ✓ the proper classification of exposures (representative of the risk level) and the proper assessment of valuation inputs (guarantees);
- ✓ the consistency of provisions and the portfolio's risk profile.

On this basis, and in accordance with the proportionality principle, as established by the law, the Credit Risk Unit has implemented a level-two control system aimed at ensuring compliance with regulations.

Concentration risk

The Risk Management Function – Credit Risk Unit, is responsible for measuring concentration risk. The approach taken to measuring the concentration risk of the portfolio of loans to customers differs according to whether it derives from:

- ✓ concentration by individual counterparty or groups of related customers;
- ✓ concentration by common factor (geographical and segment concentration).

The granularity adjustment approach indicated in the prudential supervisory regulations is adopted to measure the internal capital covering concentration risk by individual counterparties or groups of related customers. The method proposed by the Italian Banking Association is adopted to measure concentration risk by geographical area and segment.

Various analyses are conducted by Risk Management, involving the preparation of a series of statements aimed at analysing concentration by geographical area, ATECO sector, counterparty and related groups (monitoring of counterparties that exceed the limit of 3% of own funds) and draw-down levels for major customers (top ten, top 20 and top 50 in terms of amounts drawn down and granted). Periodic reports addressed to the Board of Directors are also prepared by the Loan Department and NPL Department on the performance of the credit relationships with the Bank's largest customers (in terms of amount granted and drawn down), classified as performing, bad debts or unlikely-to-pay, with specific information about the counterparties' state of health and management strategies in place.

In accordance with the lending process, in addition to observing the limits set by supervisory provisions with respect to large exposures, Banca di Cividale has implemented an internal system of concentration limits, calculated in proportion to the values of own funds.

2.3 Methods of measuring expected credit losses

In accordance with the accounting standard IFRS 9, all financial assets not measured at fair value through profit or loss must be subject to the new forward-looking impairment model according to an expected loss approach.

In application of the accounting standard IFRS 9, the Bank classifies financial instruments to three different categories ("stages") on the basis of the deterioration of credit quality (or risk) potentially occurring between the reporting date and initial recognition (origination date), with the consequent differentiation of the level of value adjustments.

The stages are defined as follows:

- ✓ Stage 1: Stage 1 includes financial assets upon their origination and instruments for which, from initial recognition until the reporting date the bank has not found evidence of a "significant" increase in the related credit risk. In addition, instruments that at the reporting date are believed to have structurally "low" credit risk may optionally be included in this stage. IFRS 9 requires that financial assets classified to this stage be assessed for impairment losses sufficient to cover the expected credit losses (ECLs) over a time horizon of twelve months from the reporting date.
- ✓ Stage 2: this category includes performing financial assets that, as opposed to those classified to stage 1, have shown a "significant" increase in credit risk since initial recognition. IFRS 9 requires that financial assets classified to this stage be assessed for impairment losses sufficient to cover the expected losses over the time horizon equal to the entire contractual lifetime of the exposure being assessed (Lifetime Expected Credit Losses - LECLs).
- ✓ Stage 3: finally, non-performing financial assets are classified to this category. In accordance with applicable supervisory regulations, they are classified as past-due loans, unlikely-to-pay loans and bad debts, as further specified in the paragraph "Non-performing credit exposures".

In order to comply with the provisions of IFRS 9, at each reporting date financial assets other than those designated at fair value through profit or loss are tested to determine whether there is evidence that their carrying amounts may not be fully recoverable. A similar analysis is also conducted for commitments to grant finance and guarantees granted, which fall within the scope of impairment testing pursuant to IFRS 9.

Where such evidence ("evidence of impairment") is found to exist, the financial assets concerned – in a manner consistent with all remaining assets attributable to that same counterparty – are considered impaired and reclassified to stage 3. With regard to such assets, alignment of the accounting and regulatory definitions of default – already achieved – means that the current criteria for classifying exposures as "non-performing" / "impaired" may be considered identical to the criteria for classifying exposures to stage 3;

In cases of such exposures, represented by financial assets classified, pursuant to Bank of Italy Circular No. 262/2005, to the categories of non-performing positions, unlikely-to-pay positions and positions past due by more than 90 days, adjustments equal to the expected losses over their entire residual lives must be recognised.

For financial assets for which there is no evidence of impairment (performing financial instruments), it must be verified whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. The consequences of this verification, from the standpoint of classification (or, more properly, staging) and measurement, are as follows:
- where such indicators exist, the financial asset is classified to stage 2. In this case, in accordance with international accounting standards, despite the absence of a manifest impairment loss, measurement is based on recognising adjustments equal to the credit losses expected over the entire residual life of the financial instrument (known as the "lifetime expected credit loss");
- where such indicators do not exist, the financial asset is classified to stage 1. In this case, in accordance with international accounting standards, despite the absence of a manifest impairment loss, measurement is based on recognising the expected credit losses on the specific financial instrument over the following twelve months (the "12 month expected credit loss"). Such adjustments are reviewed at each subsequent reporting date both to periodically determine whether they are consistent with the constantly updated loss estimates and to take account of the changed time horizon for calculating the expected credit loss where there are indicators of "significantly increased" credit risk.
Forward-looking information relating to, among other subjects, the development of the macroeconomic scenario is included when calculating expected credit losses ("ECLs").
The elements that according to the Standard, as implemented by Banca di Cividale, are the main drivers to be considered when measuring financial assets, and in particular when identifying a "significant increase" in credit risk (a necessary and sufficient condition for the asset being measured to be classified to stage 2) are as follows:

- ✓ the counterparty's rating (considered as a proxy for the lifetime risk of default), where available, quantifies credit risk; the difference in terms of 'notches' between the rating class when the relationship is formed and the rating class assigned on the reporting date is used as a proxy for measuring the change in credit risk (e.g., as the relative threshold for significant deterioration of credit risk);
- ✓ the presence of any, of amounts past due by at least 30 days; in other words, in such cases the exposure's credit risk is presumed to have "increased significantly", resulting in "transfer" to stage 2 (where the exposure was previously classified to stage 1);
- ✓ any forbearance measures, where applicable, which are also presumed to entail the classification of the exposures in question among those for which credit risk has "increased significantly" since initial recognition;
- ✓ the assignment to the individual relationship or counterparty, where applicable, of qualitative factors relating to non-performance as at the reporting date, defined by the Bank within the framework of the process of identifying particularly risky positions, as part of credit monitoring, the occurrence of which is presumed to indicate that there has been a significant increase in credit risk, unless there is evidence to the contrary.

Once the definitive allocation of the exposures to the various credit risk stages has been determined, expected credit losses (ECLs) are calculated at the level of each transaction or tranche of a security, based on the internal models developed at the consortium level by the IT provider (to which the Bank has fully outsourced IT activities and services), through the parameters probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are subject to appropriate calibration measures inclusive of each bank's historical series.
In accordance with the prudential regulations implementing the European Banking Authority's Guidelines dated 20 September 2017 on credit institutions' credit risk management practices and accounting for expected credit losses (EBA/GL/2017/06), the rating system and expected credit loss models implemented in accordance with the accounting standard IFRS 9 are periodically reviewed by the Risk Management Function within the framework of IFRS 9 validation activities, through a dedicated process in which specific activities are also performed by the CSE Consortium (the fully outsourced IT provider). In addition, the Bank's Risk Management performed periodic level-two controls on the process of calculating expected credit losses, together with dedicated analyses monitoring the staging criteria applied and the level of impairment of credit exposures on the basis of the various drivers of analysis (technical form, type of customer, rating class, etc.), in accordance with the policies and procedures applied, accounting framework and proportionality principle.
Some special criteria apply to the staging of securities. In contrast to loans, purchase transactions involving this type of exposure after initial purchase may customarily fall within the scope of ordinary management of the positions (with the resulting need to select a method to be adopted to identify sales and redemptions in order to determine the residual quantities of the individual transactions with which to associate a credit

quality/rating upon origination to be compared with that at the reporting date). Within this framework, it was decided that the use of the “first-in, first-out” or “FIFO” method (for the recycling to the income statement of the ECL recognised, in the event of sales or redemptions) contributes to more transparent management of the portfolio, including from the standpoint of front-office personnel, while also permitting assessments of creditworthiness to be constantly updated on the basis of new purchases.
External providers have been consulted as part of the process of calculating expected credit losses on securities. It bears emphasising that the “first-in, first-out” or “FIFO” method has been used to calculate the recycling to the income statement of the expected credit loss recognised in the event of sales.
It should be noted that Banca di Cividale does not apply the “Low Credit Risk Exemption,” which would allow it not to perform the significant deterioration of credit risk test for transactions that as at the measurement date present low credit risk, with the exception of the portfolio of debt securities with an investment grade rating.
The Bank performs a specific assessment on positions classified as unlikely to pay above a certain exposure threshold (over €200 thousand) and on all positions classified as bad debts, based on prudent criteria that take account of all factors capable of giving rise to a lesser or greater degree of recovery (inclusive of the financial effect estimated as necessary for recovery). In particular, the main debtor's ability to repay, the presence of collateral, personal guarantees or consortium guarantees and the contingent market value of collateral are all taken into account in this process. When conducting specific assessments, the Bank differentiates its accounting treatment of non-performing loans according to whether recovery depends on future operating cash flows (the “going-concern” scenario) or solely on the enforcement of guarantees (the “gone-concern” scenario).
Non-performing exposures classified as past-due and unlikely-to-pay beneath a certain gross exposure threshold (<€200 thousand) are measured collectively, by applying a stage 3 impairment calculation model, consistent with the criteria laid down in the accounting standard IFRS 9 for determining the expected credit loss, calculated over a lifetime horizon, as envisaged for positions classified to Stage 2 and also inclusive of forward-looking parameters.

COVID-19 modifications

Assessment of the significant increase in credit risk (SICR)

With regard to the criteria for classifying exposures within Stage 2 of loans to customers, as provided for in the Bank’s IFRS 9 Policy, “Stage allocation criteria and transfer logic”, in 2020 an addition to the existing process was considered in order to ensure, in the current scenario and on a temporary basis, that the transfer of an exposure to Stage 2 is based on a significant increase in the “structural” credit risk attributable to the counterparty and is not related exclusively to liquidity tensions and short-term critical factors strictly attributable to the spread of the COVID-19 epidemic, as suggested by the various European authorities. In this regard, attention was called to the need not to apply mechanically the IFRS 9 methods already in use, encouraging the use of appropriate judgment to reach a proper assessment of the quality of credit assets.
In order to mitigate the effects of the deterioration of the portfolio attributable to the COVID-19 emergency, the Bank introduced, for a defined scope of counterparties, a process of “confirming” a significant increase in risk, through dedicated, position-by-position analyses, obtaining up-to-date information regarding the state of health of the counterparty (not factored into the rating assigned) and acquired by the branch manager. The process, which also involved first-level validation by Loan Monitoring and second-level validation by Risk Management, was found to be functional to distinguishing cases of actual increase in credit risk from cases of contingent "criticality”, as outlined in the “Regulation for the IFRS 9 staging allocation process within the framework of the COVID-19 emergency” issued in April 2020 and according to a set of dedicated questions/answers (qualitative questionnaire) completed by the branch manager for each counterparty analysed. Overall, on a scope analysed at 31 December 2020 of €122 million of gross exposure of borrower counterparties, approximately €14.2 million had been reclassified to stage 2 (automatically applying the staging allocation criteria they would have been classified to stage 1) and approximately €19.95 million had been repositioned to stage 1, with a reduction in expected loss of €0.143 million.

Measurement of expected losses

Expected credit losses (ECLs) are calculated at the level of each transaction or tranche of a security, based on the internal models developed at the consortium level by the IT provider (to which the Bank has fully outsourced IT activities and services), through the parameters probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are subject to appropriate calibration measures inclusive of each bank's historical series.

With regard to the impacts of COVID-19 on accounting estimates that had a significant effect on 2020, mention should be made of those relating to the assessment of expected credit losses. In the case of performing loans to customers in particular, the impacts of the pandemic entailed the recognition in item 130 "Net adjustments/recoveries for credit risk" of approximately €6.69 million, corresponding to approximately 31.35% of total impairment losses on loans of this type (including off-balance sheet exposures) at 31 December 2020.
In particular, the modifications made regarding the assessment of expected credit losses on performing exposures related to:

- ✓ refinement in the estimate of the "point-in-time" and "forward-looking" components of risk parameters by updating the macroeconomic scenarios and related models in order to incorporate the impact of the pandemic into the estimates;
- ✓ in the calculation of the expected loss of the parameters PD and LGD associated with the Italian government, as a mitigation attributable to the presence of government guarantees;
- ✓ the introduction of specific "management overlays" designed to include ad hoc corrective factors, not captured by the models in use, better to reflect the particular COVID-19 impacts on specific sectors in the assessment of loans.

With regard to forward-looking information, the calculation provided by the IT provider (CSE Consortium), introducing the estimates included in the "Guidelines for the Forecast Report – September 2020", a document named "Scenario Analysis" dated October 2020 by Prometeia, in which the base scenario sees a decline in GDP in Italy of 9.6% of 2020, followed by a recovery over the next three years (+6.2% in 2021, +2.8% in 2002 and +1.8% in 2023). In the base scenario, the unemployment rate for 2020 has been estimated at 9.8%, whereas for the three following years 2021, 2022 and 2023 it has been estimated at 11.3%, 10.8% and 10.3%. The probabilities of occurrence of the associated macroeconomic scenarios are as follows: 90% for the base scenario, 5% for the downside scenario and 5% for the upside scenario.
The satellite models adopted at the consortium level (already upon first-time adoption of IFRS 9) are used to estimate the probability of default parameters within the framework of IFRS 9 in order to analyse the relationship existing between average run-off rates (transfers to non-performing status provided by the Bank of Italy) for a set of geo-sectoral clusters and various macroeconomic factors. To this end, a series of econometric models were estimated with differentiation by economic category (consumer households, producer households, financial companies, government and non-financial companies, considering for this latter cluster a sub-subdivision into 30 sectors by economic activity according to the ATECO code and for five geographical macro-areas) and specification of the underlying variable.
On the other hand, with regard to the treatment in the estimate of the forward-looking ECL of government guarantees and moratoria, satellite models obviously do not take account of important economic support initiatives. In particular, positive results are expected from the system of guarantees provided for in Decree-Law No. 23 of 8 April 2020, the "Liquidity Decree", inasmuch as they allowed banks to expand their support for liquidity for companies, enabling at least some of them to survive the current crisis. In order to acknowledge the effects of the government guarantee on loans disbursed according to the Legislative Decree cited above, in calculating the expected loss the Bank applied the same approach as also defined for the other types of loans backed by government guarantee and not included within the scope of the Liquidity Decree (in this case, it refers largely to mortgage loans with CONSAP guarantee to inhouse companies of the Minister of Economy and Finance that instituted the First Home Guarantee Fund). In this regard, the expected loss has been estimated on the basis of the parameters PD and LGD attributed to the Italian government on the share of the exposure backed by the government guarantee.
In addition, in calculating the expected loss on performing loans, the Bank also assessed the adoption of management overlays for the purposes of inclusion of ad hoc corrections, not captured by the model, to take account of the performance of specific sectors of the economy in this particular COVID-19 scenario. In this regard, an increase in the provision of €1.797 million was introduced for performing counterparties in the sectors "Accommodation and dining services", "Tourism and dining real-estate" and "Wholesale and retail commerce", which are considered among the sectors most affected by the pandemic and have the worst post-COVID-19 recovery prospects, at least in 2021.

2.4 Credit risk mitigation techniques

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Bank would sustain in the event of a default by the counterparty. In particular, they consist of guarantees and various contracts that give rise to a reduction in credit risk. Guarantees are a secondary consideration in the loan

approval process. Loan approval continues to be based on the borrower's effective ability to repay the amount of the loan.
Operating procedures for the proper acquisition, use and management of guarantees have been established in specific internal rules with the aim of ensuring consistent, uniform operations.
Guarantees are acquired through an operational procedure that ensures an assessment of the formal and substantive validity of documentation that includes ascertaining the legal capacity to contract required to provide the guarantee in question. Checks are supplemented at the central level, where securities are held and contracts managed. In the case of pledges, only specified, easily liquidated assets are eligible for acquisition and valuation under the procedure. In the case of mortgages, the assets are valued by independent appraisers, who act in accordance with the Italian Banking Association Property Appraisal Guidelines adopted by the Bank and the related rules and procedures.
The guarantees acquired that comply with the generic and specific suitability criteria established by supervisory legislation for the mitigation of credit exposures are also used to determine capital requirements. In the case of real estate collateral in particular, each year the Bank commissions an external provider to perform a periodic update of the market value of properties provided as collateral or subject to finance lease, on statistical bases, in order to ensure "property monitoring." For exposures of more than €3 million, the Bank has the appraisals revised by independent experts at least once every three years, in accordance with applicable legislation.
Before personal guarantees are accepted, checks are usually made at the competent register of deeds to ascertain the guarantor's actual real estate portfolio and verifications regarding the guarantor's earnings capacity, taking due account of the possibility of a rapid, unexpected depletion of the asset base.
As part of ICAAP, the Bank assesses what is known as "residual risk", which is defined as the risk that recognised techniques for mitigating credit risk prove less effective than expected. The use of such techniques may expose the Bank to other risks (for example, operational and legal risks) that, were they to occur, might result in greater credit exposure than expected, due to the reduced effectiveness or effective unavailability of protection. Residual risk is primarily managed through appropriate initiatives of a procedural and organisational nature. Organisational changes aimed at enhancing level-one and level-two controls were made with the purpose of reducing residual risk.

3. Non-performing credit exposures

3.1 Management strategies and policies

- ✓ According to the supervisory regulations, non-performing financial assets (IFRS 9 Stage 3) are classified to the following categories:
- ✓ Exposures past due by more than 90 days: on-balance sheet exposures other than those classified as bad debts or unlikely-to-pay which are past due at the reporting date by more than 90 days, according to the conditions set out in the Bank of Italy supervisory regulations. Past-due exposures may be determined in reference to either the individual borrower or the individual transaction, as permitted by the regulations. Banca di Cividale adopts the individual borrower approach for all exposures.
- ✓ Unlikely to pay: on- and off-balance sheet exposures to borrowers who the Bank, at its discretion, believes it is unlikely will be able to repay all (principal and/or interest) of their credit obligations without recourse to measures such as the enforcement of guarantees.
- ✓ Bad debts: all on- and off-balance sheet exposures to borrowers in a state of insolvency or substantially equivalent situations, regardless of any loss projections formulated.

In accordance with those same supervisory regulations, a transversal category known as "forborne exposures" (exposures subject to forbearance measures) has also been identified within the various risk classes (performing and non-performing). An exposure subject to a forbearance measure is an exposure on which contractual concessions have been granted by the Bank in view of the difficulty that the debtor is facing, or is about to face, in discharging its financial obligations (financial difficulty).
Loans classified as unlikely-to-pay, above a certain threshold, and bad debt positions are the responsibility of the NPL Department.
The classifications of individual positions are decided upon by the competent bodies, normally by proposal of the branch or Anomalous Loan Function. The amount of provisions to be recognised is also determined during the decision-making process. Likewise, the competent bodies also decide to reclassify positions as ordinary and thus out of the unlikely to pay category. Once a loan is classified as unlikely to pay, the decision-making powers of individual loan officers are suspended and any further decision on extending loans rests solely with collegial bodies. Positions classified as unlikely to pay of amounts in excess of the limit are managed by the

Anomalous Loan Function, which also provides constant support to individual branches with managing accounts of limited amounts, with regard to the measures to be taken to seek to restore the positions to performing status.
The procedure for classifying a position as a bad debt is analogous to that used for managing unlikely-to-pay loans. Decisions concerning the amounts of individual provisions, as well as any changes, are taken by the competent bodies upon the recommendation of the Dispute Function.
The Bank's approach to assessing non-performing exposures involves applying the following criteria: 1) non-performing positions (positions past due by more than 90 days that exceed the materiality threshold) and unlikely-to-pay positions below a pre-defined draw-down threshold are assessed on a portfolio basis by applying a stage 3 impairment classification model consistent with the criteria laid down in the accounting standard IFRS 9 for determining the lifetime expected loss, as established for positions classified to stage 2 and also inclusive of forward-looking parameters; 2) in accordance with IAS/IFRS accounting rules, unlikely-to-pay positions beyond a pre-defined threshold and bad debts are subject to an analytical assessment process that results in the determination of the expected loss on each position.

3.2 Write-off

The gross carrying amount of a financial asset is written off when there is no reasonable expectation that it may be recovered (it is “irrecoverable”) and when it is not believed to be economically expedient to proceed with recovery and management activity. When these conditions are met, the Bank writes the asset off; such cases involve a write-off event that does not entail forbearance of the underlying loan.
Write-offs may be total and thus involve the full amount of a financial asset, or partial, in which case only a part of the exposure is written off.
The accounting treatment of this process involves:

- ✓ reversal of the overall adjustments through the gross value of the financial asset;
- ✓ allocation to tax-deductible losses of the amount in excess of the total adjustments.

Any recoveries due to collection of a position that has been written off are taken to profit or loss as other operating income.
The 2020-2022 non-performing loan reduction operating plan, updated to June 2020, calls for the sale and/or derecognition (write-off) of exhausted portfolios of non-performing loans amounting to approximately €55 million over the plan period (2020-2022). In accordance with this objective, a specific write-off policy has been in place since March 2018 and write-offs of €16.3 million were applied to gross non-performing loans in 2020, largely through the use of the provision already set aside.

3.3 Purchased or originated credit-impaired financial assets

In accordance with IFRS 9, loans already considered impaired when they are initially recognised, in view of the high credit risk associated with them, are termed purchased or originated credit-impaired (POCI) assets. Such loans, where they fall within the scope of application of impairment as defined in IFRS 9, are measured by setting aside, with effect from the date of initial recognition, provisions for covering losses that extend over the entire residual life of the loan (lifetime expected credit loss). Since these are non-performing loans, they are initially classified to stage 3, although they may be transferred to stage 2 in the course of their lifetime, where they are no longer found to be impaired on the basis of a credit risk analysis.

4. Renegotiated and forborne financial assets

As specified in section 3.1, forbearance measures are measures granted to a debtor that is currently experiencing, or is about to experience, difficulties in meeting its payment commitments. The term “concessions” refers to interventions agreed with a debtor and intended, by amending the terms and conditions of a pre-existing contract, or by refinancing part or all of a pre-existing exposure, to restore the debtor to a situation of sustainable repayment. Renegotiations for commercial reasons/practices are therefore to be excluded from the notion of forbearance measure.
On the basis of the indications provided by the EBA in the “Guidelines on management of non-performing and forborne exposures - Final report, published by the European Banking Authority (EBA) on 31 October 2018”, the bank identifies the following cases as forbearance measures that may be granted to debtors in financial difficulties (provided that they are not done for merely commercial purposes):

- ✓ reductions in the economic conditions relating to the rate;
- ✓ temporary suspension of payment of principal amounts;
- ✓ temporary reduction of the amount of payments;
- ✓ concession of a payment moratorium period;

- ✓ compounding of past-due amounts;
- ✓ extension of loan maturity;
- ✓ acquisition of additional guarantee;
- ✓ remodulation of payments;
- ✓ refinancing;
- ✓ debt consolidation; and
- ✓ total or partial forgiveness of debt.

Changes of economic rate conditions do not apply to newly established relationships, i.e. relationships that less than six months old, since such renegotiations are considered commercial in nature. In addition, the scope also includes exposures for which a debt restructuring plan is envisaged pursuant to Art. 67 or Art. 182-bis of the Bankruptcy Law (i.e. all exposures with the management status of “former restructured” positions).
At the end of 2020, the on-balance credit exposures of Banca di Cividale included gross non-performing forborne exposures of €84,409 thousand and gross performing forborne exposures of €44,324 thousand.

COVID-19 modifications

In 2020 the Bank's lending activity was strongly conditioned by the emergency situation experienced by the country following the spread of the COVID-19. In particular, in the summer months the intensity of transmission declined momentarily. Unfortunately, in September the phenomenon rapidly worsened once more, with inevitable consequences on the general economic situation. The abrupt reversal of the trend neutralised the early stages of a recovery of industrial production, undermining hopes of a dramatic economic recovery.
The EBA guidelines extended the aforementioned flexible framework for the first time on 30 September 2020; on 2 December 2020 the EBA further extended this deadline to 31 March 2021 and introduced the limit of nine months as the maximum total period of application for general payment moratoria referring to all types of concessions, whether legislative or as a result of industry-wide agreement. The EBA’s new guidelines call for a need for ad hoc assessment for the purpose of assignment of forborne status for measures granted after 1/10/2020 with a duration of suspension of more than nine months.
With regard to the content, the relief related to:

- ✓ suspension of payments coming due (moratoria);
- ✓ a freeze on revocation of credit lines;
- ✓ availability of extraordinary lines of credit.

On a more narrowly organisational level, since the initial phase of the pandemic, streamlined methods of digital interaction and exchange with customers have been introduced to contain the physical movement of individuals and resulting risk of contagion to the fullest possible extent. Simplified procedures have been introduced for the authorisation of individual cases, in order to respond promptly to requests of an urgent nature.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 Performing and non-performing credit exposures: amounts, adjustments, performance and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

	Bad loans	Unlikely to pay	Non performing, past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	46,894	85,844	11,213	96,684	3,569,518	3,810,152
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	127,351	127,351
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	0	3,299	3,299
5. Non-current financial assets held for sale	-	-	-	-	-	-
Total 31/12/2020	**46,894**	**85,844**	**11,213**	**96,684**	**3,700,168**	**3,940,802**
Total 31/12/2019	**69,404**	**102,133**	**13,844**	**212,671**	**3,567,164**	**3,965,215**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

	Impaired assets				Other assets			Total net exposure
	Gross exposure	Specific writedowns	Net exposure	Overall partial writeoff	Gross exposure	Portfolio writedowns	Net exposure	
1. Financial assets valued to amortized cos	297,671	153,720	143,951	5,555	3,687,156	20,955	3,666,201	3,810,152
2. Financial assets valued to fair value with impact on overall profitability	-	-	-	-	127,392	42	127,351	127,351
3. Financial assets designated to fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily valuated to fair value	-	-	-	-	X	X	3,299	3,299
5. Financial assets as held for sale	-	-	-	-	-	-	-	-
Total 31/12/2020	**297,671**	**153,720**	**143,951**	**5,555**	**3,814,549**	**20,997**	**3,796,851**	**3,940,802**
Total 31/12/2019	**374,215**	**188,834**	**185,380**	**19,169**	**3,779,956**	**15,253**	**3,779,835**	**3,965,215**

Portfolio/quality	Assets of evidently low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	940
2. Hedging derivatives	-	-	-
Total 31/12/2020	-	-	**940**
Total 31/12/2019	-	-	**972**

A.1.3 Distribution of financial assets by past-due brackets (carrying amounts)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days
1. Financial assets measured at amortised cost	69,179	-	-	18,231	5,599	3,676	4,694	2,440	116,095
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-	-	-	-
Total 31/12/2020	**69,179**	-	-	**18,231**	**5,599**	**3,676**	**4,694**	**2,440**	**116,095**
Total 31/12/2020	**131,288**	**0**	**44**	**57,520**	**13,585**	**10,234**	**8,944**	**2,100**	**158,881**

A.1.4 Financial assets, commitments to grant finance and financial guarantees given: performance of total adjustments and total provisions

Reasons/risk stages	Total adjustments																Total provisions on commitments to disburse funds and financial			Total
	Stage 1 assets					Stage 2 assets					Stage 3 assets									
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Non-current financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Non-current financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Non-current financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Purchased or originated creditimpaired financial assets	Stage 1	Stage 2	Stage 3	
Initial amount	8,425	109	-	-	8,534	6,691	-	-	-	6,691	188,834	-	-	186,700	2,134	222	280	117	159	204,616
Increases in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition other than write-offs	(1,601)	(29)	-	-	(1,630)	(506)	-	-	-	(506)	(31,687)	-	-	(31,311)	(377)	(26)	(69)	(10)	(41)	- 33,943
Net losses/recoveries for credit risk (+/-)	6,167	(38)	-	-	6,129	1,729	-	-	-	1,729	16,960	-	-	16,952	8	-	330	50	(36)	25,162
Changes in contracts without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	(20,386)	-	-	(20,382)	(4)	-	-	-	-	(20,386)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final amount	**12,992**	**42**	-	-	**13,033**	**7,915**	-	-	-	**7,915**	**153,721**	-	-	**151,958**	**1,762**	**196**	**541**	**156**	**83**	**175,449**
Recoveries on collection of financial assets previously written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.6 On- and off-balance sheet loan exposures to banks: gross and net values

Type of exposure/amounts	Gross exposure		Total adjustments and total provisions for credit risk	Net exposure	Total partial write-offs*
	Non performing	Performing			
A. On-balance sheet exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	44,376	61	44,315	-
- of which: forborne exposures	X	-	-	-	-
Total (A)	-	**44,376**	**61**	**44,315**	-
B. Off-balance sheet exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	7,661	-	7,661	-
Total (B)	-	**7,661**	-	**7,661**	-
Total (A+B)	-	**52,037**	**61**	**51,976**	-

* *Value to be presented for disclosure purposes*

A.1.7 On- and off-balance sheet loan exposures to customers: gross and net values

Type of exposure/amounts	Gross exposure		Total adjustments and total provisions for credit risk	Net exposure	Total partial write-offs*
	Non performing	Performing			
A. On-balance sheet exposures					
a) Bad loans	154,369	X	107,475	46,894	5,555
- of which: forborne exposures	15,533	X	8,988	6,545	243
b) Unlikely to pay	130,316	X	44,472	85,844	-
- of which: forborne exposures	66,960	X	21,004	45,956	-
c) Non-performing past due exposures	12,986	X	1,773	11,213	-
- of which: forborne exposures	1,916	X	281	1,634	-
d) Performing past due exposures	X	97,955	1,270	96,685	0
- of which: forborne exposures	X	4,337	131	4,205	-
e) Other performing exposures	X	3,676,229	19,665	3,656,564	0
- of which: forborne exposures	X	39,988	954	39,033	-
Total (A)	**297,671**	**3,774,184**	**174,656**	**3,897,199**	**5,555**
B. Off-balance sheet exposures	-	-	-	-	-
a) Non-performing	6,901	X	83	6,818	-
b) Performing	X	686,957	697	686,260	-
Total (B)	**6,901**	**686,957**	**780**	**693,078**	**-**
Total (A+B)	**304,572**	**4,461,142**	**175,436**	**4,590,277**	**5,555**

* *Value to be presented for disclosure purposes*

A.1.7a Loans subject to COVID-19 support measures: gross and net values

Type of exposure/amounts	Gross exposure	Total adjustments and total provisions for credit risk	Net exposure	Total partial write-offs*
A. Bad loans	-	-	-	5,555
a) EBA-compliant moratoria loans and advances	-	-	-	-
b) Other loans and advances with Covid-19 related forbearance measures	-	-	-	5,555
c) Newly originated loans and advances	-	-	-	-
B. Unlikely to pay	11,726	2,806	8,920	-
a) EBA-compliant moratoria loans and advances	9,212	2,626	6,586	-
b) Other loans and advances with Covid-19 related forbearance measures	-	-	-	-
c) Newly originated loans and advances	2,514	180	2,334	-
C. Non-performing past due exposures	21	3	18	-
a) EBA-compliant moratoria loans and advances	21	3	18	-
b) Other loans and advances with Covid-19 related forbearance measures	-	-	-	-
c) Newly originated loans and advances	-	-	-	-
D. Performing past due exposures	13,764	222	13,542	0
a) EBA-compliant moratoria loans and advances	7,730	217	7,513	-
b) Other loans and advances with Covid-19 related forbearance measures	-	-	-	0
c) Newly originated loans and advances	6,034	5	6,029	-
E. Other performing exposures	827,797	8,563	819,234	0
a) EBA-compliant moratoria loans and advances	678,948	8,291	670,657	-
b) Other loans and advances with Covid-19 related forbearance measures	-	-	-	0
c) Newly originated loans and advances	148,849	272	148,577	-
TOTAL (A+B+C+D)	**853,308**	**11,594**	**841,714**	**5,555**

* *Value to be presented for disclosure purposes*

A.1.9 On-balance sheet loan exposures to customers: changes in gross impaired positions

	Bad loans	Unlikely to pay	Past due positions
A. Opening gross exposure	**206,341**	**151,897**	**15,976**
- of which: exposures assigned but not derecognized	-	-	-
B. Increases	**26,410**	**28,186**	**5,784**
B.1 from performing positions	654	15,107	4,809
B.2 transfers from other categories of impaired positions	-	-	-
B.3 transfers from other non-performing exposures categories	21,271	3,359	-
B.4 changes in contracts without derecognition	-	-	-
B.5 other increases	4,485	9,720	975
C. Decreases	**78,383**	**49,766**	**8,775**
C.1 to performing positions	-	215	279
C.2 writeoffs	20,176	3,158	44
C.3 collections	14,966	23,101	3,265
C.4 assignments	11,877	1,597	-
C.5 losses on sale	6,221	125	-
C.6 transfers to other categories of impaired positions	-	19,616	5,015
C.7 changes in contracts without derecognition	-	-	-
C.8 other decreases	25,143	1,954	172
D. Closing gross exposure	**154,369**	**130,316**	**12,985**
- of which: exposures assigned but not derecognized	-	-	-

The amount of other decreases includes, for loans sold on a without recourse basis, the difference between the value of the gross exposure and the realisable value of the sale plus any loss on sale.

A.1.9bis On-balance sheet loan exposures to customers: changes in gross forborne exposures, by credit quality

	Forborne exposures: non performing	Forborne exposures: performing
A. Opening gross exposure	**80,924**	**42,289**
- of which: exposures assigned but not derecognized	-	-
B. Increases	**22,687**	**14,155**
B.1 transfers from performing not forborne exposures	3,100	10,146
B.2.transfers from performing forborne exposures	4,066	X
B.3. transfers from impaired forborne exposures	X	2,193
B.4 inflows from non forborne non-performing exposures	11,563	155
B.5 other increases	3,958	1,661
C. Decreases	**19,202**	**12,120**
C.1 to performing positions	X	4,050
C.2 to other categories of performing forborne positions	2,193	X
C.3 to other categories of non performing forborne positions	X	4,066
C.4 write offs	4,153	34
C.5 collections	6,005	3,970
C.6 assignments	930	-
C.7 losses on sale	1,093	-
C.8 other decreases	4,828	-
D. Closing gross exposure	**84,409**	**44,324**
- of which: exposures assigned but not derecognized	-	-

A.1.11 Non-performing on-balance sheet loan exposures to customers: changes in total adjustments

Reason/Categories	Bad loans		Unlikely to pay		Past due positions	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Total opening adjustments	**136,937**	**9,040**	**49,765**	**17,496**	**2,133**	**293**
- of which: exposures assigned but not derecognized	-	-	-	-	-	-
B. Increases	**29,475**	**2,096**	**14,449**	**6,937**	**918**	**108**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	11,704	933	13,903	6,846	918	108
B.3 losses on disposal	6,221	-	125	-	-	-
B.4 transfer from other impaired exposure	11,550	1,163	421	91	-	-
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Reductions	**58,937**	**2,148**	**19,741**	**3,429**	**1,278**	**120**
C.1 write-backs from assessments	2,162	36	2,322	321	179	4
C.2 write-backs from recoveries	2,876	480	2,653	1,732	348	4
C.3 gains on disposal	2,360	149	88	0	-	3
C.4 write-offs	20,174	1,483	3,070	232	44	-
C.5 transfers to other impaired exposures	-	-	11,264	1,144	707	110
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	31,364	-	344	-	-	-
D. Closing overall amount of writedowns	**107,475**	**8,988**	**44,473**	**21,004**	**1,773**	**281**
- of which: exposures assigned but not derecognized	-	-	-	-	-	-

A.2 CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO GRANT FINANCE AND FINANCIAL GUARANTEES GIVEN ON THE BASIS OF EXTERNAL AND INTERNAL RATINGS

A.2.1 Distribution of financial assets, commitments to grant finance and financial guarantees given by external rating classes (gross values)

Under the Bank of Italy preparation rules, the table in question has not been compiled since the Bank does not rely on external ratings issued by authorised ratings agencies (ECAIs) for on- and off-balance sheet exposures to customers.

A.2.2 - Distribution of financial assets, commitments to grant finance and financial guarantees given by internal rating classes (gross values)

This table has not been compiled since rating models are not used for regulatory purposes. However, they are used as a management tool for classifying and analysing customers for risk management purposes.

A.3 DISTRIBUTION OF SECURED CREDIT EXPOSURES BY TYPE OF GUARANTEE

A.3.2 On- and off-balance-sheet secured exposures to customers

	Gross exposure	Net exposures	Collateralsi (1)				Guarantees (2)									Total (1)+(2)
							Credit derivatives					Signature Loans (loans guarantees)				
								Other credit derivatives								
			Property	Financial leasing	Securities	Other assets	CLN	Goverments and Central Banks	Other public entities	Banks	Other entities	Goverments and Central Banks	Other public entities	Banks	Other entities	
1. Secured on balance sheet credit exposures	**2,671,143**	**2,521,533**	**1,698,843**	**158,177**	**8,609**	**157,813**	-	-	-	-	-	**208,457**	**1,008**	**35,842**	**186,084**	**2,454,833**
1.1. totally secured	2,405,979	2,307,115	1,652,929	158,177	4,140	151,334	-	-	-	-	-	136,354	1,006	30,569	172,063	2,306,571
- of which impaired	188,793	105,828	82,478	8,807	51	2,248	-	-	-	-	-	830	-	1,664	9,750	105,828
1.2. partially secured	265,164	214,417	45,914	-	4,469	6,479	-	-	-	-	-	72,103	2	5,273	14,022	148,262
- of which impaired	78,130	28,800	13,774	-	1,120	38	-	-	-	-	-	2,206	2	537	1,374	19,050
2. Secured off balance sheet credit exposures	**207,216**	**206,741**	**21,474**	-	**1,232**	**9,189**	-	-	-	-	-	**4,681**	**242**	**6,620**	**131,646**	**175,084**
2.1. totally secured	150,259	150,050	15,928	-	391	5,541	-	-	-	-	-	3,776	242	5,225	118,636	149,738
- of which impaired	2,092	2,069	167	-	2	132	-	-	-	-	-	-	-	63	1,707	2,069
2.2. partially secured	56,957	56,691	5,546	-	841	3,648	-	-	-	-	-	906	-	1,395	13,011	25,346
- of which impaired	1,264	1,248	-	-	-	78	-	-	-	-	-	-	-	108	739	925

A.4 FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Distribution of on- and off-balance sheet credit exposures to customers by business segment

Exposures/Counterparties	Governments		Other public entities		Financial companies		Insurance undertakings		Non-financial companies	
	Net exposure	Specific writedowns	Net exposure	Specific writedowns	Net exposure	Specific writedowns	Net exposure	Specific writedowns	Net exposure	Specific writedowns
A. ON-BALANCE-SHEET EXPOSURES										
A.1. Bad loans	-	-	325	1,878	-	-	26,711	75,950	19,857	29,647
- Of which: forborne exposures	-	-	-	-	-	-	3,402	6,373	3,143	2,615
A.2. Unlikely to pay	-	-	1,129	2,816	-	-	47,024	29,527	37,691	12,129
- Of which: forborne exposures	-	-	317	336	-	-	28,908	15,183	16,731	5,485
A.3. Non performing, past due exposures	0	-	-	-	-	-	5,321	1,069	5,891	704
- Of which: forborne exposures	-	-	-	-	-	-	1,316	248	318	33
A.4. Other performing exposures	860,178	232	195,290	620	1,859	-	1,380,940	16,646	1,316,840	3,436
- Of which: forborne exposures	-	-	-	-	-	-	23,563	795	19,676	291
TOTAL A	860,178	232	196,745	5,314	1,859	-	1,459,997	123,193	1,380,280	45,916
B. OFF-BALANCE-SHEET EXPOSURES										
B.1 Non-performing exposures	-	-	-	-	-	-	5,965	64	853	19
B.2 Performing exposures	1,679	1	7,113	2	147	0	595,464	661	82,004	33
TOTAL B	1,679	1	7,113	2	147	0	601,429	724	82,857	52
TOTAL (A+B) 31/12/2020	861,857	233	203,858	5,317	2,005	0	2,061,426	123,917	1,463,137	45,969
TOTAL (A+B) 31/12/2019	1,047,713	754	197,619	5,155	13,712	0	1,884,469	145,660	1,423,098	53,033

B.2 Distribution of on- and off-balance sheet credit exposures to customers by geographical area

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET EXPOSURES										
A.1. Bad loans	46,847	107,384	46	91	-	-	-	-	-	-
A.2. Unlikely to pay	85,747	44,425	97	47	-	-	-	-	-	-
A.3. Non performing, past due exposures	11,075	1,757	137	16	-	-	-	-	0	0
A.4. Other performing exposures	3,731,887	20,714	20,038	220	622	0	552	0	149	0
TOTAL A	3,875,556	174,281	20,319	374	622	0	552	0	150	0
B. OFF-BALANCE-SHEET EXPOSURES										
B.1 Non-performing exposures	6,818	83	-	-	-	-	-	-	-	-
B.2 Performing exposures	684,502	697	1,748	1	11	-	-	-	-	-
TOTAL B	691,321	780	1,748	1	11	-	-	-	-	-
TOTAL (A+B) 31/12/2020	**4,566,877**	**175,060**	**22,066**	**375**	**633**	**0**	**552**	**0**	**150**	**0**
TOTAL (A+B) 31/12/2019	**4,532,262**	**204,252**	**19,348**	**348**	**489**	**0**	**627**	**0**	**173**	**0**

In further detail, exposures in Italy break down by geographical area as shown in the following table:

Exposures/Geographical areas	Northwest Italy		North east Italy		Italy - Center		South Italy and Islands	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET EXPOSURES								
A.1. Bad loans	1,200	1,275	44,935	104,379	632	1,369	79	362
A.2. Unlikely to pay	5,823	5,811	78,526	37,508	1,386	1,102	12	3
A.3. Non performing, past due exposures	45	7	10,884	1,738	115	7	30	5
A.4. Other performing exposures	114,956	1,366	2,669,095	18,507	941,884	808	5,952	33
TOTAL A	122,024	8,459	2,803,440	162,132	944,018	3,287	6,073	403
B. OFF-BALANCE-SHEET EXPOSURES	-	-	-	-	-	-	-	-
B.1 Non-performing exposures	-	-	6,787	83	23	-	8	-
B.2 Performing exposures	14,085	1	666,531	695	3,455	1	418	0
TOTAL B	14,085	1	673,318	778	3,478	1	426	0
TOTAL (A+B) 31/12/2020	136,109	8,460	3,476,759	162,910	947,497	3,287	6,499	403
TOTAL (A+B) 31/12/2019	121,236	8,321	3,272,196	187,155	1,132,026	8,392	6,803	385

B.3 Distribution of on- and off-balance sheet credit exposures to banks by geographical area

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. ON-BALANCE-SHEET EXPOSURES										
A.1. Bad loans	-	-	-	-	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3. Non performing, past due exposures	-	-	-	-	-	-	-	-	-	-
A.4. Other performing exposures	39,200	56	2,549	1	2,565	4	-	-	-	-
TOTAL A	39,200	56	2,549	1	2,565	4	-	-	-	-
B. OFF-BALANCE-SHEET EXPOSURES										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	7,659	-	2	-	-	-	-	-	-	-
TOTAL B	7,659	-	2	-	-	-	-	-	-	-
TOTAL (A+B) 31/12/2020	**46,859**	**56**	**2,551**	**1**	**2,565**	**4**	-	-	-	-
TOTAL (A+B) 31/12/2019	**48,776**	**38**	**3,882**	**2**	**2,096**	**2**	-	-	-	-

In further detail, exposures in Italy break down by geographical area as shown in the following table:

Exposures/Geographical areas	Northwest Italy		North east Italy		Italy - Center		South Italy and Islands	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET EXPOSURES								
A.1. Bad loans	-	-	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	-	-
A.3. Non performing, past due exposures	-	-	-	-	-	-	-	-
A.4. Other performing exposures	6,169	6	-	-	33,031	50	-	-
TOTAL A	6,169	6	-	-	33,031	50	-	-
B. OFF-BALANCE-SHEET EXPOSURES								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-
TOTAL B	-	-	-	-	-	-	-	-
TOTAL (A+B) 31/12/2020	**6,169**	**6**	-	-	**33,031**	**50**	-	-
TOTAL (A+B) 31/12/2019	**10,034**	**11**	**0**	**0**	**38,742**	**27**	-	-

B.4 Large exposures

In accordance with applicable legislation, the number of the "large exposures" presented in the table has been determined by reference to unweighted "exposures" exceeding 10% of Eligible Capital, as defined in Regulation (EU) No 575/2013 ("CRR"), where "exposures" mean the sum of on-balance sheet risk assets and off-balance sheet transactions (excluding those deducted from Eligible Capital) in respect of a customer, or of a group of related customers, without the application of weighting factors.

An entity's exposure to a customer or a group of related customers is considered a large exposure when its value is equal to or greater than 10% of the entity's eligible capital (CRR, Article 392). Considering the effect of the exemptions and mitigation of credit risk, large exposures must, in any event, comply with the limit of 25% of the entity's eligible capital. At 31 December 2019 eligible capital coincided with the amount of own funds.

These presentation criteria result in the inclusion in the "large exposures" table of the financial statements of parties that despite having a weighting equal to 0% present an unweighted exposure in excess of 10% of the entity's Eligible Capital. It bears noting that the table below includes exposures to the Italian government of €941,369 thousand and exposures to Cassa Compensazione e Garanzia of €444,321 thousand, whereas the remainder refers to exposures to financial counterparties.

	31/12/2020	**31/12/2019**
Amount - Book value	2,238,097	1,918,391
Amount - Weighted value	94,779	95,195
Number	4	4

C. SECURITISATIONS

QUALITATIVE DISCLOSURES

Securitisation is undertaken to increase the degree of liquidity of assets and expand the pool of financial instruments eligible for refinancing operations with the European Central Bank and/or suited for use as collateral in financing transactions with institutional and market counterparties. In keeping with medium-to-long term funding needs, such transactions may involve the purchase of securities by third parties, thus yielding immediate liquidity.

In 2020 the Bank completed a third additional securitisation within the framework of the Civitas SPV S.r.l. – RMBS – 2017 programme, through the sale of performing residential mortgage loans, with the resulting increase in the residual value of the ABSs.
The following securitisation transactions were ongoing at the reporting date:

- ✓ Civitas Spv S.r.l. - RMBS - 2012;
- ✓ Civitas Spv S.r.l. - RMBS - 2017;
- ✓ Civitas Spv S.r.l. - SME – 2019.

These transactions were undertaken pursuant to Law No. 130/1999.
The quantitative disclosures presented in this section include only the transaction Civitas SPV S.r.l. – RMBS – 2012, since the other transactions, Civitas SPV S.r.l. – RMBS – 2017 and Civitas Spv Srl – SME – 2019 are of the originate-to-retain variety, in which the originator subscribes for all of the liabilities issued by the vehicle at the moment of issuance.

Main information	
Date of transaction	February 2012
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	Performing residential mortgages
Banks/ Originator groups	Banca di Cividale S.c.p.A.
Original aggregate amount of transferred loans and receivables of Banca di Cividale	383 mln
RMBS Restructuring	246 mln
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale	629 mln
Securities issued and subscribed by Banca di Cividale	122 mln
of which senior securities a	0 mln
of which junior securities b	122 mln
Rating of senior securities	AA+ Standard&poor's - A1 Moody's
Overall residual notional amount of the securities as at 31/12/2020	53 mln
Residual values of loans and receivables as at 31/12/2020	255 mln
Rating of senior securities	AA Standard&poor's - Aa3 Moody's

Objectives, strategies and processes: The main objective of the Civitas Spv Srl - RMBS – 2012, Civitas Spv Srl - RMBS – 2017 and Civitas Spv Srl - SME – 2019 securitisations pursued through the three transactions is to ensure balanced structural management of the Bank's liquidity situation, within the framework of a company strategy consistently focused on this aspect. The Bank's role, in addition to that of originator of the transactions and the underlying loans, is that of servicer responsible for all activities relating to relationships with borrowers, including periodic collection of payments.

Internal measurement systems: the credit risk associated with assets transferred in securitisation operations is retained by the Bank. Consequently, internal risk measurement and control systems are applied in an entirely uniform manner to both securitised and non-securitised assets.

Section 2. Securitisation of bad debts

Loan securitisation transactions have been identified by the Bank as an appropriate means of transferring credit risk to third parties (de-risking).
The Bank has adopted a Policy for the assessment of the significant transfer of credit risk in a securitisation transaction (the SRT Policy), which lays down the guidelines that the Bank must follow in order to comply with the legal requirements governing the recognition of a significant transfer of credit risk (a significant risk transfer or SRT) within the framework of securitisation of performing or non-performing loans, as well as the formulation of the roles and responsibilities of the company boards and functions for transactions of this type.
The Bank has two outstanding securitisation transactions entailing the transfer of the underlying risks, "POP NPLS 2019" and "POP NPLS 2020". Both transactions have been structured to obtain the GACS guarantee on the senior note issued (and, at the date of preparation of this document the government guarantee had been issued on the first of the two transactions).

"Pop NPLs 2019" transaction

On 10 December 2019 the Bank, pursuant to Law No. 130 of 30 April 1999, finalised a bad debt securitisation with GACS guarantee with a total amount of approximately €50.7 million. The Bank participated in the initiative promoted by Luigi Luzzatti Scpa, within the framework of Assopopolari, which developed a multioriginator securitisation of loans subject to GACS, the government guarantee backing the senior notes issued when implementing these transactions.
The transaction is designed to improve the risk profile and quality of assets, along with earnings prospects, and in particular to reduce incidence of bad debt positions on total assets, while also reducing the administrative, legal and judicial expenses relating to the management of bad debts.
The securitised portfolio is "mixed" in nature, including both unsecured and mortgage loans to non-financial companies and other private borrowers, primarily based in the Region of Friuli Venezia Giulia and Eastern Veneto; Banca di Cividale's participation took the form of the sale of 280 positions with a total amount outstanding of approximately €50.7 million (total GBV of the transaction approximately €827 million).
The consideration for the sale of the loans to the SPV, designated "Pop NPLs 2019 S.r.l.", totalled €177 million (of which €13.6 million attributable to the Bank's portfolio).
The SPV financed the purchase of the loans by issuing the following classes of notes pursuant to the combined provisions of Articles 1 and 5 of Law No. 130, for a total value of €203 million, broken down as follows:

- ✓ €173 million of variable-rate senior ABSs set to mature in February 2045;
- ✓ €25 million of variable-rate mezzanine ABSs set to mature in February 2045;
- ✓ €5 million of variable-rate, variable-return junior ABSs set to mature in February 2045.

The Senior Notes have been rated BBB by DBRS and BBB by Scope Ratings AG and the Mezzanine Notes have been rated CCC by DBRS and CCC by Scope Ratings AG.
Key figures regarding the securitisation of multioriginator bad loans with GACS guarantee POP NPLs 2019 at 31 December 2020 are presented below:

Main information	
Date of transaction	December 2019
Special purpose entities	POP NPLs 2019 S.r.l.
Subject matter of the transaction	Transfer of credit risk to third parties
Banks/ Originator groups	Pool of 12 Banks
Original aggregate amount of transferred loans and receivables of Banca di Cividale	50 mln
Original aggregate amount of transferred loans and receivables	50 mln
Securities issued and subscribed by Banca di Cividale	13 mln
of which senior securities a	13 mln
of which junior securities	0,1 mln
Initial Rating of senior securities	BBB
Residual values of loans and receivables as at 31/12/2020	11 mln
Rating of senior securities	BBB

"Pop NPLs 2020" transaction

In 2020 the Bank participated, pursuant to Law No. 130 of 30 April 1999, in a bad debt securitisation with GACS guarantee with a total amount of approximately €36.6 million. The Bank participated in the initiative promoted by Luigi Luzzatti Scpa, within the framework of Assopopolari, which developed a multioriginator securitisation of loans subject to GACS, the government guarantee backing the senior notes issued when implementing these transactions.

The transaction is designed to improve the risk profile and quality of assets, along with earnings prospects, and in particular to reduce incidence of bad debt positions on total assets, while also reducing the administrative, legal and judicial expenses relating to the management of bad debts.
The securitised portfolio is "mixed" in nature, including both unsecured and mortgage loans to non-financial companies and other private borrowers, primarily based in the Region of Friuli Venezia Giulia and Eastern Veneto; Banca di Cividale's participation took the form of the sale of 422 positions with a total amount outstanding of approximately €36.6 million (total GBV of the transaction approximately €920 million).
The following is a breakdown of the positions sold by economic activity sector (amounts gross of the discounting effect):

Economic activity - €/milions	Gross amount	Adjustments	Net amount (civil)	Net amount (IAS)
Businesses and Producing Families	29.1	22.1	7.0	6.7
Consumer Families	7.5	3.7	3.8	3.7
Totals at the time of sale	**36.6**	**25.8**	**10.8**	**10.4**

The consideration for the sale of the loans to the SPV, designated "Pop NPLs 2020 S.r.l.", totalled €245.5 million (of which €9.7 million attributable to the Bank's portfolio).
The SPV financed the purchase of the loans by issuing the following classes of notes pursuant to the combined provisions of Articles 1 and 5 of Law No. 130, for a total value of €245.5 million, broken down as follows:

- ✓ €241.5 million of variable-rate senior ABSs at the 6 month Euribor + 0.30% set to mature in November 2045;
- ✓ €25 million of variable-rate mezzanine ABSs at the 6 month Euribor + 12% set to mature in November 2045;
- ✓ €10 million of variable-rate junior ABS at the 6-month Euribor + 15% plus the variable remuneration linked to the recoveries that will remain after the satisfaction of all the vehicle's other notes, set to mature in November 2045.

The Senior Notes have been rated BBB by DBRS and BBB by Scope Ratings AG and the Mezzanine Notes have been rated CCC by DBRS and CC by Scope Ratings AG.
The Junior Notes have not been rated. The notes are not listed on any regulated market.
The Selling Banks undertook to maintain a net economic interest, throughout the term of the Securitisation, by retaining a percentage of no less than 5% of the par value of each class of Notes ("Retained Notes") issued overall in order to comply with the retention obligation set out in i) Art. 405(1)(a) of Regulation (EU) No 575/2013 (the "CRR"), ii) Art. 3(1)(a) and Art. 3(3) of Commission Delegated Regulation (EU) No 625/2014, iii) Art. 51(1)(a) of Commission Delegated Regulation (EU) No 231/2013 (the "AIFMD Regulation") and iv) Art. 254 of Commission Delegated Regulation (EU) No 35/2015 (the "Solvency II Regulation").
The following table presents the details of the transaction and the related figures attributable to the Bank's participation:

Euro	Pool of Banks	Civibank	
GBV as at 31/12	919,882,805	37,551,313	
Net book velue	296,862,151	10,696,104	(1)
Nominal Value of the issued Notes	245,500,000	9,700,080	
Difference between the Net Book value and the Nominal Value of the issued Notes	31,000,000	1,224,920	
Senior Notes	241,500,000	9,542,000	(2)
Senior Notes retained €	241,500,000	9,542,000	
Senior Notes retained %	100.00%	100.00%	
Mezzanine Notes	25,000,000	988,000	
Mezzanine Notes retained €	1,340,139	51,027	(3)
Mezzanine Notes retained %	5.40%	5.20%	
Junior Notes	10,000,000	395,000	
Junior Notes retained €	536,159	20,411	(4)
Junior Notes retained %	5.40%	5.20%	

(*) the net book value is € 10,386,352.05, to which, for GACS purposes, collections of € 309,751.83 have been added.

(1) The net carrying amount is €10,386,325.05, to which collections of €309,751.83 were added, for GACS purposes.
(2) Senior Note classified to item 40.b) Financial assets measured at amortised cost;
(3) Mezzanine Note classified to item 20.c) Financial assets designated at fair value through profit or loss: other financial assets mandatorily measured at fair value;
(4) Junior Note classified to item 20.c) Financial assets designated at fair value through profit or loss: other financial assets mandatorily measured at fair value.

The transaction was structured to have characteristics and requirements suited to proceeding with the derecognition of the loans transferred, in accordance with the applicable international accounting standards (IASs/IFRSs), since substantially all rights and benefits of the financial assets sold were transferred to the special-purpose vehicle POP NPLs 2020 S.r.l. (IFRS 9, para. 3.2.4 (a) and 3.2.6 (a)). The derecognition of the loans resulted in the recognition of a loss on disposal (net of the discounting effect) of €3.6 million, taken to item 100 a) of the income statement, "Profits (losses) on disposal or repurchase of assets measured at amortised cost".

With regard to the aspects of guidance, governance and control of the Transaction, the entire process was conducted in accordance with, and in application of, the policy on the sale and write-off of non-performing loans and the SRT policy. The transaction is part of the long-term strategies for managing NPLs and the relevant results, in terms of both improved asset quality and internal capital allocation, in accordance with the strategic objectives set out therein.

Main information	
Date of transaction	December 2020
Special purpose entities	POP NPLs 2019 S.r.l.
Subject matter of the transaction	Transfer of credit risk to third parties
Banks/ Originator groups	Pool of 15 Banks
Original aggregate amount of transferred loans and receivables of Banca di Cividale	36,9 mln
Original aggregate amount of transferred loans and receivables	36,9 mln
Securities issued and subscribed by Banca di Cividale	9,7 mln
of which senior securities a	9,5 mln
of which junior securities	0,1 mln
Initial Rating of senior securities	BBB
Residual values of loans and receivables as at 31/12/2020	9,5 mln
Rating of senior securities	BBB

(*) This figure includes the collections of €309,751 between the cut-off date and the date of sale.

QUANTITATIVE DISCLOSURES

On 15 April 2020 the contractual documentation was signed for the restructuring of new sale within the framework of the Civitas SPV S.r.l. – RMBS – 2017 securitisation programme. The operation has a partly paid structure in which additional tranches of loans may be sold during a “ramp-up” period of three years from issuance, up to a maximum of €600 million. During the additional sale phase, the operation thus entailed:

- ✓ the transfer without recourse of an additional portfolio of performing residential mortgage loans with a face value of €146.6 million;
- ✓ an increase in the residual value of senior, mezzanine and junior securities of €104.1 million, €11.6 million and €21.2 million, respectively.

C.1 Exposures deriving from major “own” securitisation transactions, by type of securitised asset and type of exposure

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES						GUARANTEES ISSUED						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries
A. Fully derecognised																		
POP NPLS 19 2/45 TV	11,836	7	18	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
- Own non-committed securities	11,235	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Subordinated loan in the form of securities	-	-	18	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Pop Npls 2020 1902	9,928	6	8	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
- Own non-committed securities	9,536	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	392	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Subordinated loan in the form of securities	-	-	8	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised																		
C. Not derecognised																		
C.1 Civitas Spv Srl	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Securities issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

In the case of the Civitas SPV S.r.l. – RMBS – 2012 securitisation, the Bank holds all of the junior notes, whereas the senior notes have been sold and are currently held by institutional investors.
The amounts indicated in the table refer to the value of the junior and senior securities held by the Bank, which would have been presented among assets or liabilities in the balance sheet but have been eliminated in application of the accounting standards.

C.2 Exposures deriving from major “third-party” securitisation transactions, by type of securitised asset and type of exposure

Type of underlying asset/Exposures	ON-BALANCE SHEET EXPOSURES						GUARANTEES ISSUED						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries	Book value	Adjust. / recoveries
VITRUVIO SPV SRL	9,977	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own non-committed securities SPV000001410	9,977	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VITTORIA SPE SERIES II	19,560	125	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own non-committed securities SPV000001606	19,560	125	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Auxilio 1855	4,470	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own non-committed securities	4,470	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.3 Securitisation vehicles

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION	Assets			Liabilities			
			Loans	Debt securities	Other	Senior	Mezzanine	Junior	Other
POP NPLS 20 2/45 TV	Conegliano Veneto (TV)	Not Consolidated	229,449	-	70,092	241,500	25,000	10,000	23,041
POP NPLS 19 2/45 TV	Conegliano Veneto (TV)	Not Consolidated	151,073	-	18,765	145,766	4,849	214	19,009
Civitas Spv Srl *	Conegliano Veneto (TV)	Not Consolidated	251,960	-	15,763	91,921	-	122,300	53,501

* as at 31/12/2019

C.4 Unconsolidated securitisation vehicles

The Bank does not hold interests in unconsolidated structured entities.

C.5 Servicing – own securitisations: collections of securitised loans and redemption of securities issued by the securitisation vehicle

Not applicable.

D. STRUCTURED ENTITIES NOT CONSOLIDATED FOR ACCOUNTING PURPOSES (OTHER THAN SECURITISATION VEHICLES)

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

E. TRANSFERS

In 2020 the Bank participated in the initiative promoted by Luzzatti Spa, within the framework of Assopopolari, which developed a multioriginator securitisation of loans subject to GACS, the government guarantee securing the senior notes issued when implementing these transactions.
The securitised portfolio is "mixed" in nature, including both unsecured and mortgage loans to non-financial companies and other private borrowers, primarily based in the Region of Friuli Venezia Giulia and Eastern Veneto; Banca di Cividale's participation took the form of 422 positions with a total amount outstanding of approximately €36.6 million (total GBV of the transaction approximately €920 million). The derecognition of the loans resulted in the recognition of a loss on disposal (net of the discounting effect) of €3.6 million, taken to item 100 a) of the income statement, "Profits (losses) on disposal or repurchase of assets measured at amortised cost".

A. Financial assets sold but not fully derecognised

QUALITATIVE DISCLOSURES

Securitisation

Within the framework of the various measures aimed at enhancing coverage of exposure to liquidity risk, the Bank has undertaken securitisation transactions with the goal of increasing the degree of liquidity of its assets and prudentially increasing its pool of financial instruments eligible for refinancing operations with the European Central Bank, or otherwise suited for use as collateral in funding transactions beyond the short term with institutional and market counterparties. In accordance with these aims, all asset-backed securities issued by the special-purpose vehicle formed pursuant to Law No. 130/99 have been fully subscribed by the Bank, in the case of the securitisation operations Civitas SPV S.r.l. – RMBS – 2017 and Civitas SPV S.r.l. – SME – 2019, whereas in the case of the operation Civitas SPV S.r.l. – RMBS – 2012 the Bank only holds junior securities (thus retaining, for all three of the transactions cited, the credit risk associated with the underlying loans disbursed). Accordingly, since essentially all of the risks and rewards associated with the transferred portfolio have been retained, the loans concerned have not been derecognised. On 15 April 2020 the contractual documentation was signed for the restructuring of new sale within the framework of the Civitas SPV S.r.l. – RMBS – 2017 securitisation programme. The operation has a partly paid structure in which additional tranches of loans may be sold during a "ramp-up" period of three years from issuance, up to a maximum of €600 million.
During the additional sale phase, the operation thus entailed:

- ✓ the transfer without recourse of an additional portfolio of performing residential mortgage loans with a face value of €146.6 million;
- ✓ an increase in the residual value of senior, mezzanine and junior securities of €104 million, €11.6 million and €21.2 million, respectively.

The following table provides an overview of the securitisation transactions undertaken.

Main information	
Date of transaction	February 2012
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	Performing residential mortgages
Banks/ Originator groups	Banca di Cividale S.c.p.A.
Original aggregate amount of transferred loans and receivables of Banca di Cividale	383 mln
RMBS Restructuring	246 mln
Original aggregate amount of transferred loans and receivables of Banca Popolare di Cividale	629 mln
Securities issued and subscribed by Banca di Cividale	122 mln
of which senior securities a	0 mln
of which junior securities b	122 mln
Rating of senior securities	AA+ Standard&poor's - A1 Moody's
Overall residual notional amount of the securities as at 31/12/2020	53 mln
Residual values of loans and receivables as at 31/12/2020	255 mln
Rating of senior securities	AA Standard&poor's - Aa3 Moody's

Main information	
Date of transaction	July 2017
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	Performing residential mortgages
Banks/ Originator groups	Banca di Cividale S.c.p.A.
Original aggregate amount of transferred loans and receivables of Banca di Cividale	253 mln
RMBS Restructuring 2018	112 mln
RMBS Restructuring 2019	106 mln
RMBS Restructuring 2020	147 mln
Original aggregate amount of transferred loans and receivables	618 mln
Securities issued and subscribed by Banca di Cividale	600 mln
of which senior securities a	228 mln
of which junior securities b	228 mln
of which mezzanine securities	51 mln
of which junior securities	93 mln
Rating of senior securities	A Standard&poor's - AA DBRS
Overall residual notional amount of the securities as at 31/12/2020	427 mln
Residual values of loans and receivables as at 31/12/2020	469 mln
Rating of senior securities	A+ Standard&poor's - AA DBRS

Main information	
Date of transaction	October 2019
Special purpose entities	Civitas Spv Srl
Subject matter of the transaction	SME performing loans
Banks/ Originator groups	Banca di Cividale S.c.p.A.
Original aggregate amount of transferred loans and receivables of Banca di Cividale	451 mln
Original aggregate amount of transferred loans and receivables	451 mln
Securities issued and subscribed by Banca di Cividale	458 mln
of which senior securities a	320 mln
of which mezzanine securities	50 mln
of which junior securities	88 mln
Rating of senior securities	A Standard&poor's - A+ DBRS
Overall residual notional amount of the securities as at 31/12/2020	376 mln
Residual values of loans and receivables as at 31/12/2020	366 mln
Rating of senior securities	A Standard&poor's - A+ DBRS

Main information	
Date of transaction	December 2019
Special purpose entities	POP NPLs 2019 S.r.l.
Subject matter of the transaction	Transfer of credit risk to third parties
Banks/ Originator groups	Pool of 12 Banks
Original aggregate amount of transferred loans and receivables of Banca di Cividale	50 mln
Original aggregate amount of transferred loans and receivables	50 mln
Securities issued and subscribed by Banca di Cividale	13 mln
of which senior securities a	13 mln
of which junior securities	0,1 mln
Initial Rating of senior securities	BBB
Residual values of loans and receivables as at 31/12/2020	11 mln
Rating of senior securities	BBB

Main information	
Date of transaction	December 2020
Special purpose entities	POP NPLs 2019 S.r.l.
Subject matter of the transaction	Transfer of credit risk to third parties
Banks/ Originator groups	Pool of 15 Banks
Original aggregate amount of transferred loans and receivables of Banca di Cividale	36,9 mln
Original aggregate amount of transferred loans and receivables	36,9 mln
Securities issued and subscribed by Banca di Cividale	9,7 mln
of which senior securities a	9,5 mln
of which junior securities	0,1 mln
Initial Rating of senior securities	BBB
Residual values of loans and receivables as at 31/12/2020	9,5 mln
Rating of senior securities	BBB

(*) This figure includes the collections of €309,751 between the cut-off date and the date of sale.

QUANTITATIVE DISCLOSURES

E.1. - Financial assets sold but fully recognised and associated liabilities: carrying amounts

	Financial assets sold fully recognised				Related financial liabilities		
	Book value	of which: securitisations	of which: subject to sales contracts with repurchase clauses	of which: non-performing	Book value	of which: securitisations	of which: subject to sales contracts with repurchase clauses
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	45,215	-	45,215	-	45,198	-	45,198
1. Debt securities	45,215	-	45,215	-	45,198	-	45,198
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	616,264	254,054	362,209	8,083	455,604	92,030	363,575
1. Debt securities	362,209	-	362,209	-	363,575	-	363,575
2. Loans	254,054	254,054	-	8,083	92,030	92,030	-
TOTAL 31.12.2020	**661,479**	**254,054**	**407,424**	**8,083**	**500,803**	**92,030**	**408,773**
TOTAL 31.12.2019	**837,537**	**289,857**	**547,680**	**9,748**	**683,936**	**135,262**	**548,675**

E.3 Sales with liabilities subject to recovery solely for the assets sold and not derecognised in full: fair values

	Fully recognised	Partly recognised	Total	
			31/12/2020	31/12/2019
A. Financial assets held for trading	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**293,924**	-	**293,924**	**334,918**
1. Debt securities	-	-	-	-
2. Loans	293,924	-	293,924	334,918
Total financial assets	293,924	-	293,924	**334,918**
Total related financial liabilities	92,624	-	X	**135,974**
Net value 31.12.2020	**201,301**	-		**X**
Net value 31.12.2019	**198,945**		X	334,918

B. Financial assets sold and fully derecognised with recognition of continuing involvement

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

F. CREDIT RISK MEASUREMENT MODELS

Please refer to the qualitative disclosures on credit risk for further information.

SECTION 2 - MARKET RISKS

The Bank's investment policy is inspired by the goal of limiting market risk in its various forms (interest rate risk, price risk and exchange rate risk).

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

The trading book, as defined in supervisory regulations, includes financial instruments subject to capital requirements for market risks.

QUALITATIVE DISCLOSURES

A. General aspects

The trading book is of extremely modest value. The Bank does not have positions in structured credit products or derivative contracts. Likewise, there are no ties whatsoever to special-purpose entities (SPEs) with exposures to risky financial instruments.

B. Interest rate and price risk management processes and measurement methods

The Bank’s investment policy is aimed at limiting market risk for those components of such risk that it knowingly intends to assume:

- ✓ interest rate risk;
- ✓ price risk; and
- ✓ foreign exchange risk.

The Bank does not normally assume positions that entail commodity risk.

In accordance with the lending policies of the Bank, which focuses on retail customers, financing activity is essentially aimed at protecting the overall financial balance of the Bank. Investment and trading activity is conducted in accordance with the guidelines established at the relevant Bank levels and is carried out within a comprehensive system of delegated powers and specific rules setting operational restrictions in terms of instruments, amounts, investment markets, types of security and issuer and capital absorption. Management of the trading book is particularly aimed at optimising the profitability of the available financial resources, with the limitation of containment of the variability of expected performance in the Finance area and of the Bank's net income.

The investment policies pursued resulted in the retention of a significant amount of government bonds eligible as collateral for refinancing operations with the ECB, primarily as a liquidity buffer. The significance of issuer risk is primarily attributable to the creditworthiness of the Italian government.

At the same time, the extremely limited size of the trading book means that the exposure to price risk associated with the securities held in those portfolios is extremely limited.

The Risk Management Function conducts daily monitoring of the Bank's exposure to market risk and verifies that it is consistent with the risk appetite defined by company bodies in accordance with the Risk Appetite Framework and respect for the system of limits.

QUANTITATIVE DISCLOSURES

1. Regulatory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and derivatives

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years to 10 years	more than 10 years	unspecified maturity
1. Assets	0	10	-	0	400	300	0	-
1.1 Debt securities	0	10	-	0	400	300	0	-
- with early redemption option	0	10	-	0	400	300	0	-
- other	-	-	-	0	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Derivatives	1,722	9,421	7,551	883	46,714	48,469	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	1,722	9,421	7,551	883	46,714	48,469	-	-
- Options	0	3	137	883	46,714	48,469	-	-
+ long positions	0	1	69	441	23,357	24,235	-	-
+ short positions	0	1	69	441	23,357	24,235	-	-
- Other derivatives	1,722	9,418	7,414	-	-	-	-	-
+ long positions	861	586	6,553	-	-	-	-	-
+ short positions	861	8,832	861	-	-	-	-	-

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years to 10 years	more than 10 years	unspecified maturity
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Derivatives	-	9,418	5,692	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	9,418	5,692	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	9,418	5,692	-	-	-	-	-
+ long positions	-	8,832	-	-	-	-	-	-
+ short positions	-	586	5,692	-	-	-	-	-

Among "other currencies", the main currency of denomination of the trading portfolio is the U.S. dollar.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

The banking book consists entirely of financial assets and liabilities not included in the trading book. It is primarily composed of amounts due from and due to banks and customers and proprietary securities (largely government securities).

A. General aspects, interest rate risk and price risk management processes and measurement methods

The process of managing the interest rate risk associated with the banking book is governed by specific company regulations approved by the Board of Directors and subject to periodic review. Those Regulations aim to set general rules for managing interest rate risk for the assets and liabilities included within the banking book, as defined by supervisory regulations for the purposes of determining pillar two capital requirements (namely, all liabilities and assets other than those allocated to the trading book) and assign precise responsibilities and tasks to the various organisational units of the Bank and companies involved in the process.

Management of interest rate risk aims to limit the impact of unfavourable changes in the rate curve on both the economic value of capital and on cash flows generated by line items. Exposure to interest rate risk is primarily contained by applying uniform parameters at the level of assets and liabilities.

The methodological approach primarily adopted to measure the interest-rate risk on the banking book is that of economic value with application of the simplified regulatory method indicated in Annex C of Title III, Chapter 1 of Bank of Italy Circular No. 285/2013. For the estimate of the impact of the change in rates on net interest income, see the method set out in the supervisory regulations contained in Annex C-*bis* to Title III, Chapter 1, of Bank of Italy Circular 285/2013.

The measure of the risk exposure of reference is given by the decrease in the Bank's economic value, regardless of the direction (upwards or downwards) of the shift in the rate curve that gave rise to it. The ratio between this change and the aggregates "Common Equity Tier 1 capital" and "Own funds" represents the risk indicator used.

As required by that same Circular 285/2013, the Bank assesses the impact: 1) of a hypothetical rate change of +/- 200 basis points on economic value, complying with the criteria set by the European Banking Authority (EBA/GL/2018/02) on management of interest rate risk arising from activities other than trading; 2) interest rate shocks on economic value, applying the principles and all the standardised shock scenarios from 1 to 6, as set out in those same EBA Guidelines (also including a hypothetical change in rates of +/- 200 basis points).

In particular, six scenarios have been identified: (i) and (ii) a parallel up/down shock; (iii) a short rates up/down shock; (iv) a long rates up/down shock; (v) a steepener shock); and (vi) a flattener shock. The values to be applied in the six stress tests are pre-defined by a parameterisation method proposed by the EBA, in correspondence with each scenario considered.
The changes in economic capital are then normalised in relation to own funds.
With regard to the exposure to interest-rate risk, in addition to observance of the warning level of 20% of own funds established in supervisory regulations, reporting and intervention limits have been approved, set in terms of change in the value of economic capital on the reporting date (static ALM) due to instantaneous shifts in the rate curve.

With regard to income profiles, the Bank monitors the impact on net interest income, in the event of an instantaneous, parallel shift in the interest rate curve of +100/-100 basis points applied to buckets of assets and liabilities up to 12 months, according to the Bank of Italy regulatory method.

The Risk Management Function conducts quarterly monitoring of the Bank's exposure to interest rate risk and verifies that it is consistent with the risk appetite defined by company bodies in accordance with the Risk Appetite Framework and respect for the system of internal limits.

QUANTITATIVE DISCLOSURES

1. Banking book: distribution by residual duration (re-pricing date) of financial assets and liabilities

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years	more than 10 years	unspecified maturity
1. Assets	407,097	1,877,532	234,711	152,827	757,989	260,061	238,856	-
1.1 Debt securities	-	63,537	207,864	93,339	545,546	4,184	9,545	-
- with early redemption option	-	38,310	98	2,908	9,338	650	9,545	-
- other	-	25,226	207,766	90,430	536,208	3,534	-	-
1.2 Loans to banks	636	24,246	-	-	2,058	-	-	-
1.3 Loans to customers	406,461	1,789,749	26,848	59,488	210,385	255,877	229,312	-
- current acct.	183,217	545	474	3,830	10,245	0	-	-
- other loans	223,245	1,789,203	26,374	55,659	200,140	255,877	229,312	-
- with early repayment option	33,697	1,355,073	13,783	20,813	148,497	234,588	218,540	-
- other	189,547	434,131	12,591	34,846	51,643	21,288	10,771	-
2. Liabilities	2,373,100	584,744	63,423	142,475	1,346,948	62,793	13,350	-
2.1 Due to customers	2,345,633	575,404	62,019	137,349	308,450	34,985	9,425	-
- current acct.	2,227,655	59,689	54,664	119,745	275,031	11,512	235	-
- other payables	117,978	515,715	7,355	17,604	33,419	23,472	9,190	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	117,978	515,715	7,355	17,604	33,419	23,472	9,190	-
2.2 Due to banks	27,468	3,401	1,404	5,126	1,038,498	27,808	3,925	-
- current acct.	14,967	-	-	-	-	-	-	-
- other payables	12,501	3,401	1,404	5,126	1,038,498	27,808	3,925	-
2.3 Debt securities	-	5,939	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	5,939	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	100,235	21,377	9,080	39,664	48,341	48,762	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	100,235	21,377	9,080	39,664	48,341	48,762	-
- Options	-	100,235	21,377	9,080	39,664	48,341	48,762	-
+ long positions	-	131	256	5,251	39,664	47,481	40,946	-
+ short positions	-	100,104	21,121	3,829	-	860	7,816	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other operations	46,039	41,266	-	-	-	-	4,801	-
+ long positions	-	41,252	-	-	-	-	4,801	-
+ short positions	46,039	14	-	-	-	-	-	-

	on demand	up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	more than 5 years	more than 10 years	unspecified maturity
1. Assets	5,614	10	-	-	-	6,105	-	-
1.1 Debt securities	-	-	-	-	-	6,105	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	6,105	-	-
1.2 Loans to banks	5,613	-	-	-	-	-	-	-
1.3 Loans to customers	0	10	-	-	-	-	-	-
- current acct.	0	-	-	-	-	-	-	-
- other loans	0	10	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	0	10	-	-	-	-	-	-
2. Liabilities	13,961	-	-	-	-	-	-	-
2.1 Due to customers	13,961	-	-	-	-	-	-	-
- current acct.	13,961	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	0	-	-	-	-	-	-	-
- current acct.	0	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- 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 operations	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2 Banking book: internal models and other sensitivity analysis methods

In 2020 internal capital for interest rate risk on the banking book was calculated by applying the simplified model indicated in Annex C to Part One, Title III, Chapter 1 of Bank of Italy Circular No. 285/2013, 32nd update of 21 April 2020.
This calculation is performed by classifying fixed-rate assets and liabilities in accordance with the supervisory model into 19 time bands on the basis of their residual lives and classifying floating-rate assets and liabilities into the various time bands according to the date of renegotiation of the interest rate. Within each band, asset and liability positions are multiplied by weighting factors and then set off against one another, resulting in a net position. Exposure to interest rate risk for the purpose of determining the internal capital requirement is then calculated by measuring the change in the value of the banking book caused by hypothetical instantaneous shifts in the interest rate maturity curve in a scenario of ordinary conditions. To that end, use is made of the annual changes for each node of the interest rate structure recorded over an observation period of six years, alternatively considering the 1st percentile (downward shift) and 99th percentile (upward shift).
On the basis of the Bank of Italy simplified model, at 31 December 2020, under ordinary conditions, applying a historical simulation approach to annual changes in interest rates over a period of six years, the decrease in economic capital amounts to €16.2 million in the event of an upwards shift in the rate structure (compared to a decline of €16.2 million at 31 December 2019). In the downward shift scenario, subject to the restriction that nominal rates may not go negative, economic capital would increase by €16,233 thousand (compared to an increase of €11.9 million at 31 December 2019).
At 31 December 2020 the sensitivity of the economic value of capital to an instantaneous, parallel shift in the rate curve of +200 basis points was +€11.9 million (-€23.8 million at 31 December 2019), whereas the sensitivity to a change of -200 basis points was €16,233 at the same date (+€11.9 million at 31 December 2019). In the adverse scenario, the decrease in economic value in conditions of greater stress derives from the application of the steepener shock scenario (decline in short-term rates and rise in long-term rates) set out in the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02), which amounted to €30.3 million at 31 December 2020 (-€21.4 million at 31 December 2019), within the framework of the 20% warning threshold of own funds provided for in supervisory regulations and the reporting and intervention limits set in internal rules and procedures.
In reference to the main interest-rate risk indicators, at 31 December 2020 the sensitivity of net interest income to an instantaneous, parallel rate shift of +/- 100 basis points applied to buckets of assets and liabilities up to 12 months was +/- €13.8 million (+/- €6.3 million at 31 December 2019).

2.3 FOREIGN EXCHANGE RISK

QUALITATIVE DISCLOSURES

A. General aspects, foreign exchange risk management processes and measurement methods
The Bank operates on the foreign exchange market with aims mainly relating to business with customers and repurchase agreements. Assets and liabilities in foreign currencies are negligible.
Operational management involves real-time monitoring of the exposure in various currencies, hedging positions on the market as required to minimise the exposure to foreign exchange risk.
At 31 December 2020 the capital requirement for foreign exchange risk, calculated according to the method set out in supervisory regulations, was far the prudential limit of 2% of the Bank's own funds.

B. Foreign exchange risk hedging
All foreign currency positions generated by relations with Bank customers are handled by monitoring open gaps (un-netted positions), which are typically minimised through market hedging transactions.

QUANTITATIVE DISCLOSURES

1. Distribution by currency of assets, liabilities and derivatives

	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets	**10,643**	**49**	**192**	**28**	**213**	**605**
A.1 Debt securities	6,105	-	-	-	-	-
A.2 Equity securities	0	-	-	-	-	-
A.3 Loans to banks	4,528	48	192	28	213	605
A.4 Loans to customers	10	0	-	-	0	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**312**	**140**	**29**	**34**	**62**	**37**
C. Financial liabilities	**13,004**	**98**	**10**	**462**	**286**	**101**
C.1 Due to banks	-	-	-	-	0	0
C.2 Due to customers	13,004	98	10	462	286	101
C.3 Due to customers	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**14,495**	**1**	**198**	**415**	**-**	**1**
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other	14,495	1	198	415	-	1
+ Long positions	8,416	-	-	415	-	1
+ Short positions	6,079	1	198	-	-	0
Total assets	**19,371**	**189**	**221**	**477**	**275**	**643**
Total liabilities	**19,083**	**99**	**208**	**462**	**286**	**101**
Difference (+/–)	**288**	**90**	**14**	**15**	**(11)**	**542**

Section 3 – DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

3.1 TRADING DERIVATIVE INSTRUMENTS

A. FINANCIAL DERIVATIVES

A.1 Trading financial derivatives: end-period notional amounts

Underlying asset/Type of derivatives	31/12/2020				31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	without central counterparties: With netting agreements	without central counterparties: Without netting agreements		Central Counterparties	without central counterparties: With netting agreements	without central counterparties: Without netting agreements	
1. Debt securities and interest rate	-	-	8,800	-	-	-	10,041	-
a) Options	-	-	7,078	-	-	-	7,692	-
b) Swaps	-	-	1,722	-	-	-	2,350	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	-	-	14,610	-	-	-	9,917	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	14,610	-	-	-	9,917	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	**23,411**	-	-	-	**19,959**	-

A.2 Trading financial derivatives: positive and negative gross fair values – distribution by product

Underlying asset/Type of derivatives	31/12/2020				31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	without central counterparties			Central Counterparties	without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value	-	-	-	-	-	-	-	-
a) Options	-	-	1	-	-	-	2	-
b) Interest rate swaps	-	-	21	-	-	-	74	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	206	-	-	-	4	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	**228**	-	-	-	**80**	-
2. Negative fair value	-	-	-	-	-	-	-	-
a) Options	-	-	1	-	-	-	2	-
b) Interest rate swaps	-	-	21	-	-	-	74	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	40	-	-	-	49	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	**63**	-	-	-	**125**	-

A.3 OTC trading financial derivatives: notional amounts, positive and negative gross fair values by counterparty

Underlying asset	Central Counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates	-	**4,422**	-	**4,422**
- notional amount	X	4,400	-	4,400
- positive fair value	X	1	-	21
- negative fair value	X	21	-	1
2) Equities and stock indices	-	-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange rates and gold	-	**8,797**	-	**6,059**
- notional amount	X	8,756	-	5,855
- positive fair value	X	1	-	204
- negative fair value	X	40	-	-
4) Commodities	-	-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other	-	-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indices	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange rates and gold	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC trading financial derivatives: notional amounts

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,086	4,309	1,405	8,800
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	14,610	-	-	14,610
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2020	**17,696**	**4,309**	**1,405**	**23,411**
Total 31/12/2019	**11,159**	**7,161**	**1,639**	**19,959**

B. CREDIT DERIVATIVES

This item is not applicable to the financial statements of Banca di Cividale S.c.p.A.

3.2 ACCOUNTING HEDGES

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

3.3 OTHER INFORMATION ON HEDGING AND TRADING DERIVATIVE INSTRUMENTS

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

SECTION 4 – LIQUIDITY RISK

QUALITATIVE DISCLOSURES

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk, to which banks are naturally exposed as a result of the maturity transformation phenomenon, is the risk of being unable to fulfil payment obligations due either to an inability to procure funds on the market (funding liquidity risk) or to liquidate assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to discharge its payment obligations at non-market costs, meaning that it may be forced to bear a high cost of funding or (in some cases, concurrently) sustain capital losses when liquidating assets.
The process of assessing the adequacy of the Bank's liquidity profile also includes the risk associated with the level of encumbered assets ("asset encumbrance"), i.e. the risk that such assets may increase due to situations of significant tension, such as plausible, while improbable, shocks, including as regards the downgrading of the Bank's credit rating (where present), the write-down of collateral and increased margin requirements.

In accordance with prudential regulations, the liquidity risk management process includes: procedures for identifying risk factors, measuring the risk exposure, conducting stress tests, identifying appropriate risk mitigation initiatives, preparing emergency plans, monitoring for observance of limits and reporting to company bodies.

The liquidity risk management process primarily involves various specific units.

The ALCo (Asset and Liabilities Committee), in which the Manager of the Risk Management Function also participates, collaborates in determining the strategic guidelines and management policies for managing liquidity risk, including the policies for liquidity reserves and managing collateral, in addition to playing an advisory role with regard to risk assumption rules, liquidity risk mitigation and the identification of any corrective measures aimed at rebalancing the risk position.

Through the Treasury & Funding Function, the Finance Department is responsible for treasury management and funding activities on the interbank market. It plays a role in managing short-term liquidity risk through the use of financial instruments on the markets of reference and may propose funding and structural liquidity risk mitigation transactions. It conducts general supervision of financial management (proprietary portfolio, funding and liquidity policies and trading activity) and takes part in defining the structural liquidity balance (funding plan), within the framework of the annual and long-term planning process of the Bank's various components. The risk control function is involved in managing liquidity risk and contributes to setting risk management policies and processes, develops the liquidity risk assessment process, verifies observance of the limits imposed on the various company functions and proposes risk mitigation initiatives to the strategic supervision and management bodies.

Exposure to liquidity risk is identified, measured and monitored on a current and forward-looking basis. The processes are characterised by two distinct, yet closely related management profiles: - operational liquidity, consisting of daily management of treasury balances and expected cash inflows and outflows over a short-term time horizon; - structural liquidity, aimed at ensuring the Bank's overall financial equilibrium, and as such a part of the strategic high-level financial planning, without time limits.

Furthermore, in addition to the ordinary liquidity situation, the Bank conducts simulations of adverse stress scenarios caused by forms of tension and crisis in the financial system generally or specific significant changes in the Bank's financial aggregates.

The process of containing exposure to liquidity risk, which aims to ensure the Bank's solvency even in conditions of tension or crisis, is primarily pursued through a complex set of management decisions and organisational measures, the most significant of which are:

- ✓ constant monitoring of the balanced structure of the maturities of assets and liabilities, through the operational and strategic maturity ladder statements and regulatory capital ratios (LCR and NSFR);
- ✓ diversification at the level of types, counterparties, markets and sources of funding; the Bank intends to maintain a high level of retail funding by pursuing the strategic objective of reducing dependency on market funds (interbank funding and issuance intended for institutional investors), while reinforcing stable, structural forms;
- ✓ holding highly liquid assets that can be used as collateral for financing transactions or sold directly in situations of tension, so as to maintain an adequate short-term liquidity buffer, consistent with the requirements of supervisory regulations governing compliance with the regulatory limit for the short-term liquidity indicator known as the liquidity coverage ratio (LCR); LCR (*Liquidity Coverage ratio*);
- ✓ preparation of a Contingency Funding Plan describing the procedures to be followed and the measures to be taken when situations of severe liquidity tension occur or are expected. This framework calls for an intervention plan to be triggered, according to two levels of criticality, following an evaluation and escalation process based on a series of indicators. The sources of funding and management mechanisms that the bodies tasked with handling the crisis may use in order to restore a normal liquidity situation are also identified. The purpose of the CFRP is to ensure management of a short-term liquidity crisis and is limited to this aspect. On the other hand, the recovery plan refers to situations of significant deterioration of the Bank's financial situation and identifies the recovery options/actions to be implemented in extreme situations;
- ✓ preparation, within the annual ICAAP/ILAAP report, of specific self-assessment analyses within the framework of the Internal Liquidity Adequacy Assessment Process (ILAAP).

In 2020 there were no impacts on CiviBank's liquidity profile attributable to the COVID-19 pandemic, nor signs of deterioration, owing to the Bank's solid liquidity position. Since the beginning of the pandemic, monitoring safeguards have been enhanced in advance in order to consolidate the liquidity position and prevent possible critical issues.

QUANTITATIVE DISCLOSURES

1. Distribution of financial assets and liabilities by residual maturity

Denominated in euro

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	More than 5 years	Unspecified
On-balance-sheet assets	**380,174**	**2,642**	**7,023**	**35,869**	**57,196**	**82,042**	**296,036**	**1,731,890**	**1,397,103**	**24,285**
A.1 Government securities	132	-	79	-	401	2,902	93,119	743,505	-	-
A.2 Other debt securities	9	-	73	4	313	581	1,169	26,066	58,840	-
A.3 Units in collective investment undertakings	17,446	-	-	-	-	-	-	-	-	-
A.4 Loans	362,587	2,642	6,871	35,866	56,483	78,559	201,748	962,318	1,338,263	24,285
- banks	637	-	-	-	-	-	-	2,000	-	24,285
- customers	361,950	2,642	6,871	35,866	56,483	78,559	201,748	960,318	1,338,263	-
On-balance-sheet liabilities	**2,267,780**	**315,894**	**96,945**	**36,357**	**36,280**	**73,938**	**155,667**	**1,451,402**	**153,112**	-
B.1 Deposits	2,255,680	5,742	8,405	16,816	28,791	54,869	120,598	275,031	11,747	-
- banks	15,025	-	-	-	-	-	-	-	-	-
- customers	2,240,654	5,742	8,405	16,816	28,791	54,869	120,598	275,031	11,747	-
B.2 Debt securities	-	-	-	-	3,235	7	183	1,359	1,191	-
B.3 Other liabilities	12,101	310,153	88,540	19,540	4,255	19,062	34,886	1,175,011	140,174	-
Off-balance-sheet transactions	**58,968**	**527**	-	**50**	**8,919**	**5,746**	**149**	**11,611**	**49,532**	-
C.1 Financial derivatives with exchange of	-	499	-	-	8,919	5,692	-	-	-	-
- long positions	-	226	-	-	360	5,692	-	-	-	-
- short positions	-	273	-	-	8,558	-	-	-	-	-
C.2 Financial derivatives without exchange of	45	-	-	-	-	-	-	-	-	-
- long positions	22	-	-	-	-	-	-	-	-	-
- short positions	22	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	46,335	27	-	-	-	-	-	6,397	39,938	-
- long positions	-	14	-	-	-	-	-	6,397	39,938	-
- short positions	46,335	14	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	12,588	-	-	50	-	54	149	5,214	9,593	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Denominated in other currencies

	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	More than 5 years	Unspecified
On-balance-sheet assets	**5,623**	-	-	-	**48**	-	**38**	-	**6,112**	-
A.1 Government securities	-	-	-	-	38	-	38	-	6,112	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	5,623	-	-	-	10	-	-	-	-	-
- banks	5,622	-	-	-	-	-	-	-	-	-
- customers	0	-	-	-	10	-	-	-	-	-
On-balance-sheet liabilities	**13,961**	-	-	-	-	-	-	-	-	-
B.1 Deposits	13,961	-	-	-	-	-	-	-	-	-
- banks	0	-	-	-	-	-	-	-	-	-
- customers	13,961	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	**499**	-	-	**8,919**	**5,692**	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	499	-	-	8,919	5,692	-	-	-	-
- long positions	-	273	-	-	8,558	-	-	-	-	-
- short positions	-	226	-	-	360	5,692	-	-	-	-
C.2 Financial derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

SECTION 5 - OPERATIONAL RISKS
QUALITATIVE DISCLOSURES

A. General aspects, operational risk management processes and measurement methods

The definition adopted by the Bank, in line with supervisory regulations, identifies operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Such risks include losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters.

In the risk map adopted by the bank, operational risk has been divided into the following sub-categories:

- ✓ legal operational risk: this includes the exposure to fines or penalties due to decisions of the Supervisory Authority or settlements with individuals;
- ✓ privacy risk: with reference to the specific data protection impact assessment process, privacy risk is considered the likelihood of occurrence of a threat that may compromise the confidentiality, integrity or availability of personal information that may give rise to a breach of the rights and freedoms of natural persons. Privacy risk, like legal and ICT risk – with both of which it has something in common – is to be considered a type of operational risk;
- ✓ Other operational risk: this includes all other types of losses arising from the bank's operating activity.

Risk is contained through regulatory, organisational, procedural and training actions.

Operational risk management incorporates elements of considerable complexity, in view of the many aspects involved, and is governed by the "Rules and procedures for managing operational risks", which lay down the guidelines for preventing and containing operational risks, a process of defining, identifying, assessing and managing the exposure to such risks, including those arising from low-frequency or particularly severe events.

The processes of identifying, assessing and monitoring operational risks are aimed at undertaking mitigation actions.

Specific types of risk are transferred through a series of insurance policies that offer broad-spectrum coverage of various types of potentially detrimental events.

In addition, appropriate provisions are recognised in accordance with international accounting standards to mitigate the potential economic losses arising from pending legal proceedings involving the Bank.

Operational risk mitigation activities include the business continuity plan, set out in specific internal rules and procedures to be followed in the event of the states of crisis of various levels to which the bank may be exposed. The functioning of the business continuity plan and disaster recovery plan is described; the goal of these plans is to respond to events that may result in the unavailability of the data processing centre to which the Bank has

entrusted ITO (information technology outsourcing) activities and services according to a full outsourcing approach.
To protect against operational risks, company operational loss data is collected by line of business and event type (loss threshold of €5,000), in accordance with the scheme adopted by the Italian Operational Loss Database (DIPO) managed by ABI, and compared with industry-wide figures (receipt of the return stream). The results of the data collection process, which is governed by internal rules and procedures entitled "Collection of operational loss data", are included in a dedicated section of the quarterly report by Risk Management.
From the regulatory standpoint, the Bank adopts the basic method (BIA – Basic Indicator Approach) specified by regulations to determine prudential capital requirements.

Impacts of the COVID-19 pandemic

The COVID-19 pandemic may be considered a systemic event, with possible impacts on all risk classes provided for in the Operational Risk Management Framework. These include, for example the risks due to internal fraud, external fraud, human error, disruption of operation, unavailability of systems, breach of contract and natural disasters. The main sources of risk that could arise in the pandemic context are:

- ✓ external unlawful acts: losses relating to IT fraud against customers occurring in a fraudulent scheme relating to the emergency situation (for example, deviated bank credit transfers) and/or other cyber-crime phenomena relating to the increased vulnerability of IT systems due to the new operational scenario (for example, connections through external networks, activation of new IT services in an emergency and misuse of sharing technologies);
- ✓ personnel: penalties and/or disputes with employees who may be infected and/or with family members due to failure to comply with provisions of law imposed by the Presidential Decree or other reference legislation;
- ✓ customers, products and operating practices: penalties and/or disputes with customers relating to problems associated with failure to comply with provisions of law (for example, moratoria and/or other prescriptions set out in the "Cure Italy" Decree);
- ✓ systems: damage compensation claims due to disruption/malfunctioning of services offered to customers and other counterparties caused by the unavailability of IT systems, internal personnel and/or third parties (for example suppliers and/or outsourcers) due to the inadequacy of business continuity plans and/or contingency measures;
- ✓ internal unlawful acts: losses related to internal fraud, where possible, due to reduced efficiency of the control system due to the activation of innovative working methods and/or branch closures (for example, access to guarantee funds and succession procedures).

In order to minimise the probability of occurrence of these risk circumstances and/or mitigate the possible impacts arising from them, a specific "COVID Committee" was promptly formed to manage and coordinate implementation of the necessary mitigation measures (for example, the adoption of behavioural guidelines formulated in accordance with the prescriptions of the Ministry of Health and the World Health Organisation, adoption of specific health and hygiene measures, intensification of communications with employees/customers, activation of innovative operating models for managing work remotely, enhancement of technological infrastructure in support of remote activities, cyber-security safeguards, awareness systems relating to IT security, formulation of specific internal rules for the regulation of new activities and the related additional controls, introduction of additional controls and IT blocks within IT procedures, etc.).
The development of this class of risks over time, the efficacy of the existing safeguards and any additional measures that should prove necessary will be monitored constantly to identify any changes in risk profile.

OTHER RISKS

In addition to the risks described above, the Bank is exposed to the following other material risks.

Legal risks

Appropriate provisions are recognised in accordance with international accounting standards to account for financial risks associated with legal proceedings involving the Bank. The amount of such provisions is estimated on the basis of multiple factors, primarily relating to the expected outcome of the case, and, in particular, the probability of an unfavourable outcome to the proceedings resulting in an adverse judgment for the Bank, and on the basis of factors useful in quantifying the amount that the Bank might be required to pay the counterparty in the event of an adverse judgment.

For each position, the projected outcome of the case (risk of an adverse judgment) is based on the legal issues at stake in the proceedings, assessed in light of case law, the evidence produced in the course of the proceedings and the status of the trial, and, on appeal, the outcome of the proceedings of the first instance, past experience and all other useful elements, including experts' opinions, that allow the foreseeable development of the dispute to be taken adequately into account.

The amount due in the event of an adverse outcome is expressed in absolute terms and includes the value estimated on the basis of the status of the proceedings, considering the amount requested by the counterparty, the technical estimate prepared internally on the basis of accounting evidence and/or evidence brought to light during the trial and, in particular, the amounted estimated by the court-appointed technical expert, where appointed, in addition to legal interest, calculated on the principal from the date of service of the introductory document, and any expenses to be reimbursed in the event of an adverse judgment.

Where it is not possible to determine a reliable estimate (the claimant has not quantified its compensation claim, or there are legal or factual uncertainties that would render any estimate unreliable), provisions are not recognised until it is possible to predict the outcome of the trial and arrive at a reliable estimate of the amount of the loss, if any.

At 31 December 2020 the Bank was a defendant in 86 law suits in which total damages of €7,902 thousand are sought, for which a total loss of €1,904 thousand is expected.

The cases mainly involve anatocism and bankruptcy claw-back compensation claims, as well as indemnity claims for losses on investments in financial instruments and other types of compensation claims, broken down as follows (in thousands of euros):

	No. cases	Amount of claim	Provision
Usury	5	528	27
Investment services	29	1,993	363
Opposition of bankruptcy claim	2	188	91
Banking services	8	343	292
Bankruptcy claw-back	5	3,292	937
Other civil cognizance proceedings	4	-	17
Opposition of order of payment	16	144	65
Opposition to executive acts	8	-	-
Other	9	1,414	111
Total	**86**	**7,902**	**1,904**

Tax dispute

On 20 December 2018 the Bank was served three assessment notices arising from the audit conducted by the Italian Agency of Revenue – Regional Department for Friuli Venezia Giulia concerning 2013. The charges concern a series of decreases in taxable expenses, with the most serious alleged irregularity by far being that regarding the purported breach of the pertinence principle (Art. 109 of the Consolidated Income Tax Act) in connection with impairment losses on defaulted loans, which the Bank regarded as deductible when figuring its corporate taxable income in accordance with the application of the principle of "derivation" of the income statement, but which the revenue authorities conversely regard as non-tax deductible.

Assessment notices relating respectively to 2014 and 2015 were received in connection with this same dispute on 12 December 2019 and 11 November 2020. The first hearing for the discussion of the petitions pending before the Provincial Tax Commission of Trieste was scheduled, after various continuations as a result of the health emergency, on 9 March 2021. The operative judgment has yet to be filed.

In the Bank's conservative assessment, supported by opinions from qualified professionals, the risk of an unfavourable outcome to these disputes, and thus the risk that greater taxes and penalties (not including interest) – estimated at a total of €10 million – may be upheld should be considered "possible". Accordingly, in application of IAS 37, no provisions for risks and charges were recognised in the 2020 financial statements, except for the provision for expected legal fees only.

Investigation by the Public Prosecutor's Office of Udine

In the matter of the trial of CiviBank for corporate criminal liability pursuant to Legislative Decree No. 231/2001 arising from the trigger offences of which former senior executives had been accused and relating to the investigation launched by the Public Prosecutor's Office of Udine in 2013, in 2019 the Criminal Court of Udine handed down a judgment fully acquitting Banca di Cividale S.p.A. and Banca Popolare di Cividale S.C.ar.L, and hence CiviBank, on the grounds that there was no case to answer, of the administrative offences with which they had been charged, by operative judgment rendered during the public hearing held on 26 February 2019 (and filed on 5 March 2019) and grounds filed on 27 May 2019.

The Public Prosecutor did not lodge an appeal, but one of the parties did. On the basis of this judgment acquitting CiviBank (which remains subject to an assessment of whether to continue as civil claimant), it is once again confirmed that it has been decided not to set aside provisions for risks due to liability pursuant to Legislative Decree No. 231/2011.

Liability suit (as claimant)

A company liability action based on the resolution passed by the Shareholders' Meeting on 30 April 2016 is pending before the Companies Court of Trieste, in the first instance, pursuant, inter alia, to Articles 2393 and 2407 of the Italian Civil Code, against several ex-directors and statutory auditors of the Bank and against directors of the then-subsidiary Tabogan S.r.l. for matters relating, inter alia, to the construction of the Bank's new office.

In 2020 various hearings were held, resulting in a proposal for settlement involving withdrawal of the suits and actions relating to the entire historical affair that gave rise to the dispute, with the parties each bearing their respective expenses. However, no basis was found to exist for considering a change of defensive strategy involving continuation of the suit.

ICT risk

ICT risk is the risk of incurring current or potential losses due to the inadequacy or failure of technical infrastructure hardware and software capable of compromising the availability, integrity, accessibility and safety of such data infrastructure.

The analysis of ICT risk is a tool aimed at ensuring that the measures protecting ICT resources in accordance with the applicable provisions of Bank of Italy Circular No. 285 of 17 December 2013. With effect from October 2017 the Bank and its supplier CSE Consorzio Servizi Bancari entered into a contract governing the provision of ITO (Information Technology Outsourcing) in full outsourcing mode. Within this framework, specific safeguards have been implemented to monitor the outsourcer's activity within the terms of verification of service levels and quality.

When assessing risk on the components of the IT systems and applications in use, the Bank undertakes a periodic assessment of IT risk within its area of competence that takes account, in addition to the qualitative assessments of its internal risk owners, of the data available regarding IT security incidents that have occurred in the past (the "incident management process") and the assessment of the outsourcer's IT risk performed on all its IT personnel. In this regard, each year the outsourcer CSE, within the framework of its assessment of IT risk, sends all consortium banks the document "Results of the analysis of the risk assessment during the reporting year" as a report on the monitoring and oversight of the four risk categories (operational risks, infrastructure IT risks, applied IT risks and cyber security and data protection risks), as required by the supervisory regulations, the summary of a risk assessment process.

Excessive leverage risk

Excessive leverage risk is defined by prudential regulations as "the risk that a particularly high level of indebtedness with respect to equity may render the bank vulnerable, requiring the adoption of corrective measures to its industrial plan, including the sale of assets resulting in the recognition of losses that could also entail impairment of the remaining assets."

Excessive leverage risk affects the entirety of the financial statements, exposures resulting from the use of derivatives and off-balance sheet assets and is assumed in the conduct of core business. It is closely correlated with planning and capital management activity.

Prudential regulations establish that banks are to monitor the level and changes of their leverage ratios (a regulatory parameter), and the risk associated with leverage, as part of their Internal Capital Adequacy Assessment Process (ICAAP).

The process of managing leverage risk is defined and formalised in a specific regulation approved by the Board of Directors and the risk appetite is monitored quarterly by the Risk Management in the context of the Risk Appetite Framework (RAF).
At 31 December 2020 the leverage indicator was well above the minimum threshold established in supervisory regulations.

Strategic and business risk
Strategic risk is defined as the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. Exposure to strategic risk is not associated with specific operating activities, but rather the adequacy of the decisions made and the efficacy of implementation. The risk is particularly associated with the phases of determining and implementing company strategies represented by the formulation of the business plan, commercial planning, budgeting, management control and monitoring of the markets and competitive scenario, capital allocation and capital management.

The supervisory regulations (Bank of Italy Circular No. 285 of 17 December 2013, as amended) provide instructions of a general nature on corporate governance matters, providing an overall framework for conducting the strategic planning process and requiring that the strategic plan, RAF (Risk Appetite Framework), ICAAP, ILAAP, stress testing programme, budget and internal control system be consistent and integrated, also having regard to the development of the internal and external conditions in which the bank operates.

Compliance risk
Compliance risk is the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct, governance codes).
Under the new supervisory provisions concerning the internal control system, the role of supervising compliance has been extended to all rules and procedures concerning company activity, though with different levels of commitment for the traditional, directly applicable areas and other specialistic areas, such as taxation, for which there are other forms of supervision and where the function is nonetheless tasked with assessing the suitability of such supervision.
In 2014 the Compliance function launched various audit processes concerning forms of specialised supervision, and specifically the adequacy of supervision and procedures aimed at preventing the risk of non-compliance extended to the following areas:
- ✓ tax law (bank side and customer side);
- ✓ privacy;
- ✓ workplace health and safety;
- ✓ market abuse;
- ✓ supervisory reporting; and
- ✓ Legislative Decree 231/01.

Considering the extent of compliance risk, the many factors that gave risk to it and its significant implications for various company processes, the Bank has a high level of exposure to this type of risk.
The Compliance Service also includes the Anti-Money Laundering function, which is responsible for the anti-money laundering compliance activities provided for in the order of the supervisory authority of 10 March 2011, in addition to providing support to the head of the Anti-Money Laundering Service with the process of reviewing suspect transaction reports.

Money-laundering risk
Money-laundering risk is the risk of suffering consequences in legal and reputational terms as a result of possible involvement in illegal transactions associated with money-laundering or financing for terrorism. In order to measure and assess that risk, the money-laundering risks inherent in the Bank's operational procedures pertaining to the following processes have been mapped:
- ✓ adequate customer verification;
- ✓ dealings in cash and bearer securities;
- ✓ records in the Consolidated Computer Archive; and
- ✓ the reporting of suspicious transactions.

Given the objective significance of money-laundering risk and the increasing complexity of the legislative framework of reference and resulting obligations, the Bank has gradually enhanced its safeguards in terms of rules, organisational measures, procedures, applications and training.

Reputational risk
Reputational risk is defined as "the current or prospective risk of a decline in operating result or capital should customers, counterparties, shareholders of the Bank, investors or supervisors take a negative view of the Bank". Due to its nature, this risk is not easily measurable. However, for management purposes, it may be subject to qualitative observation, assessment and mitigation processes. Consequently, management of this type of risk is based on a qualitative assessment aimed at directing the necessary prevention, mitigation and management actions. In addition to company bodies, all organisational units of both a business and operational support nature are involved in the process of managing reputational risk, each to the extent of its competence.
The first and most fundamental safeguard against reputational risk is the shared system of values, principles and rules of conduct on which to base behaviour common to all of the Bank's internal stakeholders (employees, directors, etc.). The system has been given explicit form in a Code of Ethics. The task of supervising compliance with the provisions of that Code is entrusted to the Legislative Decree 231/2001 Supervisory Board Control Committee. The internal rules and procedures concerning reputational risk were drawn up and approved by the Board of Directors as part of the activities aimed at achieving compliance with the new supervisory provisions.

Residual risk
Residual risk is the risk that the recognised techniques for mitigating credit risk used by the bank prove less effective than expected. For a more thorough discussion of residual risk, refer to the section on risk mitigation techniques.

Related–party risk
Related-party risk is the risk that the proximity of certain parties to the Bank's decision-making centres may compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with such parties, with possible distortions of the resource-allocation process, exposure of the Bank to inadequately measured or managed risks and potential damages for depositors and shareholders.
In accordance with supervisory regulations, the Bank has adopted specific internal procedures and processes with the aim of ensuring ongoing compliance with, and monitoring of, the legal limits. There were no breaches of authorisation limits or alert levels during the year.

Property risk
This is the current or prospective risk of potential losses due to fluctuations in the value of the proprietary real estate portfolio, or to the reduction of the income generated by that portfolio.
The Bank assumes real estate risk to a very limited extent for the purposes of investment and protection of its credit claims.
Property, plant and equipment represent a very modest share of its total assets. In particular, the Bank's proprietary real estate portfolio (land and buildings) represents almost all of its property, plant and equipment and is mostly used in operations.
This risk is mitigated through management and maintenance measures aimed at safeguarding the functionality and value of the assets and is partially transferred through insurance policies covering owned properties. Real estate assets are managed by units of the Bank dedicated to this activity.

Chapter F – SHAREHOLDERS' EQUITY

Section 1 – Shareholders' equity

A. Qualitative disclosures

The capital policy adopted by Banca di Cividale S.c.p.A. is founded upon the following approaches:

a) compliance with regulatory requirements (regulatory approach);
b) appropriate monitoring of risks associated with banking operations (management approach); and
c) support for company development projects (strategic approach).

These approaches correspond to appropriate definitions of capital, specific objectives and particular corporate functions. From a regulatory point of view, the definition of capital is that set out in supervisory regulations for banks. Ongoing compliance with minimum capital requirements, which are monitored on a regular basis and considered a constraint during planning, is an essential precondition for operations.

From the point of view of risk management – one of the key functions in banking – capital is considered the main defence against possible unexpected losses generated by a variety of risks (credit, market and operational risks) that the Bank faces. The amount of capital is optimal if it is sufficient to absorb unexpected losses estimated for a specific confidence interval, thereby guaranteeing the continuity of operations over a specified time period.

From the corporate perspective, capital is a strategic factor of production that enables the Bank to pursue its entrepreneurial vocation, while at the same time preserving financial stability. As a cooperative bank with strong local roots, the Bank implements its capital policy primarily through the gradual expansion of the size and geographical spread of its shareholders.

B. Quantitative disclosures

B.1 Shareholders' equity: composition

Breakdown / Amounts	31/12/2020	31/12/2019	%
1. Share capital	50,913	50,913	0.0%
2. Share premium reserves	167,022	167,022	0.0%
3. Reserves	68,267	65,534	4.2%
- Retained earnings:	64,284	61,551	4.4%
a) legal reserve	22,870	22,596	1.2%
b) statutory reserve	45,281	42,288	7.1%
c) treasury shares	102	636	-84.0%
d) other	(3,968)	(3,968)	0.0%
- other	3,983	3,983	0.0%
4. Equity instruments	-	-	-
5. (Treasury shares)	(2,658) -	2,125	-25.1%
6. Valuation reserves:	865	842	2.7%
- Equities designated at fair value through other comprehensive income	829	1,182	-29.8%
- Hedges of Equities designated at fair value through other comprehensive income	-	-	-
income	668	271	146.2%
- Property and equipment	-	-	-
- Intangible assets	-	-	-
- Hedges of foreign investments	-	-	-
- Cash flow Hedges	-	-	-
- Hedging instruments (non-designated items)	-	-	-
- foreign exchange differences	-	-	-
- non-current assets held for sale and discontinued operations	-	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-	-
- Actuarial gains (losses) on defined benefit plans	(632)	(611)	-3.5%
- Share of valuation reserves connected with investments carried at equity	-	-	-
- Legally-required revaluations	-	-	-
7. Net income (loss) (+/-)	6,783	2,733	148.2%
Total	**291,192**	**284,920**	**2.2%**

B.2 Valuation reserves related to financial assets designated at fair value through comprehensive income: composition

	31/12/2020		31/12/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	691	-	438	(167)
2. Equities	2,375	(1,569)	2,692	(1,510)
3. Loans	-	-	-	-
Total	**3,066**	**(1,569)**	**3,130**	**(1,677)**

B.3 Valuation reserves related to financial assets designated at fair value through comprehensive income: annual changes

	Debts securities	Equities	Loans
1. Opening balance	**271**	**1,182**	-
2. Increases	**597**	**68**	-
2.1. Fair value increases	495	68	-
2.2. Adjustments for credit risk	-	-	-
2.3. Reversal to the income statement of negative reserves from disposal	-	-	-
2.4. Transfer to other shareholders' equity items (equities)	-	-	-
2.5. Other increases	102	-	-
3. Decreases	**177**	**444**	-
3.1. Fair value decreases	93	444	-
3.2. Recoveries for credit risk	-	-	-
3.3. Reversal to the income statement of positive reserves from disposal	-	-	-
3.4. Transfer to other shareholders' equity items (equities)	-	-	-
3.5. Other decreases	84	-	-
4. Final balance	**691**	**806**	-

B.4 Valuation reserves related to defined-benefit plans: annual changes

Valuation reserves related to actuarial gains (losses) on defined-benefit plans amounted to a negative €632 thousand, an increase of €21 thousand.

Section 2 – Own funds and regulatory ratios

See the information on own funds and capital adequacy provided in the public disclosure ("Pillar Three").

Chapter G – BUSINESS COMBINATIONS

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Chapter H – TRANSACTIONS WITH RELATED PARTIES

1. Information concerning the compensation of key management personnel

The following table reports the compensation of the directors, executives and other key management personnel of the Bank. The compensation paid to directors and statutory auditors is set by specific resolutions of the shareholders' meeting.

	Amount
a) Short-term benefits *	2,810
b) Post-employement benefits	122
c) Other	-
d) Termination benefits	-
c) Share-based payments	-
Total	**2,932**

** The amount indicated includes the remuneration paid to directors of €462 thousand, to the Board of Statutory Auditors of €99 thousand and to the Supervisory Body of €32 thousand (including VAT and contributions).*

2. Information on transactions with related parties

In accordance with IAS 24, as applied to the organisational and governance structures of Banca di Cividale S.c.p.A., the following natural persons and legal entities are considered to be related parties:

- ✓ subsidiaries, companies over which Banca di Cividale S.c.p.A. directly or indirectly exercises control, as defined in IAS 27;
- ✓ associated companies, companies over which Banca di Cividale S.c.p.A directly or indirectly exercises a significant influence, as defined in IAS 28;
- ✓ joint ventures, companies over which Banca di Cividale S.c.p.A. directly or indirectly exercises joint control, as defined in IAS 31;
- ✓ managers with strategic responsibilities and control bodies: the Directors, Statutory Auditors and General Manager of Banca di Cividale S.c.p.A.;
- ✓ other related parties, including:
- ✓ immediate family members (cohabitants, children, cohabitants' children, dependants of the person concerned or cohabitant) of Directors, Statutory Auditors or the General Manager of Banca di Cividale S.c.p.A.; and

- ✓ subsidiaries, joint ventures and companies subject to significant influence by the Directors, Statutory Auditors, and General Manager of Banca di Cividale S.c.p.A., in addition to their immediate family members, as defined above.

The effects of transactions with related parties as defined above on the balance sheet are presented in the following summary table.

	COMPANIES UNDER EXCLUSIVE CONTROL	ASSOCIATED COMPANIES	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES	% incidence
Assets					
Loans to customers	***2,506***	***75***	***755***	***9,520***	***0.34%***
Board of Directors			114	8,826	0.24%
Board of Statutory Auditors			305	623	0.02%
Managers with strategic responsibilities			336	71	0.01%
Liabilities					
Due to customers	***-***	***164***	***1,346***	***4,097***	***0.16%***
Board of Directors			476	3,789	0.12%
Board of Statutory Auditors			109	196	0.01%
Managers with strategic responsibilities			761	112	0.03%
Income statement					
Net interest income	***22***	***8***	***1***	***162***	***0.30%***
Board of Directors			-	155	0.24%
Board of Statutory Auditors			3	7	0.02%
Managers with strategic responsibilities			(2)	-	0.00%
Net commission income	***1***	***4***	***20***	***63***	***0.28%***
Board of Directors			12	55	0.21%
Board of Statutory Auditors			2	8	0.03%
Managers with strategic responsibilities			6	-	0.02%
Administrative expenses	***-***	***-***	***1,594***	***-***	***-3.90%***
Board of Directors (*)			462	-	-1.13%
Board of Statutory Auditors			99	-	-0.24%
Managers with strategic responsibilities			1,033	-	-2.53%
Guarantees and commitments	-	-	-	-	0.00%
Board of Directors			-	-	0.00%
Board of Statutory Auditors			-	-	0.00%
Managers with strategic responsibilities			-	-	0.00%
Indirect funding	-	-	3,121	884	0.34%
Board of Directors			1,676	790	0.21%
Board of Statutory Auditors			63	78	0.01%
Managers with strategic responsibilities			1,382	16	0.12%

Transactions with other related parties fall within the course of normal banking operations and are ordinarily settled at arm's-length conditions for specific transactions or offered on any more favourable terms for which employees are eligible.

Banking transactions with groups controlled by the directors of the Company are approved in accordance with Article 136 of the Consolidated Banking Act and settled at arm's-length conditions for such transactions.

It should be noted that no transactions with related parties considered major transactions pursuant to the Procedures for Related-Party Transactions cited above were undertaken during the reporting period.

Chapter I – SHARE-BASED PAYMENTS

This section is not applicable to the financial statements of Banca di Cividale S.c.p.A.

Chapter L – SEGMENT REPORTING

Criteria for identifying and aggregating operating segments

In application of IFRS 8, operating segments for the purposes of segment reporting were identified on the basis of the following business segments:

- ✓ *Retail and Corporate Bank*, the segment dedicated to banking activity;
- ✓ *Leasing*, the segment dedicated to leasing activity.

The figures from the comparative period have been restated as appropriate.

Segment results – Income-statement data

RECLASSIFIED INCOME STATEMENT	31/12/2020			31/12/2019		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Net interest income	6,212	57,471	63,683	6,125	54,347	60,472
Net commissions	(91)	31,389	31,298	(60)	32,611	32,551
Dividends	-	35	35	-	160	160
Net trading income	-	11,011	11,011	-	13,062	13,062
Other operating income (expenses)	324	603	927	284	300	584
Operating income	**6,445**	**100,509**	**106,954**	**6,349**	**100,479**	**106,828**
Personnel expenses	(492)	(40,363)	(40,855)	(464)	(41,530)	(41,994)
Other administrative expenses	(583)	(16,628)	(17,211)	(467)	(17,863)	(18,330)
Net impairment/write backs on property, plant and equipment and intangible assets	(301)	(4,712)	(5,013)	(316)	(4,562)	(4,878)
of which right of use depreciation - IFRS 16	-	(2,110)	(2,110)	-	(2,074)	(2,074)
Operating cost	**(1,376)**	**(61,704)**	**(63,080)**	**(1,247)**	**(63,955)**	**(65,202)**
Income (loss) from operating	**5,069**	**36,696**	**43,874**	**5,102**	**34,450**	**41,626**
Charges/write-backs on impairment of loans	(2,004)	(24,613)	(26,617)	(2,236)	(34,665)	(36,901)
Charges/write-backs on impairment of other financial assets	-	393	393	-	697	697
Charges/write-backs on impairment of goodwill and equity investments	-	-	-	-	-	-
Goodwill impairment	-	(837)	(837)	-	(150)	(150)
Profit (loss) on disposal of investments	-	-	-	-	-	-
Net provisions for risks and charges	-	(1,391)	(1,391)	-	1,926	1,926
Income (loss) before tax from continuing operations	**3,065**	**12,357**	**15,422**	**2,866**	**4,333**	**7,199**
Tax on income from continuing operations	(1,208)	(4,920)	(6,128)	(946)	(1,177)	(2,123)
Levies and other charges concerning the banking industry after tax	-	(2,511)	(2,511)	-	(2,342)	(2,342)
Net income	**1,857**	**4,926**	**6,783**	**1,920**	**813**	**2,733**

Segment results – Balance-sheet data

ASSETS	31/12/2020			31/12/2019		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial assets measured at fair value through profit or loss	-	21,685	21,685	-	35,660	35,660
Financial assets measured at fair value through other comprehensive income	-	147,243	147,243	-	167,107	167,107
Financial assets measured at amortised cost	265,938	3,544,214	3,810,152	262,076	3,540,040	3,802,116
Due from banks	-	32,554	32,554	-	28,397	28,397
Loans to customers	265,938	2,710,457	2,976,395	262,076	2,556,187	2,818,263
Securities	-	801,204	801,204	-	955,456	955,456

LIABILITIES	31/12/2020			31/12/2019		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial liabilities measured at amortised cost	-	4,586,932	4,586,932	-	3,964,054	3,964,054
Due to banks	-	1,516,483	1,516,483	-	1,266,666	1,266,666
Due to customers	-	3,064,511	3,064,511	-	2,685,040	2,685,040
Securities issued	-	5,939	5,939	-	12,348	12,348

Chapter M – LEASING

SECTION 1 – LESSEE

Qualitative information

The standard IFRS 16 applies to all lease contracts (or contracts that contain a lease) that grant the lessee the right to control the use of an identified asset for a specific period of time in return for consideration. The concept of control is attributable to all those (explicitly or implicitly) identifiable assets in a contract for which the lessee has the right to control the assets in question, i.e. to obtain substantially all the economic benefits of the use of the assets and decide their use.

The following categories meet this requirement: a) real estate; b) motor vehicles; and c) other types, which includes all IT lease contracts. Real estate lease contracts refer mainly to properties used as offices or bank branches and normally have a term of more than 12 months, with renewal and/or purchase options; motor vehicle lease contracts refer to the vehicle fleet and typically have a term of several years, without the exercise of renewal and/or purchase options; and IT equipment lease contracts have terms of several years and are subject to renewal and/or purchase options.

Software lease contracts are excluded from the scope of application of IFRS 16 and continue to be accounted for according to IAS 38. In addition, lease contracts with a lease term of 12 months or less (i.e., short term) and contracts for which the value of the underlying asset when new is €5,000 or less (i.e., low-value assets) are excluded.

Contractual term

The Standard requires lessees to determine the term of a lease on the basis of the non-cancellable period of the lease, to which are added a) the periods covered by an option to extend the lease, if the lessee is reasonably certain to exercise this option; and b) periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise this option.

The lease term has been defined as the non-cancellable period, to which all periods covered by a renewal option or periods covered by a termination option, according to the reasonable certainty of exercise of these options, have been added. In particular: i) where the contract is in the non-modifiable period and there is no basis for presuming the exercise of a termination option, the lease term is identified as the term of the first renewal option (where contractually envisaged), on the basis of the reasonable certainty of its exercise; ii) where the contract is already in a renewal period and there is no basis for presuming the exercise of a termination option, the lease term is identified as the term of the outstanding renewal option or the term of the subsequent renewal option, on the basis of the reasonable certainty of its exercise; and iii) in the event of formalised contractual cancellation, or reasonable certainty of exercise of the contractual termination option, the lease term will coincide with the effective date of the actual cancellation/termination.

Quantitative disclosures

See Chapter B - Assets for information on the rights of use acquired with leases, Chapter B - Liabilities for information on lease liabilities and Chapter C for information on the interest expense on lease liabilities and other charges associated with the rights of use acquired with leases. At the reporting date the Bank did not have any commitments for lease contracts that will take effect in 2020.

SECTION 2 – LESSOR

Qualitative information

The Bank is a party to finance lease contracts. These contracts are accounted for by recognising a finance lease receivable in item 40 Financial assets measured at amortised cost, the relevant income calculated on an accrual basis in item 10 Interest income and similar revenues and provisions for expected credit losses in Item 130, Net charges on impairment due to credit risk.

Quantitative disclosures

Refer to Chapter B - Assets for information on lease financing and to Chapter C for information on interest income on lease financing and other income on finance lease transactions.

1 Balance sheet and income statement information

2 Finance leases

2.1 Classification of payments to be received by time brackets and reconciliation with lease financing - recognised as assets

Time bands	31/12/2020 Payments to be received	31/12/2019 Payments to be received
Up to 1 year	40,145	39,792
Between 1 and 2 years	36,495	33,597
Between 2 and 3 years	34,015	31,173
Between 3 and 4 years	29,595	28,933
Between 4 and 5 years	25,027	22,297
Over 5 years	81,281	118,488
Total lease payments to be received	**246,559**	**274,280**
Reconciliation with loans	0	0
Not accrued gains (-)	40,071	42,366
Unguaranteed residual value (-)	37,922	14,612
Loans for leases	244,410	246,526

The table shows the payments to be received for lease financing from customers, whether they refer to performing or non-performing exposures. In relation to performing exposures, the payments to be received refer solely to payments set to come due after the reporting date.

Cividale del Friuli, 10 March 2021
Banca di Cividale S.c.p.A.
The Board of Directors

Appendices

Information on government grants pursuant to Art. 1, paragraph 125, of Law No. 124 of 4 August 2017 ("Annual market and competition law")

It should firstly be stated that Art. 1, paragraphs 125 to 129, of Law No. 124 of 4 August 2017 (the “Annual Market and Competition Law”, hereinafter also Law No. 124/2017), introduced various measures aimed at ensuring transparency in the public grant system.

In particular, the said Law provides, inter alia, that in the notes to their financial statements at and for the year ended 31 December 2020 – and in the consolidated notes, where applicable – enterprises must provide information regarding “subsidies, grants, paid positions and other economic advantages of any kind” (hereinafter, in the interest of brevity, “government grants”) received from the government and other entities listed in Art. 1, paragraph 125 of the said Law. Failure to comply with this publication obligation entails the return of the sums received from the grantor.

In order to avoid the accumulation of irrelevant information, the publication obligation does not apply when the amount of the government grants is below the threshold of €10,000.

Despite the clarification provided by the Council of State in its opinion no. 1149 of 1 June 2018, the law in question raises some doubts as to interpretation and application, with particular regard to the scope of its application, for which reference has also been made to guidelines issued by the trade associations (Assonime).

In particular, in view of the criteria that inspire the law and the established guidelines, the disclosure obligations are not believed to extend to the following cases:

- ✓ consideration for services rendered by the enterprise within the framework of the provision of professional or other services or goods, or other activities constituting the enterprise's core business. In fact, such amounts are not related to public grants or support policies;
- ✓ tax relief available to all enterprises that meet certain conditions, on the basis of predetermined general criteria, which are also subject to specific declarations;
- ✓ the granting of loans with special terms to the enterprise's customers, since this involves the disbursement of third-party funds (e.g., grants towards the payment of interest by the government) and not the own resources of the bank, which acts as intermediary.

In addition, it should be noted that the National Register of Government Aid has been available from the Directorate General for Business Incentives of Italy's Ministry of Economic Development since August 2017. State aid and de minimis aid for all enterprises must be published in this Register by the entities that grant or manage the aid money in question. For the individual aid received by the Bank, see the section “Transparency of the Register”, access to which is publicly available.

On this basis, in accordance with Art. 1, para. 125, of Law No. 124 of 4 August 2017, the Bank has nothing to report with regard to the amounts collected in 2020 by way of “subsidies, contributions, paid assignments and other economic advantages of any kind”. In accordance with the provisions of the law in question, economic advantages below the threshold of €10,000 are not included; this threshold is to be understood to refer to the total advantages received by the Bank from the same authority in 2020, regardless of whether the benefit was paid in a single act or a series of acts.

Statement of property, plant and equipment subject to monetary revaluation

Site	Historical cost	Currency revaluations	Impairments	Carrying amount
ATTIMIS - Via Cividale	224	305	365	164
BUTTRIO - Via Div. Julia	125	871	596	400
CIVIDALE - Piazza Duomo	770	10,233	5,088	5,914
CIVIDALE - Via Cavour	261	762	491	532
GORIZIA - Corso verdi	914	133	403	644
GRADO - Via Marina	399	89	215	273
MANZANO - Via della Stazione	929	53	372	610
PALMANOVA - Piazza Grande	547	73	268	352
PAVIA DI UDINE - Via Persereano	264	203	209	258
PORDENONE - Corso Garibaldi	717	92	335	474
POVOLETTO - Piazza Libertà	393	623	577	439
PRATA DI PORDENONE - Fraz. Puja - Via Dante	208	10	83	135
REMANZACCO - Piazza P. Diacono	402	1,199	766	835
S. GIOVANNI AL NATISONE - Via L. Da Vinci	486	1,872	1,220	1,138
S. LEONARDO - Via Scrutto	181	218	266	133
S. VITO AL TAGLIAMENTO - Viale del Mattino	635	17	218	434
SACILE - Viale Lacchin	497	66	176	387
SAN GIORGIO DI NOGARO - Via Europa Unita	276	21	106	191
SPILIMBERGO - Corso Roma	320	73	173	220
TAVAGNACCO - Via Udine - Fraz. Feletto Umberto	1048	360	717	691
UDINE - Piazzale XXIV Luglio	1294	173	639	828
UDINE - Via Marsala	545	9	252	302
CIVIDALE - Corso Mazzini 10/12	858	72	423	507

Fees for services rendered by the independent auditors pursuant to Article 149-duodecies of Consob Regulation No. 11971/1999

Type of service	Fees paid in 2020
Services provided to the Banca Popolare di Cividale Scpa	**262**
Independent auditors: Reconta Ernest & Young	
- Auditing services	100
- Inspection services for the purpose of issuing certification	162
- Other services	-

Reconciliation of the income statement and reclassified income statement

Recalssified income statement	Income Statement	31/12/2020	31/12/2019
Net interest income	30 - Net interest income	63,683	60,472
	90 - Fair value adjustments in hedge accounting	-	-
Total Net interest income		**63,683**	**60,472**
Net commisions	**60 - Net commissions**	**31,298**	**32,551**
Dividends	70 - Dividends and similar income	35	160
Total Dividends		**35**	**160**
Net trading income		**11,011**	**13,062**
	80 - Net trading income	1,117	276
	100 - Profit (loss) on disposal or repurchase of: a) financial assets measured at amortised cost	6,613	362
	100 - Profit (loss) on disposal or repurchase of: a) financial assets measured at amortised cost - loans	3,704	11,054
	100 - Profit (loss) on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income	1,005	1,296
	100 - Profit (loss) on disposal or repurchase of: c) financial liabilities	5	12
	110 - Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss a) financial assets and liabilities designated at fair value	-	-
	110 - Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss b) other financial assets mandatorily measured at fair value	(1,432)	62
Total Gains (losses) from purchase/sale of loans and financial assets		**11,011**	**13,062**
Other operating income/expenses (net of recovered expenses)	200 - Other operating income (expenses)	8,655	8,228
	200 (partial) - Other operating income (expenses) - Recovery of indirect taxes	(7,728)	(7,644)
Total Other operating income/expenses (net of recovered expenses)		**927**	**584**
Income (loss) from operating		**106,954**	**106,828**
Personnel expenses	160 a) personnel expenses	(40,855)	(41,994)
Other administrative expenses (net of recovered expenses)	160 b) other administrative expenses	(28,639)	(29,427)
	of which: Levies and other charges concerning the banking industry	3,700	3,452
	200 (partial) - Other operating income (expenses) - Recovery of indirect taxes	7,728	7,644
Total other administrative expenses (net of recovered expenses)		**(17,211)**	**(18,330)**
Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)	180 - Net impairment/write-backs on property, plant and equipment	(4,954)	(4,815)
	190 - Net impairment/write-backs on intangible assets	(59)	(63)
Total Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)		**(5,013)**	**(4,878)**
Operating cost		**(63,080)**	**(65,202)**
Income (loss) from operating		**43,874**	**41,626**
Charges/write-backs on impairment of loans		**(26,617)**	**(36,901)**
	130 - Charges/write-backs on impairment of loans a) measured at amortised cost - loans	(22,914)	(25,847)
	100 - Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss a) measured at amortised cost - loans	(3,704)	(11,054)
Charges/write-backs on impairment of other financial assets		**393**	**697**
	130 - Charges/write-backs on impairment of loans a) measured at amortised cost - loans	326	327
	130 - Charges/write-backs on impairment of loans b) measured at fair value through other comprehensive income	67	370
Goodwill impairment	240 - Goodwill impairment	-	-
Profit (loss) on equity investments	220 - Profit (loss) on equity investments	**(831)**	**(79)**
Profit (loss) on disposal of investments	250 - Profit (loss) on disposal of investments	**(6)**	**(70)**
Net provisions for risks and charges		**(1,391)**	**1,926**
	170 - Net provisions for risks and charges a) commitments and guarantees given	(224)	825
	170 - Net provisions for risks and charges b) other net provisions	(1,167)	1,102
Income (loss) before tax from continuing operations		**15,422**	**7,199**
Imposte sul reddito d'esercizio dell'operatività corrente		**(6,128)**	**(2,123)**
	270 - Tax on income from continuing operations	(4,939)	(1,013)
	of which: taxes on levies and other charges concerning the banking industry	(1,190)	(1,110)
Levies and other charges concerning the banking industry after tax		**(2,511)**	**(2,342)**
	160 b) other administrative expenses - Charges concerning the banking industry	(3,700)	(3,452)
	of which: taxes on levies and other charges concerning the banking industry	1,190	1,110
Profit (loss) of non-current assets being disposed of after taxes	280 - Profit (loss) of groups of assets being disposed of after tax	-	-
Net income		**6,783**	**2,733**

Reconciliation of the balance sheet and reclassified balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	31/12/2020	31/12/2019
Cash and cash equivalents	10 - Cash and cash equivalents	**773,290**	**118,579**
Financial assets measured at fair value through profit or loss	20 - Financial assets measured at fair value through profit or loss	**21,685**	**35,660**
	a) financial assets held for trading	940	1,023
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	20,745	34,637
Financial assets measured at fair value through other comprehensive incon	30 - Financial assets measured at fair value through other comprehensive income	**147,243**	**167,107**
Financial assets measured at amortised cost	40 - Financial assets measured at amortised cost	**3,810,152**	**3,802,116**
a) Due from banks	a) due from banks	37,051	46,916
b) Loans to customers	b) loans to customers	3,773,101	3,755,200
Hedging derivatives	50 - Hedging derivatives	-	-
Investments in associates and companies subject to joint	70 - Equity investments	**2,359**	**3,190**
Property, plant and equipment and intangible assets		**85,250**	**89,561**
	80 - Property and equipment	85,104	89,441
	90 - Intangible assets	147	119
Other assets		**121,081**	**121,627**
	100 - Tax assets	62,174	71,247
	110 - Non-current assets and disposal groups classified as held for sale	-	-
	120 - Other assets	58,907	50,380
Total assets		**4,961,060**	**4,337,840**

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	31/12/2020	31/12/2019
Financial liabilities measured at amortised cost	10 - Financial liabilities measured at amortised cost	**4,600,794**	**3,979,634**
a) Due to banks	a) Due to banks	1,107,629	717,883
b) Due to customers	b) Due to customers	3,487,225	3,249,404
c) Securities issued	c) Securities issued	5,939	12,348
Financial liabilities held for trading	20 - Financial liabilities held for trading	**63**	**125**
Financial liabilities designated at fair value	30 - Financial liabilities designated at fair value	-	-
Other liabilities		**61,264**	**64,850**
	40 - Hedging derivatives	-	-
	50 - Value adjustment of hedged financial liabilities (+/-)	-	-
	60 - Tax liabilities	1,710	2,379
	a) current	974	1,765
	b) deferred	736	614
	70 - Liabilities associated with assets classified as held for sale	-	-
	80 - Other liabilities	59,554	62,471
Specific provisions		**7,748**	**8,310**
	90 - Employee termination benefits	3,776	4,990
	100 - Provisions for risk and charges:	3,972	3,320
	a) commitments and guarantees given	780	556
	b) post-retirement benefit obligations	-	-
	c) other provisions for risks and charges	3,192	2,764
Shareholders' equity		**291,192**	**284,920**
	110 - Valuation reserves	865	842
	120 - Redeemable shares	-	-
	130 - Equity instruments	-	-
	140 - Reserves	68,267	65,534
	150 - Share premiums	167,022	167,022
	160 - Share capital	50,913	50,913
	170 - Treasury shares (-)	(2,658)	(2,125)
	180 - Net income (loss) (+/-)	6,783	2,733
Total liabilities		**4,961,060**	**4,337,840**

Country-by-country reporting
In accordance with Circular No. 285 of 17 December 2013 (Supervisory Provisions for Banks), fourth update of 17 June 2014, Banca di Cividale publishes the following information concerning its place of business in Italy:

a) Name of the local company and nature of its business

Name:
Banca di Cividale S.c.p.A., with office in Cividale del Friuli at Via Sen. Guglielmo Pelizzo n. 8/1, tax code and Udine Companies Register no. 0249360306, registration in the Bank of Italy register no. 5758.8.0, Register of Banking Groups no. 05484.1

Nature of its business:
Financial intermediation (financial services for businesses, trading and sale, retail intermediation, commercial banking services, retail banking services, payment and settlement, fiduciary management, asset management and leasing)
The Bank's customers traditionally consist of families, craftsmen, professionals and small and medium enterprises.

Amounts as at 31/12/2020	
b) Sales (1)	102,323
c) Number of full-time equivalents (2)	551
d) Profit or loss before taxes (3)	11,722
e) Income taxes (4)	(4,939)
f) Public grants received (5)	-

(1) "Sales" are defined as operating revenues (item 120 of the consolidated income statement) (cf. Circular 262).
(2) "Number of full-time equivalents" is determined as the total hours worked overall by all employees, excluding overtime, divided by the total annual number of hours to be worked by a full-time employee by contract.
(3) "Profit or loss before taxes" refers to item 260 of the income statement, pursuant to Circular 262;
(4) "Income taxes" are defined as the sum of the taxes presented in item 270 of the income statement, pursuant to Circular 262;
(5) The item "Public grants received" must include grants received directly from public administrations. This item does not include transactions undertaken by central banks for financial stability purposes or transactions with the aim of facilitating the monetary policy transmission mechanism. Similarly, any transactions part of government aid schemes approved by the European Commission are not to be taken into consideration;