# BILANCIO CONSOLIDATO

## 31 DICEMBRE 2020

**DEUTSCHE BANK**

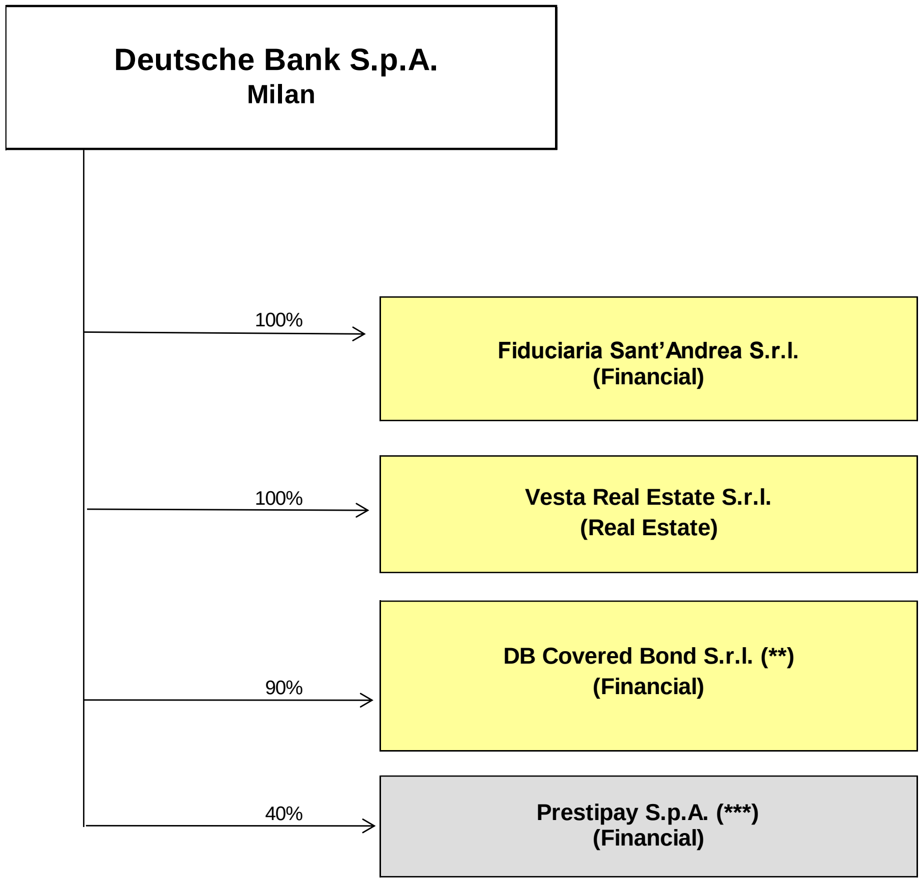
**Società per Azioni**

# Deutsche Bank S.p.A.
# Reports and Consolidated Financial Statements 2020

# Structure of Deutsche Bank Group

Composition of

**DEUTSCHE BANK S.P.A. Banking Group (at 31 December 2020)**




= Companies belonging to the Banking Group which are consolidated using the line-by-line method.

= Company consolidated using the equity method.

(*) = Company established on 5 July 2013, for the acquisition (including through auctions), the management, restructuring, leasing and sale of real estate exclusively for the purpose of protecting its own credit or that of other companies of the Group.

(**) = The other 10% is held by SVM Securitisation Vehicles Management S.r.l.

(***) = Company established on 5 October 2018 for the development, design and preparation of Financial Products by the Company, to be proposed to the customers of the Cassa Centrale Banca Group, the Adhering Banks and the Customer Banks as well as other customers who may be acquired through online distribution channels. The remaining 60% is held by Cassa Centrale Banca Holding which carries out control activities.

# Management Board's Report
# on the Consolidated Financial Statements

## The Group’s financial position and performance

The report on the Separate Financial Statements of the parent company, Deutsche Bank S.p.A., comments on the Bank’s strategies and performance in 2020, making reference to the subsidiaries where necessary. This report on the Consolidated Financial Statements analyses Deutsche Bank Group’s performance and provides information on the management of the individual subsidiaries that comprise the Group. The 2020 Management Board's Report supplements the information provided in the Financial Statements schedules and the notes thereto which, as in previous years, are prepared in accordance with IAS/IFRS.
During the year 2020 there were no changes in the consolidation area of the Group: the only change compared to 2019 is the classification of the investee Vesta Real Estate S.r.l. as disposal groups held for sale, pursuant to IFRS 5, being the sale, with the consequent deconsolidation, expected by the end of the 2021 financial year.

As described in detail in section A of the Notes to the Consolidated Financial Statements, regarding the accounting policies, from 1 January 2014 the preparation of the Consolidated Financial Statements is governed by IFRS 10 which replaced the previous standards IAS 27 and SIC 12: the application of the new standard did not result in changes to the consolidation scope at 1 January 2014, in particular the structured company DB Covered Bond S.r.l., which had previously been consolidated pursuant to interpretation SIC 12, continued to be considered a subsidiary according to the new control model pursuant to IFRS 10.
The following tables summarise the Group's main Statement of Financial Position and Income Statement data and indicators for the year 2020 compared to the values for the previous year.

Income Statement

| (mil. €) | Financial Year | | | | Change |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| Net interest income | | 468.9 | | 444.6 | 5.5% |
| Net commissions and other net financial revenues | | 424.4 | | 408.7 | 3.8% |
| Total income | | 893.3 | | 853.3 | 4.7% |
| Net impairment losses on loans and receivables | | (186.8) | | (140.8) | 32.7% |
| Operating costs | | (780.9) | | (786.6) | -0.7% |
| *ordinary personnel expense* | *(315.5)* | | *(313.9)* | | |
| *other ordinary operating costs* | *(344.4)* | | *(321.7)* | | |
| *intercompany costs of the DB AG Group* | *(65.0)* | | *(63.0)* | | |
| *other non-recurring economic components* | *(56.0)* | | *(88.0)* | | |
| Gross profit (loss) from current operations | | (74.4) | | (74.1) | 0.4% |
| Net loss attributable to the Group | | (18.4) | | (82.0) | -77.6% |
| Net loss per share (in €) | | (0.12) | | (0.54) | -77.7% |

*The operating costs indicated above were determined by adding to item 240 of the income statement, "Operating costs", also items 140 and 280, respectively "Profits (losses) from contractual amendments without cancellations" and "Profits (Losses) from the sale of investments". In addition, the results of disposal groups held for sale were included.*

Statement of Financial Position

| | Balance at | | Change |
|---|---|---|---|
| (mil. €) | 31/12/2020 | 31/12/2019 | |
| Total assets | 26,446.1 | 25,315.7 | 4.5% |
| Loans and receivables with customers | 19,504.7 | 19,489.4 | 0.1% |
| Net interbank position | (3,052.8) | (3,864.1) | -21.0% |
| Direct funding | 15,444.8 | 14,740.4 | 4.8% |
| Indirect customer deposits (administered and managed) | 38,902.9 | 37,852.9 | 2.8% |
| Equity attributable to the Group | 1,878.0 | 1,757.8 | 6.8% |

Performance indicators

| | Data at | | Change |
|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | |
| ROE - return on net equity | -0.98% | -4.88% | 3.90% |
| ROTE - return on tangible net equity | -1.00% | -5.07% | 4.07% |
| ROA - return on assets | -0.07% | -0.33% | 0.26% |
| Cost / Income ratio | 87.46% | 92.13% | -4.67% |

Solvency ratios

| | Data at | | Change |
|---|---|---|---|
| | 31/12/2020 (*) | 31/12/2019 (*) | |
| Regulatory capital/risk weighted assets (CET1 Capital Ratio) | 9.28% | 8.92% | 0.36% |
| Tier 1 capital/risk weighted assets (Tier 1 capital ratio) | 10.07% | 9.75% | 0.32% |
| Total equity/risk weighted assets (Total capital ratio) | 12.82% | 12.95% | -0.13% |

*(*) = in 2019, the parent company Deutsche Bank S.p.A. obtained an exemption from supervisory reporting on a consolidated basis, given that its risk-weighted assets represent approximately 98-99% of consolidated assets. The data at 31 December 2019 and 2020 therefore refer only to the Bank. They are reported for completeness of information, considering them in any case significant, given the incidence of the parent company on the total data.*

Structure data

| | Data at | | Change |
|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | |
| Employees | 3,414 | 3,505 | ( 91) |
| Sales network advisors | 1,088 | 1,100 | ( 12) |
| Branches | 310 | 311 | (1) |

The following table presents the reconciliation between the loss for the year and the shareholders' equity of Deutsche Bank S.p.A. (Separate Financial Statements) and the corresponding figures of the Consolidated Financial Statements.

| **Reconciliation between the parent company's equity and profit for the year and consolidated equity and profit for the year** | | |
|---|---|---|
| *in thousands of euro* | Equity | of which: loss for the year |
| **Balances at 31 December 2020 as per parent company's Financial Statements** | **1,878,289** | **(18,320)** |
| Contribution of companies consolidated on a line-by-line basis | (207) | (977) |
| Contribution of companies valued at equity | (69) | (69) |
| Reversal of dividends | - | - |
| Other consolidation adjustments | - | 1,000 |
| **Balances at 31 December 2020 as per the Consolidated Financial Statements** | **1,878,013** | **(18,366)** |

The reconciliation table above shows the consolidated loss for the year 2020 equal to €18.4 million compared to the result for 2019 which was also negative for €82 million.

The following table compares the breakdown of consolidated results for 2020 and 2019 and shows the individual changes of each year.

| *In thousands of euro* | Financial Year 2020 | Financial Year 2019 | Change Amount | % |
|---|---|---|---|---|
| Net profit (loss) of the parent company | (18,320) | (81,810) | 63,490 | (77.6) |
| *dividends from the Group companies* | - | (45) | 45 | (100.0) |
| Net contribution of the parent company | (18,320) | (81,855) | 63,535 | (77.6) |
| Net contribution of companies consolidated on a line-by-line basis | (977) | (647) | (330) | 51.0 |
| Net contribution of companies valued at equity | (69) | - | (69) | n.s. |
| Other consolidation adjustments | 1,000 | 535 | 465 | 86.9 |
| Net profit (loss) for the year from the Consolidated Financial Statements | (18,366) | (81,967) | 63,601 | (77.6) |
| % net contribution of the parent company | 99.7% | 99.9% | | |

The loss for the year 2020 is in fact entirely attributable to the parent company, since the contributions of the other Group companies are now marginal in light of the evolution of the consolidation perimeter recorded in previous years: in addition, to be noted are the merger by incorporation into Deutsche Bank S.p.A. of the subsidiary Finanza & Futuro Banca S.p.A. and the transfer of the business unit of all the operating activities of the service consortium company to the parent company, which took place in 2018.

The next part of the Report gives an account of the management and business performance dynamics that determined Deutsche Bank S.p.A.'s loss.
In the financial year 2020, the contribution of the other companies was quantified in €1,046 thousand of net losses, of which €977 thousand attributable to the two subsidiaries and €69 thousand to the associated company Prestipay S.p.A., measured at equity.

The table below provides details of the contributions of the subsidiaries, the results of which are commented on later in this Report.

| *In thousands of euro* | YEAR 2020 | YEAR 2019 | Change Amount | % |
|---|---|---|---|---|
| Vesta Real Estate S.r.l. | (336) | (416) | 80 | -19.2% |
| Fiduciaria Sant'Andrea S.r.l. | (641) | (231) | (410) | 177.5% |
| **Total** | **(977)** | **(647)** | **(330)** | 51.0% |

- Other consolidation adjustments showed a positive value of €1 million entirely due to the reversal of the write-down of the subsidiary Fiduciaria Sant'Andrea, recorded in the parent company's Separate Financial Statements.
It should be noted that in previous years the accounting effect of "other consolidation adjustments" was normally generated by the elimination of intragroup profits (or losses) caused by the different accounting treatment of the income statement items used by consolidated companies, i.e. costs (or revenues) deferred compared to revenues (or costs) recognised in full in the year.

The following table compares the consolidated shareholders' equity breakdown for 2020 and 2019.

| *In thousands of euro* | position at 31 December 2020 | position at 31 December 2019 | Change Amount | % |
|---|---|---|---|---|
| Equity of the parent company | 1,878,289 | 1,757,994 | 120,295 | 6.8 |
| Net contribution of the other Group companies | (276) | (468) | 192 | (41.0) |
| Other consolidation adjustments | - | 239 | (239) | (100.0) |
| Equity shown in Consolidated Financial Statements | 1,878,013 | 1,757,765 | 120,248 | 6.8 |

The year-end figure shows an increase in the amounts of consolidated shareholders' equity compared to 2019, with a change of €120.2 million (+6.8%), attributable to the parent company and for which reference should be made to the information provided below on the statement of financial position data.

The following comments on the performance of the statement of financial position and income statement aggregates refer to the absolute values and percentages that can be inferred from the comparative Consolidated Statement of Financial Position and Income Statement schedules reported in the section "structure of the Financial Statements".

## Economic and financial analysis

In 2020, for the third consecutive year, the ultimate parent company Deutsche Bank AG continued to support the development of Deutsche Bank S.p.A.'s activities through an additional capital contribution of €150 million, aimed at providing the necessary regulatory capital support to ensure adequate compliance with capital ratios and to provide the driving force for further growth in lending activities.
It should be remembered that in 2018 there were two capital payments in favour of the parent company Deutsche Bank S.p.A. for a total of €400 million, while in 2019 the contribution amounted to €250 million. The total amount of €800 million disbursed by Deutsche Bank AG in favour of the Italian parent company testifies to the importance of the investment made and the strategic nature of the Italian activities for the DB Group.

The results achieved by the Group in the 2020 financial year must be read in the light of the effects produced by the economic and social crisis due to the COVID-19 pandemic. In this sense the improvement in the economic result for the period already mentioned assumes an even greater relevance.
Another important fact to note is that the 2020 financial year saw the successful completion of the project to overhaul the parent company's IT platform (*Aurora* project) with the go-live which took place in May 2020 in collaboration with the outsourcer Cedacri.

## Income Statement

The 2020 consolidated income statement records a net loss attributable to the Group of €18.4 million, compared to the loss of €82 million in 2019.
It should be noted that in 2019 the economic result was burdened by a significant extraordinary component, due to the allocation to the corporate restructuring provision of €50.8 million. If this non-recurring effect is removed from the 2019 loss figure, the overall income situation improves to €12.4 million, compared to the €31.2 million of the previous year. This improvement is all the more remarkable given the serious economic and social context in which it was achieved, considering the crisis situation caused by the COVID-19 pandemic.

*Total income: charges and income of a financial nature*
**Total income** for the 2020 financial year amounted to €893.3 million as the sum of net interest income of €468.9 million, net fee and commission income of €390.2 million and net other financial income of €34.2 million.
This income aggregate shows an increase of €40 million (+4.7%) compared to 2019.
More in detail, the changes, all positive, of the three margins that make up the income aggregate can be summarized as follows:
- net interest income, up €24.4 million;
- net fee and commission income, up €2 million;
- net other financial income/expense, up €13.6 million.

*Net interest income*
The figure for 2020, equal to €468.9 million, shows an increase of €24.4 million, compared to the figure of the previous year, €444.6 million, with an increase of 5.5%.
This improvement is due to both higher interest income, €+14.9 million, and lower interest expense, €9.5 million, a decrease due to the change in the net interbank position, the negative balance of which decreased from €3.9 billion in 2019 to €3.1 billion at the end of December 2020.

For some years, the Bank's interest income has been impacted by the persistence of the flattening of the interest rate curve in the Euro area, as a consequence of the effects of the expansionary monetary policy implemented by the ECB, through instruments such as the Eurosystem's debt purchase programme.
In addition, throughout 2020, the parent company was able to benefit from the effects of the financing operations obtained from the ECB, TLTRO, whose second operation of €2.8 billion ended in June 2020 and was replaced soon afterwards by the third operation of €2.7 billion.
The two operations contributed to the 2020 results with revenues (for negative interest expense) for a total of €12.6 million.

*Net fee and commission income*
The income in question remained basically stable compared to the previous year and amounted to €390.2 million in 2019, a slight increase of €2 million, or 0.5%, compared to 2019: in 2020, as in 2019, the focus continued to be on credit products (with a stable benefit on net interest income) compared with the income recognised up-front and related to the intermediation of financial instruments.
The main types of commission income are represented by the placement of securities, the distribution of insurance products and traditional banking services.

The positive contribution from net other financial income/expense of €34.2 million includes:
- **dividends** amounted to €1.8 million, a decrease compared to the €2.8 million figure of 2019;
- the **net trading income** showed an essentially break-even result with a limited net loss of €19 thousand broken down as follows:
i) a positive contribution from foreign exchange and foreign exchange derivatives transactions, €+1.1 million;
ii) a corresponding negative contribution of €1.1 million due to interest rate derivatives, a segment that also includes the valuation effects of management macrohedging transactions, which cannot be classified as "hedging" under the rules of IAS 39; it should be noted that, as permitted by the rules for the application of IFRS 9, the DB Group decided to continue to adopt the hedge accounting model for hedging transactions as governed by the previous IAS 39, in the "carve out" version approved by the EU;
- the **net result of hedging activities** was negative for €1.2 thousand; during 2020 the existing hedging relationships complied with the quantitative thresholds provided for by IAS 39 (the "80% -125% rule"), as in the previous year;
- **profits from the sale of financial assets valued at amortised cost** amounted to €6.5 million (in 2019 they amounted to €14.8 million in profits) and refer to the sale of impaired loans (bad loans) carried out by the Bank; these sales take place on a recurring basis and are aimed at optimising the time profiles and administrative costs for recovering bad loans, as well as at discounting the effects of regulatory regulations on NPLs, such as calendar provisioning;
- the **buybacks of financial liabilities** have originated €20.4 million of costs (compared to €1.8 million of revenues in 2019) and are due to the early repayment of medium and long-term fixed-rate deposits received from the treasury of the Frankfurt ultimate parent company.

The **net result of other financial assets and liabilities measured at fair value through profit or loss** showed revenues for €47.5 million in 2020, while in the previous year the Group had reported a profit of €8.5 million.
The amount of €47.5 million represents the overall effect mainly of positive revaluations (mainly SIA S.p.A. and VISA Inc.): in particular, the appreciation of SIA shares reflects the terms of the proposed merger by incorporation into the listed company NEXI S.p.A. due to the share swaps of the two companies.

*Value adjustments on financial assets*
In the area of **value adjustments,** there was an increase of approximately €45.9 million in provisions for **credit risks** compared to the previous year; the figure for the year was €186.8 million, equal to approximately 39.8% of net interest income (30.5% in 2019).
The cost of credit indicator (net value adjustments/average loans to customers) was 96 basis points, up from 0.75% in 2019.
The higher provision made during the year is due to the effects of the economic crisis triggered by the COVID-19 pandemic: the average riskiness of the portfolio increased compared to 2019 and the DB Group took a cautious approach by adjusting allowances for impairment upwards, including using the option to increase the forward-looking component of the provision for credit risks on a subjective basis, i.e. the portion of the provision that reflects the impact of future forecasts of macroeconomic variables relevant to the calculation such as gross domestic product trends and the unemployment rate.

Overall, net financial income totalled €707.1 million, a slight decrease of €5.4 million (+0.8%) compared to 2019, when this economic margin amounted to €712.4 million.

*Operating costs*
Operating costs show a decrease of €4.5 million (-0.6%), from €785.8 million in 2019 to €781.3 million in 2020.
**Personnel expenses** decreased by €29.1 million (-8%) compared to 2019, when they amounted to €364.7 million; the 2019 figure included a non-ordinary component of €50.8 million due to the net allocations made by the parent company for recourse to early retirement plans and extraordinary benefits from the "Solidarity Fund".
For this provision, the parent company successfully concluded negotiations at the end of the 2020 financial year, and the effects of the reduction in the number of employees will occur in 2021 for an expected total of 248 exits: in 2020, additional provisions were made for redundancies (€7 million), and costs of €13 million were reported relating to indemnities paid to employees for termination of employment in 2020.

Other **administrative expenses** increased by €25.2 million (+7.8%) and totalled €354.3 million for 2020, mainly due to the increase in expenses for consultancy and third-party services.

Other administrative expenses in 2020 include charges for €26.3 million related to the contributions paid to the FITD for the insurance of bank deposits (€14.3 million) and to the national Resolution Fund (€12 million), set up at the Bank of Italy. In 2019, these charges amounted to a total of €21.8 million.
It should also be noted that administrative expenses were significantly affected in 2020 by the costs related to the "Aurora" project aimed at revising the IT platform and outsourcing it to the Cedacri provider (€30 million), a project that was successfully concluded in 2020 with the go-live of the new technological platform.

**Provisions for risks and charges** amounted to €16.7 million, of which €2.6 million for commitments and guarantees, a calculation based on the rules of IFRS 9, and €14.1 million for other provisions.
**Value adjustments on property, equipment and investment property** are down compared to 2019, going from €58.7 million to €55.2 million (-5.8%), the main cost component is represented by the depreciation of rights of use relating to property leases and the rental of the company fleet for a total of €40.1 million.
**Value adjustments on intangible assets** decreased significantly compared to 2019, from €33.8 million to €14.1 million (lower software amortisation costs): a reduction due to higher amortisation expensed in recent years due to the shortening of the useful life of IT programmes and software subject to disposal with the start of the new technology platform (Aurora project).
The aggregate operating costs are completed by **other operating income (expense)**, negative in 2020 for €5.5 million compared to net income of €3.8 million in 2019.

The **result from current operations**, before taxes, showed a loss of €74.4 million in line with the 2019 financial year, when it amounted to €73.7 million; it should be noted that last year's figure was burdened by the provision to the redundancy fund of €50.8 million while the year 2020 incurred higher costs for €46 million to be attributed to the increase in credit losses due to the economic crisis from COVID-19.

As regards **income taxes**, the 2020 figure recorded income of €56.4 million, mainly due to the effect of the recognition of deferred tax assets by the parent company: in this case, these are deferred tax assets for €48 million recognised on the aggregate of deductible temporary changes, which will be used by the Bank in future years against the positive profitability prospects resulting from the approved business plan. In this regard, it is confirmed that the Bank has also maintained the approach of previous years of not recognising deferred tax assets in respect of losses carried forward in previous years.
At 31 December 2020, therefore, Deutsche Bank S.p.A., taking into account the taxable income forecasts prepared at year-end for future years on the basis of the forecast plans, decided not to record deferred tax assets of €119 million in its Financial Statements related to unused tax losses amounting to €433 million. This amount represents a contingent asset for the parent company, which is imprescriptible under current tax law, and whose possible recognition in the Statement of Financial Position assets will be valued at the next reporting dates considering the profitability prospects.

The loss of Euro 328 thousand relating to **discontinued operations** refers to the result for the year of the investee Vesta Real Estate, which is expected to be sold to third parties by the end of 2021. The corresponding figure for 2019 was €403 thousand of net losses.

*Profit for the year attributable to non-controlling interests*
This item is zero in both years.

*Performance indicators*
The main performance indicators related to the Group's economic performance in 2020 reflect the effects commented above:

- the *return on equity (RoE)*, the ratio of net loss after tax to average total shareholders' equity for the year was negative and equal to -0.98%,
- the *return on tangible equity (RoTE)*, which measures the profitability of shareholders' equity less intangible assets, showed a value of -1.0%;
- the RoA, *return on assets*, stood at -0.07%;
- the *cost/income ratio* stood at 87.5%.

## Statement of Financial Position

Total assets of €26.4 billion increased by €1.1 billion or +4.5% compared to 2019.
The following is a commentary on the individual items of the Financial Statements and the related operation dynamics, which have determined the changes during the year: unless otherwise indicated, these figures are attributable solely to the parent company, Deutsche Bank S.p.A., which accounts for approximately 98.1% of the consolidated data, while the other significant percentage refers to DB Covered Bond S.r.l., which accounts for 1.8% of total assets.
The other two consolidated companies have smaller asset structures, as they mainly carry out brokerage, asset management and services activities and have a small amount of fixed assets.

*Loans and receivables with banks and customers*
**Loans and receivables with banks** increased by approximately 22% from €4.3 billion to €5.3 billion.
Compared to 31 December 2019, the net interbank position, which continues to be negative, has improved by €811 million, from a balance of €3.9 billion in the last year to €3.1 billion at 31 December 2020.
**Loans and receivables with customers:** the aggregate remained stable and has a balance of €19.5 billion. At 31 December, the moratoria granted to customers, in the various forms present (ABI/ASSOFIN/D.L. 17 March 2020 and outside of the scope of the decree and outside associations), amounted to €2,032 million. Loans backed by government guarantees amounted to €1,141 million at the end of the year.
Loans and receivables with customers are mainly made up of mortgage loans for €8.6 billion, a portfolio up by €0.4 billion compared to 2019, and from personal loans and credit cards by €7.2 billion, a stable segment compared to 2019.

*Financial investments*
Pursuant to IFRS 9 classification criteria, which entered into force on 1 January 2018 and as applied by the DB Group, the segment of investments in financial instruments of the Group companies is divided into two portfolios, which show the following compositions and changes in the period under review.

| *In thousands of euro* | 31/12/2020 | 31/12/2019 | Change<br>Absolute | <br>% |
|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | | | | |
| a) financial assets held for trading | 103,137 | 81,607 | 21,530 | 26.38 |
| b) financial assets designated at fair value | - | - | - | - |
| c) other financial assets mandatorily measured at fair value | 137,749 | 91,384 | 46,365 | 50.74 |

The segment of **financial assets held for trading** showed an increase of €21.5 million compared to 31 December 2019. The balance mainly consists of interest rate derivatives (IRS and IRO Cap) for €88.8 million (€76.3 million in 2019); the remaining part of €14.4 million is made up of options on exchange rates and forward currency contracts (€5.3 million in 2019).
The operations carried out by the parent company relate to contracts entered into with corporate customers (mainly in the mid-cap and SME sectors) whose market risk is closed out with equal and opposite transactions with Deutsche Bank AG.

**Other financial assets mandatorily measured at fair value**
This item consists exclusively of equity securities, which had been classified, according to the previous rules of IAS 39 up to 31 December 2017, as financial assets available for sale.
The increase of €46.4 million in the year 2020 is attributable to valuation effects resulting in a change in the fair values of securities; the main changes are attributable to SIA shares for €36.4 million and VISA USD shares for €8.1 million.
As indicated in part A of the Notes to the Financial Statements in the chapter dedicated to the methods for determining fair value, methods based on market multiples or on prices observed on the market for recent transactions are mainly used for equity securities measured at fair value: for the valuation of the 2020

Financial Statements of SIA S.p.A., the exchange ratios relating to the announced merger by incorporation of the company into NEXI S.p.A., whose shares are listed on the stock exchange, were used.

**Equity investments**
The item shows a balance of €3.9 million, a decrease compared to the 2019 value of €69 thousand; this negative change reflects the result of the equity valuation of the associated company Prestipay S.p.A. and relates to the costs that the investee company incurred during the set-up phase prior to the start of lending activities (personal loans and special purpose loans), which started in January 2021.

**Hedging derivatives**
This item shows the fair values as at the reporting date of derivatives used by the parent company to hedge interest rate risk (fair value hedge) of long-term fixed-rate deposits with banks:
hedging relationships are of the micro-hedging type.
As regards assets, the value of the contracts showed a decrease by 8% compared to the 2019 figure and amounted to €19.9 million.
Liability hedging derivatives showed a balance of €7.7 million at year-end, down from €14.9 million in the previous year. The change is due to the closure before maturity of certain fixed-rate loans granted to the associate Deutsche Bank Mutui S.p.A., which led to the simultaneous early termination (unwinding) of the interest rate swap contracts used to hedge interest rate risk.

All hedged positions relate to loans granted and fixed-rate bank deposits.
Hedging relationships are of the "micro hedging" type and related to the (fixed) interest rate risk, *fair value hedge*.
The derivatives used for hedging are interest rate swap contracts executed with the parent company Deutsche Bank AG.
The carrying amounts of hedging derivatives are offset, from a risk management perspective, by the fair value measurement of the instruments subject to the fair value hedge, which are included in asset item 40, "Financial assets measured at amortised cost", and in liability item 10, "Financial liabilities measured at amortised cost".
It should be noted that the derivative components (such as implicit options), when present in the structured loans issued, are shown, if separated as required by IFRS 9 (previously by IAS 39), among financial assets and liabilities held for trading.

*Property, equipment and investment property and intangible assets*
The change in **property, equipment and investment property**, €-39 million (-12.5%), is due to the net effect of capital expenditure and depreciation (€55 million), which mainly relates to the rights of use recorded against the rental contracts and car leases of the corporate fleet.
**Intangible assets**, made up entirely of software programmes, also showed a decrease in 2020 compared to the previous year, of €-5.6 million: amortisation paid during the year amounted to €14.1 million, which was offset by capitalisation for €8.5 million.
This item does not include either goodwill or other intangible assets with an indefinite useful life.

*Other asset captions*
**Tax assets** were up by €55.7 million, due to the increase in current tax assets (€+19.5 million) and to deferred taxes (€+36.2 million).
As discussed above, the recognition of deferred tax assets of €48 million is the main change recognised in the year for this item and is due to the recognition in the Financial Statements of the tax benefits related to temporary changes deductible in future years, benefits that are deemed achievable on the basis of the expected earnings prospects for the next few years.

The line *"of which"* related to deferred tax assets, which may fall within the scope of application of Law no. 214/2011 (transformation into current tax credits in the event of operating losses), amounted to €195.9 million, compared to €205 million at 31 December 2019.

**Other assets** increased to €610.4 million, +16.4% compared to the previous year: this book value is almost entirely attributable to the parent company and its most significant element is represented by the adjustments for the bills electronic portfolio amounting to €142 million.

The balance of €5 million of **disposal groups held for sale** relates to the Statement of Financial Position assets of the investee Vesta Real Estate S.r.l. and consists largely of the value of some real estate properties in stock.

*Due to banks and direct funding from customers*
Changes in these items in 2020, as already mentioned for the corresponding asset items, were determined by the management of the funding activities implemented by the parent company's treasury during the year: the **due to banks** segment showed a slightly increased balance, in the amount of €147 million (+1.8%), compared to the previous year.

The most significant transaction under "due to banks" refers to the loan received for TLTRO III, amounting to €2.7 billion and begun in June 2020, replacing the previous TLTRO II of €2.8 billion, which began in June 2016 and ended in June 2020.
In 2020, the Bank recognised interest income totalling €12.6 million (€11.6 million in 2019) for the two TLTROs.
"Due to banks" also include subordinated deposits for €560 million received from Deutsche Bank AG and computable in the second level regulatory capital, Tier 2.

**Direct funding from customers** grew by 4.8%, or €0.7 billion; more specifically, the two components (due to customers and securities issued) recorded the following changes:
- **due to customers** amounted to €15.4 billion, an increase compared to 2019 by €0.7 billion, +4.8%, and mainly consisted of free current accounts and sight deposits, for €14.6 billion; starting from 2019, this item includes payables to lessors, relating to property and car rental contracts, as required by IFRS 16, and payables amounting to €155 million at the end of 2020. The increase in funding from customers did not translate into a greater volume of customer loans in 2020, given the economic crisis caused by the COVID-19 pandemic. The increased liquidity available was used in the form of loans with the banks of the Deutsche Bank Group;

- **securities issued** recorded a reduction of approximately 51%; the balance at the end of the year is equal to €5.3 million and is made up of certificates of deposit.
Deutsche Bank S.p.A. has not been issuing new securities to customers for several years now; this management approach is the consequence of the launch in 2009 of a different commercial strategy based on a more intense activity of placement of financial instruments issued by other companies of the Deutsche Bank AG Group, including the Milan branch of the German parent company, active with this operation in the period 2011-2014.
The securities issued liability item is recognised in the Financial Statements, for the part relating to bond loans, net of repurchases settled up to the closing date of 31 December, as required by the international accounting standard IFRS 9: in particular it is relevant, in terms of amounts, the repurchase by Deutsche Bank S.p.A. of the two covered bonds which were issued in 2015 for a total of €3.5 billion, replacing a previous issue of €2.9 billion maturing in the same period.
The two securities amount respectively to (i) €3 billion with maturity on 28 July 2022 and quarterly coupon 3M Euribor + 18 b.p. and (ii) €500 million with maturity on 28 July 2021 and quarterly coupon 3M Euribor + 15 b.p..
The repurchased covered bonds of its own issuance are generally used as collateral for passive financing transactions; at the date of these Consolidated Financial Statements, the €2.7 billion TLTRO III deposit received in June 2020 from the Bank of Italy and guaranteed by these securities is significant.

*Financial liabilities and other liability items*
**Financial liabilities held for trading**, which are entirely attributable to the parent, comprise the negative fair values of trading derivatives and amount to €121.5 million, up by +23.3% from 2019.
The change in trading assets and liabilities show normally similar trends owing to the type of transaction in derivatives performed by the parent company that envisages, for contracts stipulated with SMEs and Corporate customers, hedging against associated market risks with an opposite balancing transaction with banking counterparties within Deutsche Bank AG Group (in particular the London and Frankfurt branches).

**Tax liabilities** did not show significant balances in the two years, 2020 and 2019.
For **other liabilities** , an increase of 35% was reported, while the staff **severance indemnity provision** decreased by approximately 6.4% with a balance at the end of 2020 of €18.3 million.
The **provisions for risks and charges** have also included, starting from 2018, the provision related to commitments and guarantees given, calculated pursuant to the criteria of IFRS 9.
At 31 December 2020, the overall balance was €173.6 million, with a net increase of €15.3 million compared to 2016 (+9.7%).

The **shareholders' equity** of the Group showed an increase of €120.2 million in 2020, a change that is mainly attributable to three factors:
1. the capital payment of €150 million made by the parent company Deutsche Bank AG - Frankfurt during the year, with the aim of ensuring an adequate level of capitalisation for regulatory purposes, given the greater need for own funds associated with the increase in credit activity;
2. the loss for the year in 2020 of €18.4 million;
3. the payment of €9.2 million of the coupon on the AT1 capital instrument, which resulted in the gross amount of the coupon paid on the AT1 capital instrument being debited to profit reserves, without recognition of the related tax effect due to potential tax recovery.

With reference to the AT1 security, it should be noted that on 21 September 2015, Deutsche Bank S.p.A. issued a euro-denominated Additional Tier 1 capital instrument in the amount of €145 million, the terms of which are in line with the regulatory regulations (CRR, CRD IV), in force since 1 January 2014:

the notes issued are of the Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 type. The entire amount of the loan had been subscribed and is still held by the parent company Deutsche Bank AG - Frankfurt.
The securities are perpetual (with maturity linked to the statutory duration of Deutsche Bank S.p.A.) and can be called by the issuer for the first time on 30 April 2021 ("first call date") and subsequently on each coupon payment date.
The fixed-rate coupon recognised until 30 April 2021 is equivalent to 6.33% per year and is payable annually. Subsequently, if the early repayment option is not exercised, the coupon will be redefined based on the five-year swap rate, in effect at the periodic reporting, plus 594 b.p.
Additional Tier 1 instruments contribute to strengthen the Deutsche Bank S.p.A. Tier 1 ratio.
In compliance with regulatory requirements, the coupon payment of the capital instrument is optional: the settlement of the issued notes provides for a trigger of 5.125% on the Common Equity Tier 1 (CET1) by which, if the CET1 ratio of the group or Deutsche Bank S.p.A. should fall below this threshold, the nominal value of the notes would be temporarily reduced by the amount necessary to restore the level, taking into consideration other instruments with similar characteristics. This write-down mechanism is regulated by Article 92 (1) (a) of the CRR.

**Equity attributable to non-controlling interests** amounts approximately to €1 thousand and relates to the non-controlling interest of DB Covered Bond S.r.l..

The following are some notes commenting on the 2020 operating performance of the Group companies.

## Vesta Real Estate S.r.l. – Milan

The company was established on 5 July 2013: in accordance with its Articles of Association, it will participate in property auctions when the properties being auctioned have been pledged as guarantee to the companies of the group under the ultimate parent Deutsche Bank S.p.A.
The Financial Statements at 31 December 2020, representing the eighth financial year of Vesta Real Estate S.r.l., showed a loss of €335,599.
The company continued to operate in accordance with its Articles of Association.
Two real estate sales were completed during the year.
- Property located in Bergeggi (Lot 3): notarised on 16/12/2020 and sold at the total price of €135,000;
- Property located in Arzachena: notarised on 21/12/2020 and sold at the total price of Euro 700,000.

It should also be noted that during the month of December the company received a purchase proposal for the property located in Bergeggi (Lot 1) at the total price of €185,000. The sale was completed in January 2021.
The COVID-19 pandemic affected the company's business, particularly with regard to real estate executions, which slowed down especially in the period between March and May 2020 where there was a significant drop in the number of auctions.

Last November, the sole shareholder Deutsche Bank S.p.A. paid €350,000 to the "Share Premium Fund" to cover losses from previous years and to meet administrative costs associated with the company's activities.
The economic result, which shows a loss of €335,599 in the financial year 2020, was mainly due to the sale of the above-mentioned properties and administrative expenses for the management of the company.
It should be noted that the company's equity, thanks also to the replenishment of the share premium reserve carried out by the parent company, is such as to allow it to absorb the loss recorded.
With regard to the statement of financial position aggregates, it should be noted that the purchase of real estate used to guarantee the credit positions of Deutsche Bank Mutui S.p.A., which the company won at auction, was carried out using the loan granted by the parent company Deutsche Bank S.p.A..

It should be noted that in 2019, Vesta Real Estate S.r.l. had concluded the purchase of a portion of land located in the Municipality of Bergamo, bordering on the real estate complex called "ex Canossiane" to be used for the creation of an access to an underground garage to be built as part of a future development of the restructuring plan of the aforementioned real estate complex. As already indicated in the Management Board's Report for the 2018 financial year, Deutsche Bank Mutui S.p.A. issued an indemnity in favour of Vesta Real Estate S.r.l. for a total amount of €805,510, in order to indemnify the latter against any negative economic consequences that may have arisen to it as a result of the purchase of the aforementioned land. In return for the indemnity undertakings, the company pays Deutsche Bank Mutui S.p.A., on an annual basis, a consideration equal to 0.25% of the Purchase Price.

In January 2020, the parent company Deutsche Bank S.p.A. executed a preliminary agreement for the sale of 100% of the share capital of Vesta Real Estate S.r.l. and part of the properties held by the latter, namely the "ex Canossiane" property complex in Bergamo and the adjacent portion of land, thus excluding all the other properties in the company's portfolio.
In 2020, the company therefore focused exclusively on managing the "ex Canossiane" property complex and disposing of the other properties it owns, the disposal of which is a necessary condition for the sale to be completed.

The completion of these pre-sale activities is expected in 2021, followed by the sale of the company by Deutsche Bank S.p.A. and its deconsolidation from the Group.
As a result of this situation, the company has been classified in these Consolidated Financial Statements as a disposal group (as defined by IFRS 5).

The company does not hold any treasury shares or shares of the parent company, as it did not, during the period ended 31 December 2020, acquire or dispose of such securities either directly or through third parties.

## Fiduciaria Sant'Andrea S.r.l. – Milan

During the year, the company continued to open and close mandates, and to be noted is that there was a greater demand for closures than for openings.
At the same time, customer demand for services relating to complex relationships linked to escrow accounts or investment transactions in general increased. A growing interest in trust solutions has been noted on several occasions, although so far the development of this activity remains limited.

On 4 December, the legal and operational headquarters were transferred to Piazza del Calendario no. 3 – in Milan, where Deutsche Bank S.p.A. is also based. This change will lead to a reduction in rental costs of approximately 50%, in the approximate amount of €125,000 in 2020.
Overall, there was a slight decrease in revenues, also due to the closure of many mandates as a result of the resignation of some bankers in the Wealth Management (WM) team of the parent company Deutsche Bank S.p.A..
However, a positive effect is expected to manifest itself thanks to synergies with the Ultra High and High Net divisions of Deutsche Bank S.p.A.'s International Private Banking division, which should be evident as early as 2021.

The changes in operating costs compared to 2019 are mainly due to the cost of internal audit that fell within the expected standards and an increase in personnel costs related to some changes in the company's workforce; the most significant cost amount in 2020 was determined by the administrative fine of €300,000.
By decree of 14 July 2020, the Ministry of Economy and Finance (MEF) imposed an administrative fine of €300,000 for failure to report a suspicious transaction. This is a decree issued as a result of a procedure arising from a Guardia di Finanza (Assessment Notice) report, which has been discussed in previous reports. In the context of these proceedings, the company presented its arguments regarding the groundlessness of the findings in the Assessment Notice. The sanction was imposed on the Managing Director pro tempore - in his capacity as the person responsible for reporting Suspicious Transactions - jointly and severally with the company. The amount of the fine was paid in full by the company.
An appeal was filed with the Court of Rome against the MEF decree.

The inspection activity that had been carried out in 2019 had revealed some deviations between the procedures laid down by the Group and the company's operations.
The majority of the points identified by the inspection activity have been resolved, within the set out deadlines, for the remaining points the activity is continuing also in collaboration with the Anti Financial Crime and IT sectors of Deutsche Bank S.p.A. and it is expected that they will be closed as scheduled (finding 1 and 3 the deadline is 15 May 2021, finding 2 the deadline is 15 July 2021).

As a result of all the above, the 2020 financial year closed with a loss of €640,939, against which the parent company, at the request of the Board of Directors and on the recommendation of the company's Board of Statutory Auditors, made a capital contribution on 19 October 2020 in the amount of €1 million, in addition to the payment of €300,000 made in February 2020, in order to both support Fiduciaria Sant'Andrea S.r.l. financially and at the same time ensure the protection of its equity.

The most significant data on the company's performance are shown below.
18 new trustee mandates were opened and the negative balance compared to those closed is -31.
Trust assets of €1,785,606,646 are divided into 337 trustee mandates. The assets transferred to the Trust are equal to €93,521,956.

Revenues: ordinary revenues amounted to €1,077,675, while the costs incurred amounted to €1,726,306.
The net loss for the 2020 financial year is €640,939.
This negative result shall be covered by the use of the capital reserve set up in 2020 following the capital account payments made by Deutsche Bank S.p.A..

The fully paid-up share capital of €93,600 is held entirely by the parent company Deutsche Bank S.p.A.
No shares of the parent company or of other Group companies have been purchased or subscribed.

*Compliance in matters of protection and personal data – privacy*
With regard to compliance with the provisions of the GDPR, the Privacy Code, as well as the measures issued by the Data Protection Authority, the company operates in full compliance with all regulatory provisions on the protection of personal data.

*Obligations pursuant to Legislative Decree no. 231/2007*
The company operates in full compliance with the legislative and regulatory requirements regarding anti-money laundering.

*Obligations pursuant to Legislative Decree no. 81/2008*
The company operates in full compliance with the legislative and regulatory requirements regarding health and safety in the workplace.

*Significant events occurring after the end of the financial year*
In the period between the reference date of the Financial Statements for the year 2020 and the date of preparation of this Report, no further significant events have occurred that could cause significant changes to the company's profitability.

*Outlook*

In the course of 2021, work will continue to focus on assisting customers with complex wealth and family situations by leveraging not only fiduciary mandates but also other legally permissible institutions such as trust agreements and trusts. A number of information activities will also be proposed to the network in the context of thematic meetings with selected audiences.

## DB Covered Bond S.r.l. – Conegliano (TV)

This vehicle was incorporated as SPV Covered Bond S.r.l. on 11 January 2012 in accordance with Law no. 130 of 30 April 1999 (Law no. 130/99), which regulates the performance of securitisations in Italy.
On 10 April 2012, the company was included in the General Register of Financial Intermediaries under number 42016 as per Art. 106 paragraph 1 of Legislative Decree no. 385 of 1 September 1993, as amended (the "Consolidated Banking Act" or T.U.B.).
On 25 May 2012, it changed its name to DB Covered Bond S.r.l. and became part of the Deutsche Bank Banking Group on 27 September 2012.

As part of one or more transactions to issue covered bonds (i.e., either individual issues or issuance programmes) pursuant to Article 7-bis of Law no. 130/99, DB Covered Bond S.r.l.'s sole business object is:
(A) the acquisition against payment from banks through the assumption of loans granted or guaranteed also by the same assignor banks regarding:
(i) property and mortgage loans, including as a portfolio;
(ii) loans with or secured by public authorities, including as a portfolio;
(iii) securities issued as part of securitisations involving loans of the same nature;
(iv) other eligible or supplementary assets allowed by Law no. 130/99 as subsequently amended and related implementing measures, as well as
(B) the provision of cover for the bonds issued by the same or other banks as part of one or more issues of covered bonds (i.e., either individual issues or issuance programmes) pursuant to Art. 7-bis of Law no. 130/99.

As part of this object, in 2012 the company launched a programme for the issue of covered bonds, through (i) the purchase without recourse on 22 June 2012 pursuant to Articles 4 and 7-bis of Law no. 130/99 by the company of a portfolio of pecuniary credits deriving from land or residential mortgage loans entirely issued by Deutsche Bank S.p.A, (ii) the simultaneous obtainment of a subordinated loan from the same selling bank aimed at obtaining the funds necessary to pay the sale price of the aforementioned portfolio, and (iii) the signing, among others, of the contract by which the assets acquired are placed as irrevocable collateral for the covered bonds issued by Deutsche Bank S.p.A..

The Financial Statements at 31 December 2020 show the vehicle broke even as the net operating costs have been recharged to the segregated assets.
With reference to the segregated assets, the operations that took place in the two-year period 1 January 2019 – 31 December 2020 are reported below, referring to part C3 of section E of the Notes to the Financial Statement for the details of the operations carried out in the years from 2012 to 2018.

*Financial Year 2019*
The transactions carried out in 2019 can be grouped as follows:
1) two repurchases of portfolios of a limited size related to loan positions with at least three outstanding payments or a loan-to-value ratio greater than 100%;
2) four transactions related to the subordinated loan received from Deutsche Bank S.p.A.;
3) seventh sale and eighth sale of two loan portfolios in order to carry out the so-called replenishment of the vehicle assets pledged as collateral for the issued bank bonds.

The details of these transactions, in chronological order, are as follows:

- on 28 January 2019, partial repayment of the subordinated loan for €120 million by using the excess liquidity held by the vehicle;
- on 23 May, first repurchase of 37 positions for an equivalent value of €2,888,738.58, the positions had in 34 cases more than three overdue instalments and in the remaining three cases inconsistencies in the guarantees associated with the transferred loans;
- seventh assignment of 6,268 mortgage loans on 24 September 2019 with a countervalue of €606,055,419.74; similarly to the six previous assignments in the period 2013-2018, also for the seventh transfer of assets to the segregated portfolio the purchase was partially financed through the increase of the subordinated loan from Deutsche Bank S.p.A. of €235 million, while the residual amount of €371.1 million was settled using liquid funds from the collections of the principal amounts of mortgages recognised under the vehicle company's assets. The payment of this amount had been included in the normal payment process, so-called "waterfall", related to the third quarter of 2019 and made on 25 October 2019;

- increase in the subordinated loan in the amount of €235 million, which was disbursed on 24 September 2019 at the time of the sale transaction;
- on 24 October, a second repurchase of 32 positions for a countervalue of €1,922,039.07, all of which had more than three instalments overdue;
- on 28 October 2019, partial repayment of the subordinated loan for €118,098,161.58 million by using the excess liquidity held by the vehicle;
- eighth assignment of 5,413 mortgage loans on 22 November 2019 with a countervalue of €579,726,738; the purchase had been financed through the increase in the subordinated loan by Deutsche Bank S.p.A, for the amount corresponding to the price of the mortgages purchased;
- increase in the subordinated loan for €579,726,738.18, amount disbursed on 22 November 2019.

*Financial Year 2020*

The transactions carried out in 2020 can be grouped as follows:
1) a repurchases of portfolios of a limited size related to loan positions with at least two outstanding payments or a loan-to-value ratio greater than 100%;
2) three transactions related to the subordinated loan received from Deutsche Bank S.p.A.;
3) no further sale transactions were carried out in 2020 after the last two completed in 2019.

The details of these transactions, in chronological order, are as follows:

- on 27 January 2020, the first partial repayment of the subordinated loan for €197 million by using the excess liquidity held by the vehicle;
- on 23 April 2020 a repurchase of 150 positions for an equivalent value of €12,379,442.65, the positions had in 124 cases at least two overdue instalments and in the remaining 26 cases inconsistencies in the guarantees associated with the transferred loans;
- on 27 April 2020, the second partial repayment of the subordinated loan for €221 million by using the excess liquidity held by the vehicle;
- on 27 July 2020, the third partial repayment of the subordinated loan for €173 million by using the excess liquidity held by the vehicle.

At 31/12/2020, the receivables recorded in the company's segregated assets amounted to €3,670,170,875.97, while the subordinated loan amounted to €4,163,539,164.50 The liquidity of the vehicle amounted to €475,219,543.62 and is deposited in current accounts held with the London branch of Deutsche Bank AG.

For additional information on the above-mentioned transactions please see section C3, part E of the Notes to Consolidated Financial Statements.

With regard to the overall progress of the operation, it should be noted that it is running smoothly and that no irregularities have emerged with respect to the contractual documentation.
In particular, with reference to payments relating to subordinated loans, it should be noted that these took place in accordance with the order of priority of payments according to the reporting prepared by the Computation Agent.
During the year, the vehicle regularly paid the interest accrued on the loans.

Compliance with the ratios indicated below was monitored on a six-monthly basis by the Asset Monitor of the transaction, who, at the request of the issuer of the covered bonds, prepares at the same frequency a Report analysing the following parameters:
- *the* Nominal Value Test*: the total nominal value of the assets forming part of the segregated assets must be at least equal to the nominal value of the outstanding covered bonds;*
- the *Net Present Value Test*: the present value of the segregated assets, net of all the transaction costs borne by the guarantor, including forecast costs and expenses of any derivatives agreed to hedge financial risks arising from the transaction, must be at least equal to the net present value of the outstanding covered bonds;
- the *Interest Coverage Test:* interest and other income generated on the segregated assets, net of the guarantor's costs, must be sufficient to cover the interest and costs due by the issuer on the outstanding covered bonds, considering any derivatives agreed to hedge financial risks arising from the transaction;
- the *Asset Coverage Test:* : dynamically verifies that the assets forming part of the segregated assets, weighted differently according to type and quality, are sufficient to cover the minimum level of over collateralisation required by the rating agencies.

## Other information

### Bank of Italy – communication of 15 December 2020

With communication dated 15 December 2020, the Bank of Italy required that the banks provide the market with information on the effects of COVID-19 and of the economic support measures on risk management strategies, objectives and policies, as well as on the economic and capital position of the intermediaries. The disclosures in question have been included in these Financial Statements.
In addition to what has already been described in this Management Board's Report, reference should be made to the information provided in part A of the Notes to the Financial Statements regarding the impacts of the pandemic crisis in terms of representation of the consequent effects in the Financial Statements.

## Treasury shares

Pursuant to current legislation, the number of treasury shares held, with a nominal value of €2.58 each, total 6,765,307 at 31 December 2020, equal to 4.23% of the share capital of the parent company, Deutsche Bank S.p.A.
In addition, there are 63,710 shares due to shareholders who have not yet withdrawn their shares from free capital increases and 27 shares to be assigned to former shareholders of Deutsche Asset Management Italy S.p.A.
Deutsche Bank Group companies do not hold shares of the parent company Deutsche Bank AG either directly or via trustees.

## Research and development activities (Article 2428 of the Italian Civil Code)

The parent company and subsidiaries did not carry out research and development activities in 2020.

## Use of financial instruments (Article 2428.6-bis of the Italian Civil Code)

As regards the use of financial instruments and the related risk management (credit risk, market risk and liquidity risk), reference should be made to Section E of the Notes to these Consolidated Financial Statements.

## Transactions with the parent company and subsidiaries

The performance of the subsidiaries and their contribution to the Group's overall results are described in this Management Board's Report. Related party transactions are detailed in Part H of the Notes to the Financial Statements.

## Main risks and uncertainties to which the Deutsche Bank Group is exposed

As regards the main risks and uncertainties to which the Group is exposed, reference should be made to the information contained in the Notes to the Financial Statements, Part E, information on risks and related hedging policies.

## Non-financial declaration pursuant to Legislative Decree no. 254/2016

The parent company Deutsche Bank S.p.A., although falling within the scope of application provided for by Article 2 of Legislative Decree no. 254/2016, has not prepared the declaration of a non-financial nature provided for by the same Decree by availing itself of the case of exemption set forth in Article 6 of the Decree, as it is a "subsidiary" company included in the consolidated declaration of a non-financial nature made by Deutsche Bank AG - Frankfurt (Germany). Furthermore, the Bank has adopted the business model for the management and organisation of the company's activities, including any organisation and management models that may be adopted pursuant to Art. 6, paragraph 1, letter a), of Legislative Decree no. 231 dated 8 June 2001.

## Tax inspection of the parent company

Following a general audit by the Inland Revenue Agency concerning the years 2014 and 2015, a number of tax violations were contested relating to: non-deductibility of costs of interest rate risk hedging instruments deemed not inherent as uneconomic; excessive onerousness of a guarantee commission provided by another DB Group company; failure to apply withholding taxes on payments reclassified as royalties by the Agency. The assessment for 2014 has been notified to the Bank and the related appeal is pending before the first instance tax commission. While the judgement is pending, the Inland Revenue Agency has waived the finding regarding the non-application of withholding taxes. The assessment relating to 2015 has not yet been notified. Due to the extension of time limits in the context of the COVID-19 pandemic measures, the assessment notice may be served in 2021. These are findings deemed unfounded by the Bank and for which a negative outcome of the dispute is considered unlikely. Consequently, no provisions were made.
Judgements are still pending in relation to tax assessments for 2008, IRES only, and 2012, IRES and IRAP. These are assessments arising from a general audit carried out by the Inland Revenue Agency in 2013, in relation to which rulings in favour of the Bank concerning 2008 IRAP and 2009, 2010 and 2011 IRES and

IRAP have already become final. The rulings in favour of the Bank regarding the failure to apply the withholding taxes on royalties for the years 2010, 2011, 2012 also became final.

## Other information

In preparing these Financial Statements, the request made jointly by Bank of Italy, Consob and Isvap, through document no. 4 of 3 March 2010, regarding accurate and exhaustive application of the regulations and the accounting standards was taken into account. There is nothing else significant to report.

## Events after the reporting period and outlook

We acknowledge that, following an analysis of the Group's ability to continue as a going concern, considering both the Consolidated Financial Statements under analysis and the foreseeable future evolution of the Group's management, there are no doubts regarding the continuation of the business activity.

mazars

Via Ceresio, 7
20154 Milan
Tel: +39 02 32 16 93 00
www.mazars.it

# Report of the independent auditors pursuant to Art. 14 of Legislative Decree no. 39 of 27 January 2010 and Art. 10 of Regulation (EU) no. 537/2014

To the shareholders of Deutsche Bank S.p.A.

## Report on the audit of the consolidated financial statements

### Audit opinion

We audited the consolidated financial statements of Deutsche Bank S.p.A. Banking Group (hereinafter also referred to as the "Group") which comprise the consolidated statement of financial position at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the notes to the consolidated financial statements which also include a summary of the most significant accounting principles applied.

In our opinion, the consolidated financial statements give a true and fair view of the equity and financial position of the Group at 31 December 2020, its results of operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards adopted by the European Union as well as to the measures issued in implementation of Art. 43 of Legislative Decree no. 136/2015.

### Basis for the audit opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those principles are further described in the section *"Auditor's responsibilities for the audit of the consolidated financial statements"* of this report. We are independent of Deutsche Bank S.p.A. (hereinafter also referred to as the "Bank" or the "Parent Company") in accordance with the rules and principles on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key audit matters

Key audit matters are those matters which, in our professional opinion, were most significant during the audit of the consolidated financial statements for the current year. We have addressed these matters in our audit and in the preparation of our opinion on the consolidated financial statements as a whole; therefore we do not express a separate opinion on these matters.

***Classification and measurement of financial assets measured at amortised cost – loans and receivables with customers***

*for further details, please refer to:*

*Notes to the Consolidated Financial Statements "Part A - Accounting Policies": paragraph A.2.3 "Financial assets measured at amortised cost".*

*Notes to the Consolidated Financial Statements "Part B - Notes to the consolidated statement of financial position – Assets: Section 4 "Financial assets measured at amortised cost"".*

*Notes to the Consolidated Financial Statements "Part C - Notes to the consolidated income statement": Section 8.1 "Net value adjustments for credit risk relating to financial assets measured at amortised cost: breakdown".*

*Notes to the Consolidated Financial Statements "Part E - Risks and related hedging policies": Section 1 "Credit Risk".*

Mazars Italia S.p.A.

Authorised, subscribed and paid-up share capital € 120,000 - Registered office: Via Ceresio, 7 - 20154 Milan, Italy
Rea MI-2076227 - Tax Code and VAT No. 11176691001
Enrolled in the Register of Auditors no. 163788 with Ministerial Decree of 14/07/2011 O.G. no. 57 of 19/07/2011

**Description of the key audit matter**

Financial assets measured at amortised cost - loans and receivables with customers at 31 December 2020 amounted to €19,504 million, net of specific and portfolio value adjustments for a total of €760 million.

Net value adjustments on loans and receivables with customers charged to the income statement for the year ended 31 December 2020 amounted to €186.8 million.

The classification and valuation criteria are explained in Part A of the Notes to the Financial Statements and include a description of the method used for calculating value adjustments.

This item is relevant for audit purposes both in view of its significance, representing approximately 74% of total assets, and with reference to the intrinsic complexity of the process of determining value adjustments. The latter takes into account the classification of loans into homogeneous risk categories, as well as the determination of the recoverable amount discounted on a historical-statistical basis.

For these reasons, we have considered the classification and measurement of loans and receivables with customers recognised in financial assets measured at amortised cost to be a key audit matter.

**Audit procedures performed**

As regards this key matter, the audit approach adopted has involved the following main procedures:

- understanding and assessment of the set of organisational structures and controls provided by the internal control procedures, including those relating to the information technology system as regards the disbursement, monitoring, classification and valuation of loans to customers;

- verification, through compliance surveys, of the key controls identified, in particular the controls on the historical-statistical models implemented by the Company;

- performance of procedures for comparative analysis of the loan portfolio and value adjustments, taking into account the evolution of the write-downs carried out periodically for each product, and discussion of the results with the corporate functions involved;

- analysis of the classification criteria used in order to assign the loans and receivables with customers to the homogeneous risk categories set out in IFRS 9 (staging);

- reconciliation of the management archives and in particular of the gross exposure, impairment provision and consequent reconciliation of the net exposure with the accounting data;

- analysis of the analytical and lump-sum valuation policies and models used and of the reasonableness of the main assumptions and variables contained therein;

- selection of a sample of analytically valued loans and assessment of the reasonableness of the impairment indicators identified and the assumptions regarding recoverability, including on the basis of any guarantees received;

- analysis of the appropriateness of financial statement disclosures relating to loans and receivables with customers recognised under financial assets measured at amortised cost.

***Migration of the Accounting Information System***

**Description of the key audit matter**

On 25 May 2020, Deutsche Bank S.p.A.'s IT systems were upgraded by outsourcing to Cedacri around 65% of the applications previously in use.

The implementation of this project called “Aurora”, launched in April 2017, aims, on the one hand, to improve the efficiency of the Bank's IT systems and, on the other, to rationalise the costs related to the technology platforms through the strategic solution of outsourcing the management of the information systems to the company Cedacri S.p.A.

As part of our audit, we have focused on the process for the migration of the accounting systems, taking into account the operational complexity of the process and the possible impact on the financial statements related to the potential risk of not fully and accurately migrating information from the old to the new accounting system.

**Audit procedures performed**

As regards this key matter, the audit approach adopted involved the following main procedures:

- Analysis of the project documentation including, inter alia, identification of the roles and responsibilities of the players involved, definition of the prerequisites and objective of the project, risk analysis;

- Analysis of documentation related to data migration activities, including by verifying reconciliations of budgetary balances extracted at the date of migration;

- Analysis of IT policies and procedures with regard to logical security, change management, continuity management, incident management and vendor monitoring;

- Mapping of business processes through interviews with managers and analysis of operating procedures to identify automatic controls of new processes;

- Documentary analysis of policies and procedures on the segregation of application roles and verification of the assignment of these roles in line with the corporate task of individuals with a focus on the accounting area.

## Responsibilities of the Directors and Supervisory Board of Deutsche Bank S.p.A. for the consolidated financial statements

The Directors are responsible for the preparation of consolidated financial statements that provide a true and fair view in accordance with International Financial Reporting Standards adopted by the European Union as well as the measures issued in implementation of Art. 43 of Legislative Decree no. 136/2015 and, pursuant to the law, for that part of the internal control they consider necessary to enable the preparation of financial statements that are free from material misstatements due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue to operate as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements as well as for the adequate disclosure thereof. The Directors prepare the consolidated financial statements on the basis of the going concern assumption unless they have assessed that the conditions exist for the liquidation of the Parent Company or for the discontinuation of operations or have no realistic alternative to such choices.

The Supervisory Board is responsible for supervising, in compliance with the applicable law, the process of preparing the Group's financial reporting.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit carried out in accordance with International Standards on Auditing (ISA Italia) will always identify a material misstatement. Misstatements may arise from fraud or from errors and are considered material if, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of the audit carried out in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgment and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement in the consolidated financial statements, due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate evidence on which to base our audit opinion. The risk of not detecting a material misstatement due to fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- we gained an understanding of internal controls 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 Company's internal control system;

- we evaluated the appropriateness of the accounting standards used and the reasonableness of the estimates made by the Directors, including related disclosures;

- we concluded on the appropriateness of the Directors' use of the going concern principle and, on the basis of the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts on the Company's ability to continue to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the audit report to the related financial statement disclosures or, where such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the evidence available up to the date of this report. However, subsequent events or conditions may cause the Group to cease to be able to continue as a going concern;

- we evaluated the presentation, structure and content of the consolidated financial statements as a whole, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that provides a fair representation;

- we obtained sufficient and appropriate audit evidence on the financial information of the companies or of the different economic activities carried out within the Group to express an opinion on the consolidated financial statements. We are responsible for directing the supervision and carrying out the audit of the Group. We are the only responsible for the opinion audit of the consolidated financial statements.

We communicated with those responsible for governance activities, identified at an appropriate level as required by ISA Italia, among other matters, the planned scope and timing of the audit accounting and significant findings, including any significant deficiencies in internal control identified during the audit.

We also provided a statement to those responsible for governance activities that we have complied with the applicable ethical and independence rules under Italian law and we have communicated to them any circumstance that may reasonably have an effect on our independence and, where applicable, related safeguards.

From those matters communicated to those responsible for governance activities, we identified those that were most relevant in the audit of the consolidated financial statements of the current period, and are therefore representing the key audit matters. We have described these matters in our auditor's report.

### Additional disclosures required by Art. 10 of Regulation (EU) 537/2014

On 29 April 2019, the Shareholders' Meeting of Deutsche Bank S.p.A. engaged us to perform the statutory audit of the Bank's annual financial statements and the Group's consolidated financial statements for the years from 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services under Art. 5, paragraph 1, of Regulation (EU) 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Internal Control Committee, in its capacity as internal control and audit committee, prepared in accordance with Art. 11 of the aforementioned Regulation.

## Report on compliance with other laws and regulations

### Opinion in accordance with Art. 14, paragraph 2, letter e) of Legislative Decree no. 39/10

The Directors of Deutsche Bank S.p.A. are responsible for preparing the Report on operations of Deutsche Bank S.p.A. Group at 31 December 2020, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We performed the procedures required under Auditing Standard (SA Italia) no. 720B in order to express our opinion on the consistency of the Report on operations with the consolidated financial statements of the Deutsche Bank S.p.A. Group at 31 December 2020 and its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the Report on operations is consistent with the consolidated financial statements of the Deutsche Bank S.p.A. Group at 31 December 2020 and has been prepared in accordance with the law.

With reference to the statement referred to in Art. 14, paragraph 2, letter e), of Legislative Decree no. 39/10, issued on the basis of the knowledge and understanding of the Company and its environment acquired during the audit, we have nothing to report.

Milan, 19 March 2021

Mazars Italia S.p.A.

[Signature]
Marco Lumeridi
Partner – Auditor

# 2020 Consolidated Financial Statements

## Application of IAS/IFRS and structure of Financial Statements

## Financial Statements tables

# Consolidated Financial Statements at 31 December 2020

## Application of IAS/IFRS and structure of Financial Statements

The Consolidated Financial Statements at 31 December 2020 have been prepared using IFRS. In this regard, the following should be noted:
- since 1 January 2005, Italian banks that are parent companies of banking groups enrolled in the Register referred to in Article 64 of the T.U.B. have been required to prepare their financial statements in accordance with IAS/IFRS international accounting standards; for Italian banks, this obligation applies both to companies whose shares were listed on European Union markets and for those whose securities were not listed;
- Article 1, paragraph 1070 of Law No. 145 of 30 December 2018 has introduced into Legislative Decree No. 38/2005 (1) a new Article 2-bis, according to which entities that were previously required to apply, in the preparation of their financial statements, international accounting standards may apply such standards on an optional basis if they do not have securities admitted to trading on a regulated market. Pursuant to the following paragraph 1071, this option starts from the financial year preceding the entry into force of the new rule (i.e., the financial year ended or in progress at 31 December 2018). As in the year 2019, the Deutsche Bank Group has continued to apply international accounting standards for the financial year 2020 and onwards.

The tables used in these Consolidated Financial Statements comply with the formats issued by the Bank of Italy in Circular No. 262 of 22 December 2005 and its subsequent sixth update published on 30 November 2018, as well as further clarifying and amending communications issued: in this regard, to be noted is that the communication of 15 December 2020 relating to the "Supplements to the provisions of Circular No. 262 "Bank financial statements: formats and compilation rules" concerning the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS".
Therefore, these Consolidated Financial Statements consist of the following documents:
- Consolidated statement of financial position and consolidated income statement;
- Consolidated statement of comprehensive income;
- Consolidated statement of changes in equity for 2020 and 2019;
- Consolidated statement of cash flows;
- Notes to the Consolidated Financial Statements.

They are accompanied by the Management Board's Report on the economic performance and financial position of all the companies included in the scope of consolidation.
The afore-mentioned Report also includes a reconciliation between the parent company's equity and profit for the year and the consolidated equity and profit for the year.
For the purpose of preparing the statement of cash flows, coupon payments related to the AT1 capital instrument made in 2020 and 2019 have been reported under funding activities as "dividend distributions and other purposes".

At 31 December 2020, the subsidiary Vesta Real Estate S.r.l. was classified in accordance with IFRS 5 as "disposal groups held for sale", as it was expected to be sold and deconsolidated within the next twelve months. For comparative purposes, the figures for the 2019 Consolidated Financial Statements were also reclassified.
Starting from 2020, two new accounting classifications have been adopted:

a) bank drafts issued are now shown in the Financial Statements as payables to customers or to banks, considering the beneficiary, while up to 2019 they were included in outstanding securities;
b) income earned by the parent company from the provision of funds to customers is now included in item 40 of the Income statement, "commission income"; previously it had been classified as Interest income, item 10 of the Income statement.

In order to ensure a proper comparison of the figures for the two years, the figures of the 2019 Financial Statements have therefore been reclassified:
for bank drafts, €66,749 thousand from sub-item 10c) of the liabilities, "outstanding securities" to sub-item 10b) payable to customers;
for commissions for making the funds available, €16,281 thousand from item 10 "interest income" in the Income statement to item 40 "commission income".
These reclassifications did not involve changes to the statement of cash flows for 2019, as the change in item 10 of financial liabilities measured at amortised cost was entered for its overall value.

## Consolidated Statement of Financial Position

| Assets items | | | | |
|---|---|---|---|---|
| in thousands of euro | | | Change | |
| | 31/12/2020 | 31/12/2019 | Absolute | % |
| 10. Cash and cash equivalents | 138,242 | 143,393 | (5,151) | (3.59) |
| 20. Financial assets measured at fair value through profit or loss | 240,886 | 172,991 | 67,895 | 39.25 |
| a) financial assets held for trading | 103,137 | 81,607 | 21,530 | 26.38 |
| b) financial assets designated at fair value | - | - | - | - |
| c) other financial assets mandatorily measured at fair value | 137,749 | 91,384 | 46,365 | 50.74 |
| 40. Financial assets measured at amortised cost | 24,754,845 | 23,781,401 | 973,444 | 4.09 |
| a) loans and receivables with banks | 5,250,128 | 4,292,015 | 958,113 | 22.32 |
| b) loans and receivables with customers | 19,504,717 | 19,489,386 | 15,331 | 0.08 |
| 50. Hedging derivatives | 19,897 | 21,615 | (1,718) | (7.95) |
| 70. Equity investments | 3,931 | 4,000 | (69) | (1.73) |
| 90. Property, equipment and investment property | 273,372 | 312,410 | (39,038) | (12.50) |
| 100. Intangible assets | 47,347 | 52,933 | (5,586) | (10.55) |
| of which: | | | | |
| - goodwill | - | - | - | - |
| 110. Tax assets | 352,240 | 296,567 | 55,673 | 18.77 |
| (a) current | 91,775 | 72,262 | 19,513 | 27.00 |
| (b) prepaid | 260,465 | 224,305 | 36,160 | 16.12 |
| of which as per Law no. 214/2011 | 195,876 | 204,991 | (9,115) | (4.45) |
| 120. Non-current assets and groups of assets held for sale | 5,017 | 5,991 | (974) | (16.26) |
| 130. Other assets | 610,367 | 524,359 | 86,008 | 16.40 |
| **Total assets** | **26,446,144** | **25,315,660** | **1,130,484** | **4.47** |

Chairman of the Management Board and
Chief Executive Officer

Chief Accounting Officer

| Liabilities and equity items | | | | |
|---|---|---|---|---|
| in thousands of euro | | | Change | |
| | 31/12/2020 | 31/12/2019 | Absolute | % |
| 10. Financial liabilities measured at amortised cost | 23,747,729 | 22,896,601 | 851,128 | 3.72 |
| a) due to banks | 8,302,969 | 8,156,162 | 146,807 | 1.80 |
| b) due to customers | 15,439,477 | 14,729,621 | 709,856 | 4.82 |
| c) securities issued | 5,283 | 10,818 | (5,535) | (51.16) |
| 20. Financial liabilities held for trading | 121,481 | 98,566 | 22,915 | 23.25 |
| 40. Hedging derivatives | 7,696 | 14,919 | (7,223) | (48.41) |
| 60. Tax liabilities | 53 | 228 | (175) | (76.75) |
| (a) current | - | - | - | n.s. |
| (b) deferred | 53 | 228 | (175) | (76.75) |
| 70. Liabilities associated with assets held for sale | 5 | 30 | (25) | (83.33) |
| 80. Other liabilities | 499,275 | 369,724 | 129,551 | 35.04 |
| 90. Post-employment benefits | 18,301 | 19,559 | (1,258) | (6.43) |
| 100. Provisions for risks and charges: | 173,590 | 158,267 | 15,323 | 9.68 |
| a) commitments given and guarantees issued | 38,473 | 35,496 | 2,977 | 8.39 |
| b) pension and similar obligations | 12,026 | 10,819 | 1,207 | 11.16 |
| c) other provisions for risks and charges | 123,091 | 111,952 | 11,139 | 9.95 |
| 120. Valuation reserves | (761) | (359) | (402) | 111.98 |
| 140. Equity instruments | 145,000 | 145,000 | - | - |
| 150. Reserves | 1,011,543 | 954,494 | 57,049 | 5.98 |
| 160. Share premium | 331,959 | 331,959 | - | - |
| 170. Capital | 412,154 | 412,154 | - | - |
| 180. Treasury shares (-) | (3,516) | (3,516) | - | - |
| 190. Equity attributable to non-controlling interests (+/-) | 1 | 1 | - | - |
| 200. Profit (loss) for the year (+/-) | (18,366) | (81,967) | 63,601 | (77.59) |
| **Total liabilities and equity** | **26,446,144** | **25,315,660** | **1,130,484** | **4.47** |

Chairman of the Management Board and
Chief Executive Officer

Chief Accounting Officer

# Consolidated Income Statement

| in thousands of euro | Financial Year 2020 | Financial Year 2019 | Change Absolute | Change % |
|---|---|---|---|---|
| 10. Interest and similar income | 534,541 | 519,671 | 14,870 | 2.86 |
| of which: interest income calculated using the effective interest method | 415,620 | 399,845 | 15,775 | 3.95 |
| 20. Interest and similar expense | (65,617) | (75,113) | 9,496 | (12.64) |
| **30. Net interest income** | **468,924** | **444,558** | **24,366** | **5.48** |
| 40. Fee and commission income | 566,150 | 578,178 | (12,028) | (2.08) |
| 50. Fee and commission expense | (175,909) | (189,945) | 14,036 | (7.39) |
| **60. Net fees and commissions** | **390,241** | **388,233** | **2,008** | **0.52** |
| 70. Dividends and similar income | 1,750 | 2,792 | (1,042) | (37.32) |
| 80. Net trading income (expense) | (19) | (5,346) | 5,327 | (99.64) |
| 90. Net hedging income (expense) | (1,241) | (1,947) | 706 | (36.26) |
| 100. Gains (losses) from sale or repurchase of: | (13,877) | 16,543 | (30,420) | (183.88) |
| a) financial assets measured at amortised cost | 6,462 | 14,766 | (8,304) | (56.24) |
| b) financial assets measured at fair value through other comprehensive income | - | - | - | - |
| c) financial liabilities | (20,339) | 1,777 | (22,116) | n.s. |
| 110. Net gains (losses) from other financial assets and liabilities measured at fair value through profit or loss | 47,532 | 8,505 | 39,027 | 458.87 |
| a) financial assets and liabilities designated at fair value | - | - | - | - |
| b) other financial assets mandatorily measured at fair value | 47,532 | 8,505 | 39,027 | 458.87 |
| **120. Total income** | **893,310** | **853,338** | **39,972** | **4.68** |
| 130. Net adjustments/write-backs for credit risk related to: | (186,801) | (140,859) | (45,942) | 32.62 |
| a) financial assets measured at amortised cost | (186,801) | (140,859) | (45,942) | 32.62 |
| b) financial assets measured at fair value through other comprehensive income | - | - | - | - |
| 140. Gains (losses) from contractual changes without cancellations | 584 | (6) | 590 | n.s. |
| **150. Net financial income** | **707,093** | **712,473** | **(5,380)** | **(0.76)** |
| **180. Net financial and insurance income** | **707,093** | **712,473** | **(5,380)** | **(0.76)** |
| 190. Administrative expenses: | (689,806) | (693,707) | 3,901 | (0.56) |
| a) personnel expenses | (335,521) | (364,666) | 29,145 | (7.99) |
| b) other administrative expenses | (354,285) | (329,041) | (25,244) | 7.67 |
| 200. Net accruals to provisions for risks and charges | (16,737) | (3,537) | (13,200) | 373.20 |
| a) commitments given and guarantees issued | (2,663) | 1,395 | (4,058) | (290.90) |
| b) other net provisions | (14,074) | (4,932) | (9,142) | 185.36 |
| 210. Net adjustments/write-backs on property, equipment and investment property | (55,204) | (58,572) | 3,368 | (5.75) |
| 220. Net adjustments/write-backs on intangible assets | (14,054) | (33,763) | 19,709 | (58.37) |
| 230. Other operating income/expense | (5,482) | 3,806 | (9,288) | (244.04) |
| **240. Operating costs** | **(781,283)** | **(785,773)** | **4,490** | **(0.57)** |
| 250. Gains (losses) from equity investments | (69) | - | (69) | n.s. |
| 280. Gains (losses) from sale of investments | (166) | (411) | 245 | (59.61) |
| **290. Pre-tax profit (loss) from continuing operations** | **(74,425)** | **(73,711)** | **(714)** | **0.97** |
| 300. Income taxes for the year from continuing operations | 56,387 | (7,853) | 64,240 | n.s. |
| **310. Post-tax profit (loss) from continuing operations** | **(18,038)** | **(81,564)** | **63,526** | **(77.88)** |
| 320. Post-tax profit (loss) from discontinued operations | (328) | (403) | 75 | (18.61) |
| **330. Profit (Loss) for the year** | **(18,366)** | **(81,967)** | **63,601** | **(77.59)** |
| 340. Profit (loss) for the year attributable to non-controlling interests | - | - | - | - |
| **350. Profit (loss) for the year attributable to the parent company** | **(18,366)** | **(81,967)** | **63,601** | **(77.59)** |

Chairman of the Management Board and Chief Executive Officer

Chief Accounting Officer

# Consolidated Statement of Comprehensive Income

in thousands of euro

| Items | | Financial Year 2020 | Financial Year 2019 | Change Absolute | Change % |
|---|---|---|---|---|---|
| 10 | **Profit (Loss) for the year** | **(18,366)** | **(81,967)** | 63,601 | (77.59) |
| | **Other comprehensive income, net of income taxes, not reclassified to income statement** | | | | |
| 20. | Equity securities designated at fair value through other comprehensive income | - | - | - | - |
| 30. | Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness) | - | - | - | - |
| 40. | Hedges of equity securities designated at fair value through other comprehensive income | - | - | - | - |
| 50. | Property, equipment and investment property | - | - | - | - |
| 60. | Intangible assets | - | - | - | - |
| 70. | Defined benefit plans | (402) | (1,533) | 1,131 | (73.78) |
| 80. | Non-current assets and groups of assets held for sale | - | - | - | - |
| 90. | Portion of valuation reserves of equity investments valued with the equity method | - | - | - | - |
| | **Other comprehensive income, net of income taxes, reclassified to income statement** | | | | |
| 100. | Hedges of foreign investments | - | - | - | - |
| 110. | Exchange rate gains (losses) | - | - | - | - |
| 120. | Cash flow hedges | - | - | - | - |
| 130. | Hedging instruments (non-designated elements) | - | - | - | - |
| 140. | Financial assets (other than equity securities) measured at fair value through other comprehensive income | - | - | - | - |
| 150. | Non-current assets and groups of assets held for sale | - | - | - | - |
| 160. | Portion of valuation reserves of equity investments valued with the equity method | - | - | - | - |
| **170.** | **Total comprehensive expense, net of income taxes** | (402) | (1,533) | 1,131 | (73.78) |
| **180.** | **Comprehensive income (items 10 + 170)** | **(18,768)** | **(83,500)** | **64,732** | **(77.52)** |
| 190. | Consolidated comprehensive income attributable to non-controlling interests | - | - | - | - |
| **200.** | **Consolidated comprehensive income attributable to the parent company** | **(18,768)** | **(83,500)** | **64,732** | **(77.52)** |

Chairman of the Management Board and
Chief Executive Officer

Chief Accounting Officer

## Consolidated Statement of Changes in Equity

Changes in consolidated equity for the years 2020 and 2019 are shown below.

| *in thousands of euro* | Balance at 31 December 2018 | Change to opening balances (FTA IFRS 9) | Balance at 1 January 2019 | Allocation of prior year profit | | Changes in the year | | | | | | | | Equity attributable to the Group at 31 December 2019 | Equity attributable to non-controlling interests at 31 December 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | | | |
| | | | | Reserves | Dividends and other allocations | Changes in reserves | Issue of new shares | Repurchase of treasury shares | Extraordinary dividend distribution | Change in equity instruments | Derivatives on treasury shares | Stock options | Comprehensive income 2019 | | |
| Share capital | | | | | | | | | | | | | | | |
| a) ordinary shares | 412,155 | | 412,155 | - | | - | - | - | | | | | | 412,154 | 1 |
| b) other shares | - | | - | - | | | - | - | | | | | | | |
| Share premium | 331,959 | | 331,959 | - | | - | - | | | | | | | 331,959 | - |
| Reserves: | | | | | | | | | | | | | | | |
| a) profit | 530,286 | - | 530,286 | - | - | (7,798) | - | - | - | | | | | 522,488 | - |
| b) other | 400,000 | - | 400,000 | (217,994) | | 250,000 | - | | - | | - | - | | 432,006 | - |
| Valuation reserves | 1,174 | - | 1,174 | | | - | | | | | | | (1,533) | (359) | - |
| | | | | | | | | | | | | | | | |
| Equity instruments | 145,000 | | 145,000 | | | | | | | | | | | 145,000 | - |
| Treasury shares | (3,516) | | (3,516) | | | | - | - | | | | | | (3,516) | - |
| (Loss) for the period | (217,994) | - | (217,994) | 217,994 | | | | | | | | | (81,967) | (81,967) | |
| Equity attributable to the Group | 1,599,063 | - | 1,599,063 | - | | 242,202 | - | - | - | - | - | - | (83,500) | 1,757,765 | - |
| Equity attributable to non-controlling interests | 1 | - | 1 | - | - | - | - | - | - | | - | - | - | - | 1 |

In the column "Changes in the reserves", the negative amount of €7,798 thousand includes the debit to the reserve of €9,179 thousand, related to the payment of the coupon on the AT1 capital instrument.

Chairman of the Management Board and Chief Executive Officer

Chief Accounting Officer

| in thousands of euro | Balance at 31 December 2019 | Change to opening balances (FTA IFRS 9) | Balance at 1 January 2020 | Allocation of prior year profit | | Changes in the year | | | | | | | | Equity attributable to the Group at 31 December 2020 | Equity attributable to non-controlling interests at 31 December 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | | | |
| | | | | Reserves | Dividends and other allocations | Changes in reserves | Issue of new shares | Repurchase of treasury shares | Extraordinary dividend distribution | Change in equity instruments | Derivatives on treasury shares | Stock options | Comprehensive income 2020 | | |
| Share capital | | | | | | | | | | | | | | | |
| a) ordinary shares | 412,155 | | 412,155 | - | | - | - | - | | | | | | 412,154 | 1 |
| b) other shares | - | | - | - | | | - | - | | | | | | | |
| Share premium | 331,959 | | 331,959 | - | | - | - | | | | | | | 331,959 | - |
| Reserves: | | | | | | | | | | | | | | | |
| a) profit | 522,488 | - | 522,488 | - | - | (10,984) | - | - | - | | | | | 511,504 | - |
| b) other | 432,006 | - | 432,006 | (81,967) | | 150,000 | - | | - | | - | - | | 500,039 | - |
| Valuation reserves | (359) | - | (359) | | | - | | | | | | | (402) | (761) | - |
| Equity instruments | 145,000 | | 145,000 | | | | | | | | | | | 145,000 | - |
| Treasury shares | (3,516) | | (3,516) | | | | - | - | | | | | | (3,516) | - |
| (Loss) for the period | (81,967) | - | (81,967) | 81,967 | | | | | | | | | (18,366) | (18,366) | |
| Equity attributable to the Group | 1,757,765 | - | 1,757,765 | - | | 139,016 | - | - | - | - | - | - | (18,768) | 1,878,013 | - |
| Equity attributable to non-controlling interests | 1 | - | 1 | - | - | - | - | - | - | | - | - | - | - | 1 |

In the column "Changes in the reserves", the negative amount of €10,984 thousand includes the debit to the reserve of €9,179 thousand, related to the payment of the coupon on the AT1 capital instrument.

Chairman of the Management Board and Chief Executive Officer

Chief Accounting Officer

## Consolidated Statement of Cash Flows
## Indirect method

| A. OPERATING ACTIVITIES<br>in thousands of euro | *Financial Year* 2020 | *Financial Year* 2019 |
|---|---|---|
| **1. Operations** | **151,351** | **160,515** |
| - profit (loss) for the year (+/-) | (18,366) | (81,967) |
| - gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+) | (46,271) | (4,142) |
| - gains/losses on hedging activities (-/+) | 1,241 | 1,947 |
| - net impairment losses/reversals of impairment losses for credit risk (+/-) | 186,801 | 140,859 |
| - net impairment losses/reversals of impairment losses on property, equipment and investment property and intangible assets (+/-) | 69,258 | 92,498 |
| - net accruals to provisions for risks and charges and other costs/revenue (+/-) | 16,913 | 3,863 |
| - net premiums not collected (-) | - | - |
| - other insurance income/charges not collected (-/+) | - | - |
| - outstanding taxes and tax credits (+/-) | (56,387) | 7,853 |
| - net impairment losses/reversals of impairment losses on groups of assets held for sale, net of the tax effect (-/+) | - | - |
| - other adjustments (+/-) | (1,838) | (396) |
| **2. Cash flows generated/used by financial assets** | **(1,282,826)** | **(1,521,316)** |
| - financial assets held for trading | (22,791) | (22,143) |
| - financial assets designated at fair value | - | - |
| - other assets mandatorily measured at fair value | 1,167 | (74) |
| - financial assets measured at amortised cost | (1,154,539) | (1,337,899) |
| - other assets | (106,663) | (161,200) |
| **3. Cash flows generated/used by financial liabilities** | **1,042,763** | **1,171,809** |
| - financial liabilities measured at amortised cost | 851,429 | 1,080,704 |
| - financial liabilities held for trading | 22,915 | 22,106 |
| - financial liabilities designated at fair value | - | - |
| - other liabilities | 168,419 | 68,999 |
| **Net cash flows generated/used by operating activities** | **(88,712)** | **(188,992)** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash flows generated by** | **-** | **-** |
| - sales of equity investments | - | - |
| - dividends collected on equity investments | - | - |
| - sales of property, equipment and investment property | - | - |
| - sales of intangible assets | - | - |
| - sales of subsidiaries and business units | - | - |
| **2. Cash flows used by** | **(56,891)** | **(43,773)** |
| - purchases of equity investments | - | (3,200) |
| - purchases of property, equipment and investment property | (48,423) | (25,937) |
| - purchases of intangible assets | (8,468) | (14,636) |
| - purchases of subsidiaries and business units | - | - |
| **Net cash flows generated/used by investing activities** | **(56,891)** | **(43,773)** |
| **C. FINANCING ACTIVITIES** | | |
| - purchase of shares from minority shareholders | - | - |
| - issue/purchase of treasury shares/contribution to capital | 150,000 | 250,000 |
| - issue/purchase of equity instruments | - | - |
| - dividend and other distributions | (9,179) | (9,179) |
| **Net cash flows generated/used by financing activities** | **140,821** | **240,821** |
| **TOTAL NET CASH FLOWS GENERATED/USED IN THE YEAR** | **(4,782)** | **8,056** |

**RECONCILIATION**

**Financial statement items**

| | | |
|---|---|---|
| Opening cash and cash equivalents | 143,393 | 135,093 |
| Total net cash flows generated/used in the year | (4,782) | 8,056 |
| Cash and cash equivalents: effect of changes in exchange rates | (369) | 244 |
| **CLOSING CASH AND CASH EQUIVALENTS** | **138,242** | **143,393** |

*KEY:*
**(+) generated**
**(–) used**

Chairman of the Management Board and
Chief Executive Officer

Chief Accounting Officer

# Notes to the Consolidated Financial Statements at 31 December 2020

Part A – Accounting policies

Part B – Notes to the consolidated statement of financial position

Part C – Notes to the consolidated income statement

Part D – Consolidated comprehensive income

Part E – Risks and related hedging policies

Part F – Consolidated Equity

Part G – Business combinations

Part H – Related party transactions

Part I – Payment agreements based on own equity instruments

Part L – Segment reporting

Part M – Leasing information

# Part A – Accounting policies

### A.1 General part

### Section 1 – Statement of compliance with International Accounting Standards

The Consolidated Financial Statements of the Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with EC Regulation no. 1606 of 19 July 2002.
The preparation of the Consolidated Financial Statements at 31 December 2020 was carried out on the basis of the instructions issued by the Bank of Italy in Circular no. 262/05 and its sixth update of 30 November 2018, "Bank financial statements: formats and compilation rules", and also took into account further notes and information on the subject communicated by the Bank of Italy: in this regard, it should be noted that the communication of 15 December 2020 relating to the *"Supplements to the provisions of Circular No. 262 "Bank financial statements: formats and compilation rules" on the impact of COVID-19 and measures to support the economy as well as amendments to IAS/IFRS".*
These instructions are mandatory for the format and content of the financial statements schedules and the content of the notes.
The Consolidated Financial Statements have been drawn up using the IAS/IFRS standards and related interpretations (SIC/IFRIC) endorsed by the European Union and effective at 31 December 2020. The standards applied by the Group as required by the circumstances are listed below.

The accounting principles adopted for the preparation of these Consolidated Financial Statements are the same as those adopted for the preparation of the 2019 Financial Statements, as regards the classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the recognition of revenues and costs, since there was no mandatory application of new international accounting standards in 2020.

### Amendments to accounting standards and interpretations endorsed by the European Commission

As of 2020, although a number of changes, mandatory and applicable for the first time, were made to the accounting standards already in force and were endorsed by the European Commission in 2019 and 2020, none of them are of particular relevance to Deutsche Bank S.p.A.

The endorsing Regulations are listed below:

- Regulation no. 2075/2019: with the regulation issued 29 November 2019, some amendments to the IFRS with references to the Conceptual Framework have been implemented. The amendments aim to update the references to the previous Framework in various Accounting Standards and interpretations, replacing them with references to the Conceptual Framework revised in March 2018. It should be noted that the Conceptual Framework is not an accounting standard and therefore is not subject to endorsement, while the document in question, precisely because it amends some IAS/IFRS, is subject to endorsement;

- Regulation no. 2104/2019: with the regulation dated 29 November 2019, certain amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors were adopted with the aim of clarifying the definition of material information and to improve its understanding. It must be noted that materiality depends on the nature and relevance of the information or on both. The entity also checks whether information, either individually or in combination with other information, is material in the overall context of the financial statements;

- Regulation no. 34/2020 of 15 January 2020 which adopted the document issued by the IASB in September 2019 on the "Interest rate benchmark reform" (amendments to IFRS 9 "Financial Instruments ", to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures") and mandatorily applicable from 1 January 2020. With the regulation in question, some changes were introduced in terms of hedge accounting with the aim of avoiding that the uncertainties on the amount and on the timing of cash flows resulting from the rate reform may lead to the discontinuation of existing hedges and difficulties in designating new hedging relationships. To this end, a simplification has been provided for, assuming that the reference benchmarks for determining the existing interest rates are not changed as a result of the reform of the interbank rates.

- Regulation no. 551/2020: with the regulation of 21 April 2020 some amendments to IFRS 3 Business Combinations were adopted upon being introduced with the publication of the IASB of 22 October 2018 "Definition of a Business (Amendments to IFRS 3)" aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business.

- Regulation no. 1434/2020: with the regulation of 9 October 2020, some changes were introduced to IFRS 16 Leases to implement the changes "Covid-19-Related Rent Concessions" published by the IASB on 28 May 2020 in order to provide an optional and temporary practical expedient for lessees, namely the option not to apply the lease modification accounting rules in the case of concessions on rents directly arising as a result of COVID-19. The regulation is applicable from 1 June 2020 for financial years starting on 1 January 2020 or later. This case is not relevant for the Deutsche Bank Group in Italy.

- Regulation (EU) no. 2097/2020 amending Regulation (EC) no. 1126/2008 which adopts some international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council as regards International Financial Reporting Standard (IFRS) 4 (Insurance Contracts). IFRS 4 was amended to remedy the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 Financial Instruments and the date of entry into force of the future IFRS 17 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 to align the date of entry into force of IFRS 9 with the new IFRS 17. Companies and financial conglomerates, according to the definition set out in Art. 2 of Regulation (EU) 2017/1988, will apply the amendments referred to in Art. 1 of Regulation 2020/2097 starting from 1 January 2021 for financial years starting on 1 January 2021 or later.

**Amendments to accounting standards and interpretations issued by the IASB**

On 15 May 2020, the IASB published some amendments to the IFRS:
• Amendments to IFRS 3 Business Combinations: update the reference of IFRS 3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard;
• Amendments to IAS 16 Property, Plant and Equipment: does not allow the amount received from the sale of goods produced before the asset was ready for use to be deducted from the cost of the fixed asset. These sales revenues and the related costs will be recognised in the income statement;
• Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: clarifies which cost items must be considered to assess whether a contract will be loss-making;
• Annual Improvements: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples accompanying IFRS 16 Leases.

All changes shall take effect on 1 January 2022.

On 25 June 2020, the IASB published the amendments to IFRS 4 Extension of the Temporary Exemption from applying IFRS 9, and Amendments to IFRS 17.
In August 2020, the IASB issued amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 7, "Financial Instruments: Disclosures", IFRS 4, "Insurance Contracts" and IFRS 16," Leases" as Phase 2 of their project that addresses the potential effects of the Interbank Offered Rate ("IBOR") reform on reporting.
The amendments in Phase 2 address substitution issues, therefore, they address issues that could have a financial impact and alert when an existing interest rate benchmark is actually replaced.
This includes changes to financial assets, financial liabilities and lease liabilities as well as specific requirements for hedge accounting.
The amendments introduce a practical expedient for managing the changes required by the reform (changes required as a direct consequence of the IBOR reform and on an economically equivalent basis).
These changes are accounted for by updating the effective interest rate. All other changes are accounted for using the current IFRS requirements. A similar practical expedient is introduced for the accounting of the lessee by applying IFRS 16.
Under the amendments, hedge accounting is not interrupted solely because of the IBOR reform.
Hedging relationships (and related documentation) must be amended to reflect changes in the hedged financial instrument, the hedging instrument and the hedged risk. Amended hedging relationships should meet all qualification criteria to apply hedge accounting rules, including effectiveness requirements.
The amendments also changed the text of IFRS 4 to require insurance companies that apply the temporary exemption from IFRS 9 to implement the accounting changes as directly required by the IBOR reform.
The amendments also require additional information that allows users to understand the nature and extent of the risks arising from the IBOR reform to which a company is exposed and how the company manages

those risks as well as the entity's progress while transitioning from IBOR to alternative benchmark rates and how the entity manages this transition.
The amendments will be effective for the financial years starting from 1 January 2021 or later with early adoption allowed.
It is currently estimated that these amendments will not have a significant impact on the Group's Financial Statements.
The changes were approved by the EU with regulation 25/2021 of 13 January 2021.

### *Standards and interpretations endorsed and in force (as amended) at 31 December 2020*

The following tables list the accounting standards and related interpretations in force at the date of preparation of these Financial Statements.
In addition, the following new accounting standards are noted, the application of which is expected in the next few years:
- IFRS 14, "Regulatory Deferral Accounts" – pending endorsement by the European Union;
- IFRS 17, "Insurance Contracts" - pending endorsement by the European Union.

| **IAS/IFRS** | **NAME** | **ENDORSING REGULATION** |
|---|---|---|
| IAS 1 | Presentation of Financial Statements | 1274/2008, 53/2009, 70/2009, 494/2009, 243/2010, 149/2011, 475/2012, 1254/2012, 1255/2012, 301/2013, 2113/2015, 2406/2015, 1986/2017, 2075/2019, 2104/2019 |
| IAS 2 | Inventories | 1126/2008, 1255/2012, 1986/2017 |
| IAS 7 | Statement of Cash Flows | 1126/2008, 1274/2008, 70/2009, 494/2009, 243/2010, 1254/2012, 1174/2013, 1986/2017, 1990/2017 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | 1126/2008, 1274/2008, 70/2009, 1255/2012, 2075/2019, 2104/2019 |
| IAS 10 | Events after the Reporting Period | 1126/2008, 1274/2008, 70/2009, 1142/2009, 1255/2012, 2104/2019 |
| IAS 11 | Construction Contracts | 1126/2008, 1274/2008 |
| IAS 12 | Income Taxes | 1126/2008, 1274/2008, 495/2009, 475/2012, 1254/2012, 1255/2012, 1174/2013, 1986/2017, 1989/2017, 412/2019 |
| IAS 16 | Property, Plant and Equipment | 1126/2008, 1274/2008, 70/2009, 495/2009, 1255/2012, 301/2013, 28/2015, 2113/2015, 2231/2015, 1986/2017 |
| IAS 17 | Leases *(in effect until 31 December 2018)* | 1126/2008, 243/2010, 1255/2012, 2113/2015 |
| IAS 18 | Revenue | 1126/2008, 69/2009, 1254/2012, 1255/2012 |
| IAS 19 | Employee Benefits | 1126/2008, 1274/2008, 70/2009, 475/2012, 1255/2012, 29/2015, 2343/2015, 402/2019 |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | 1126/2008, 1274/2008, 70/2009, 475/2012,1255/2012 |
| IAS 21 | The Effects of Changes in Foreign Exchange Rates | 1126/2008, 1274/2008, 69/2009, 494/2009, 149/2011, 475/2012, 1254/2012, 1255/2012, 1986/2017 |
| IAS 23 | Borrowing Costs | 1260/2008, 70/2009, 2113/2015, 1986/2017, 412/2019 |
| IAS 24 | Related Party Disclosures | 1126/2008, 1274/2008, 632/2010, 475/2012, 1254/2012, 1174/2013, 28/2015 |
| IAS 26 | Accounting and Reporting by Retirement Benefit Plans | 1126/2008 |
| IAS 27 | Consolidated and Separate Financial Statements; *from 1 January 2013 as "Separate Financial Statements"* | 494/2009, 149/2011, 1254/2012, 1174/2013, 2441/2015 |
| IAS 28 | Investments in Associates; *Investments in Associates and Joint Ventures from 1 January 2013* | 1126/2008, 1274/2008, 70/2009, 494/2009, 495/2009, 149/2011, 1254/2012, 2441/2015, 1703/2016, 182/2018, 237/2019 |
| IAS 29 | Financial Reporting in Hyperinflationary Economies | 1126/2008, 1274/2008, 70/2009 |
| IAS 31 | Investments in Joint Ventures | 1126/2008, 70/2009, 494/2009, 149/2011, 1255/2012 |

| | | |
|---|---|---|
| IAS 32 | Financial instruments: Presentation | 1126/2008, 1274/2008, 53/2009, 70/2009, 495/2009, 1293/2009, 149/2011, 475/2012, 1254/2012, 1255/2012, 1256/2012, 301/2013, 1174/2013, 1986/2017 |
| IAS 33 | Earnings per Share | 1126/2008, 1274/2008, 495/2009, 475/2012, 1254/2012, 1255/2012 |
| IAS 34 | Interim Financial Reporting | 1126/2008, 1274/2008, 70/2009, 495/2009, 149/2011, 475/2012, 1255/2012, 301/2013, 1174/2013, 2343/2015, 2406/2015, 2075/2019, 2104/2019 |
| IAS 36 | Impairment of Assets | 1126/2008, 1274/2008, 69/2009, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 1374/2013, 2113/2015 |
| IAS 37 | Provisions Contingent Liabilities and Contingent Assets | 1126/2008, 1274/2008, 495/2009, 28/2015, 1986/2017, 2075/2019, 2104/2019 |
| IAS 38 | Intangible Assets | 1126/2008, 1274/2008, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 28/2015, 2231/2015, 1986/2017, 2075/2019 |
| IAS 39 | Financial Instruments: Recognition and Measurement | 1126/2008, 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 824/2009, 839/2009, 1171/2009, 243/2010, 149/2011, 1254/2012, 1255/2012, 1174/2013, 1375/2013, 28/2015, 1986/2017, 34/2020 |
| IAS 40 | Investment Property | 1126/2008, 1274/2008, 70/2009, 1255/2012, 2113/2015, 1986/2017, 400/2018 |
| IAS 41 | Agriculture | 1126/2008, 1274/2008, 70/2009, 1255/2012, 2113/2015, 1986/2017 |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | 1136/2009, 550/2010, 574/2010, 662/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 183/2013, 301/2013, 313/2013, 1174/2013, 2173/2015, 2343/2015, 2441/2015, 1986/2017, 182/2018, 519/2018, 1595/2018 |
| IFRS 2 | Share-based Payment | 1126/2008, 1261/2008, 495/2009, 243/2010, 244/2010, 1254/2012, 1255/2012, 28/2015, 289/2018, 2075/2019 |
| IFRS 3 | Business Combinations | 495/2009, 149/2011, 1254/2012, 1255/2012, 1174/2013, 28/2015, 1986/2017, 412/2019, 2075/2019, 551/2020 |
| IFRS 4 | Insurance Contracts | 1126/2008, 1274/2008, 1165/2009, 1255/2012, 1986/2017, 1988/2017, 2097/2020 |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1126/2008, 1274/2008, 494/2009, 243/2010, 475/2012, 1254/2012, 1255/2012, 2343/2015 |
| IFRS 6 | Exploration for and Evaluation of Mineral Resources | 1126/2008, 2075/2019 |
| IFRS 7 | Financial Instruments: Disclosures | 1126/2008, 1274/2008, 53/2009, 70/2009, 495/2009, 824/2009, 1165/2009, 574/2010, 149/2011, 1205/2011, 475/2012; 1256/2012, 1174/2013, 2343/2015, 2406/2015, 1986/2017, 34/2020 |
| IFRS 8 | Operating Segments | 1126/2008, 1274/2008, 243/2010, 632/2010, 475/2012, 28/2015 |
| IFRS 9 | Financial Instruments | 2067/2016, 1986/2017, 498/2018, 34/2020 |
| IFRS 10 | Consolidated Financial Statements | 1254/2012, 313/2013, 1174/2013, 1703/2016 |
| IFRS 11 | Joint Arrangements | 1254/2012, 313/2013, 2173/2015, 412/2019 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1254/2012, 313/2013, 1174/2013, 1703/2016, 182/2018 |
| IFRS 13 | Fair Value Measurement | 1255/2012, 1986/2017 |
| IFRS 15 | Revenue from Contracts with Customers | 1905/2016, 1986/2017, 1987/2017 |
| IFRS 16 | Leases - starting 1 January 2019 | 1986/2017, 1434/2020 |

| SIC/IFRIC | INTERPRETATION | ENDORSING REGULATION |
|---|---|---|
| SIC 7 | Introduction of the Euro | 1126/2008, 1274/2008, 494/2009 |
| SIC 10 | Government Assistance - No Specific Relation to Operating Activities | 1126/2008, 1274/2008 |

| | | |
|---|---|---|
| SIC 13 | Jointly Controlled Entities — Non-Monetary Contributions by Venturers | 1126/2008, 1274/2008 |
| SIC 15 | Operating Leases – Incentives *(in effect until 31 December 2018)* | 1126/2008, 1274/2008 |
| SIC 25 | Income Taxes — Changes in the Tax Status of an Entity or its Shareholders | 1126/2008, 1274/2008 |
| SIC 27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease *(in effect until 31 December 2018)* | 1126/2008 |
| SIC 29 | Service Concession Arrangements: Disclosures | 1126/2008, 1274/2008, 70/2009, 1986/2017 |
| SIC 31 | Revenue — Barter Transactions Involving Advertising Services | 1126/2008 |
| SIC 32 | Intangible Assets - Web Site Costs | 1126/2008, 1274/2008, 1986/2017, 2075/2019 |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1126/2008, 1274/2008, 1986/2017 |
| IFRIC 2 | Members' Shares in Cooperative Entities and Similar Instruments | 1126/2008, 53/2009, 1255/2012, 301/2013 |
| IFRIC 4 | Determining whether an Arrangement contains a Lease *(in effect until 31 December 2018)* | 1126/2008, 70/2009, 1255/2012 |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1126/2008, 70/2009, 1255/2012 |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment | 1126/2008 |
| IFRIC 7 | Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies | 1126/2008, 1274/2008 |
| IFRIC 9 | Reassessment of Embedded Derivatives | 1126/2008, 495/2009, 1171/2009, 243/2010, 1254/2012 |
| IFRIC 10 | Interim Financial Reporting and Impairment | 1126/2008, 1274/2008 |
| IFRIC 12 | Service Concession Arrangements | 254/2009, 1986/2017, 2075/2019 |
| IFRIC 13 | Customer Loyalty Programmes | 1262/2008, 149/2011, 1255/2012 |
| IFRIC 14 | IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1263/2008, 1274/2008, 633/2010, 475/2012 |
| IFRIC 15 | Agreements for the Construction of Real Estate | 636/2009 |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | 460/2009, 243/2010, 1254/2012 |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | 1142/2009, 1254/2012, 1255/2012 |
| IFRIC 18 | Transfers of Assets from Customers | 1164/2009 |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | 662/2010, 1255/2012, 2075/2019 |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 1255/2012, 2075/2019 |
| IFRIC 21 | Levies | 634/2014 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | 519/2018, 2075/2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1595/2018 |

**Section 2 – Basis for presentation**

These Consolidated Financial Statements comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and these notes. They are accompanied by a Management Board's Report, which has been prepared for annual consolidated reporting purposes.
The Consolidated Financial Statements have been presented clearly and give a true and fair view of the financial position and operations, changes in equity and cash flows.
In accordance with Art. 5 of Legislative Decree no. 38 of 28 February 2005, the presentation currency is the Euro.
These Financial Statements have been prepared according to the general requirements of IAS 1, the specific criteria detailed in part A2 of these Notes to the Financial Statements and the general provisions and assumptions for the preparation and presentation of Financial Statements required by the Framework issued by the IASB.
The Group has applied the IFRS without any departures.
Specifically, the general requirements of IAS 1 used for the preparation of these Financial Statements are as follows:

a) Business continuity: valuations of assets, liabilities and off-balance sheet transactions are made on a going concern basis.

b) Accrual basis: costs and revenues are recognised in accordance with the accrual and matching principles, except for the statement of cash flows, when prepared using the direct method.

c) Consistency of presentation: the criteria for presenting and classifying items in the financial statements are kept constant from one period to the next, unless a change is required by an International Accounting Standard or by an interpretation thereof or is necessary to increase the significance and reliability of the financial statements.
In the case of a change, the new accounting policy is applied, to the extent possible, on a retroactive basis and the nature, underlying reason and amount of the captions involved are disclosed. The presentation and classification of captions are in line with Bank of Italy's instructions for banks' financial statements.

d) Relevance and aggregation: in accordance with the Bank of Italy's instructions on the banks' financial statements, the various classes of similar items are presented separately, if material. Different items, if material, are presented separately.

e) Prohibition of netting: except as provided for or permitted by an International Accounting Standard or by an interpretation thereof or by the provisions issued by the Bank of Italy on banks' financial statements, assets and liabilities as well as costs and revenues are not subject to netting.

f) Comparative information: comparative information is disclosed for the preceding period for all amounts reported in the financial statements, except when a Standard or an Interpretation permits or requires otherwise. Corresponding disclosures are provided in the notes when they are relevant to better understand the financial statements of the current year.

In preparing these Financial Statements, account has also been taken, where applicable, of interpretative and supporting documents for the application of accounting standards in relation to the impacts from COVID-19, issued by European regulatory and supervisory bodies and standard setters.
The documents issued by the various regulators and standard setters, as regards the more purely accounting area, have focused on the following specific issues:
- indications related to the classification of receivables and in particular guidelines for the treatment of moratoria;
- determination of the Expected Credit Loss (ECL) according to IFRS 9 from a forward looking perspective;
- transparency and disclosure to the market.

The following is a list with a summary of the main documents, including:
- the communication of the ECB of 20 March 2020 "ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus";
- the EBA communication of 25 March 2020 "*Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures*";
- the communication from ESMA of 25 March 2020 "*Public Statement. Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9*";
- the IFRS Foundation document dated 27 March 2020 "*IFRS 9 and covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic*";
- the letter from the ECB dated 1 April 2020 "*IFRS 9 in the context of the coronavirus (COVID-19) pandemic*" addressed to all significant institutions;
- the EBA guidelines of 2 April 2020 "*Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*";
- the communication from ESMA of 20 May 2020 "*Implications of the COVID-19 outbreak on the half-yearly financial reports*".
- the EBA guidelines of 2 June 2020 "*Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis*";
- the ESMA communication of 28 May 2020 "*European common enforcement priorities for 2020 annual financial reports*";
- the EBA guidelines of 2 December 2020 "*Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*";
- the letter from the ECB dated 4 December 2020 "*Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic*" sent to all significant institutions.

On 27 March 2020, la IFRS Foundation issued the document "COVID-19 - *Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic"*.
This document does not make any changes to IFRS 9, but proposes an interpretation that is consistent with the current pandemic context:
more specifically, it is clarified that "entities should not continue to apply their existing ECL methodology mechanically", and the difficulty in incorporating both pandemic effects and related government support into the models is recognised.

Therefore, where banks find themselves in such a situation, post-model managerial adjustments will have to be considered. With regard to classification, it is confirmed that the extension of moratoria to customers should not automatically result in all of their contracts being deemed to have significantly increased credit risk (SICR).

Among the various initiatives implemented, the ECB, with communication of 20 March 2020 "*ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus*", has provided indications on the classification and valuation of loans. The intervention reassures the banks that adherence to the moratoria should not be deemed as an automatic trigger of probable default, as payments have been postponed by law, as a result, the counting of overdue days for the purpose of identifying past-two receivables is deactivated until the end of the moratorium.

The ECB also commented, as part of its supervisory mandate, on the forward-looking assessments required by IFRS 9 for the calculation of the provision for credit risks, although not strictly within its area of competence, recommending that banks avoid excessively pro-cyclical assumptions in their provisioning models. In determining the Expected Credit Losses (ECL), the ECB invites institutions to "give greater weight to the stable long-term outlook evidenced by past experience when estimating allowances for impairment".
The ECB also sent an additional communication to supervised banks providing additional guidance and references on the inclusion of forward-looking information in the determination of ECLs under IFRS 9 within the current context of the COVID-19 pandemic.
The letter refers to the expectations already expressed by the ECB to intermediaries, i.e. avoiding the use of excessively pro-cyclical assumptions, in consideration of the extreme uncertainty of the context and in light of the impossibility of having forward-looking information that can be considered "reasonable and supportable".
The fundamental importance of governance relating to the adjustment, overlay and model update processes, which are considered necessary in the current situation, was also highlighted. The letter is accompanied by an annex, in which guidelines have been provided on the following three aspects:

1. *Collective assessment* for the purpose of identifying a significant increase in credit risk (SICR);
2. Long-term macroeconomic forecasts;
3. Macroeconomic forecasts 2020, 2021 and 2022.

With regard to the first aspect, the ECB expects banks to consider a possible top-down approach in determining the stage transfer by using a collective assessment and thus capturing a lifetime ECL on the portion of financial assets for which credit risk is deemed to have increased significantly, without the need to identify at an individual level which financial instruments have experienced a significant increase in credit risk.

As regards the second aspect, the ECB is aware of the current uncertainty in the determination of macroeconomic forecasts and therefore invites financial intermediaries to focus their attention on long-term macroeconomic forecast expectations in determining the IFRS 9 ECL, taking into consideration all historical evidence covering at least one or more entire economic cycles. It is the central bank's opinion that the provisions of IFRS 9 lead to the conclusion that, if there is no reliable evidence for specific forecasts, the long-term macroeconomic prospects provide the most relevant basis for the estimate.

With a press release published on 25 March 2020, the EBA dealt in more detail with the management of loans subject to a moratorium in respect of the following aspects:

(i) identification of the default
(ii) (ii) forbearance measures and
(iii) (iii) assignment to the three IFRS 9 risk stages.

On the points under analysis, the EBA has specified that:
- adherence to a moratorium – both by law and granted by the bank – does not represent a trigger of default and blocks the counting of the past due for the purposes of identifying the default;
- with regard to considering moratoria as forbearance measures, the EBA excludes that the positions concerned can be considered forborne, as they aim at addressing systemic risks and alleviating potential future risks in the broader EU economy;
- on the possible classification at Stage 2 of the positions subject to a moratorium, the EBA clarifies that the application of a public or private moratorium should not be considered alone as a trigger for the identification of a significant increase in credit risk, thus excluding automatic classification to Stage 2.

Also with reference to forward-looking estimates, the EBA document underlines the complexity of the context
The EBA guidelines on the accounting treatment of the moratoria were then supplemented, at national level by the Bank of Italy, with a number of clarifications for the reporting instructions of the banks

participating in the sample surveys on the harmonised interest rates (the so-called "MIR survey") on a monthly and ten-day basis.
The guidelines refer to the finalised moratoria following the so-called "Cura Italia" decree and are also valid for private moratoria on the initiative of individual intermediaries.

Subsequently, the EBA, while recognising that its Moratorium Guidelines had helped banks effectively manage the large numbers of applications from customers wishing to participate in such moratorium schemes, did not consider it appropriate to further extend this exceptional measure beyond 30 September 2020.
The competent Authority had therefore deemed it appropriate, as regards the moratoria related to COVID-19, to revert to the practice that any renegotiation of loans should follow a case-by-case approach, whereas under the legislation expiring on 30 September 2020, payment moratoria, if in line with the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis", would not automatically lead to classification as forborne and it would not have to be reviewed and decide whether they should be considered as onerous restructuring.
The favourable regulatory treatment set out in the Guidelines therefore continued to apply only to measures granted by banks (under the Guidelines) up to 30 September 2020. According to the EBA, banks could have continued to support their customers with extended payment moratoria even after 30 September 2020, but these loans should have been classified on a case-by-case basis according to the usual prudential framework, i.e. with an analysis aimed at assessing whether the measure is to be considered a forbearance and/or an event of default.
Lastly, in consideration of the persistence of the serious economic and social crisis resulting from the COVID-19 pandemic, on 2 December 2020 the European Banking Authority communicated the reactivation of its guidelines on moratoria and the extension of the term of effectiveness to 31 March 2021.

ESMA has also commented on the accounting implications of the COVID-19 outbreak on the calculation of ECLs under IFRS 9. In particular, ESMA states that measures taken in the context of the COVID-19 outbreak that allow for the suspension or extension of payments should not automatically lead to the recognition of a Significant Increase in Credit Risk (SICR) with a Stage 2 classification.
With regard to the relative presumption in IFRS 9 that delays of more than 30 days provide evidence of a significant increase in credit risk, ESMA goes so far as to indicate that this presumption can be rebutted if issuers, carefully considering the specific circumstances related to the COVID-19 outbreak and the related economic and public support announced, believe that they provide sufficient justification to rebut this presumption. On the forward-looking assessment under IFRS 9, ESMA essentially confirms the above-mentioned comments of the ECB and the EBA.
The concepts expressed by the various Authorities that have been summarised above, mainly on loans and aimed at avoiding penalising positions in temporary difficulty in the presence of very significant economic support programmes, have also been consistently used by the Bank for the purposes of the valuation and representation of other financial statement items in the preparation of the Financial Statements at 31 December 2020.
The following section 5 "Other aspects" shows the financial statement issues that were affected on the basis of the general framework described above by the COVID-19 pandemic.

**Section 3 - Consolidation scope and basis of consolidation**

*Consolidation scope*
The Consolidated Financial Statements include the financial statements of Deutsche Bank S.p.A. and of the companies which it directly and indirectly controls. The companies operating in dissimilar sectors from the parent are also included in the consolidation scope, if any.

1. *Wholly owned equity investments in subsidiaries*

| | NAME | REGISTERED OFFICE | TYPE OF REL. (1) | INVESTMENT | | Voting rights % (2) | Included in banking group |
|---|---|---|---|---|---|---|---|
| | | | | Investor | Shareholding | | |
| | **A. Consolidated companies** | | | | | | |
| | **A.1 Companies consolidated line by line** | | | | | | |
| A.1 | Deutsche Bank S.p.A. | Milan | | | | | YES |
| A.2 | Fiduciaria Sant'Andrea S.r.l. | Milan | 1 | A.1 | 100 | 100 | YES |
| A.3 | DB Covered Bond S.r.l. (3) | Conegliano (TV) | 1 | A.1 | 90 | 90 | YES |
| A.4 | Vesta Real Estate S.r.l. | Milan | 1 | A.1 | 100 | 100 | YES |
| | **B. Equity investments valued using the equity method** | | | | | | |
| B.1 | Prestipay S.p.A. | Udine | 8 | A.1 | 40 | 40 | NO |

(1) Type of relationship:
1 = control pursuant to Art. 2359 of the Italian Civil Code, par. 1, no. 1 (majority of voting rights at ordinary share/quota holders' meetings);
8 = associated company.
(2) Available voting rights at ordinary share/quota holders' meetings.
(3) The non-controlling interest of 10% is held by SVM Securitisation Vehicles Management S.r.l.

*2. Evaluations and significant assumptions in determining the consolidation scope*

As at the date of these Consolidated Financial Statements, the structured entity DB Covered Bond S.r.l. was included in the consolidation scope. It was consolidated in application of the definition of "control" provided in IFRS 10. This special purpose vehicle was already included in the scope of consolidation until 31 December 2013 on the basis of the criteria of the previous interpretation document SIC 12: by applying the rules introduced by IFRS 10 in 2014, Deutsche Bank S.p.A. was identified as the entity able to make significant decisions that can affect the results of the segregated assets, thereby resulting in a change in presentation of the vehicle's results; these decisions include, among other things, the disposal of the loan portfolio, the disposal of the subordinated loans and the definition of the related contractual economic terms and conditions, the repurchase of non-performing loans, the re-usage of the liquidity exceeding the limits set for vehicles companies, connected with the issuing of covered bonds.

All the consolidated companies, except for the aforementioned DB Covered Bond S.r.l., were included due to the existence of control resulting from the majority of the voting rights held. At 31 December 2020, there are no situations of joint control, nor are there any DB investment companies within the Group. Consolidated companies at 31 December 2020 are shown in the table above.
There were no changes in the Group's scope of consolidation in 2020.
The only new element is the classification at 31 December 2020 of the subsidiary Vesta Real Estate S.p.A. as "groups of assets held for sale", as it is expected to be sold and deconsolidated in 2021.

*3. Wholly owned equity investments in subsidiaries with significant non-controlling interests*

There are no such cases at 31 December 2020 and 2019: the non-controlling interests in the subsidiaries that are not wholly owned are of an insignificant amount, less than €5 thousand, with percentages no higher than 10%.

*4. Significant restrictions*

There are no such situations.

*5. Other information*

There are no other significant aspects to underline insofar as these Consolidated Financial Statements.

**Basis of consolidation**
With regard to the consolidation methods, we reiterate that, in general, the financial information provided in the Consolidated Financial Statements includes the financial information of the parent company, Deutsche Bank S.p.A. together with the information of its subsidiaries, including structured entities, accounted for as a single economic entity (*note that the International Accounting Standards adopt the "entity theory" for consolidated financial statements as provided, for example, by IFRS 3 for the calculation of the goodwill pertaining to non-controlling interests*).

*Subsidiaries*
The subsidiaries of DB Group are the entities that DB Group controls. Control over an entity is measured by the ability of DB Group to unilaterally exercise its power in a manner as to affect the variable returns which DB Group is exposed to, through its involvement in the entity.
In certain cases, DB Group has supported the establishment of structured entities or interacted with structured entities established by third parties for various reasons, including to allow customers to have investments in separate legal entities, to allow customers to jointly invest in alternative assets or for loan securitisation purposes.
When establishing whether to consolidate an entity, DB Group assesses a series of factors, including in particular:
- the scope and structure of the entity;
- the significant assets and the method by which they are determined;
- whether the rights afforded to it provide the Group with the power to manage significant activities;
- whether DB Group has exposures or rights in terms of variable returns;
- whether DB Group has the ability to unilaterally exercise its power to influence the value of its returns.

If the voting rights are significant, it is considered that DB Group exercises control when it holds, directly or indirectly, over one half of the voting rights in a company, except where it can be proven that another investor has the material capacity to manage the significant activities, as could be indicated by one or more of the following factors:
- another investor holds over one half of the voting rights by virtue of an agreement with DB Group; or
- another investor has the power to manage the financial or operating policies of the investee by law or based on a contract; or
- another investor has the power to appoint or remove most of the members of the Board of Directors or an equivalent management body and the investee is controlled by that board or body;
- another investor has the power to exercise the majority of the voting rights at meetings of the Board of Directors or of an equivalent management body and that board or body controls the entity.

Potential voting rights considered to be essential are also taken into account in the valuation of control. Similarly, the DB Group also verifies the existence of control where it does not control the majority of the voting rights, but has the material capacity to manage the relevant activities unilaterally: this may occur in cases where the scope and division of the shares held by the other shareholders give the DB Group the power to manage the activities of the investee. The subsidiaries are consolidated from the date on which control is transferred to DB Group and they are removed from the consolidation scope from the date on which there ceases to be control.

The DB Group evaluates the status of the consolidation at least every six months, on the financial period closing date (normally this is the date on which the annual and half-yearly financial statements are prepared).
Consequently, any change in the structure will be taken under consideration at the time that it occurs. Among the changes in question are changes pertaining to decision making, contractual arrangements, financing, ownership and capital structure, as well as changes caused by events that have been predefined contractually in the initial phases of the acquisition of control of an entity.
Accounting policies that are coherent in terms of consolidation are applied throughout DB Group. Shares of subsidiaries issued by third parties are treated as non-controlling interests.
Profits or losses attributable to non-controlling interests are recognised separately in the consolidated financial statements and in the consolidated statement of comprehensive income.
As a general rule, if applicable, the Group does not consolidate companies for which it has received shares with voting rights as a pledge, as the objective of the pledge is to guarantee the financing granted rather than exercise control and govern the financial and operating policies of another entity so as to obtain benefits from its activities.

On the date on which the control of a subsidiary is lost, DB Group proceeds as follows:
a) it derecognises the assets (as well as any attributable goodwill) and the liabilities of the subsidiary, at their carrying amount;
b) it derecognises the carrying amount of any non-controlling interest in the former subsidiary (including the components of other accumulated comprehensive profits attributable to the subsidiary);
c) it recognises the fair value of the consideration received and any distribution of the subsidiary's shares;
d) it recognises any equity investment maintained in the former subsidiary at fair value; and
e) it recognises any differences arising from the aforementioned captions as a profit or loss in the income statement.

Any amount recognised in comprehensive income for the subsidiary in previous years is reclassified to the consolidated income statement on the date that control is lost or is transferred directly to undistributed profits, if so provided by other IFRSs (other income not reclassified to the income statement).

*Consolidation on a line-by-line basis*
Investments in subsidiaries are consolidated on a line-by-line basis, i.e. a line-by-line acquisition of the subsidiaries' assets, liabilities, revenue and expenses. After attributing the relevant portions of equity and profit or loss to non-controlling interests, the carrying amount of the investment is eliminated against the residual amount of the subsidiaries' equity.

Any resulting positive difference is first allocated to the subsidiaries' assets and liabilities, and the remainder is recognised as goodwill under intangible assets at the date of first consolidation and under other reserves thereafter. Any resulting negative difference ("badwill") is recognised in the income statement.
Intragroup assets, liabilities, revenue and expenses are eliminated in full.
The profit or loss of a subsidiary acquired during the year is included in the consolidated financial statements from the acquisition date.
Similarly, those of a subsidiary sold during the year are included up until the Group ceases to exert control. The difference between the consideration received for the sale of the investment and its carrying amount at the disposal date, including any exchange rate gains (losses) accumulated in equity upon consolidation, is recognised in the income statement.

Changes in the parent company's investments in subsidiaries that do not entail loss of control are accounted for as owner transactions (i.e., transactions between owners in their capacity as owners).
In these cases, the carrying amounts of investments in subsidiaries and non-controlling interests are adjusted to account for the changes in their related interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.
The parent company's and consolidated companies' separate financial statements used for consolidation purposes have the same reporting date.
When necessary, and except for negligible cases, if the consolidated companies' separate financial statements were prepared under different accounting policies, they would be adjusted to comply with Group policies.

*Associates*
At the closing date of these Consolidated Financial Statements, the DB Group had an associate company (Prestipay S.p.A.) in which Deutsche Bank S.p.A. held a 40% stake.
It should be noted that, based on IAS/IFRS, an associate is an entity over which an investor has significant influence, but not a controlling interest, over the entity's operating and financial policies.
Influence is considered to be significant when the group holds from 20% to 50% of the voting rights.
When assessing whether the Group has significant influence, consideration is taken of the existence and effect of potential voting rights that can be exercised or converted. Other factors taken under consideration in order to establish whether the Group has significant influence include representation in the Board of Directors (or the management committee for German joint stock companies) and the existence of substantial inter-company transactions. The existence of these factors could require the application of the equity method to a particular investment, even if the Group's investment is lower than 20% of the shares with voting rights.
Associates and companies subject to joint control are consolidated using the synthetic equity method.
The equity method provides for the initial recognition of the investment at cost and its subsequent value adjustment on the basis of the share pertaining to the equity of the investee.
The differences between the value of the investment and the shareholders' equity of the related investee are included in the book value of the investee.
Potential voting rights are not taken into account in the valuation of the share.
The share of the investee's results for the year is recognised in a specific item of the consolidated income statement.
The most recent (annual or interim) financial statements approved by the companies are used to consolidate companies subject to joint control and equity investments in associates.

**Section 4 - Events after the reporting period**
During the period from the reporting date of these Consolidated Financial Statements to the date of the related Management Board's Report (approved on 18 March 2021), no events or circumstances have taken place which would require an adjustment to the approved financial figures or disclosures.
In addition, it is acknowledged that, following a forward-looking analysis of the possibility of continuing to operate as a going concern in the future, taking into account both the Financial Statements under review and the foreseeable future development of the Bank's operations, there are no doubts regarding the continuation of the Bank's business activities.

## Section 5 - Other aspects

### a) Risks, uncertainties and impacts of the COVID-19 epidemic

*General aspects*

As for the ongoing COVID-19 pandemic, the risks of loss and write-down have increased significantly since early 2020. Therefore, the negative impact on the Bank's business system could vary significantly and negatively, affecting its activities, the results of operations or strategic plans and objectives, as well as the regulatory capital.
The largely unprecedented economic upheaval caused by the COVID-19 pandemic led to, at least temporarily, to an extremely serious GDP contraction in all major economies in the first half of 2020. After the widely expected rebound in the third quarter, the basic forecast is that the economic recovery will continue at a significantly slower pace in the coming quarters.
The Deutsche Bank Group expects the economic recovery to accelerate again in the middle of next year with a spread of effective and widely available COVID-19 vaccinations (a key assumption) and initial disbursements from the EU Recovery Fund to Member States.
Due to the largely unprecedented nature of the COVID-19 crisis, an unusually high degree of forecast uncertainty will likely remain over a long period of time.
As a DB Group, our working assumption is that the delayed effects of the COVID-19 recession will continue to develop and that the low interest rate environment in the Eurozone will persist for at least several quarters.

The COVID-19 pandemic has led to changes in the macroeconomic and fiscal environment. These impacts made implementing the bank's strategies more difficult.
The entire organisation was prepared to respond to the crisis in the face of the changing economic environment that affected Deutsche Bank's results of operations, capital ratios and capital plan underlying business objectives.
The current economic environment is expected to continue to cause both upward and downward pressure on the bank's capital ratios and financial performance.
With the occurrence of an increase in COVID-19 infection rates, the bank will have to face a further risk of a decline in its income performance due to prolonged periods of waves of COVID-19 infections, lockdowns, a deeper risk aversion and a delayed economic recovery.
Downward impacts could include increases in the cost of credit and market risks, RWA effects from business growth as the bank continues to support customers, rating migration on existing credit and higher Value-at-Risk in the current volatile market environment.
In addition, higher levels of allowances for impairment over an extended period may be required, which could benefit from government interventions to extend moratoria.

During 2020, a worsening of the creditworthiness of some portfolios was observed due to the deterioration of the economic situation, which is also reflected in the significant increase in the level of allowances for impairment. If the situation continues to deteriorate, the economic environment may lead to further rating downgrades among our customers, further increasing credit losses and potential downgrades of credit lines granted to clients, which in turn would lead to higher capital and liquidity requirements.
During 2020, measures taken by central banks and governments helped mitigate some of the short-term impacts.

In order to alleviate the high level of uncertainty, several countries including Italy have introduced moratoria for private customers and small businesses, as well as support measures such as state credit programs for businesses. Additionally, there have been several private moratoria in place to support customers.
Italy has extended the state moratoria on loans for businesses until 30 June 2021.
At present, although no substantial negative effects are noted, in the coming months it will be necessary to evaluate the impact of the moratoria that will expire; withdrawal of support measures is likely to mean that defaults and credit losses will remain high over the course of 2021.
The bank will continue to monitor the relevant portfolios in relation to the upcoming maturities of the remaining moratoria and the occurrence of signs of credit deterioration.

The COVID-19 pandemic has intensified the "lower for longer" interest rate environment as major central banks, including the ECB, have cut official rates and/or provided significant liquidity to support the economy. This has put further pressure on banks' interest margins and will continue to weigh on banks' business models. However, in many cases it has supported a rapid recovery in asset prices which returned to pre-COVID-19 levels despite significantly weaker fundamentals. At these levels, financial

markets are very high and vulnerable to potential shocks including waves of COVID-19 infections or upward shocks in interest rates.
The afore-mentioned external developments may affect the company's ability to generate adequate revenues and margins, while the market declines and volatility could also negatively impact the value of financial instruments and cause losses.

From an operational perspective, and despite the business continuity and crisis management policies currently in place for the COVID-19 crisis, continuing changes in government responses, as well as further potential waves of infections and lockdowns, may continue to have a negative impact on our business activities.
The ongoing trend in the banking industry to conduct business from home and away from head office locations continues to put pressure on business practices, demand on our technology infrastructure and also the risk of cyber attacks that could lead to technology failures, security breaches, unauthorised access, loss or destruction of data or unavailability of services, as well as increase the likelihood of behavioural breaches.
Any of these events could lead to litigation or result in financial loss, disruption of our business activities and liability to our customers, government interventions or damage to our reputation.
At the same time, the costs of managing these cyber risks, as well as IT security and other risks remain high. Delays in implementing regulatory requirements, including consumer protection measures and strategic projects, could also have a negative impact on revenues and costs, while the return of increased market volatility has led and may continue to lead to increased requirements about market surveillance, monitoring and processing.
Our suppliers and service providers are facing similar challenges with the risk that these counterparties may not be able to fulfil their contractual obligations, putting the benefits we seek to obtain from such contracts at risk.

Additionally, the disruption caused by the COVID-19 pandemic could also have a negative impact on the review, testing, and impairment assessment of goodwill and intangible assets. The valuation of our deferred tax assets may also be affected.

In order to manage the impacts of financial and non-financial risks of COVID-19, the Deutsche Bank Group uses a dedicated governance with committees and structures that deal with the management of global and regional crises. More generally and where appropriate, additional controls and processes have been established that include additional reporting to ensure that relevant stakeholders and senior management, including the Management Board, are up to date.

The COVID-19 pandemic also offers potential opportunities, including accelerating the digitisation process in various ways in sectors, enabling the bank to deliver a faster service to customers through digital touchpoints and the opportunity to co-innovate and support clients in their investments in digitisation projects and strategies. Both of these actions can strengthen our customer relationships and promote further business.
The COVID-19 pandemic has also had and will impact the bank's cost structure. While it was necessary in the short term to equip branches and office buildings with anti-infection supplies, Deutsche Bank Group will evaluate options to sustainably reduce the cost of real estate through increasing levels of remote work, from home, which has been generally welcomed by employees. Some cost categories have been temporarily impacted by COVID-19, such as travel and entertainment, marketing, and events.

*Impacts on the estimate valuation process for financial statements areas*

With reference to the changes in accounting estimates related to COVID-19, which had a significant effect in the year or which are expected to have an effect in future years, the following is noted:
the area most affected by the impacts of the pandemic crisis was that of the valuation of the credit risk provision; in this regard, reference should be made to the information provided below on the application of IFRS 9 as well as to the qualitative analysis of credit risk included in part E of the Notes to the Financial Statements, "Risks and related hedging policies";
there are no impacts with regard to leasing contracts, an area in which the bank operates exclusively as a lessee;
there is no goodwill or other intangible assets with an indefinite useful life in the Financial Statements;
the changed economic scenario was considered as part of the business plans used for the valuation of the controlling shareholdings and for the recoverability tests of the deferred tax assets recognised in the Financial Statements;
with regard to the actuarial gains/losses linked to the severance indemnity provision (IAS 19) and the conditions for the accrual of share-based payments (IFRS 2), there are no significant impacts on the statement of financial position and income statement items affected by these types of valuation.

*Classification and valuation of receivables according to IFRS 9 in light of the provisions issued by the various supervisory authorities following the emergence of the COVID-19 pandemic*

As regards the classification, in line with the guidelines of the various market regulators who have expressed themselves on this matter, the already performing positions that are affected by the moratorium measures, pursuant to law or decided autonomously by the Bank, following the COVID-19 emergency, are treated as follows:
– they are not normally subject to classification in Stage 2 (nor considered forborne according to prudential regulations), except in the presence of a worsening of the probability of default as a consequence of the macroeconomic scenario being considered. For only those positions with higher risk companies that existed prior to the occurrence of the pandemic crisis, in the case of a moratorium decided by the Bank, specific assessments are carried out to verify whether or not to consider the renegotiation as a forbearance measure, with consequent transition to Stage 2;
- they are not subject to classification as impaired (Stage 3). In particular, performing loans that are subject to a governmental moratorium or association-promoted moratorium are not classified in the risk class of past due loans, as the moratorium is applied to the past due payments. Furthermore, adherence to a moratorium is also not considered an automatic trigger of probable default.
For other moratorium initiatives specifically granted by the Bank, the normal forbearance process is applied which assesses financial distress at the time of granting; in this case the assessment of probable default is applied at the time of granting and after granting
.

*IFRS 9 - Application of the "forward looking" component in determining the risk provision*

According to IFRS 9, the allowance for impairment is based on reasonable and demonstrable forward-looking information obtainable without undue cost or effort, taking into account past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into Deutsche Bank's allowance for impairment, the Group uses two key elements:
- as a base scenario, the Group uses macro forecasts based on external surveys (consensus view on GDP and unemployment rates) supplemented by implicit projections in the interest and exchange rate markets. Furthermore, the scenario expansion model, which was initially developed for the stress test, is used to predict macroeconomic variables not covered by external consensus reports or market sources.
- Statistical techniques are then applied to transform the baseline scenario into a multiple scenario analysis. The scenarios specify deviations from the baseline forecasts and are used to derive multi-year probability of default (PD) curves for different rating and counterparty classes, which are applied in the calculation of expected credit losses and in the identification of a significant deterioration in the credit quality of financial assets.
The general use of forward-looking information, including macroeconomic factors, as well as adjustments that take extraordinary factors into account, are monitored by the central functions of the Group's *Risk and Finance Credit Loss Provision Forum*.
In certain situations, risk managers and senior management may have additional information in relation to specific portfolios to indicate that the statistical distribution used in calculating the expected loss is inappropriate. In such situations, the Group applies a further subjective adjustment to supplement the calculation of the judgmental overlay component.

The main information used in the last two quarters of 2020 by the Deutsche Bank Group to estimate the forecast component of the provision for credit risks was as follows:

<u>Third quarter 2020 (values at 30 September 2020)</u>

| | Year 1 Average 4 quarters | Year 2 Average 4 quarters | Year 3 Average 4 quarters |
|---|---|---|---|
| Credit – ITX Europe 125 | 66.85 | - | - |
| EUR/USD exchange rate | 1.20 | | |
| GDP - Eurozone | 0.52% | 3.72% | 2.32% |
| GDP - Germany | 0.09% | 3.78% | 1.57% |
| GDP - Italy | (0.50%) | 3.91% | 1.48% |
| Unemployment – Eurozone | 9.00% | 8.71% | 8.52% |

| | | | |
|---|---|---|---|
| Unemployment – Germany | 4.64% | 4.35% | 4.47% |
| Unemployment – Italy | 10.90% | 10.79% | 10.82% |

Fourth quarter 2020 (values at 31 December 2020)

| | Year 1 Average 4 quarters | Year 2 Average 4 quarters | Year 3 Average 4 quarters |
|---|---|---|---|
| Credit – ITX Europe 125 | 52.81 | - | - |
| EUR/USD exchange rate | 1.20 | | |
| GDP - Eurozone | 1.38% | 4.37% | 2.32% |
| GDP - Germany | 1.54% | 4.01% | 2.08% |
| GDP - Italy | 1.92% | 3.80% | 1.93% |
| Unemployment – Eurozone | 8.86% | 8.35% | 7.94% |
| Unemployment – Germany | 4.30% | 3.95% | 3.72% |
| Unemployment – Italy | 10.65% | 10.38% | 9.85% |

Deutsche Bank incorporated the above consensus forecasts of macroeconomic variables from Q3 2020 into its estimates of expected credit losses (ECL). The bank's standard approach to incorporating these variables into the calculation of the ECL estimate is to incorporate forecasts for the next two years, using eight discrete quarterly observations. This methodology was derived during the implementation of IFRS 9 from the observation of the historical relationship among changes in these macroeconomic variables and movements in default rates.
In the Group's view, this methodology did not provide a reliable indicator for future credit losses in the context of the COVID-19 pandemic, as it initially had a too short view of the development of these variables and therefore overestimated volatile changes in macroeconomic variables.

As mentioned above, on 1 April 2020, the ECB has submitted a letter to banks regarding the use of forward-looking information in the context of IFRS 9 which stated, among other things, that banks should "use long-term forecasts (for example the long-term GDP growth rate) whenever the specific forecast has lost relevance".
Based on Deutsche Bank's assessment and the regulatory guidance provided, the most representative approach in the first half of the year to estimating future credit losses was to reduce the weight of some of the short-term data and derive inputs based on long-term averages through adjustments.
As forward-looking macroeconomic variables improved significantly during the third quarter of 2020, the same approach was needed to eliminate the overestimation of the recovery.
The Bank therefore continues to perform a subjective overlay calculation based on the average forecasts for GDP and unemployment rates for the next three years in its ECL estimate, which is the basis for the calculation of the 2020 credit loss recognised by the bank in the credit risk provision recorded in the Financial Statements.

In addition, the DB Group decided to make a further subjective addition in the second half of the year by increasing its estimate of expected losses in order to overcome the fact that the change in forecasting information based on consensus data was releasing a significant amount of credit provisions for accumulated losses in the first half of 2020. Such a release would not adequately reflect the level of uncertainty that remains as the COVID-19 pandemic and associated economic support measures offered by central governments have affected the ability to assess the true state of borrowers' ability to repay their contractual obligations to the credit system.

*Contractual changes resulting from COVID-19*
*1) Contractual amendments and accounting derecognition (IFRS 9)*

Moratoria in accordance with EBA rules can be divided into legislative moratoria set forth by the government and non-legislative moratoria granted by financial institutions.
Loans and advances subject to moratoria that comply with the highlighted EBA requirements are mainly the forms of legislative moratorium established by the German and Italian governments. Under these moratoria, the bank has granted a deferral of interest and/or principal payments depending on the requirements defined by each government.
The postponement of principal payments resulted in an extension of the maturity date of the loan.

The Italian moratorium scheme has deferred the repayment of both principal and interest for households and financial intermediaries.
Italy has set up two legislative moratoria, one for private households, which expired on 16 December 2020, and a second one for SMEs and Enterprises. The second moratorium was originally scheduled to end on 30 September 2020, but had been extended until the end of January 2021.
Subsequently, among the most important interventions, Law no. 176 of 18 December 2020 (so-called "Decreto Ristori"), which has modified the operation of the Guarantee Fund for the first home and of the Gasparrini Fund, and the 2021 Budget Law, which extended the measures to suspend financing until the end of June 2021 and those to support corporate liquidity (Guarantee Fund for SMEs and SACE Guarantee).

Overall, most of the loans affected by the moratoria mainly concerned consumer loans and mortgages. When the moratoria were granted, the book value of the loan was adjusted by rescheduling the new expected cash flows and discounting them to the original effective interest rate.
The difference in the carrying amount was recognised as a profit or loss in the income statement.

More specifically, for accounting purposes, as a result of the moratoria granted to customers, the quantitative and qualitative effects on the financial instruments subject to this measure were measured in order to determine the possible derecognition thereof.
In the present cases, the quantitative effects were measured as the moratorium measures did not entail any appreciable qualitative changes relevant to the derecognition of the loans.
The significance of the quantitative changes was measured using the 10% difference between the carrying amount of the receivable and the net present value of the new cash flows discounted at the effective interest rate, as the decisive threshold to either derecognise the receivable (% equal to or greater than 10%) or retain the receivable in the financial statements (% less than 10%), thus recognising in this case the difference due to the contractual changes in the income statement.

At 31 December 2020, approximately 33,800 loans had been subject to moratoria (ABI/ASSOFIN/DL 17 March 2020) with a book value of €1,721 million.
In addition, non-D.L. and non-Association moratoria amounting to €310 million were granted, with 2,661 successful applications.
Loans backed by government guarantees stood at €1,141 million at the end of the year for a total of 7,930 loans granted.
In the income statement, the Bank has recognised revenues of €584 thousand as gains from contractual changes without cancellations (item 140 of the income statement).

*2) Amendment to IFRS 16*

With reference to leasing contracts, it is confirmed that the practical expedient provided for by Regulation (EU) no. 1434/2020 has not been applied since there has been no change in the duration of leasing and rental transactions.

**b) Non-financial assets, impairment testing and impairment losses**

The Group's companies have taken into account the ESMA guidance, which considers the effects of the COVID-19 pandemic as an indicator of impairment, when performing impairment tests.

IAS 36 *Impairment of Assets* prescribes the treatment of impairment losses on the following assets:
- property, plant and equipment and related rights of use, the latter category from 2019;
- investment property carried at cost;
- intangible assets;
- goodwill arising from business combinations;
- investments in subsidiaries, associates and joint ventures.

Under the standard, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired: in particular, intangibles with an indefinite useful life must always be tested for impairment at least once a year.
If any such indication exists, the entity shall estimate the recoverable amount of the asset or cash-generating unit (CGU).
Under IAS 36, in assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:
a) external sources of information:
    - a significant decline in an asset's market value;

- significant changes with an adverse effect on the entity in the technological, market, economic or legal environment in which the entity operates;
- significant increases in market interest rates or other market rates of return on investments;
- the carrying amount of the net assets of the entity is more than its market capitalisation.

b) internal sources of information:

- evidence is available of obsolescence or physical damage of an asset (if uninsured);
- plans to discontinue operations and plans to dispose of an asset before the previously expected date;
- internal reporting that indicates that the performance of an asset is, or will be, worse than expected.

Certain types of assets, such as goodwill and other intangible assets with an indefinite useful life, shall be tested for impairment regardless of whether there is a specific indication of impairment.
The application of the impairment test procedure results in the definition of the recoverable amount of the assets being measured: IAS 36 defines recoverable amount as the higher of an asset's or cash-generating unit's sale fair value less ancillary costs and its value in use, which is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.
Should the carrying amount exceed the recoverable amount, i.e., the asset is impaired, an impairment loss shall be recognised in profit or loss.

The financial statements of the parent company and other consolidated companies do not include goodwill arising from business combinations or intangible assets with an indefinite useful life.
Non-current assets include property, equipment and investment property (and rights of use) and intangible assets with a finite useful life (mostly software).

For property, equipment and investment property and intangible assets with a finite useful life, no specific indicators of impairment referable to individual assets have emerged, but rather for the parent company a trigger of a general nature due to the situation of loss in the income statement of some company divisions (i.e. CGU) and the bank as a whole.
It was therefore necessary to verify the recoverability of the values of these assets by ascertaining the value in use and the net realisable value with a sale on the market.
The value in use criterion was used in particular for the assets deriving from the application of IFRS 16, the rights to use the leased assets (ROU), as well as for both externally and internally developed software.
More in detail, for the verification of ROUs, the value in use is understood to be the current market value of rents for similar real estate units. The values obtained confirm the recoverability of the values recognised in the Financial Statements at 31 December 2020.

It should be noted that owned properties are defined as assets for auxiliary and common activities (corporate assets) and include group and divisional assets located in the buildings in which the parent company's central management offices are located (Bicocca hub - Milan).
To be noted is that the updates of the appraisals on the value of these properties, which were acquired during the 2020 financial year, confirm that the potential fair value obtainable in a (partial) sale and leaseback transaction under current market conditions would be higher than the book value at which the assets are recorded in the Financial Statements.
Note that IAS 36 envisages the following for corporate assets:
the distinctive characteristics of these business assets are such that they do not generate cash inflows independently from other assets or groups of assets and their carrying amounts cannot be entirely allocated to the cash-generating unit under examination. As the aforementioned complex does not generate distinct cash inflows, its recoverable value cannot be determined unless the company management decides to discontinue its activities. As a result, if there is an indication that the building complex had incurred impairment, the recoverable value of the cash-generating unit or the group of cash-generating units to which the asset belongs is calculated and compared with the carrying amount of the cash-generating unit or the group of cash-generating units.

**c) Disclosure on sovereign debt**

At year end, the Group companies are not significantly exposed to sovereign debt issues.
The parent company holds Italian government securities classified in the "hold to collect" portfolio (financial assets at amortized cost) which, at 31 December 2021, had a book value of approximately €99.2 million.
For more details, reference should be made to the information contained in part B of these Notes to the Consolidated Financial Statements.

**d) Non-current assets held for sale**

At 31 December 2020, the total equity investment held in the company Vesta Real Estate S.r.l., the sale of which is expected to take place by the end of 2021, was classified under this item.
The valuation by the Group of net assets held for sale was carried out as required by IFRS 5 at the lower of cost and estimated realisable value, which showed a gain that will be recognised in the next financial year.

**e) Publication of the Consolidated Financial Statements**

Pursuant to IAS 10, the parent company authorises the publication of its annual consolidated financial statements within the terms provided for by current legislation. This does not apply to its interim financial report as it is not published.

There are no further issues requiring specific mention.

**A.2 – Accounting policies**
**1 - Financial assets measured at fair value through profit or loss (FVTPL)**

Classification

Financial assets other than those classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are classified in this category.

This asset item, in particular, can include the following types of financial instruments:
- financial assets held for trading, essentially represented by debt and equity securities and the positive value of derivative contracts held for trading purposes;
- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income.
These are financial assets whose contractual terms do not exclusively provide for repayments of capital and payments of interest on the amount of capital to be repaid (so-called "SPPI test" not passed) or which are not held as part of a business model whose objective is the holding of assets in order to collect contractual cash flows ("Hold to Collect" business model) or whose objective is achieved both by collecting contractual cash flows and by selling financial assets ("Hold to Collect and Sell" business model);
- financial assets designated at fair value, i.e. financial assets so defined at the time of initial recognition and where the conditions exist. In this case, an entity can irrevocably designate a financial asset as measured at fair value through profit or loss at recording if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

For Deutsche Bank, at the date of these financial statements, the following are reported under this item:
- equities and bonds, these are temporary positions due to divisions or transactions on own account with retail customers;
- equity instruments, which cannot be qualified as control, connection and joint control, which are held for trading purposes or for which, at the time of initial recognition, the designation at fair value through other comprehensive income was not chosen;
- derivative contracts, recognised as financial assets held for trading, which are represented as assets if the fair value is positive and as liabilities if the fair value is negative. It is possible to offset the current positive and negative values deriving from existing transactions with the same counterparty only if one currently has the legal right to offset the recognised amounts and intends to settle on a net basis the positions subject to offsetting.

Derivatives also include, when present, those embedded in complex financial contracts - in which the primary contract is a financial liability - that have been recognised separately because:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the underlying contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instruments are not measured at fair value with changes recognised in profit or loss.

On the basis of the general criteria set forth in IFRS 9 regarding the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted, except in the case when the bank changes its business model for the management of financial assets. In such cases, which are believed to be highly infrequent, the financial assets may be reclassified from the category valued at fair value through profit or loss in one of the other two categories provided for by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income).

It is expected that the amount at which the transfer would be accounted for would be the fair value at the time of reclassification and that the effects of the reclassification would operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the date of reclassification and this date is considered as the date of initial recognition for the purpose of credit risk stage assignment for impairment purposes.
For further information on the classification criteria of financial instruments, please refer to the section on "The classification criteria of financial assets".

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities and equity securities, on the disbursement date for loans and on the execution date for derivative contracts.
Financial assets held for trading are initially recognised at fair value, without considering directly attributable transaction costs or income.
It should be noted that in the context of standardised transactions (so-called "regular way"), the rules of IFRS 9 allow for the possibility of choosing which date to consider for the purposes of initial recognition: it is possible to decide whether to favour the trade date or the settlement date.
Deutsche Bank Group opted to use the settlement date for transactions in securities and currencies and the trade date for derivatives.
Commitments for transactions to be settled at the reporting date are measured using the same criteria as those applied to settled transactions.

Measurement

After initial recognition, financial assets measured at fair value through profit or loss are measured at fair value.
The effects of the application of this valuation criterion are recognised in the income statement.
The fair value of financial instruments listed on an active market is determined by making reference to market prices. If an active market does not exist, commonly adopted valuation methods and models are used, which take into account all risk factors related to the instruments and which are based on observable market data such as, for example, measurements of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions.

For equity securities and derivative instruments involving equity securities that are not listed on an active market, the cost method is used as an estimate of fair value only on a residual basis and limited to a few circumstances, i.e. when all of the above valuation methods cannot be applied, or when there is a wide range of possible fair value measurements, where cost is the most significant estimate.
For more information on the criteria for determining fair value, please refer to Section "A.4 Fair value disclosure" of Part A of the Notes to the Financial Statements.

Derecognition

Financial assets are derecognised only if the sale has resulted in the transfer of substantially all the risks and rewards associated with the assets. Conversely, if a material portion of the risks and rewards of the transferred financial assets has been retained, said financial assets continue to be recognised in the financial statements, even if legal title to the assets has been transferred.
If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. If even a portion of control is retained, the asset continues to be recognised in the financial statements in line with the Group’s continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, the financial assets sold are derecognised from the financial statements if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay said flows, and only them, without a significant delay, to other third parties.

**2 - Financial assets measured at fair value through other comprehensive income (FVOCI)**
This classification category is not present at the date of preparation of the Financial Statements, as there are no positions in place for the business model managed with the "Hold to collect and Sell"

method, nor in the case of investments in equities for which this valuation option has been chosen. For the sake of completeness of information, however, it is considered appropriate to provide below the criteria provided in IFRS 9 for this accounting category of financial assets.

Classification

Financial assets that meet both of the following conditions are included in this category:
- the financial asset is held on the basis of a business model whose objective is achieved either by collecting the contractually agreed cash flows or by selling (the "Hold to Collect and Sell" business model), and the contractual terms of the financial asset provide for cash flows, on defined dates, that represent only payments of principal and interest on the principal amount to be repaid (so-called "SPPI test" passed).
In particular, the following are included in this item:
- debt securities that are attributable to a "Hold to Collect and Sell" business model and that have passed the SPPI test;
- equity interests that do not qualify as subsidiaries, associates and joint ventures and are not held for trading purposes, for which the option to designate them at fair value through other comprehensive income has been exercised;
- loans that are attributable to a "Hold to Collect and Sell" business model and that have passed the SPPI test, including the portions of syndicated loans that have been underwritten which, from inception, are intended for sale and which are attributable to the business model "Hold to Collect and Sell".

Reclassification: in this case, which is expected to be highly infrequent, financial assets may be reclassified from this category into one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the reclassification date. In the event of reclassification from the category in question to that of amortised cost, the accumulated profit (loss) recognised in the valuation reserve is adjusted to the fair value of the financial asset at the reclassification date. On the other hand, in the case of reclassification in the category of fair value through profit or loss, the accumulated profit (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss) for the year.
For further information on the classification criteria of financial instruments, please refer to the section on "The classification criteria of financial assets".

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities and equity securities, on the disbursement date for loans. They are initially recognised at fair value, including any transaction income or expenses attributable to the instrument.

Measurement

After initial recognition, assets classified at fair value through other comprehensive income, other than equity securities, are measured at fair value, with the impact of the application of amortised cost, the effects of impairment and any exchange rate effects recognised in the income statement, while other gains or losses arising from a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised.
At the time of total or partial disposal, the accumulated profit or loss in the valuation reserve is reversed, in whole or in part, to the income statement.

The equity instruments for which the choice has been made for classification in this category are measured at fair value and the amounts recognised as a balancing entry in shareholders' equity (Statement of comprehensive income) must not be subsequently transferred to the income statement, even in the case of an assignment. The only component of these equities that is recognised in the income statement is the related dividends.
The fair value is determined on the basis of the criteria already illustrated for financial assets measured at fair value through profit or loss.

For equity securities included in this category that are not listed on an active market, the cost method is used as an estimate of the fair value only on a residual basis and limited to a few circumstances, i.e. when all of the above valuation methods cannot be applied, or when there is a wide range of possible fair value measurements, where cost is the most significant estimate.
For more information on the criteria for determining fair value, please refer to Section "A.4 Fair value disclosure" of Part A of the Notes to the Financial Statements.

Financial assets measured at fair value through other comprehensive income – both in the form of debt securities and receivables – are subject to the verification of the significant increase in credit risk (impairment) provided for by IFRS 9, in the same way as assets at amortised cost, with consequent recognition in the income statement of a value adjustment to cover expected losses.

More specifically, on instruments classified as stage 1 (i.e. on financial assets at origination, if not impaired, and on instruments for which there has not been a significant increase in credit risk with respect to the date of initial recognition), a one-year expected loss is recognised at the date of initial recognition and at each subsequent reporting date. For instruments classified as stage 2 (performing loans for which there has been a significant increase in credit risk since initial recognition) and stage 3 (impaired loans), an expected loss is recognised for the entire remaining life of the financial instrument. Conversely, equity securities are not subject to the impairment process.
Please refer to the following chapter "Impairment of financial assets" for further information.

Derecognition

Financial assets are derecognised only when the sale results in the transfer of substantially all the risks and rewards associated with the assets. Conversely, if a material portion of the risks and rewards of the transferred financial assets has been retained, said financial assets continue to be recognised in the financial statements, even if legal title to the assets has been transferred.
If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. If even a portion of control is retained, the asset continues to be recognised in the financial statements in line with the Group's continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, the financial assets sold are derecognised from the financial statements if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay said flows, and only them, without a significant delay, to other third parties.

**3 - Financial assets measured at amortised cost**

Classification

Financial assets that meet both of the following conditions (in particular loans and debt securities) are included in this category:
- the financial asset is held according to a business model whose objective is achieved by collecting the cash flows provided for in the contract ("Hold to Collect" business model), and
- the contractual terms of the financial asset provide, on certain dates, for cash flows consisting solely of payments of principal and interest on the amount of principal to be repaid (so-called "SPPI test" passed).

More specifically, the following items are recognised under this item:
- loans with banks in the various technical forms that meet the requirements referred to in the previous paragraph;
- loans with customers in the various technical forms that meet the requirements referred to in the previous paragraph;
- debt securities that meet the requirements referred to in the previous paragraph.

Also included in this category are operating receivables related to the provision of financial activities and services as defined in the Consolidated Banking Act and the Consolidated Finance Act (e.g. distribution of financial products and servicing activities).

Reclassifications: in this case, which is expected to be highly infrequent, financial assets may be reclassified from this category into one of the other two categories under IFRS 9 (Financial assets measured at fair value through comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the reclassification date. Gains or losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the case of reclassification to Financial assets at fair value through profit or loss and equity, in the valuation reserve, in the case of reclassification to Financial assets at fair value through other comprehensive income.

For further information on the classification criteria of financial instruments, please refer to the section on "The classification criteria of financial assets".

Recognition

The initial recognition of the financial asset takes place on the settlement date in the case of debt securities, and on the disbursement date in the case of loans. They are initially recognised at fair value, including any transaction income or expenses attributable to the instrument.
In particular, as regards loans, the disbursement date normally coincides with the date of when the contract is executed.
If this is not the case, a commitment to disburse funds is entered when the contract is signed and it closes on the date of disbursement of the loan. Loans are recognised on the basis of their fair value, which is equal to the amount disbursed, or subscription price, including income/expenses directly attributable to the individual loan and determinable from the origin of the transaction, even if settled at a later date.
Costs which, despite having the above characteristics, are reimbursed by the debtor counterparty or are part of normal internal administrative expense, are excluded.

Measurement

After initial recognition, financial assets are measured at amortised cost, using the effective interest method. In these terms, the asset is recognised in the Financial Statements for an amount equal to its initial recognition value less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method) of the difference between this initial amount and the amount at maturity (typically attributable to income expenses allocated directly to the individual asset) and adjusted for any provision to cover losses.
The effective interest rate is identified by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including income/expenses attributable to the financial asset. This method of accounting, using financial reasoning, allows the economic effect of income/expenses directly attributable to a financial asset to be distributed over its expected remaining life.
The amortised cost method is not used for assets – valued at historical cost – whose short duration makes the effect of applying the discounting logic negligible, for those without a defined maturity and for revocable loans.
The valuation criteria, as better indicated in the chapter "Impairment of financial assets", are strictly connected to the inclusion of the instruments in question in one of the three stages (stages of credit risk) provided for by IFRS 9, the last of which (stage 3) includes the impaired financial assets and the remaining (stage 1 and 2) performing financial assets.

With reference to the accounting representation of the aforementioned valuation effects, the value adjustments referring to this type of asset are recognised in the income statement:
- upon initial recognition, for an amount equal to the expected loss after twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has not increased significantly compared to the initial recognition, as regards the changes in the amount of the value adjustments for expected losses in the following twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has increased significantly compared to the initial recognition, as regards the recognition of impairment losses over the entire contractual remaining life of the asset;
- at the time of the subsequent valuation of the asset, where – after there has been a significant increase in credit risk compared to the initial recognition – the "significance" of this increase has subsequently ceased to exist, as regards the correction of cumulative value adjustments to take account of the change from an expected loss over the entire residual life of the instrument ("lifetime"), to a loss at twelve months.

If the financial assets in question are performing, they are subject to a valuation, aimed at defining the value adjustments to be recognised in the financial statements, at the level of the individual credit relationship (or "tranche" of security), based on the risk parameters represented by the probability of default (PD), loss given default (LGD) and exposure at default (EAD), derived from the AIRBA models used for regulatory purposes by the DB AG Group and appropriately adjusted to take account of the provisions of IFRS 9.
If, in addition to a significant increase in credit risk, there is also objective evidence of a loss in value, the amount of the loss is measured as the difference between the book value of the asset – classified as "impaired", like all other relationships with the same counterparty – and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of loss, to be recognised in the income statement, is defined on the basis of an analytical evaluation process or determined by homogeneous categories and, therefore, analytically attributed to each position and takes into account, as detailed in the chapter "Impairment of financial assets", forward looking information and possible alternative recovery scenarios.

Impaired assets include financial instruments that have been assigned the status of non-performing, probable default or past due for more than 90 days according to Bank of Italy rules, consistent with IAS/IFRS and European Supervisory regulations. Please note that Deutsche Bank Group has aligned its internal definition of an impaired loan under IFRS 9 with the definition of a defaulted financial instrument, for regulatory purposes under Article 178 of the EU Capital Requirements Regulation (CRR).

The estimated future cash flows consider the expected recovery times and the estimated realisable value of any guarantees.
The original effective interest rate of each asset remains unchanged over time even when it has been restructured with a change in the contractual interest rate and when it becomes non-interest bearing. When the reason for the impairment loss no longer exists due to an event occurring after the recognition of the impairment loss, the impairment loss is reversed to the income statement. The write-back may not exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments. Write-backs associated with the passage of time are recognised in the interest margin.

In some cases, during the life of the financial assets under review and, in particular, of loans, the original contractual terms are subject to subsequent modifications by the parties to the contract. When, during the life of an instrument, the contractual clauses are subject to modification, it is necessary to verify whether the original asset must continue to be recognised in the financial statements or if, on the contrary, the original instrument must be derecognised and a new financial instrument must be recognised.
In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The evaluation of the "substantiality" of the change must be carried out considering both qualitative and quantitative elements. In fact, it may be clear that in some cases, without resorting to complex analyses, the changes introduced substantially modify the characteristics and/or the contractual flows of a given asset while, in other cases, further analyses (also of a quantitative nature) will have to be carried out in order to appreciate the effects thereof and to verify the need to proceed or not to proceed with the derecognition of the asset and the recognition of a new financial instrument.

The (qualitative and quantitative) analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset must therefore consider the purposes for which the changes were made, distinguishing between renegotiations for commercial reasons and concessions for any financial difficulties of the counterpart:
- the first, aimed at "retaining" the customer, involve a debtor who is not in a situation of financial difficulty. This case includes all the renegotiations aiming at adjusting the debt burden to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the debtor, concerning aspects related to the onerousness of the debt, with a consequent economic benefit for the debtor. In general it is believed that, whenever the bank carries out a renegotiation in order to avoid losing its customer, this renegotiation must be considered as substantial since, if it were not carried out, the customer could obtain financing from another intermediary and the bank would suffer a decrease in expected future revenues;
- the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximize the recovery of the cash flows of the original credit. The underlying risks and rewards are generally not substantially transferred after the changes and, consequently, the accounting presentation that provides the most relevant information to the reader of the financial statements (except as discussed below in relation to objective evidence) is that made through modification accounting - which implies the recognition in the income statement of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate - and not through derecognition;
- the presence of specific objective elements ("triggers") that affect the characteristics and/or the contractual flows of the financial instrument (such as, for example, the change of currency or the change of the type of exposure risk, when correlated to "equity" and "commodity" type parameters), which are considered to lead to derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

Derecognition

Financial assets are derecognised only if the sale has resulted in the transfer of substantially all the risks and rewards associated with the assets. Conversely, if a material portion of the risks and rewards of the transferred financial assets has been retained, said financial assets continue to be recognised in the financial statements, even if legal title to the assets has been transferred.
If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. If even a portion of control is retained, the asset continues to be

recognised in the financial statements in line with the Group's continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
Finally, the financial assets sold are derecognised from the financial statements if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay said flows, and only them, without a significant delay, to other third parties.

**4 - Hedging**
Preamble

Deutsche Bank Group companies make use of the possibility, which was provided for in 2018 when IFRS 9 was introduced, to continue to fully apply the provisions of the previous accounting standard IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for all types of hedges (both specific and general hedges). The DB Group has decided to confirm this choice also for the years after 2018.

Classification criteria: types of hedging

Risk hedging transactions are agreed to offset potential recognisable losses on a determined element or group of elements, due to a determined risk, using the gains arising from a different element or group of elements should that particular risk arise.
IAS 39 provides for the following types of hedges:
- fair value hedges, which hedge exposure to changes in fair value of a recognised asset or liability attributable to a particular risk;
- cash flow hedges, which hedge the exposure to variability in future cash flows attributable to particular risks associated with a recognised asset or liability;
- hedge of a foreign currency investment which relates to the hedging of the risks of an investment (expressed in foreign currency) in a foreign enterprise.

At the date of preparation of these Financial Statements (and during the previous year 2019) the bank had the following types of hedging in place:
- specific fair value hedge of fixed-rate loans with banks;
- specific fair value hedge of non-current fixed-rate deposits from banks.

These are micro hedging with a 1 to 1 ratio between the hedged asset or liability and the hedging derivative. In all the above cases, the Group has used fixed versus floating interest rate swaps.
Only instruments involving an external counterparty can be designated as hedging instruments.

Recognition

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

Measurement

With regard to initial recognition, the same rules as for financial instruments in general are applied to derivatives: they are initially recognised in the statement of financial position at fair value, which normally corresponds to the fair value of the consideration collected/paid. Given that derivatives are always measured at fair value, the directly attributable transaction costs do not affect their initial recognition.
A hedged item is generally an instrument subject to financial risks that may affect profit or loss in the current or future years. The typical risks that may be hedged are interest rate, currency, credit and equity price risks.

Hedging derivatives are measured at fair value. Specifically:

- for fair value hedges, changes in fair value of the hedged item are offset against changes in fair value of the hedging instrument. This offsetting is recognised by posting the related gain or loss in the income statement both for the hedged item (for gains or losses generated by the underlying risk factor) and the hedging instrument. Any difference, which represents the ineffective part of the hedge, is thus recognised as the net gain or loss;
- for cash flow hedges, changes in fair value of derivatives are recognised in equity for the effective portion. They are only recognised in the income statement when, with reference to the hedged item, the change in the cash flow to be offset occurs;
- hedges of an investment in foreign currency are recognised similarly to cash flow hedges.

Derivatives are designated as hedging instruments if there is formal documentation of the relationship between the hedged item and the hedging instrument and the hedge is effective from inception through the periods for which it was designated.
With respect to hedged items, the effect of the recognition of the hedge effectiveness is treated as follows:
- for specific fair value hedges, the book value of the hedged item is amended to take into account the value adjustment due to the interest rate risk hedge;
- for general hedges executed by valuing the loan portfolio as a whole, the related hedge equity effect is recognised separately in the financial statements under item "Value adjustments to macro-hedged financial assets" (asset item 60 in case of positive revaluation or liability item 50 in case of negative revaluation).

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. Therefore, effectiveness is measured by comparing the changes, considering the entity's intention when the hedge was put in place.
The hedge is effective (within the range of 80-125%) when changes in fair value (or cash flows) of the hedging financial instrument almost fully offset changes in the fair value (or cash flows) of the hedged item for the hedged risk.

Hedge effectiveness is assessed comparing the fair value or cash flow changes in the hedged items with those of the hedging instrument. The assessment is made at the inception of the hedge and regularly during the period for which the hedge is designated as such. At any rate, on-going hedge effectiveness is assessed at least at every reporting date.
Effectiveness is measured using:

- prospective tests, which justify application of hedge accounting, as they demonstrate its effectiveness;
- *retrospective tests, which show the hedge effectiveness in the period to which they refer.* In other terms, they measure the gap between actual results and perfect hedge.

When the tests do not confirm the hedge effectiveness retrospectively and prospectively, hedge accounting is discontinued and the hedging derivative is reclassified into the held for trading portfolio.
When the hedged asset or liability is measured at amortised cost, the higher or lower value obtained from its measurement at fair value should the hedge become ineffective is recognised in the income statement using the effective interest method or in one amount if the hedged item is derecognised.

**5 - Equity investments**
<u>Classification, recognition and measurement</u>

The item includes interests held in jointly controlled and associated companies.
Companies subject to joint control (joint ventures) are the entities for which, on a contractual basis, control is shared between the parent company and one or more other third parties, or when unanimous agreement of all parties sharing control is required for decisions regarding the relevant activities.
Companies subject to significant influence (associates) are considered to be entities in which the parent company holds at least 20% of the voting rights (including "potential" voting rights) or in which – albeit with a lower share of voting rights – has the power to participate in the determination of the financial and management policies of the investee by virtue of particular legal ties such as participation in shareholders' agreements.
At the date of preparation of these Consolidated Financial Statements, the Group has an interest in an associate; on the other hand, there are no companies subject to joint control.

<u>Recognition</u>

Equity investments are recognised on the settlement date. Upon initial recognition, the equity interests are accounted for at cost.

<u>Measurement</u>

Equity investments are valued using the synthetic equity method, adjusted for impairment.
If there is evidence that the value of an investment may be impaired, the recoverable value of the investment is estimated, taking into account the present value of the future cash flows that the investment may generate, including the final disposal value of the investment.

If the recovery value is lower than the book value, the relative difference is recognised in the income statement. In addition, if the reason for the impairment loss no longer exists due to an event occurring after the recognition of the impairment loss, write-backs are recognised in the income statement.

<u>Derecognition</u>

Investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, transferring substantially all the risks and rewards of ownership.

**6 - Property, equipment and investment property**

<u>Classification</u>

Property, equipment and investment property include land, owner-occupied property, investment property, technical systems, furniture and fittings and equipment of any kind, as well as costs for leasehold improvements.

Also included are rights of use acquired under a lease and relating to the use of a tangible asset (for lessee companies).

The cost of an item of property and equipment is recognised as an asset if, and only if, all of the following conditions are met:

- it is probable that future economic benefits associated with the item will flow to the Group;
- the cost of the item can be measured reliably.

These assets are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one year.

Renovation costs of leased buildings are capitalised in view of the fact that for the duration of the lease the user company has control over the assets and can derive future economic benefits from them.

<u>Recognition</u>

Property, equipment and investment property are initially recognised at cost.

Cost comprises the purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating, after deducting trade discounts and rebates.

Examples of directly attributable costs are the costs of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees, such as, for example, those paid to architects and engineers and the estimated costs of dismantling and removing the item and restoring the site.

Extraordinary maintenance costs that give rise to an increase in future economic benefits are recognised as an increase in assets. Ordinary maintenance costs are recognised in the income statement. They are recognised when the risks and rewards are transferred.

In application of IFRS 16, leasing contracts are accounted for on the basis of the right-of-use model, for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset his right to use the underlying asset during the lease term.

When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

<u>Measurement</u>

After initial recognition, property, equipment and investment property can be measured using the following two alternative models:

- at cost, net of any accumulated depreciation and any accumulated impairment losses (reference model);
- at fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses (alternative model).

If the carrying amount of an asset increases following a revaluation, the increase should be recognised directly in equity in the revaluation reserve, except for investment property, for which fair value gains are recognised in the income statement.

All items of property, equipment and investment property are measured at cost by Deutsche Bank.

The assets are depreciated systematically over their useful lives, using a pattern that reflects the way in which the related future economic benefits are expected to be used by the group and, therefore, the way in which the asset is being consumed.

Pursuant to IAS 16, the land component of property is considered a separate asset from buildings and, hence, it is recognised separately when purchased.

Land has an indefinite useful life and is not depreciated.

A similar method is applied to works of art as their useful lives cannot be estimated and their carrying amount will not decrease over time.

The depreciation pattern is reviewed at least annually and adjusted for significant changes in the expected way in which the future economic benefits generated by an asset will be used.
Renovation costs of leased buildings are depreciated over a period not exceeding the expected duration of the lease underlying the right of use, provided that this period does not exceed the useful life of the capitalised improvements.
If there is indication of impairment, the asset's carrying amount is compared to its recoverable amount, i.e., the higher of fair value less costs to sell and value in use, represented by the present value of future cash flows.
Any impairment losses are recognised in the income statement unless the asset is recognised at its revalued amount. In this case, the impairment loss is treated as a reduction in the revaluation.
If the reasons for impairment are no longer valid, the impairment loss is reversed to the extent of the carrying amount that the asset would have had, net of depreciation, had it not been impaired.

The right-of-use asset, accounted for in accordance with IFRS 16, is measured using the cost model in accordance with IAS 16 "Property, Plant and Equipment"; in this case, the asset is subsequently depreciated and subject to an impairment test if indicators of impairment emerge.

Derecognition

An asset is derecognised when divested or when it is no longer used and its disposal is not expected to generate future economic benefits.
The gain or loss arising from the disposal or derecognition of an item of property, equipment and investment property, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is recognised as income or cost in the income statement when the disposal or derecognition takes place.
Normally, in the case of right-of-use assets, the derecognition from the statement of financial position occurs at the completion of the depreciation period, or at the time of the end of the use of the leased asset.

**7 - Intangible assets**

Classification

The Group recognises an intangible asset when it meets the following conditions:
- it can be identified separately from any goodwill arising from a business combination;
- the reporting entity controls it;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the group.

If all of the above conditions are met, the Group is required to recognise the costs incurred as intangible assets. If not, the costs are recognised in the income statement.
IAS 38 governs the capitalisation of intangible assets and provides very strict criteria for the recognition of an item in this category, such that, by way of example, research costs, personnel training costs, advertising and/or promotion costs, personnel redeployment or company reorganisation costs, trademarks and internally generated goodwill are not considered eligible for capitalisation.
On the other hand, goodwill recognised as part of a business combination (which can be determined reliably, as opposed to that relating to an asset or business not acquired) and application software to be used for more than one year can be recognised as intangible assets.
Goodwill is the excess between cost and the fair value of the assets and liabilities acquired as part of a business combination.
The other intangible assets are recognised as such if they are identifiable and arise from contractual or other legal rights.
At this reporting date, no rights of use acquired through leasing are included in intangible assets.

Recognition and measurement

An intangible asset can be recognised as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the investment costs (including transaction costs) reflects the investee's ability to generate future profits.
Should the difference be negative (negative goodwill) or when the positive difference does not reflect the investee's ability to generate future profits, the difference is recognised directly in the income statement.
Goodwill is tested for impairment annually or more frequently when there is an indication of impairment. The cash-generating unit to which goodwill should be allocated is identified for these purposes.

The amount of an impairment loss is determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if lower. The recoverable amount is the greater of the fair value of the cash-generating unit less costs to sell and the related value in use. The resulting impairment loss is recognised in the income statement.
All intangible assets meeting the conditions to be recognised as such are initially recognised at cost.

The cost of an intangible asset includes its purchase price and any directly attributable cost of preparing the asset for its intended use, after deducting trade discounts and rebates.
Subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense when incurred, unless it is probable the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.
If the above conditions are not met, subsequent expenditures are immediately recognised in the income statement.

Intangible assets are amortised over their estimated useful life and their residual value at the end of their useful life is presumed to be zero, unless there is a third-party commitment to acquire the asset. The amortisation period is the best estimate of useful life, with a rebuttable presumption that it cannot exceed twenty years.
If an asset has an indefinite useful life, it is not amortised but is tested for impairment on a regular basis.
Goodwill is considered an asset with indefinite life. Under IFRS, these assets should be tested for impairment at least annually, on the basis of their recoverable amount. As a result of this accounting standard, the goodwill that was recognised in the Financial Statements under previous accounting standards was allocated to the corresponding cash-generating units and restated based on the recoverable amount attributed to them.
At every reporting date, when there is an indication of impairment, an asset's recoverable amount is estimated. Any resulting impairment loss recognised in the income statement is the difference between the asset's carrying amount and its recoverable amount.

Derecognition

Intangible assets are derecognised upon their disposal or when there are no expected future benefits.
The gain or loss arising from the discontinuation or disposal of an intangible asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, is recognised as income or cost in the income statement when the discontinuation or disposal takes place.

## 8 - Non-current assets (groups of assets and liabilities) held for sale

These captions include the non-current assets and liabilities and groups of assets and liabilities held for sale. They are measured at the lower of the carrying amount and fair value less costs to sell.
Profits or losses (net of taxes) from groups of assets and liabilities held for sale or classified as such during the year are recognised in a specific income statement caption.
At the date of these Consolidated Financial Statements, this item was measured with reference to the controlling interest held in Vesta Real Estate S.r.l., the sale of which is expected to be completed by the end of 2021.

## 9 - Current and deferred taxes

Income Taxes

The bank recognises the effects of current, prepaid and deferred taxes applying the tax rates enacted at the reporting date (current taxes) or of the year when the temporary differences are expected to be reversed (deferred/prepaid taxes).
Income taxes are recognised in the income statement except for those related to captions recognised directly in equity.
Current tax liabilities and current tax assets due to advances and withholdings are presented at their net amount in the statement of financial position when offsetting is allowed by tax legislation and the Group intends to settle the tax liability or asset on a net basis. Current tax assets also include those claimed for reimbursement from the relevant tax authorities.

Income taxes are provided for based on a prudent estimate of the current and deferred taxes. Specifically, prepaid and deferred taxes are determined considering the temporary differences (without time limits) between the carrying amount of assets and liabilities and their tax bases.
Deferred tax assets are recognised to the extent their future recovery is probable, assessed on the basis of the ability of the bank or the consolidating company for tax purposes, as a result of exercising the "tax consolidation" option, to generate positive taxable income on an ongoing basis.
Deferred tax liabilities are not recognised only if related to equity investments and reserves taxable on distribution, since, based on the amount of existing available taxed reserves, transactions leading to their taxation are not likely to occur.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting in the captions "Tax assets" and "Tax liabilities", respectively.
Assets and liabilities recognised for deferred tax assets and liabilities are systematically measured to take into account any changes in rules or rates.
Moreover, deferred tax liabilities are adjusted to cover possible liabilities that may arise from notified assessments or disputes with the tax authorities.

**10 - Provisions for risks and charges**

Pension and other internal plans

- *For the benefit of internal staff*

Internal pension plans are set up in accordance with internal agreements and qualify as defined benefit plans. The related liability and current service costs are determined using actuarial valuations. Unlike the previous accounting standards, the IAS/IFRS require that the obligation be discounted to present value to reflect when the Group will be required to extinguish it, if the effect of the time value of money is material.

The present value of the obligation at the reporting date is also adjusted for the fair value of any plan assets.
As required by paragraphs 120 and 127-130 of IAS 19, actuarial gains or losses are fully recognised when they arise in a specific reserve under equity, net of the related deferred taxes.
Contributions under defined contribution plans (external funds) to be borne by the bank are recognised in the income statement and are determined on the basis of the service provided.

- *To the benefit of agents*

Pension funds at 31 December 2020 include the Supplementary Agents Indemnity Fund (Fondo Indennità Suppletiva di Clientela - FISC) representing the indemnities due to agents in the event of retirement, permanent disability, death, or termination of the contract on the initiative of the principal company (pursuant to Article 1751 of the Italian Civil Code). As these benefits are paid to agents and not employees, they fall under the scope of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) which provides that they can be measured using various methods. The valuations required by the standard can be carried out using different methodologies.
Given that the agents' termination benefits for agents and post-employment benefits for employees are quite similar, the parent company decided to use the same method adopted under IAS 19 to measure post-employment benefits for the agents' benefits.

Provisions for risks and charges against commitments and guarantees given
The sub-item of provisions for risks and charges under review consists of provisions for credit risk recognised against commitments to disburse funds and guarantees issued that fall within the scope of application of the impairment rules under IFRS 9.
For these types of endorsement credits, the same methods are adopted, in principle, for the attribution to the three stages (credit risk stages) and for the calculation of the expected loss shown with reference to financial assets measured at amortised cost or at fair value through other comprehensive income.
However, the aggregate also includes the provisions for risks and charges set up for other types of commitments and guarantees given which, by virtue of their characteristics, do not fall within the aforementioned scope of application of the impairment pursuant to IFRS 9.

Other provisions
Under IAS 37, a provision can be recognised only when an entity has an obligation arising from a past event, it is probable that an outflow of resources will be necessary to settle the obligation and the liability can be reliably estimated.
When the effect of the time value of money is material, the obligation is discounted to present value using current market rates.
Accruals to provisions are recognised in the income statement.
Other provisions also include the actuarial losses recognised under IAS 19, which relate to the following long-term benefits and defined benefit plans:
- loyalty premium for employees who reach the contractually-agreed seniority levels;
- health insurance offered to current and retired employees.

The actuarial gains or losses on long-term benefits, such as the loyalty premium, are recognised in full in the income statement when they arise. The defined benefit plans included in the post-employment benefits category are treated in line with the Italian post-employment benefits by immediately recognising actuarial gains or losses in an equity reserve.

Derecognition

The provisions are released when it is improbable that the resources accrued to provide economic benefits to comply with the obligation will be used.

**11 - Financial liabilities measured at amortised cost**

Classification

Due to banks, due to customers, securities issued and subordinated liabilities include the various types of interbank and customer funding as well as funding through certificates of deposit and bonds issued, net of any repurchases as required by the IAS.
They also include payables recognised by the parent company in its capacity as lessee within the context of leasing operations.

Recognition

These financial liabilities are recognised when the amounts are received or the debt instruments are issued.
They are initially recognised at fair value, which is normally equal to the consideration received or the issue price, adjusted for any additional costs or income directly attributable to the individual transaction and not reimbursed to the creditor. They exclude internal administrative costs.
The fair value of financial liabilities issued at other than market conditions is estimated and the difference compared to the market value is taken directly to the income statement.
Liabilities relating to payables to lessors are recognised at the same time as the right-of-use assets, when the leased asset is made available to the Bank: the initial value is calculated by discounting expected future payments using either the implicit interest rate, where available, or the marginal lending rate.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.
Current financial liabilities continue to be measured at the consideration received when the time value of money is negligible.
Lease payables are revalued in the presence of a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate contract.

Derecognition

Financial liabilities are derecognised when they expire or are extinguished.
They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in the income statement.
If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price, with no effect on the income statement.

**12 - Financial liabilities held for trading**

Recognition

The financial instruments in question are recognised at the subscription date or at the issue date at a value equal to the fair value of the instrument, without considering any transaction costs or income directly attributable to the instruments themselves.
This category of liabilities includes, in particular, trading derivatives with negative fair value, as well as implicit derivatives with negative fair value present in complex contracts - in which the primary contract is a financial liability - but not strictly related to them. Moreover, they may include the liabilities arising from short positions in securities trading.

Measurement

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

Derecognition

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is transferred together with substantially all risks and rewards of ownership.

### *13 - Financial liabilities measured at fair value*

None in either 2020 or 2019.

### 14 - Foreign currency transactions

Initial recognition
Upon initial recognition, a foreign currency transaction is translated into the functional currency, which is the currency of the primary economic environment in which an entity operates, using the spot exchange rate in effect on the transaction date.

Subsequent measurement

Foreign currency assets and liabilities are retranslated into Euros at each subsequent reporting date using the following criteria:

- monetary items are retranslated using the closing rates;
- non-monetary items measured at historical cost are retranslated using the transaction-date exchange rates;
- non-monetary items measured at fair value are retranslated using the closing rates.

Exchange rate differences arising from the settlement of monetary items or from the translation at exchange rates other than the initial translation rate or the prior closing rate are recognised in the income statement in the period in which they arise.
When the gain or loss on a non-monetary item is recognised in equity, the exchange rate gain or loss is also taken to equity. However, when the gain or loss is recognised in the income statement, the related exchange rate gain or loss is recognised there too.

### 15 - Other information

#### *Treasury shares*

Any treasury shares in portfolio reduce the carrying amount of equity.
Similarly, their original cost and profits or losses arising from their subsequent sale are recognised in equity.

#### *Accruals and deferrals*

The accruals and deferrals that include income and expenses for the period accrued on assets and liabilities are recognised in the financial statements as an adjustment to the assets and liabilities to which they refer.

#### *Expenses for improvements to third party assets*

Renovation costs of leased buildings are capitalised in view of the fact that for the duration of the lease the user company has control over the assets and can derive future economic benefits from them. These costs, which may be classified as Property, equipment and investment properties or Other assets in accordance with the Bank of Italy instructions, are depreciated over the shorter of the duration of the lease, the latter used to determine the right of use, and the useful life of the capitalised improvement.

#### *Accounting for government grants*

Deutsche Bank accounts for income from government grants associated with interest-bearing assets and liabilities in net interest income when there is reasonable assurance that it will receive the grants and comply with the conditions attached to them.

### *Equity instruments*

Equity instruments are financial instruments that represent a residual shareholding in the bank's assets, net of liabilities.
Equity instruments constitute representative elements of an entity's equity and therefore are included in determining consolidated equity.
To be able to classify an issued financial instrument as equity instruments in the financial statements, there must not be any contractual obligations to make repayments of capital, interest or other returns. More specifically, equity instruments have the following characteristics:

- unlimited duration, in any case equivalent to the duration of the issuer;
- full discretion on the part of the issuer to make coupon payments or to repay the capital, including in advance.

This category includes Additional Tier 1 (AT 1) instruments consistent with EU Regulation no. 575/2013 ("Capital requirements regulations" or CRR) relative to the prudential requirements for credit institutions and investment businesses. In particular, Articles 51 to 55 apply to Additional Tier 1 (AT 1) instruments. In addition to the characteristics described above, these instruments must allow the issuer full discretion in deciding whether to recover the nominal value (write-up) after a trigger event that led to a write-down.
Equity instruments, other than ordinary or savings shares, are shown in item 130. "Equity instruments" under liabilities in the statement of financial position for the amount received, including transaction costs, if significant, that are directly attributable. Coupons, when paid, net of the related tax effect (if calculated), are deducted from item 140. "Reserves". Any difference between the amount paid to extinguish or repurchase these instruments and their carrying amount are recognised in item 140. "Reserves".

### *Post-employment benefits*

Post-employment benefits consist of defined benefit plans with benefits after the employment relationship is terminated, and are therefore subject to actuarial valuation. This estimate includes the projection of future outlays based on historic statistical analyses, demographic curves, and the discounting of said flows based on market interest rates.
The plan service costs are recognised in personnel expense as the sum of contributions paid, prior year accrued contributions not yet paid, expected returns on plan assets and accrued interest.
As required by IAS 19, actuarial gains or losses are fully recognised when they arise in a specific reserve under equity, net of the related deferred taxes.

Following the Italian supplementary pension reform introduced with Legislative Decree no. 252 of 5 December 2005, benefits vested up to 31 December 2006 have been maintained within the company, whereas benefits accruing from 1 January 2007 are allocated to the company/Group's supplementary fund or the INPS (Italian Social Security Institution) treasury fund, depending on the employees' decision taken before 30 June 2007.

### *Employee benefits*

Employee benefits are defined as all types of remuneration paid by the company in exchange for the work performed by the employees.

Employee benefits can be classified into the following categories:
- short-term benefits (other than termination benefits and equity compensation benefits) that are expected to be settled wholly within 12 months after the end of the period in which the employees provide the service and recognised wholly in the income statement when they become vested (e.g. wages, salaries and "extraordinary" benefits);
- post-employment benefits due after the termination of the employment relationship which oblige the company to make future payments to employees. These include severance pay and pension funds which, in turn, are divided into defined contribution plans and defined benefit plans or company pension funds;
- employee termination benefits, i.e., compensation that the company pays to employees in return for terminating their employment, following the company's decision to conclude their employment relationship before the normal retirement date;

- long-term benefits, other than the previous ones, which are not expected to be fully extinguished within the twelve months following the end of the year in which the employees performed their work.

***Revenue recognition***

Revenues can be recognised:
- at a specific time, when the entity fulfils its obligation to perform by transferring the promised good or service to the customer, or
- over time, as the entity fulfils its obligation to perform by transferring the promised good or service to the customer.

The asset is transferred when, or during the period in which the customer acquires control of it.
Specifically:
- interest paid is recognised on a pro rata basis, using the contractual interest rate or the effective interest rate when the amortised cost model is applied; The item interest income (or interest expense) also includes the differentials or margins, positive (or negative), accrued up to the reporting date, related to financial derivative contracts hedging assets and liabilities that generate interest;
- any contractually provided for default interest is recognised in the income statement only when actually collected;
- dividends are recognised in the income statement during the year when their distribution is approved;
- fees for revenues from services are recognised, in compliance with contractual agreements, if any, in the period in which the services are provided. The commissions considered in the amortised cost for the purpose of determining the effective interest rate are recognised under interest;
- revenues from the sale of financial instruments, determined by the difference between the consideration paid or received for the transaction and the fair value of the instrument, are recognised in the income statement at the time the transaction is posted if the fair value can be determined with reference to official prices available on active markets, or for assets and liabilities measured on the basis of valuation techniques that use observable market parameters other than the quoted prices of the financial instrument (level 1 and level 2 of the fair value hierarchy). If the reference parameters used for the valuation are not observable on the market (level 3) or the instruments themselves have reduced liquidity, the financial instrument is recognised for an amount equal to the transaction price; the difference with the fair value is recognised in the income statement over the duration of the transaction;
- gains and losses arising from the trading of financial instruments are recognised in the income statement when the sale is completed, based on the difference between the consideration paid or received and the carrying amount of the instruments;
- revenues deriving from the sale of non-financial assets are recognised when the sale is finalised, or when the obligation to perform towards the customer is fulfilled.

Costs are recognised in the income statement according to the accrual principle; the costs incurred to obtain and perform contracts with customers are recognised in the income statement in the periods in which the related revenues are reported.
In particular, with regard to the assets recognised against the costs of obtaining or performing the contract with the customer, to be noted are the monetary incentive payments, deemed as significant, made to customers in order to obtain managed funding contracts. These monetary incentives are accounted for as a direct reduction of commission income and are spread over a period deemed to reflect the length of time the client has been with the bank, which at this reporting date was determined to be five years. In case of exit/redemption by the customer before five years, the residual portion not yet amortised is charged to the income statement.
Please refer to Section 13 of Part B of the Notes to the Financial Statements for quantitative information on this type of assets recognised for the purpose of obtaining contracts.

The accounting standard IFRS 15, "Revenue from Contracts with Customers", identifies a five-step process to define the timing and amount of revenue to be recognised, of which the main elements are summarized.

*Step 1 - Identification of the contracts with customers*
A contract is an agreement between two or more parties that results in legally enforceable obligations and rights. As a general rule, individual contracts must be recognised separately, however, multiple contracts stipulated at the same time with the same customer (or with parties related to the customer) should be aggregated, provided they satisfy certain conditions.

*Step 2 - Identify the performance obligations in the contract*
Performance obligations are contractual commitments consisting of providing a customer a good or service. The entity must identify the distinct performance obligations envisaged in the contract, as IFRS 15 requires that the revenue is recognised upon fulfilment of the individual performance obligations.

*Step 3 - Determine the transaction price*
The transaction price is the consideration to which the entity expects to be entitled in exchange for providing goods or services to a customer. The transaction price, in certain cases, consists of a fixed amount, in other cases, the price may vary depending on elements such as discounts, incentives and bonuses. Variable consideration may be included in the estimate of the transaction price only if it is "highly likely" that in subsequent years the entity will not have to reduce the estimated amount of said variable consideration.

*Step 4 - Allocate the transaction price*
The transaction price must then be allocated to the individual performance obligations based on the prices to which the individual goods or services could be sold separately. The best representation of these values is given by the price at which the goods or services are sold separately by the entity. If these sales prices do not exist, the entity must make an estimate based on an approach that maximises the use of observable input data.

*Step 5 - Recognise revenue when the performance obligation is satisfied*
The entity must recognise revenue when the performance obligation is satisfied. A performance obligation is satisfied when control of the goods or services (the asset) underlying said obligation is transferred to the customer. Control is defined as the "ability to direct the use of and obtain substantially all of the remaining benefits from the asset". A performance obligation may be satisfied in a specific moment (typical for commitment to provide goods to the customer) or across a time horizon (generally in the case of providing services to a customer).

***Use of estimates and assumptions in the preparation of the Financial Statements***
The general criteria followed by the Bank's management in its estimation processes are outlined below. As regards the impact of the COVID-19 pandemic crisis on the estimates and valuations adopted for the 2020 Consolidated Financial Statements, reference should be made to the initial sections of Part A of the Notes to the Financial Statements.

Preparation of the financial statements entails using estimates and assumptions that may significantly affect the carrying amounts in the statement of financial position and the income statement and on the disclosures about contingent assets and liabilities.
Preparation of estimates implies the use of available information and adoption of discretional judgements, which are also based on past experience, to formulate reasonable assumptions that are suitable to present group transactions. By their nature, estimates and assumptions may vary from year to year and it cannot be excluded that carrying amounts may differ significantly from one year to another due to changes in the subjective evaluations used.

The financial statements areas most affected by discretional judgement by management are as follows:
– determination of impairment losses on loans and receivables, equity investments and other financial assets in general;
– the use of valuation models to determine the fair value of financial instruments that are not listed in an active market (levels 2 and 3, based on the fair value hierarchy provided for by the IFRS);
– assessment of the adequacy of the carrying amount of goodwill and other intangible assets with indefinite lives;
– determination of employee benefits and provisions for risks and charges;
– definition of the annual amortisation and depreciation rates for assets with a finite useful life;
– estimates and assumptions about the recoverability of deferred tax assets.

For some of the above cases, the main factors that are estimated by the bank and therefore affect the determination of the carrying amount of assets and liabilities are set out below.
For the determination of the fair value of financial instruments not listed on active markets, if it is necessary to use parameters that are not observable in the market, the main estimates concern, on the one hand, the development of future cash flows (or even income flows, in the case of equities), possibly conditioned by future events and, on the other hand, the level of certain input parameters not listed on active markets.
For the allocation in the three credit risk stages provided for in IFRS 9 of receivables and debt securities classified under Financial assets at amortised cost and Financial assets at fair value through other comprehensive income and the calculation of the related expected losses, the main estimates concern:
- the determination of the parameters for a significant increase in credit risk, essentially based on models for measuring the probability of default (PD) at the origination of the financial assets and at the reporting date;
- the inclusion of forward looking factors, including macroeconomic ones, for the determination of PD and LGD;
- the determination of the probability of selling impaired financial assets by realising the positions on the market.

In determining estimates of future cash flows from impaired loans, factors such as expected recovery times, the estimated realisable value of any guarantees, and the costs estimated to be incurred in recovering the loan exposure are considered.
For the quantification of the provisions for pensions and similar obligations, the present value of the obligations is estimated, taking into account the flows, appropriately discounted, deriving from historical and statistical analyses, as well as the demographic curve.
In order to quantify the provisions for risks and charges, the amount of the disbursements necessary to fulfil the obligations is estimated – where possible – taking into account the actual probability of having to use resources.
For the valuation of deferred tax items, the probability of actual future taxable income is estimated (taxable temporary differences) and the degree of reasonable certainty – if any – of future taxable amounts when tax deductibility will occur (deductible temporary differences and tax loss carried forward).

***The classification criteria of financial assets***

The classification of financial assets into the three categories required by the standard depends on two classification criteria: the business model under which the financial instruments are managed and the contractual characteristics of the financial assets' cash flows (or SPPI test).
With the joint application of the two aforementioned criteria, the classification of financial assets is determined as follows:
- Financial assets measured at amortised cost: assets that pass the SPPI test and fall within the Hold to collect (HTC) business model;
- Financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and are under the Hold to collect and sell (HTCS) business model;
- Financial assets at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the contractual flow characteristics test (SPPI test not passed).

*SPPI test*
In order for a financial asset to be classified at amortised cost or FVOCI, in addition to the business model analysis, the contractual terms of the asset must provide for cash flows at specified dates consisting solely of principal repayments and interest payments on the principal amount due ("solely payment of principal and
*interest* - SPPI). This analysis must be carried out, in particular, for loans and debt securities.
The SPPI test is carried out on each individual financial instrument, at the time of recording in the financial statements.

After initial recognition, and as long as it is recognised in the financial statements, the asset is no longer subject to new valuations for the purpose of the SPPI test. If a financial instrument is derecognised and a new financial asset is recognised, it is necessary to carry out the SPPI test on the new asset.

For the purpose of the practical application of the SPPI test, IFRS 9 provides the definitions of:
- Capital, is the fair value of the financial asset upon initial recognition. This value may change during the life of the financial instrument, for example as a result of repayments of part of the principal;
- Interest, is the consideration for the time value of money and for the credit risk associated with the capital outstanding in a given period of time. It may also include remuneration for other basic risks and costs associated with lending and a profit margin.

In assessing whether the contractual flows of a financial asset can be defined as SPPI, IFRS 9 adopts the general concept of "basic lending arrangement", which is independent of the legal form of the asset.

When the contractual clauses provide for exposure to risks or volatility of contractual cash flows that are inconsistent with the definition of basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual flows do not comply with the definition of SPPI. The application of the classification criterion based on contractual cash flows sometimes requires a subjective judgment and, therefore, the definition by the bank of internal application guidelines.

In cases where the time value of money is modified – for example, when the interest rate of the financial asset is periodically reset, but the frequency of the reset or the frequency of coupon payments do not reflect the nature of the interest rate (e.g. the interest rate is reset quarterly on the basis of a one-year rate) or when the interest rate is periodically reset on the basis of an average of particular short- or medium/long-term rates – the bank must assess, using both quantitative and qualitative elements, whether the contractual flows still meet the definition of SPPI (the "benchmark cash flows test"). If the test shows that the contractual (undiscounted) cash flows are "significantly different" from the cash flows (also undiscounted) of a benchmark instrument (i.e. without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

In contexts such as securitisation transactions, particular analyses (so-called "look through tests") are required by the standard and are therefore also implemented for multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and for non-recourse assets, for example when the claim can only be asserted against certain assets of the debtor or against cash flows originating from certain assets.

The presence of contractual clauses that can change the frequency or the amount of the contractual cash flows must also be considered to assess whether these flows comply with the requirements to be considered SPPI (for example prepayment options, possibility of deferring the expected cash flows contractually, instruments with embedded derivatives, subordinated instruments, etc.).
However, as required by IFRS 9, a characteristic of contractual cash flows does not affect the classification of the financial asset if it can only have a *de minimis* effect on the contractual cash flows of the financial asset (in each year and cumulatively). Similarly, if a cash flow feature is not genuine, that is, if it affects the contractual cash flows of the instrument only upon the occurrence of an extremely rare, highly unusual and highly unlikely event, it does not affect the classification of the financial asset.

*Business model*
With regard to the business model, IFRS 9 identifies three cases in relation to how cash flows and sales of financial assets are managed:
- Hold to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the associated portfolios. The inclusion of a portfolio of financial assets in this business model does not necessarily imply the impossibility of selling the instruments even if it is necessary to consider the frequency, value and timing of sales in previous years, the reasons for the sales and the expected future sales;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved through the collection of the contractual cash flows of the financial assets in the portfolio and (also) through a sales activity which is an integral part of the strategy. Both activities (collection of contractual flows and sales) are essential for achieving the objective of the business model. Therefore, sales are more frequent and significant than an HTC business model and are an integral part of the strategies pursued;
- Others/Trading: this is a residual category which includes both financial assets held for trading purposes and financial assets managed with a business model not attributable to the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification is applied to a portfolio of financial assets whose management and performance are measured on the basis of fair value.

The business model reflects the ways in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management through the appropriate involvement of the business structures.
It is observed by analysing the way financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows are derived from the collection of contractual flows, the sale of financial assets or both.
The valuation is not based on scenarios that the bank reasonably expects will not occur, such as "worst case" or "stress case" scenarios. For example, if an entity expects to sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the measurement of the entity's business model for those assets if said scenario, based on the entity's reasonable expectations, is not likely to occur.
The business model does not depend on the intentions of the bank's management with respect to a single financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a certain business objective.

In summary, the business model:
- reflects the ways in which financial assets are managed to generate cash flows;
- is defined by top management, with the appropriate involvement of the business structures;
- must be observable considering the methods used to manage financial assets.

In operational terms, the assessment of the business model is carried out in line with the corporate organization, the specialization of the business functions, the risk cascading model and the assignment of delegated powers (limits).
In carrying out the assessment of the business model, all the relevant factors available at the date of the assessment are used.
The aforementioned evidence includes strategy, risks and their management, remuneration policies, reporting and amount of sales. In analysing the business model, it is essential that the investigated elements investigated show consistency with each other and in particular are consistent with the strategy pursued by the bank.
Any evidence of activities not in line with the strategy must be analysed and adequately justified.

For the Hold to Collect portfolios, the Group has defined the admissibility thresholds for sales that do not invalidate the classification (frequent but not significant, individually and in aggregate, or infrequent even if of a significant amount) and, at the same time, the parameters to identify sales consistent with this business model as they can be attributed to an increase in credit risk.
In more detail, under an HTC business model sales are allowed:
- in the event of an increase in credit risk, which occurs, in the case of loans, if there are sales of impaired loans or loans classified as stage 2;
- when they are frequent but not significant in terms of value or occasional even if significant in terms of value.
In order to determine the above, frequency and significance thresholds have been defined.
In cases where either of the frequency or significance thresholds is exceeded, an additional judgement is made in order to confirm the consistency of HTC's business model (e.g. to assess whether sales are made close to the deadline).

**Method of determining the amortised cost**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability was initially recognised, net of principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of the differences between the initial amount and the amount at maturity, net of any impairment losses.
The effective interest rate is the rate that equates the present value of a financial asset or liability to the contractual flow of future payments in cash or received until maturity or the subsequent price recalculation date. The present value is calculated using the effective interest rate for the flow of future collections or payments over the entire life of the financial asset or financial liability or over a shorter period if certain conditions are met (e.g. revision of market rates).
After the initial recognition phase, the amortised cost makes it possible to allocate revenues and costs which decrease or increase the instrument over its entire expected life through the amortisation process.
The determination of amortised cost differs depending on whether the financial assets/liabilities being measured are at fixed or floating rates and – in the latter case – on whether the variability of the rate is known in advance.

For fixed rate or time-based instruments, future cash flows are quantified based on the interest rate set (single or variable) over the life of the loan. For floating-rate financial assets/liabilities whose variability is not known in advance (e.g. because it is linked to an index), cash flows are determined on the basis of the last known rate. At each rate revision date, the amortisation plan and the effective rate of return are recalculated over the entire useful life of the instrument, i.e. up to the expiry date.
The adjustment is recognised as a cost or income in the income statement.
The valuation at amortised cost is carried out on financial assets measured at amortised cost and on those measured at fair value through other comprehensive income, as well as on financial liabilities measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at their fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, all directly attributable transaction costs and fees.
Transaction costs are the marginal external costs and income attributable to the issue, acquisition or disposal of a financial instrument, net of expense components recharged to the customer.

Such costs and/or fees, which must be directly attributable to the individual financial asset or financial liability, affect the original effective yield and make the effective interest rate associated with the transaction different from the contractual interest rate.
The costs/income relating to several transactions and the components related to events that may occur during the life of the financial instrument, but which are not certain at the time of the initial definition, are excluded, such as for example: fees for retrocession, non-use, early repayment.
Furthermore, costs that the company would have to incur independently of the transaction, such as administrative, stationery and communication costs, or costs that, although specifically attributable to the transaction, are part of the company's normal lending practices (e.g. activities related to the provision of credit) are not included in the calculation of amortised cost.

With particular reference to receivables, the fees paid to the distribution channels, those paid for consultancy/assistance for the organization and/or participation in syndicated loans are considered costs attributable to the financial instrument.
Amortised cost also applies to the measurement of impairment of the financial instruments listed above as well as to the recognition of any financial instruments issued or purchased at a value other than their fair value.

The latter are recorded at fair value, rather than for the amount collected or paid, calculated by discounting future cash flows at a rate equal to the effective rate of return of similar instruments (in terms of creditworthiness, contractual maturity, currency, etc.), with simultaneous recognition of a financial expense or income in the income statement; subsequent to initial measurement, they are valued at amortised cost, with actual interest higher or lower than nominal interest.
Finally, structured liabilities that are not measured at fair value through profit or loss are also measured at amortised cost, as the derivative contract embedded in the financial instrument was separated and recognised separately.

As indicated by IFRS 9, in some cases, a financial asset is considered impaired at the time of initial recognition since the credit risk is very high and, if purchased, it is acquired at large discounts (compared to the initial disbursement value ). If the financial assets in question, based on the application of the classification criteria (i.e. SPPI test and Business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as "Purchased or Originated Credit Impaired" assets (in short, "POCI") and are subject to a special treatment with regard to the impairment process.
A credit-adjusted effective interest rate is calculated on financial assets that qualify as POCI at the date of initial recognition, for which it is necessary to include initial expected losses in cash flow estimates. Therefore, for the application of the amortised cost, and the consequent calculation of the interest, this credit-adjusted effective interest rate is applied.
In addition, measurement at amortised cost does not apply to financial assets/liabilities with an original maturity of up to one year whose short maturity implies that the economic effect of discounting is negligible, nor to loans without a defined or with a revocable maturity.

**Methods for determining impairment losses**

Impairment of financial assets, impaired assets

At each reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment to determine whether there is any evidence that the carrying amount of the asset may not be fully recoverable. A similar analysis is also carried out for the commitments to disburse funds and for the guarantees issued that fall within the scope of impairment pursuant to IFRS 9.

If such evidence exists (impairment evidence), the financial assets in question – consistent, where applicable, with all remaining financial assets belonging to the same counterparty – are considered impaired and placed in stage 3.

The bank has aligned its internal definition of default with the regulatory definition established by the CRR in Article 178: credit exposures considered to be in default are assigned to stage 3 for the purpose of calculating risk provisions.
For these credit exposures, consisting of financial assets classified – pursuant to Bank of Italy Circular no. 262/2005 (as amended) – as non-performing loans, probable defaults and exposures past due for more than 90 days, value adjustments must be recognised equal to the expected losses over their entire residual life.

Impairment of performing financial assets

For financial assets for which there is no evidence of impairment (non-impaired financial instruments), IFRS 9 requires an assessment of whether there are indicators that the credit risk of the individual transaction has significantly increased since initial recognition.

The consequences of this assessment, from the point of view of classification (or, more properly, of the so-called staging) and evaluation, are the following:
- where such indicators exist, the financial asset is transferred to stage 2. In this case, even in the absence of a manifest impairment loss, the valuation requires the recognition of value adjustments equal to the expected losses over the entire residual life of the financial instrument. These adjustments are reviewed at each subsequent reporting date both to periodically verify their appropriateness with respect to the constantly updated loss estimates and to take into account – in case the indicators of a "significantly increased" credit risk cease to exist – the changed forecasting horizon for the calculation of the expected loss;
- where these indicators do not exist, the financial asset is transferred to stage 1. In this case, the valuation, again in the absence of manifest impairment, requires the recognition of expected losses for the specific financial instrument over the following twelve months. These adjustments are reviewed at each subsequent

reporting date both to periodically verify their appropriateness with respect to the constantly updated loss estimates and to take into account – in case indicators of a "significantly increased" credit risk appear – the changed forecasting horizon for the calculation of the expected loss.

As regards the valuation of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset under valuation in stage 2), the elements that - according to the standard and its operational application carried out by the Deutsche Bank Group - constitute the main determinants are indicators linked to ratings and risk management processes:

c) as regards the indicators linked to ratings, changes in the probability of default (PD) of a counterparty are observed on a relative basis; in particular, the customer's PD "lifetime" assigned at the time of the initial disbursement of the loan is compared with that measured at the time of the valuation for reporting purposes; if changes are identified that are higher than pre-established levels defined by Group policy, the financial asset is considered "significantly impaired" and therefore assigned to stage 2.
d) As regards the indicators linked to risk management processes, the Group has defined as relevant situations for the purposes of assigning a loan to stage 2 those related to forbearance (credit granting measures), the start of recovery/recovery activities (work-out status), and the inclusion of the position in credit monitoring systems (so-called "watch-lists").
e) As a backstop measure, the relative presumption of more than 30 days past due under IFRS 9 is used as the situation in which a significant deterioration of credit risk occurs.

<u>Credit expected lifetime</u>

The expected duration (or lifetime) of a credit is a determining factor for the calculation of the expected losses over its entire life: these losses represent the events of default over the expected duration of a financial asset. The Deutsche Bank Group measures expected credit losses by considering the risk of default that could occur during the maximum contractual period (including term extension options in favour of the borrower) in which it is exposed to credit risk.
Technical forms such as overdrafts, credit card-related exposures, and revolving loans to corporate customers typically consist of a cash exposure and an unused portion of the exposure. The expected lifetime of these revocable loans on demand exceeds their contractual maturity because exposures are normally withdrawn when the Bank determines that the risk has increased beyond a predefined level. Therefore, the expected duration is estimated considering both the historical series and the usual risk management activities such as the reduction and the revocation of credit limits. In cases where credit lines of this type are subject to a periodic annual review, the life expectancy for calculating losses is set at twelve months; for other revocable credit facilities not subject to review on an individual basis, Deutsche Bank applies an expected duration of twenty-four months for the purpose of calculating the risk provision.

<u>Forecast of future economic conditions</u>.

As required by IFRS 9, the calculation of expected credit losses must be based, *inter alia*, on reasonable and demonstrable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
In order to incorporate the forecast element in the calculation of the provision for credit risks, the Deutsche Bank Group uses two main elements:

- the macroeconomic forecasts provided centrally by the "DB Research" study and research office are used as a basic scenario; these forecasts cover a number of relevant macroeconomic variables (e.g. GDP, unemployment rate, interest rate level) and reflect DB Research's view of the most likely evolution of these variables over a two-year period (with quarterly updates). If there are no reliable economic forecasts, rating migration matrices based on the through-the-cycle approach are used.
- The base scenario is then converted into a multi-scenario analysis using the calculations prepared for the regulatory stress test calculations. These calculations provide the impacts on multiple forecasted economic scenarios and are used as the basis for the calculation of probability of default curves on a multi-period basis for different classes of counterparties; these curves are used in the analyses for verifying the transition to Stage 2 (significant increase in credit risk) and the subsequent calculation of expected losses over the expected life of the credit.

The rating migration matrices are applied to the various loan portfolios that fall within the scope of application of IFRS 9 and are divided into the following classes of counterparties: retail, financial institutions, midcaps, corporate and "sovereign" risk.

<u>Estimation techniques, assumptions and inputs used to calculate the expected losses</u>

IFRS 9 does not differentiate between individually significant and non-significant credit exposures, therefore Deutsche Bank calculates the expected credit losses for each financial asset individually; similarly, the analysis for the transition between the different risk stages (staging) is performed on an individual basis.

Three main parameters are used to calculate expected credit losses (ECL):
- probability of default (PD),
- loss given default (LGD),
- exposure at default (EAD).

In developing the models for calculating the IFRS 9 risk provision, the DB Group has used, to the maximum extent possible, what was already available for the three parameters mentioned above in the systems in use for calculating regulatory capital and capital requirements for credit risk (internal models).
Although Deutsche Bank S.p.A. currently uses the standard model for calculating credit risk for regulatory purposes in Italy, it contributes to the input data for Deutsche Bank AG's central models that calculate capital and risk for Basel III purposes on the basis of the advanced internal approach, AIRBA.
The Deutsche Bank AG Group has centrally developed the methodologies for calculating the provision for credit risks pursuant to IFRS 9: the calculation engines and the models developed ensure the calculation of the risk provision at individual legal entity level for each of the Group companies, based on input data provided by them.
The estimation techniques used by the DB Group to determine the three main input factors for the calculation of the provision for risks (PD, LGD and EAD) are detailed below.

The one-year PD, relevant for the calculation of the 12-month ECL of credits in stage 1, is derived from the internal rating calculation system. The Group assigns a PD to each counterparty with credit exposure using a 21-rating scale. The assigned counterparty ratings are derived from internal models that detail specific and consistent calculation criteria for each customer. The set of criteria used is generated by the set of information relevant to the respective customer segments, including borrower performance and behavioural data, financial statement and budget data, external and market information.
The methods in use vary from statistical credit-scoring models to those of the expert based type, always with the use of both qualitative and quantitative information available.
Expert-based models are typically used for counterparties in the following exposure classes, "Governments and Central Banks", "Financial Institutions" and "Corporate Clients"; for the latter segment, statistical models are also used if a sufficiently large database is available.
Statistical models and hybrid models that combine the two methods mentioned are used for the "Retail" segment.

PDs calculated on a uni-period basis (at 12 months) are further extended as multi-period PD curves by means of conditional matrices. The first step in the estimation process is the calculation of "through-the-cycle" (TTC) matrices which are derived from the historical series of the ratings. Economic forecasts are available for the next two years and are used to transform the TTC matrices into point-in-time (PIT) rating migration matrices. The calculation of the PIT matrices is carried out using the modelling available for stress tests (DB CDE, credit default engine). The macroeconomic variables are related to the behaviour of the counterparties in terms of rating and default in order to obtain rating migration matrices from which to derive the probability of default.
The calculations are made on the basis of a multiplicity of economic scenarios obtained on the basis of the statistical distribution of macroeconomic factors.

The "loss given default" (LGD) parameter measures the percentage of expected loss in the event of a counterparty's default, i.e. the estimate of the part of the credit exposure that will not be recovered by the bank. From a conceptual point of view, LGD estimates are independent of the probability of default of a counterparty. LGD calculation models ensure that the main loss factors are reflected in specific LGD factors: different quality levels and types of collateral, categories of customers and technical forms, and levels of seniority of the credit claimed by the bank.

The models used by the DB Group provide for the assignment of specific LGD parameters based on the type of guarantee/collateral received by the customer at the related guaranteed exposures. The values of the guarantees received are prudently subject to the calculation of a haircut.
Furthermore, as a general rule, the LGD values used for unsecured exposures can never be lower than those assigned to collateralised exposures.
The calculation of exposure at default (EAD) over the expected life of a financial asset is modelled by considering the expected profile of payments and repayments. The Group uses specific credit conversion factors (CCFs) for guarantees issued and assumed obligations in order to calculate the related EAD.

Conceptually, EAD is defined as the expected amount of a counterparty's credit exposure at the time of its default.

In cases where the loan transaction includes a part of the outstanding exposure, a portion of the unused credit line is added to the cash credit in order to more fully reflect the expected exposure at the time of default. In fact, it is expected that in the event of default the use of the credit line still available by the customer may increase.
The calibration of parameters such as credit conversion factors is based on historical series and statistical calculations as well as on the categories of counterparties and technical forms of credit lines.

Estimation of expected losses in the presence of collateral assets

IFRS 9 requires that the expected cash flows deriving from the enforcement of the collaterals pledged to loans be considered when calculating the expected losses (ECL).
The valuation and calculation models used by the DB Group consider, in particular, the following key aspects relating to the guarantees and collateral received:

- eligibility of collateral, i.e. which types of collateral can be considered for the calculation of ECLs;
- valuation of the collateral, i.e. which value must be used to estimate collections;
- projection of the value of the collateral over the life of the collateralised transaction.

*Eligibility of collateral*
The treatment and valuation of collateral for the purposes of applying IFRS 9 are consistent with the general principles of risk management and with the policies and processes adopted by the Group.
It follows that the eligibility and utilisation of collateral values must be based on the established methodologies and processes in place as applied for the Economic Capital Calculation Model (Basel Pillar II) and for the former calculation of the risk provisions according to IAS 39.
The eligibility and valuation of collateral is based on risk management standards defined by the policies: in particular, the Group's Global collateral policy defines the valuation processes, which include forward-looking elements. The assessments of the guarantees are reviewed at least annually, usually at the time of the credit review or update of the rating. If necessary, the guarantees are reviewed upon the occurrence of specific events related to the counterparty or the type of collateral received.

*Valuation process*
The valuation of collateral is carried out on a liquidation basis, where liquidation value is defined as the expected net cash flow resulting from the process of monetising the collateral in a base case scenario: in this context, a fair value of the collateral is determined as an expression of an orderly recovery process aimed at maximising the achievable value.
Collaterals can have values that vary over time ("dynamic value") or that are fixed ("static value"). The liquidation values considered for collateral with dynamic value discount a conservative haircut from the realisable value to cover liquidity and marketability issues.

The DB Group policies require that liquidation values be assigned to eligible collateral taking into account aspects such as:

- the market value, the loan value, the notional value or the nominal value as the starting point in the valuation process;
- the type of collateral, any mismatch between the currency of denomination of the loan and the related collateral or between the maturity of the loan and the collateral;
- the legal and regulatory framework of reference (guarantees to be enforced in foreign countries on the basis of national laws);
- the market liquidity and price volatility, to be related to the contractual clauses for the early termination of the loans;
- the correlation between the economic performance of the debtor and the value of the collateral received, e.g. in the case of a pledge of shares or bonds of the financed company (in the presence of a full correlation, it is possible to reach a zero value of the collateral and therefore of the realisable value);
- the litigation risks associated with the enforcement of guarantees; the quality of physical collateral such as industrial plants and related environmental risks;
- *the haircuts* specific by type of collateral governed by ad-hoc policies (from 0% to 100%) that reflect recovery risks. E.g. the risks of fluctuations in the market price of assets received as collateral during the average liquidation period thereof.

The definition of haircut percentages is normally based on the historical series of recoveries, in addition to taking into account forward-looking elements on actual recovery possibilities and market price developments. If sufficiently reliable estimates are not reached or the data are not sufficient, haircuts are further strengthened.
Revision of the applied haircuts is expected at least on an annual basis.

*Projection of the value of the collateral over the life of the transaction*

As part of the calculations carried out by the engine for calculating expected losses over the expected duration of the loans, the levels of collateralisation available at different points in the life of the loans are considered.
The distribution of the values of the guarantees at the reporting date forms the basis for the projection of the values of future collateralisation levels. Therefore, no additional collateral available at future points in the life of the loan is considered.
Regarding the distribution of the values of the guarantees over the life of the loans, the ECL calculation engine uses the following assumptions for the valuation of collaterals:

- if the actual exposure remains constant over the duration of the loan, it is assumed that the value of the collateral will also remain fixed at all times over the life of the financial asset;
- in the event of partial collateralisation that is combined with a decreasing credit exposure (e.g. mortgage loans or loans with annual repayment) the calculation engine projects the levels of guarantee as follows
    - for personal guarantees, it is assumed that the relative level of collateralisation remains stable over time. In this case, the value of the exposure and that of the guarantee decrease together until maturity;
    - for guarantees other than personal, the calculation engine assumes that the value of the guarantee remains constant. In such cases the secured part of the credit increases over time and, possibly, a fully secured situation may arise before maturity.

The guarantees are considered only to the extent that they are available to the Bank; if the maturity of the collateral received is prior to that of the loan granted, the value of the guarantee is zeroed at its maturity and therefore from that time the credit becomes unsecured (in whole or in part).

***Business Combinations***

A business combination is recognised as such in the financial statements when the Group obtains control over an entity (or a group of integrated businesses and assets that are managed together). In this regard, reference should be made to IFRS 3. The transfer of control, as provided in IAS 27, occurs in the following cases, in which the Group:

- acquires more than half of the voting power of an entity;
- acquires an interest representing less than half of the voting rights of another undertaking, but which nevertheless makes it possible to obtain control of the latter because one has the power: (i) over more than half of the voting rights by virtue of an agreement with other investors; (ii) to govern the financial and operating policies of the entity under a statute or an agreement; (iii) to appoint or remove the majority of the members of the governing body that manages the entity; or (iv) to obtain the majority of votes at meetings of the governing body that manages the entity.

IFRS 3 requires that an acquirer is identified for each business combination, which is the party that obtains control of the other entity or businesses.
When the party that obtains control cannot be identified using the definition set out above (for example, if the business combination is carried out through an exchange of equity instruments), other factors are considered to identify the acquirer, such as the entity whose fair value is significantly higher, the entity that pays cash consideration or that issues new shares.

The acquisition and, hence, the acquiree's first consolidation are recognised when the acquirer obtains control of the entity or businesses acquired.
When a business combination is carried out through a single exchange, the exchange date is usually the acquisition date. In any case, a check of any other agreements between the parties entailing the transfer of control before the exchange date is always required.
The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree.

For transactions settled in cash (or cash equivalents), the cost is the consideration defined between the parties, possibly discounted if it is paid in instalments over a period exceeding the short term. If the transaction is settled other than in cash, therefore by issuing equity instruments, the cost is equal to the fair value of the instruments given, less the costs directly attributable to their issue.
When the instruments given are shares listed on active markets, their fair value is the acquisition-date published price or, if unavailable, the latest published price available.
When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer should include the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable, can be measured reliably and will be realised within twelve months of the acquisition date. Subsequent payments to the seller as compensation for a reduction in the value of the assets are not included as they have already been considered in the fair

value of the equity instruments or as a reduction/increase in the issue premium/discount in the case of first issue of debt instruments.

The costs related to a business combination are those costs directly attributable to the combination, such as professional fees paid to accountants, legal advisers, valuers and other consultants to check the accounts (due diligence) and prepare information memoranda where required by the law, and the costs incurred to register and issue debt or equity instruments.

The acquirer should recognise the costs related to the business combination as expenses when the costs are incurred and the services received, except for the costs incurred to issue equity or debt instruments which are to be recognised in line with the provisions of IAS 32 and IFRS 9.
Business combinations are accounted for by applying the purchase method, whereby the identifiable assets acquired (including any intangible assets that the acquiree did not recognise) and identifiable liabilities assumed (including contingent liabilities) are recognised at their acquisition-date fair values.
Any excess of the cost of the business combination over the fair value of the identifiable assets and liabilities is recognised as goodwill and allocated to the cash-generating units identified within the company/Group. If the cost is lower than the value of the assets and liabilities transferred, the difference (badwill) is recognised as revenue in profit or loss.

The fair value of the acquiree’s assets, liabilities and contingent liabilities can be measured provisionally at the reporting date of the year in which the business combination is carried out and should be completed definitively within twelve months of the acquisition date.
When a business combination is achieved in stages, the acquirer should remeasure the carrying amount of the previously held equity investment in the acquired company at the related acquisition-date fair value and recognise any difference compared to the previous book value in the income statement. Upon acquisition of control, the overall goodwill is then remeasured on the basis of the acquisition-date fair values of the identifiable assets and liabilities of the acquired company.

IAS/IFRS refer to the "economic entity theory", whereby the consolidated financial statements are the financial statements of a group presented as those of a single economic entity, which is considered as a party economically independent of the parent company that exercises control.
Therefore, considering the Group as a whole, the positive (negative) difference between the acquisition cost and the carrying amount of the acquired minority interests is recognised as a decrease (increase) in equity: the variation is recorded in non-controlling interests offsetting equity captions pertaining to the parent company, charging (crediting) the additional difference between the purchase price and the non-controlling interest shares as an adjustment to available reserves.
Similarly, if non-controlling interests are sold without losing control, the transaction does not affect the income statement but only the Group's equity.

Under IFRS 3, the following transactions cannot be classified as business combinations:
- the acquisition of an asset or a group of assets that does not constitute a business;
- the acquisition of temporary control;
- business combinations carried out for restructuring purposes, therefore among two or more than two entities or businesses that are already part of the same group and that do not entail a change in the controlling structure, regardless of the percentage of non-controlling rights before and after the transaction (a combination between entities or businesses under common control).

Under the IFRS approach, these transactions have no economic substance. Therefore, lacking specific guidance in the standards issued by the IASB and in accordance with IAS 8, which states that when there is no specific standard, an entity shall apply its judgement in the adoption of a standard that provides relevant, reliable and prudent disclosure and reflects the economic substance of the transaction, the above-mentioned business combinations are accounted for in the acquirer’s financial statements at the same carrying amounts stated in the acquiree’s financial statements.

Mergers are considered business combinations and are, moreover, the most complete form thereof, since they combine the merged parties both economically and legally.
"True mergers", i.e., those carried out by incorporating a new legal entity or merging an existing entity into another, are treated using the above-mentioned criteria for consolidated financial statements purposes. Specifically:
– if the transaction entails the transfer of control of an entity, it is treated as a business combination in accordance with IFRS 3;
– if the transaction does not entail the transfer of control, it is accounted for using the same carrying amounts presented in the merged entity’s financial statements.

***Segment reporting***

Disclosures about the operating segments have been prepared in accordance with the "managerial approach" provided for by IFRS 8, whereby operating segments shall be presented on the basis of the operating results that are regularly reviewed by the entity's chief operating executive to make decisions about resources to be allocated to the segment and assess its performance.
The operating and organisational policies of the Deutsche Bank Group in Italy are described below. These policies are in line with those applied at a global level by the other companies of the Deutsche Bank AG Group.

*Operating segments*
The following operating segments reflect the Group's organisational structure as set out in internal management reports.
The Group's segment reporting reflects the organisational structure of the internal management reporting systems, on which the assessment of the financial performance of the business segments and the allocation of resources to them are based. In general, reclassifications resulting from changes in the organisational structure are included in the presentation of comparative figures for previous periods when considered in the Group's management reporting systems.

The organisational structure of the DB AG Group is divided into four main business divisions, in addition to a unit responsible for the disposal of non-core activities.
At 31 December 2020, the operating segments were as follows:
- Corporate Bank,
- Private Bank,
- Investment Bank,
- Asset Management

in addition to the Capital Release Unit (CRU).

This divisional organization has been implemented at the DB AG Group level since the beginning of the third quarter of 2019 as a result of the announcement of the new strategy communicated to investors on 8 July 2019.
The significant aspects of the current sector structure can be summarised as follows:
**Corporate Bank (CIB)** – this division provides financing, lending and transaction banking services to corporate and commercial customers;
**Private Bank** – this division includes the sectors that work with private retail customers, as well as carrying out wealth management (WM) activities offered to high net worth individuals, foundations and professional companies operating in the WM sector;
**Investment Bank** – this division operates in the debt capital market, leveraged finance, advisory, structured finance, asset backed securities and commercial real estate sectors;
**Asset Management** – this division performs asset management activities that provide investment solutions to individual investors and financial intermediaries operating in this field;
finally, the purpose of the Capital Release Unit (**CRU**) is to dispose of assets that are no longer required for the Bank's business in order to free up resources, reduce risk-weighted assets and the associated use of regulatory capital.

*Segment income statement*
The divisional reporting methods adopted by the Deutsche Bank Group, which are also applied by the consolidated companies operating in Italy, are set out below.
Sector (or segment) reporting requires the presentation of segment results based on management reports, including a reconciliation between the operating segment and consolidated figures, which is included in the "Consolidation and Reconciliation" section (see Part L of the Notes to the Consolidated Financial Statements, "Segment reporting").
In general, management reporting is based on the IFRS.
The information provided on each segment is based on internal operating reporting, activities and other information by segment that is reviewed regularly by the operational management of the decision-making body. The segment's activities are presented in the Group's internal management reports on a consolidated basis, i.e. the amounts do not include inter-segment balances.

Non-IFRS accounting methods are only rarely applied in the Group's operating reports and represent differences in valuation or classification. The major valuation differences relate to the fair value measurement in management reporting versus the amortised cost measurement under IFRS and to the recognition of trading results from treasury shares in income in management reporting (mainly in CIB) and in equity under IFRS. The main difference in classification relates to minority interests, which represent the net share of non-controlling interests in revenues, allowances for impairment, general expenses and income

taxes. Non-controlling interests are classified as a pre-tax income component for the entities in the management accounts (with a reversal in the C&A section), whereas they are classified as revenue under IFRS.
Since the Group's commercial activities are diversified and its operations are integrated, estimates and judgements were made to allocate revenue and expenses to the operating segments.

Management reporting systems allocate the Group's net external interest income based on the value of the loan used or granted by each business in the segment, with transfer pricing related to the Group's access to wholesale market financing. In addition, in order to make comparisons with competitors with legally independent units with their own equity financing, the Group allocates the net nominal interest credit to its consolidated capital, in proportion to the average equity of each segment.
Management uses certain measures for equity and related indexes as part of its internal reporting, since it believes that they provide more useful information about the financial performance of the operating segments.
The Group indicates such measures in order to enable investors and analysts to understand how it manages Group operations and have a clear view of the Group's results.

As regards the allocation of average shareholders' equity, it should be noted that starting from 2017, the Group has refined its capital allocation methodology.
Shareholders' equity is now fully allocated to the segments of the Group based on the regulatory capital requirements of each segment and is no longer limited to the amount of shareholders' equity necessary to meet externally reported targets for the Group's Common Equity Tier 1 ratio and the Group's Leverage Ratio.
The regulatory capital requirement reflects the combined contribution of each segment to the Group's Common Equity Tier 1 ratio, the Group's Leverage Ratio and the Group's Capital loss under stress.
The contributions in each of the three areas are weighted to reflect their relative importance and the level of constraint for the Group. Contributions to Common Equity Tier 1 and to the Leverage Ratio are measured through Risk Weighted Assets (RWA) and Leverage Ratio Exposure (LRE) assuming full application of the CRR/CRD 4 standards.
The Group's Capital loss under stress is a measure of the Group's overall exposure to general economic risk in a defined stress scenario. Goodwill and other intangible assets continue to be allocated directly to the Group's segments in order to allow the determination of allocated tangible equity and related returns.
Shareholders' equity and tangible equity are allocated on a monthly basis and on average on a quarterly basis and for the entire year.

## A.3 – Information on the transfers of financial assets between portfolios

The companies of the Group did not make transfers between portfolios in the years 2020 and 2019.

## A.4 Fair value disclosure

### Qualitative information

*Introduction and determination of the fair value of financial instruments*

EU Regulation no. 1255 of 2012 has endorsed IFRS 13 - "Fair Value Measurement": this accounting standard, the application of which was required from 1 January 2013, did not modify the scope of application of the fair value measurement, as it became a reference on the manner in which the fair value of financial instruments and non-financial assets and liabilities should be measured and presented, the procedures already being mandatory or allowed in other accounting standards.
In this manner, the rules for fair value measurement were gathered in one single standard, with coherent instructions across all rules.

As regards Deutsche Bank S.p.A. and the other DB Group companies in Italy, IFRS 13 is applicable solely with respect to financial assets and liabilities, the only categories to which they apply fair value measurement.
With regard to financial instruments and as already indicated in the previous reports, IFRS 13 contains a number of specifications regarding the measurement of the risk of default when determining the fair value of the derivative contracts.
This risk includes changes in counterparty credit worthiness (CVA, credit value adjustment) and the issuer's credit worthiness (DVA, debit value adjustment).

More generally, the various types of fair value adjustments include the following:

- *credit/debit valuation adjustment,*

- model risk,
- closing cost,
- other adjustments.

Adjustment amounts were determined through this measurement model (recognition of the CVA and DVA adjustments) and the negative amount at 31 December 2020 was equal to €1,509 thousand of reduction in the fair value of derivative contracts calculated on that date, compared to the equivalent negative adjustment of €889 thousand in 2019. The overall effect on the income statement for 2020 therefore amounted of €620 thousand in costs.
This change is attributable both to the increase in the fair value of derivative contracts on interest rates and to the higher percentages of CVA applied in a changed risk scenario due to the COVID-19 pandemic.

Under IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (i.e., not a forced liquidation or distress sale) between market participants at the measurement date.
Therefore, the definition of fair value is based on the assumption that an entity is fully operational and is not forced to sell or significantly reduce its activities, or to carry out transaction at unfavourable conditions.
Moreover, the fair value reflects the credit quality of the financial instrument as it incorporates the counterparty risk (positive fair value) or the issuer risk (negative fair value).
Fair value is a market valuation criterion that is not specific to the company (group) preparing the financial statements: an entity shall measure the fair value of an asset or a liability using the assumptions that market operators would use when pricing the asset or liability, assuming that market operators act in their economic best interest.

Under IFRS 13, an entity shall consider the following to determine fair value:
- the asset or liability to be measured (depending on its unit of account, defined as the level at which an asset or liability is aggregated or disaggregated for IFRS recognition purposes);
- the principal market (or the most advantageous market) in which the entity can enter into a transaction to sell the asset or to transfer the liability (in the absence of evidence to the contrary, this market is the normally used market);
- the most appropriate valuation techniques for estimating fair value: they should maximise the use of relevant observable inputs and minimise unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability;
- the fair value of the liabilities or an entity's own equity instruments is determined assuming that the instrument is transferred at the measurement date but not settled (transfer value and not a settlement/extinguishment cost);
- the non-performance risk (including the credit risk of the instrument's issuer) shall be considered.

The standard provides that if there are directly observable market transactions involving the assets or liabilities to be measured, fair value is determined immediately. If these conditions do not exist, an entity shall use the following valuation techniques, as provided by IFRS 13:
- **Market approach:** a technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets or liabilities. It includes the market multiples valuations.
- **Cost approach:** fair value is the amount that would be required currently to replace the service capacity of an asset.
- **Income approach**: according to this approach, the fair value corresponds to the present value of future amounts (e.g., cash flows or income and expenses). When the income approach is used, the fair value measurement reflects market expectations about those future amounts.

Income approach includes the following valuation techniques:
- present value techniques;
- option pricing models, such as the Black-Scholes-Merton formula that reflects both the time value and the intrinsic value of an option;
- the multi-period excess earnings method, which is used to measure the fair value of some intangible assets.

An entity preparing financial statements should preferably use valuation techniques that maximise the use of observable input data and IFRS 13 proposes a three-level input data hierarchy:
- **level 1:** includes quoted prices in active markets for identifiable assets or liabilities identical to those that shall be measured;
- **level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, for example:

quoted prices for similar assets or liabilities in active markets;
quoted prices for identical assets or liabilities in markets that are not active;
interest rate curves, implied volatilities and credit spreads.

- **level 3:** non-observable data. They shall be used to measure fair value to the extent that relevant observable inputs are not available. IFRS 13 clarifies that unobservable input used to measure fair value shall reflect the assumptions that market participants would use when pricing the asset or liability.

IFRS 13 allows the application of premiums or discounts to inputs to consider all those factors that would be considered by market participants. This implies that the premiums or discounts that reflect size as a characteristic of the entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity) rather than as a characteristic of the asset or liability (e.g., a control premium when measuring the fair value of a controlling interest) are not permitted in a fair value measurement.
A market is considered to be active when transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis, the bid-ask spreads and volatility levels are sufficiently contained, the transactions take place in a suitable reference period and the prices are readily and promptly available from stock exchanges, brokers, intermediaries, sector companies, rating agencies or authorised bodies.

If a financial instrument that is measured at fair value has both a "bid" and an "ask" price, pursuant to paragraph 70 of IFRS 13, a value included in the "bid-ask" spread must be used which is considered the most representative of fair value: in this regard, the DB Group policy relating to "fair value measurement" provides for the use of "bid" prices for financial assets and "ask" prices for financial liabilities, as they are considered the most representative of the value in the two cases. The Group applied this technique before introduction of the applicable accounting standards.
The following types of financial instruments are usually considered to be listed on an active market:
- shares and bonds listed on a regulated market, bonds for which the executable prices are available on a regular basis from the rating agencies with a spread (difference between the ask and bid price) that does not exceed a range considered suitable to express market liquidity;
- mutual funds;
- spot exchange rate transactions;
- futures and options listed on regulated markets.

On the contrary, all equities, bonds and derivatives not included in the above categories are not considered as listed on an active market.
When a financial instrument is not listed on an active and liquid market, its fair value is usually determined using valuation techniques, which have the objective of identifying the price of a hypothetical transaction between third parties carried out for normal market reasons at the reporting date.
The IFRS require that the valuation models adopted to determine the price shall consider, inter alia, the time value of money measured using the risk-free interest rate, the credit risk, prepayment risk and surrender risk and the volatility of the financial instrument price, as well as, if applicable, foreign currency exchange rates, commodity prices and share prices.

When the calculation model is very complex, inputs are not directly observable on the market or when the financial instrument is a highly innovative product, the fair value determined using valuation techniques is prudently reduced by adjusting factors, determined based on the risk level due to the complexity of the model adopted and the liquidity level of the financial instrument.
The application of valuation techniques to determine the fair value entails management estimates and judgements, whose extent may vary depending on the complexity level and the liquidity of the market.
The valuation techniques include models that are based on the analysis of discounted cash flows, which depend on the estimated future cash flows and the discount rate used.
For complex products, the valuation models use modelling techniques, more complex assumptions and parameters, such as correlation, prepayment rates, unobservable default rates and the seriousness of the loss. Management judgement is required for the selection and application of suitable parameters, assumptions and modelling techniques.
Fair value adjustments are an integral part of the valuation process requiring judgement. In this process, the Deutsche Bank Group has adopted methodologies that consider inputs such as the settlement costs, liquidity risk and credit risk (CVA, DVA). The valuation model adopted for a financial instrument should remain the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

For bonds and derivatives, the Group has defined valuation models that refer to the current market value of instruments that are substantially the same, the time value of money and option pricing models. In using a pricing method, any adjustments necessary to include the counterparty or issuer credit risk are also considered.
Specifically, bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk.

Derivatives are measured using the following valuation guidelines defined at Group level for each instrument category:
- calculation algorithms;
- computing models;
- market inputs used;
- basic assumptions of the methods.

For equity instruments (including equity investments), the Group uses analytical valuation techniques based on financial and performance figures.
It also considers the following techniques/information as a comparison to the main method:
- when available, direct transactions, i.e., significant transactions involving the instrument recorded over a period of time deemed to be adequate compared to the measurement date and under normal market conditions;
- when available, comparable transactions carried out by companies operating in the same market involving similar types of products/services to the investee being valued;
- application of the average market multiples of comparables in terms of the investee's financial figures.

The fair value of financial assets and liabilities carried at cost or amortised cost is disclosed in the notes and is determined as follows:
- for non-current financial assets and liabilities, the discounted cash flow method is mainly used;
- for on-demand assets and liabilities, with a short term or undetermined maturity, the carrying amount net of a collective/individual impairment loss is deemed to reasonably reflect fair value;
- for floating-rate and current fixed-rate securities issued, the carrying amount is deemed to adequately reflect fair value, since it reflects both changes in interest rates and the issuer credit risk;
- for non-current fixed-rate securities issued and structured instruments whose fair value fluctuations are hedged, the carrying amount determined for hedge accounting purposes is used as it already includes the effect of market risks.

In preparing financial statements, the IFRS require that the following categories of financial instruments be measured at fair value:
1) financial assets and liabilities held for trading, both on-statement of financial position and derivative instruments;
2) financial assets and liabilities measured at fair value, both through profit or loss and through other comprehensive income;
3) hedging derivatives.

With respect to derivatives, fair value gains or losses on fair value hedges are recognised in the income statement, while those on cash flow and future forecast transaction hedges are recognised in a valuation reserve.
Available official prices of an active market (effective market quotes) are the best evidence of fair value and are, therefore, primarily used for the measurement of financial assets and liabilities held for trading or available-for-sale financial assets and liabilities.
A financial instrument is considered to be listed on an active market if the listed prices that reflect ordinary market transactions carried out during a normal reference period are readily and regularly available through the stock exchange, brokers, intermediaries, sector companies, rating agencies or authorised bodies.

When there are no regular market activities, i.e., if the market does not show a sufficient and ongoing number of transactions, shows high ask-bid spreads and volatility is not contained within normal levels, the fair value cannot be determined by direct reference to market prices and requires the adoption of other market inputs.
Therefore, in the absence of an active market, the fair value is determined using valuation techniques aimed at defining the valuation date price of the instruments in an arm's length transaction motivated by normal business considerations.

These techniques include:
- reference to market values that are indirectly related to the instruments being valued and inferred from products with a similar risk profile and return (comparable approach);
- valuations made using, including partially, non-market inputs calculated using estimates and assumptions (mark-to-model approach).

The decision about which technique should be used is not optional as they should be applied in a hierarchical order. Specifically, when a listed price of an active market is available, the other two alternative methods cannot be used.

<u>Fair value hierarchy</u>

As mentioned above, the order for the adoption of a fair value measurement model gives priority to official prices observable on active markets (effective market quotes), then to comparable assets and liabilities (comparable approach) and, lastly, to unobservable inputs, which are more discretionary (mark-to-model approach).

The characteristics of the three methods may be summarised as follows:

*1- Effective market quotes*
Fair value reflects the market value of the financial instrument expressed by market quotes observable in an active market on the last trading date of the reporting period.
This category mostly includes securities listed on regulated markets.

*2 - Valuation techniques: comparable approach*
In this case, fair value is not based on the market value of the financial instrument (unavailable or meaningless), but rather on the prices or credit spreads observable on the market for instruments that are substantially similar in terms of risk and return, using specific pricing methods.
Under this approach, transactions carried out on active markets involving financial instruments comparable in terms of risk and return are taken into account.
The pricing methods used under the comparable approach allow the reproduction of the prices of financial instruments listed on active markets (gauging), without using discretional inputs, i.e., those that cannot be derived from the prices of financial instruments listed on active markets and relevant to the extent that they significantly affect the final fair value.
This category includes unlisted securities and unlisted derivatives (OTC), such as, interest rate swaps and plain vanilla currency options, which are agreements that do not require particularly complex or structured pricing methods.

*3 - Valuation techniques: Mark-to-Model approach*

Under this approach, inputs of a different nature are used, not all of which are derived from observable market data and, therefore, entail that the valuer makes estimates and assumptions.
This category may include more complex OTC derivatives, private equity investments, illiquid financing and certain highly structured bonds.

Specifically, this approach requires the use of a specific pricing method that is based on special assumptions, such as, for example:

- estimates of future cash flows, that reflect, where necessary, future events, the likelihood of which is based on the bank's past experience or conduct assumptions;
- identification of discount rates and related "risk premiums" to be applied to the various financial assets;
- the level of certain inputs that do not derive from active market data, the estimate of which is, however, primarily based on observable market price and spread inputs.

In 2019, value adjustments for the "level 3" category shares for €4,686 thousand were recognised in the income statement, while in 2020 the value adjustments were equal to €186 thousand.
For some interest rate derivative contracts in the same fair value category 3, the related net valuation effects that were overall not significant and amounted to €4 thousand in costs, were recognised, while no derivative contracts in this category were identified in 2020.

### *A.4.1 Fair value levels 2 and 3, valuation techniques and inputs used*

Reference should be made to the previous paragraph "Determination of the fair value of financial instruments" and the general comments set out above for general information.

Held for trading financial assets and liabilities classified as Level 2 only consist of derivatives.
Level 3 of financial assets mandatorily measured at fair value through profit or loss includes equity interests, normally in shares, held in financial and service companies where the Bank's interest is less than 20%.

*Level 2 – Derivatives*
The category includes derivatives on interest rates, I.R.S. and I.R.O., and on exchange rates, forward foreign exchange contracts and options.
For interest rate derivatives, without pricing mechanism options, a discounted cash flow measurement is used.
This technique generally consists of estimating the future cash flows expected throughout the life of the derivative financial instruments: the model requires an estimate of the cash flows and the adoption of

market parameters for the discount. The rate or discount margin reflects the credit spread and/or loan spread required of market operators for instruments with similar risk profiles and liquidity in order to determine the discounted value. The fair value of the derivative contract is the sum of the discounted future cash flows.
In the case of structured derivatives containing optionality, valuation techniques are based on option pricing models: models of this type are used for instruments in which the holder has a right or potential obligation related to the occurrence or non-occurrence of a future event, such as exceeding the price of a reference financial asset by a predetermined strike price. Option pricing models estimate the probability that a specific event will occur, incorporating the assumptions regarding the volatility of the estimates, the price of the instrument underlying the option and the expected rate of return for the portfolio being evaluated.

Valuation of interest rate derivatives is based on the interest rate curve adopted by Deutsche Bank AG Group which determines the par rate, zero coupon rate (ACT/365 base) and 3-month forward rate (ACT/360 rate) levels using market inputs.
In particular, the zero-coupon interest rates used for the calculation of the current values are taken from interest rates observed on the market using a bootstrapping procedure.
The values obtained by applying the above curve to the outstanding contracts are then supplemented by the assessment of the counterparty risk: this risk must include both changes in the counterparty's creditworthiness (CVA, credit value adjustment) and those of the issuer itself (DVA, debit value adjustment).
As regards forward foreign exchange transactions, the revaluation exchange rate was determined on the basis of year-end quotations for the respective contractual maturities of outrights and swaps: forward exchange rates are determined, as is well known, by the spot rates of the respective currencies to which are added, as a premium or discount, the "forward points" given by the rate differentials between the euro and foreign currencies. The forward rate is calculated using an interpolation mechanism for contract maturities that do not match the price intervals.

*Level 3 – Derivatives*
This category, present in 2019, included a small number of swaps structured on "exotic" interest rates which refer to "back to back" transactions carried out by the parent company and with the counterparties being, on the one hand, domestic corporate customers and on the other hand the London branch of Deutsche Bank AG.
The transactions were exposed to a closed market risk.

*Level 3 – Equities included in the portfolio of financial assets mandatorily measured at fair value through profit or loss (FVTPL)*

For equity securities measured at fair value, a method based on market multiples was mainly used, when reflecting better the fair value to be attributed in the financial statements to the securities subject to valuation, compared to income methods based on the discounting of expected cash flows ("Discounted Cash Flows" and "Dividend discounted model" methods).
In particular, for the valuation of the interests in Nomisma S.p.A., CRIF S.p.A. and MTS S.p.A., an approach based on multiples of EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit for the year (P/E, price/earnings) was used.
For VISA, the unlisted US dollar class C shares in the portfolio were valued by means of a conversion ratio to the market-listed class A shares.
For SIA S.p.A., the contractual terms of a prospective merger with a listed company were applied using the exchange ratios and the stock market price of the acquiring company.

With this type of approach, it is possible to estimate the company value (enterprise value - "EV") by identifying the relationship between the EV and the EBITDA (or the P/E) of a comparable observable subject, and applying this ratio to the EBITDA (or P/E) of the subject whose valuation is to be estimated.
A high EV/EBITDA and/or P/E multiple produces a higher fair value.
The values of EBITDA and net profits have been taken from the official financial statements of the companies and appropriately normalised to eliminate the impact of non-recurring components and/or components extraneous to typical business transactions.
The multiples were identified using those observable on the market for comparable Italian and foreign companies and determining the average of the values recorded for the years 2018, 2019 and 2020. In particular, the value of the first quartile of the distribution of the assessed values was used, favouring a conservative approach.
In the presence of a significant difference between the enterprise value deduced from the EBITDA multiple and that obtainable from the P/E, the average value was calculated.

The enterprise value was then adjusted by the amount of the net financial position to arrive at the equity value, i.e. the value to be attributed to the shareholding, with a possible adjustment to take into account the liquidity of the share.

Applying this approach to illiquid securities requires a liquidity correction to take account of the difference in the level of liquidity between the normally listed comparable companies used and the company being valued.
In the three cases in question, a difference of 20% was applied.
In other cases, valuations were also based on income methods that quantified the value of companies by capitalising the weighted average cost of capital (WACC) and the net financial position.
When the financial position is structurally positive for the purposes of calculating the WACC, only the cost of equity Ke is considered, while the cost of financial debt Kd, i.e. the interest rate at which it was assumed that the company under assessment could have financed itself, is not.

The method applied by Deutsche Bank S.p.A. is part of the Gordon growth model, a method that determines the intrinsic value of a share based on a number of future dividends that grow at a constant rate: after having determined a dividend payable in one year and subsequently defined the constant rate at which the dividend will grow over time, the model calculates the present value of future dividends.

The CAPM (capital asset pricing model) is used to estimate the cost of equity (Ke):

$$Ke = Rf + Beta * (Rm - Rf) + ARP$$

where:

*Rf* = the risk free rate parameter increased by the country risk premium, generally quantified by the average annual yield on 10-year Treasury bonds issued by the Italian government.

The *Beta* was calculated considering the investees' operating characteristics and average data of its business sectors.

*Rm - Rf* = the market risk premium is set on the basis of data available in the Damodaran database.

*ARP = Additional Risk Premium,* that is, the additional yield required of a rational investor who invests in small or unlisted companies, the investment in which is of lesser liquidity, or with situations such as a limited diversification of business risks in terms of customers served or the variety of the product range or services offered.
The applied values of this parameter for valuations carried out at 31 December 2020 have been set at 200 basis points.

The estimate of average normalised operating income is based on an analysis of the companies' historical financial statements, as budget data and/or medium-term plans cannot be used.
The validity of the estimates was tested using alternative calculation methods such as those based on market multiples, EV/EBITDA and EV/EBIT (source of market multiples: Damodaran).

### *A.4.2 Valuation processes and sensitivity*

In the case of valuations carried out using the market multiples method, values were determined that fell within the most prudent part of the values between the minimum and maximum data: the use of the multiples of the first quartile of the distribution therefore made it possible to obtain valuations with a margin of "safety", a margin enlarged by a haircut of 20% on the equity values obtained from the valuations.
Regarding Level 3 interest rate derivatives, given their status as transactions bearing a closed market risk, the change in the valuation parameters produces effects that offset each other, net of the different impact of the CVA/DVA adjustments, and in any case for insignificant amounts.

### *A.4.3 Fair value hierarchy*

The composition of the portfolios of financial instruments broken down into three levels of fair value remained stable in 2020 and 2019. To this end, it is noted that Level 2 includes only over-the-counter derivative contracts which, due to their characteristics, are not quoted on regulated markets. Valuation parameters did not become observable on the market for the equity instruments of Level 3 nor were there a sufficient number of market transactions to allow their reclassification to Level 2.
In 2019, transitions to and from level 3 had taken place for some contracts.

Finally, non-financial assets and liabilities measured at fair value on a recurring basis are not reported.

### *A.4.4 Other information*

The Group companies (specifically Deutsche Bank S.p.A.) did not avail of the option to measure the fair value of a group of financial assets and liabilities on the basis of the price that would be received to sell a net long position (i.e., an asset) for a particular risk exposure or paid to transfer a net short position (i.e., a liability) for a particular risk exposure in an orderly transaction between market participants (IFRS 13.48/51).

There are no relevant cases to be disclosed based on paragraph 93(i) of IFRS 13 on non-financial assets whose effective use differs from its highest and best use.

## Quantitative information

### A.4.5 Fair value hierarchy

The following table provides a breakdown of the type of valuation approach for financial assets and liabilities measured at fair value at 31 December 2020, compared with the figures of the previous year.

| Financial assets/liabilities measured at fair value | Data at 31 December 2020 | | | Data at 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | Prices quoted in active markets | Valuation based on observable market inputs | Valuation based on unobservable market inputs | Prices quoted in active markets | Valuation based on observable market inputs | Valuation based on unobservable market inputs |
| 1. Financial assets measured at fair value through profit or loss | | | | | | |
| a) financial assets held for trading | 9 | 103,128 | - | 20 | 81,475 | 112 |
| b) financial assets designated at fair value | - | - | - | - | - | - |
| c) other financial assets mandatorily measured at fair value | - | 32,610 | 105,139 | - | 24,446 | 66,938 |
| 2. Financial assets measured at fair value through other comprehensive income | | | | | | |
| 3 Hedging derivatives | - | 19,897 | - | - | 21,615 | - |
| 4 Property, equipment and investment property | - | - | - | - | - | - |
| 5 Intangible assets | - | - | - | - | - | - |
| **Total financial assets at fair value** | **9** | **155,635** | **105,139** | **20** | **127,536** | **67,050** |
| **Financial liabilities at fair value** | | | | | | |
| 1 Financial liabilities held for trading | 12 | 121,469 | - | 28 | 98,426 | 112 |
| 2 Financial liabilities designated at fair value | - | - | - | - | - | - |
| 3 Hedging derivatives | - | 7,696 | - | - | 14,918 | - |
| **Total financial liabilities at fair value** | **12** | **129,165** | **-** | **28** | **113,344** | **112** |

With regard to the values of the derivative contracts shown in the tables above, the application of the valuation model for the CVA and DVA adjustments resulted in a negative amount at 31 December 2020 of €1,509 thousand of reduction in the fair value compared to the equivalent negative adjustment of €889 thousand in 2019. The overall effect on the income statement for 2020 therefore amounted of €620 thousand in costs.
In 2020 and 2019 there were no transfers of financial assets and liabilities between levels 1 and 2 of the fair value hierarchy.

*Changes in assets and liabilities measured at fair value on a recurring basis (level 3)*

The transfers from level 3 are associated with changes in the observability of the input parameters. These transfers were recorded in 2020 at the relative fair value at the beginning of the reference quarter.

| | Financial assets measured at fair value through profit or loss | | | | Financial assets measured 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) other financial assets mandatorily measured at fair value | | | | |
| **1. Opening balance** | **67,050** | 112 | - | 66,938 | | - | - | - |
| **2. Increases** | | | | | | | | |
| 2.1 Purchases | 129 | - | - | 129 | | - | - | - |
| 2.2 Profits recognised in: | - | | | | | | | |
| 2.2.1 Income statement | 38,258 | - | - | 38,258 | | - | - | - |
| *- of which gains on sales* | 38,258 | - | - | *38,258* | | - | - | - |
| 2.2.2 Equity | - | X | X | - | | - | - | - |
| 2.3 Transfers from other levels | - | - | - | - | | - | - | - |
| 2.4 Other increases | - | - | - | - | | - | - | - |
| **3. Decreases** | | | | | | | | |
| 3.1 Sales | - | - | - | - | | - | - | - |
| 3.2 Repayments | - | - | - | - | | - | - | - |
| 3.3 Losses recognised in: | - | | | | | | | |
| 3.3.1 Income statement | ( 186) | - | - | ( 186) | | - | - | - |
| *- of which losses on sales* | ( 186) | - | - | *( 186)* | | - | - | - |
| 3.3.2 Equity | | X | X | - | | - | - | - |
| 3.4 Transfers to other levels | ( 112) | ( 112) | - | - | | - | - | - |
| 3.5 Other decreases | - | - | - | - | | - | - | - |
| **4. Closing inventories** | **105,139** | - | - | 105,139 | | - | - | - |

| | Financial liabilities held for trading | Financial liabilities designated at fair value | Hedging derivatives |
|---|---|---|---|
| **1. Opening balance** | **112** | - | - |
| **2. Increases** | | | |
| 2.1 Purchases | - | - | - |
| 2.2 Losses recognised in: | | | |
| 2.2.1 Income statement | - | - | - |
| *- of which losses on sales* | - | - | - |
| 2.2.2 Equity | X | X | - |
| 2.3 Transfers from other levels | - | - | - |
| 2.4 Other increases | - | - | - |
| **3. Decreases** | | | |
| 3.1 Repayments | - | - | - |
| 3.2 Repurchases | - | - | - |
| 3.3 Profits recognised in: | | | |
| 3.3.1 Income statement | - | - | - |
| *- of which gains on sales* | - | - | - |
| 3.3.2 Equity | X | X | - |
| 3.4 Transfers to other levels | ( 112) | - | - |
| 3.5 Other decreases | - | - | - |
| **4. Closing inventories** | **-** | - | - |

*Breakdown by fair value level of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis.*

| Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis | Data at 31 December 2020 | | | | Data at 31 December 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | carrying amount | Level 1 | Level 2 | Level 3 | carrying amount | Level 1 | Level 2 | Level 3 |
| 1. Financial assets measured at amortised cost | 24,754,845 | 99,170 | 5,438,634 | 19,308,600 | 23,781,401 | 98,707 | 4,342,410 | 19,481,107 |
| *of which Loans and receivables with banks* | *5,250,128* | - | *5,438,634* | - | *4,292,015* | - | *4,342,410* | - |
| *of which Loans and receivables with customers* | *19,504,717* | *99,170* | - | *19,308,600* | *19,489,386* | *98,707* | - | *19,481,107* |
| 2. Investment property | - | - | - | - | - | - | - | - |
| 3. Non-current assets and groups of assets held for sale | - | - | - | - | - | - | - | - |
| **Total** | 24,754,845 | 99,170 | 5,438,634 | 19,308,600 | 23,781,401 | 98,707 | 4,342,410 | 19,481,107 |
| 1. Financial liabilities measured at amortised cost | 23,747,729 | - | 24,056,207 | - | 22,896,601 | - | 23,158,282 | - |
| *of which Due to banks* | *8,302,969* | - | *8,611,362* | - | *8,156,162* | - | *8,417,638* | - |
| *of which Due to customers* | *15,439,477* | - | *15,439,477* | - | *14,729,621* | - | *14,729,621* | - |
| *of which Securities issued* | *5,283* | - | *5,368* | - | *10,818* | - | *11,023* | - |
| 2. Liabilities associated with assets held for sale | - | - | - | - | - | - | - | - |
| **Total** | 23,747,729 | - | 24,056,207 | - | 22,896,601 | - | 23,158,282 | - |

### A.5 Information on "day one profit/loss"

Under IFRS 9, a financial instrument should be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. However, in practice the two amounts may sometimes differ.
In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is determined:

- using prices from current and observable market transactions in the same instrument;
- using valuation techniques exclusively based on observable market date.

In other words, IFRS 9 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using the most objective method available, i.e., reducing valuation discretion to the minimum.
The difference between fair value and negotiated price, when the above conditions are met, is called the "day one profit" and is immediately taken to the income statement.

If, conversely, fair value measurement is based on internal models:

- in the case of a fair value gain, the day one profit is deferred over the financial instrument's expected life, with the possible recognition of the remaining profit when one or more than one of the valuation inputs used become data observable on an active market;
- in the case of a fair value loss, it is recognised directly in the income statement.

For the years 2019 and 2020, no profits or losses were recognised related to financial instruments whose valuation was based on internal models.
In 2020, €1,901 thousand of day one profits were deferred due to the non-observability on the market of certain valuation parameters relating to the credit risk component: the portion recognised in the 2020 income statement amounted to €100 thousand with the remaining €1,801 thousand deferred to future years. In addition, there are no residual values deferred in years prior to 2020 whose recognition in the income statement is still in progress.

# Part B - NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All the figures in these Notes are in thousands of euro, unless stated otherwise.

All the companies included in these Consolidated Financial Statements as at and for the year ended 31 December 2020 belong to the banking group.

## Assets

### Section 1

### Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| a) Cash | 138,242 | 143,393 |
| b) Demand deposits with central banks | - | - |
| **Total** | **138,242** | **143,393** |

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

2.1 Financial assets held for trading: product breakdown

| Items/Amounts | Total 31.12.2020 | | | Total 31.12.2019 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **A. On-statement of financial position assets** | | | | | | |
| 1. Debt instruments | - | - | - | - | - | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt instruments | - | - | - | - | - | - |
| 2. Equity securities | - | - | - | - | - | - |
| 3. OEIC units | - | - | - | - | - | - |
| 4. Financing | - | - | - | - | - | - |
| 4.1 Reverse purchase agreements | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total A** | **-** | **-** | **-** | **-** | **-** | **-** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives: | 9 | 103,128 | - | 20 | 81,475 | 112 |
| 1.1 trading | 9 | 103,128 | - | 20 | 81,475 | 112 |
| 1.2 associated with fair value option | - | - | - | - | - | - |
| 1.3 others | - | - | - | - | - | - |
| 2. Credit derivatives: | - | - | - | - | - | - |
| 2.1 trading | - | - | - | - | - | - |
| 2.2 associated with fair value option | - | - | - | - | - | - |
| 2.3 other | - | - | - | - | - | - |
| **Total B** | **9** | **103,128** | **-** | **20** | **81,475** | **112** |
| **Total (A + B)** | **9** | **103,128** | **-** | **20** | **81,475** | **112** |

The balance mainly consists of interest rate derivatives (IRS and IRO Cap) for €88.8 million (€76.3 million in 2019); the remaining part of €14.4 million is made up of options on exchange rates and forward currency contracts (€5.3 million in 2019).
The operations carried out by the bank relate to contracts entered into with corporate customers (mainly in the mid-cap and SME sectors) whose market risk is closed out with equal and opposite transactions with Deutsche Bank AG.

*L1 = Level 1*
*L2 = Level 2*
*L3 = Level 3*

*2.2 Financial assets held for trading: breakdown by debtors/issuers*

| Items/Amounts | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **A. On-statement of financial position assets** | | |
| **1. Debt instruments** | - | - |
| a) Central banks | - | - |
| b) Public authorities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| of which: insurance companies | - | - |
| e) Non-financial companies | - | - |
| **2. Equity securities** | **-** | **-** |
| a) Banks | - | - |
| b) Other financial companies | - | - |
| of which: insurance companies | - | - |
| c) Non-financial companies | - | - |
| d) Other issuers | - | - |
| **3. OEIC units** | - | - |
| **4. Financing** | - | - |
| a) Central banks | - | - |
| b) Public authorities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| of which: insurance companies | - | - |
| e) Non-financial companies | - | - |
| f) Households | - | - |
| **Total A** | - | - |
| **B. Derivatives** | | |
| a) Central counterparties | - | - |
| b) Other | 103,137 | 81,607 |
| **Total B** | **103,137** | **81,607** |
| **Total A + B** | **103,137** | **81,607** |

Derivative contracts are stipulated with corporate customers and as regards banking counterparties exclusively with banks belonging to the Deutsche Bank AG Group.

*2.3 Financial assets designated at fair value: product breakdown*

None.

*2.4 Financial assets designated at fair value: breakdown by debtors/issuers*

None.

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

| Items/Amounts | Total 31.12 2020 | | | Total 31.12 2019 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt instruments | - | - | - | - | - | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt instruments | - | - | - | - | - | - |
| 2. Equity securities | - | 32,610 | 105,139 | - | 24,446 | 66,938 |
| 3. OEIC units | - | - | - | - | - | - |
| 4. Financing | - | - | - | - | - | - |
| 4.1 Repurchase agreements | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total** | **-** | **32,610** | **105,139** | **-** | **24,446** | **66,938** |

This Financial Statements item consists exclusively of equity securities, which had been classified, according to the previous provisions of IAS 39 up to 31 December 2017, as financial assets available for sale.

The increase of €46.4 million in the year 2020 is attributable to valuation effects resulting in a change in the fair values of securities; the main changes are attributable to SIA shares for €36.4 million and VISA USD shares for €8.1 million.

As described in Part A of the Notes to the Financial Statements in the section on methods of determining fair value, equity securities were mainly measured at fair value using a method based on market multiples, when reflecting better the fair value to be attributed in the Financial Statements to the securities subject to measurement, compared to income methods based on the discounting of expected cash flows ("Discounted Cash Flows" and "Dividend discounted model" methods).

In particular, for the measurement of the interests in Nomisma S.p.A., CRIF S.p.A. and MTS S.p.A., an approach based on multiples of EBITDA (earnings before interest, taxes, depreciation and amortisation) and net profit for the year (P/E, price/earnings) was used.

For the company VISA, reference was made to the price of the ordinary share and the market discount factors applicable for the classes of shares owned by the Bank.

For SIA, reference was made to the exchange ratios related to the announced merger by incorporation of the company into NEXI, whose shares are listed on the stock exchange.

*2.6 Other financial assets mandatorily measured at fair value: breakdown by debtors/issuers*

| Items/Amounts | Total 31 12 2020 | Total 31 12 2019 |
|---|---|---|
| **1. Equity securities** | **137,749** | **91,384** |
| of which: banks | - | - |
| of which: other financial companies | 32,121 | 24,126 |
| of which: other non-financial companies | 105,628 | 67,258 |
| **2. Debt instruments** | **-** | **-** |
| a) Central banks | - | - |
| b) Public authorities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| of which: insurance companies | - | - |
| e) Non-financial companies | - | - |
| **3. OEIC units** | **-** | **-** |
| **4. Financing** | - | - |
| a) Central banks | - | - |
| b) Public authorities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| of which: insurance companies | - | - |
| e) Non-financial companies | - | - |
| f) Households | - | - |
| **Total** | **137,749** | **91,384** |

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

At 31 December 2020, there were no financial assets measured at fair value through other comprehensive income.

***Section 4 - Financial assets measured at amortised cost - Item 40***

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

| Transaction type/Amounts | Total at 31 December 2020 | | | | | | Total at 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | First and second stage | Third stage | of which: purchased or originated credit | Level 1 | Level 2 | Level 3 | First and second stage | Third stage | of which: purchased or originated credit | Level 1 | Level 2 | Level 3 |
| **A. Loans and receivables with central banks** | 1,108,967 | - | - | - | 1,108,967 | - | 981,552 | - | - | - | 981,552 | - |
| 1. Maturity deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 2. Mandatory reserve | 1,108,967 | - | - | X | X | X | 981,552 | - | - | X | X | X |
| 3. Repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| 4. Other | - | - | - | X | X | X | - | - | - | X | X | X |
| **B. Loans and receivables with banks** | 4,135,740 | 5,421 | - | - | 4,239,667 | - | 3,310,463 | - | - | - | 3,360,858 | - |
| 1. Financing | 4,135,740 | 5,421 | - | - | 4,239,667 | | 3,310,463 | - | - | - | 3,360,858 | |
| 1.1 Current accounts and demand deposits | 2,534,688 | 5,421 | - | X | X | X | 1,859,904 | - | - | X | X | X |
| 1.2 Maturity deposits | 1,571,546 | - | - | X | X | X | 1,419,337 | - | - | X | X | X |
| 1.3 Other financing: | 29,506 | - | - | X | X | X | 31,222 | - | - | X | X | X |
| Reverse repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| Lease financing | - | - | - | X | X | X | - | - | - | X | X | X |
| Other | 29,506 | - | - | X | X | X | 31,222 | - | - | X | X | X |
| 2. Debt instruments | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Structured securities | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Other debt instruments | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total (carrying amount)** | 5,244,707 | 5,421 | - | - | 5,348,634 | - | 4,292,015 | - | - | - | 4,342,410 | - |

Loans and receivables with banks increased by around 22.3% from €4,292 million to €5,250 million; the balance includes liquid assets of €475 million deposited by DB Covered Bond S.r.l. with the London branch of Deutsche Bank AG as part of the parent company's covered bond issue. Compared to 31 December 2019, the net interbank position, which continues to be negative, has improved by approximately €811 million, from a balance of €3.9 billion in the last year to €3.1 billion at 31 December 2020.

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

| Transaction type/Amounts | Total 31 12 2020 | | | | | | Total 31 12 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | First and second stage | Third stage | of which: purchased or originated credit impaired | Level 1 | Level 2 | Level 3 | First and second stage | Third stage | of which: purchased or originated credit impaired | Level 1 | Level 2 | Level 3 |
| **1. Financing** | **19,213,358** | **192,189** | **25,136** | **-** | **-** | **19,308,600** | **19,191,847** | **198,921** | **-** | **-** | **-** | **19,481,107** |
| 1.1 Current accounts | 1,379,388 | 10,782 | 363 | X | X | X | 1,302,190 | 24,829 | - | X | X | X |
| 1.2 Reverse purchase agreements | - | - | - | X | X | X | | | - | X | X | X |
| 1.3 Mortgages | 8,512,495 | 72,872 | 1,328 | X | X | X | 8,188,479 | 55,958 | - | X | X | X |
| 1.4 Credit cards, personal loans and salary-backed loans | 7,074,355 | 72,611 | 72 | X | X | X | 7,284,931 | 66,892 | - | X | X | X |
| 1.5 Lease financing | | | - | X | X | X | | | - | X | X | X |
| 1.6 Factoring | | | - | X | X | X | | | - | X | X | X |
| 1.7 Other financing | 2,247,120 | 35,924 | 23,373 | X | X | X | 2,416,247 | 51,242 | - | X | X | X |
| **2. Debt instruments** | **99,170** | **-** | **-** | **99,170** | **-** | **-** | **98,618** | **-** | **-** | **98,707** | **-** | **-** |
| 1.1 Structured securities | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 Other debt instruments | 99,170 | - | - | 99,170 | - | - | 98,618 | - | - | 98,707 | - | - |
| **Total** | **19,312,528** | **192,189** | **25,136** | **99,170** | **-** | **19,308,600** | **19,290,465** | **198,921** | **-** | **98,707** | **-** | **19,481,107** |

*4.3 Financial assets measured at amortised cost: breakdown of loans and receivables with customers by debtors/issuers*

| Transaction type/Amounts | Total 31 12 2020 | | | Total 31 12 2019 | | |
|---|---|---|---|---|---|---|
| | First and second stage | Third stage | of which: purchased or originated credit | First and second stage | Third stage | of which: purchased or originated credit impaired |
| **1. Debt instruments** | **99,170** | **-** | **-** | **98,618** | **-** | **-** |
| a) Public authorities | 99,170 | - | - | 98,618 | - | - |
| b) Other financial companies | - | - | - | - | - | - |
| of which: insurance companies | - | - | - | - | - | - |
| c) Non-financial companies | - | - | - | - | - | - |
| **2. Financing to:** | **19,213,358** | **192,189** | **-** | **19,191,847** | **198,921** | **-** |
| a) Public authorities | 188,514 | - | - | 127,829 | - | - |
| b) Other financial companies | 638,279 | 17 | - | 731,194 | 11 | - |
| of which: insurance companies | 12 | - | - | 17 | - | - |
| c) Non-financial companies | 5,094,145 | 83,580 | - | 4,526,552 | 108,458 | - |
| d) Households | 13,292,420 | 108,592 | - | 13,806,272 | 90,452 | - |
| **Total** | **19,312,528** | **192,189** | **-** | **19,290,465** | **198,921** | **-** |

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

| | Gross value | | | | Total value adjustments | | | Write-offs |
|---|---|---|---|---|---|---|---|---|
| | First stage | of which: Instruments with low credit risk | Second stage | Third stage | First stage | Second stage | Third stage | partial overall (*) |
| Debt instruments | 99,226 | - | - | - | 56 | - | - | - |
| Financing | 22,459,684 | - | 2,191,566 | 764,878 | 82,334 | 110,851 | 567,268 | 25,252 |
| **Total at 31 12 2020** | 22,558,910 | - | 2,191,566 | 764,878 | 82,390 | 110,851 | 567,268 | 25,252 |
| **Total at 31 12 2019** | 22,342,885 | - | 1,391,280 | 742,401 | 65,342 | 86,343 | 543,480 | 270 |
| of which: purchased or originated impaired financial assets | **X** | **X** | 577 | 2,737 | **X** | 223 | 945 | **-** |

(*) Value to be disclosed for information purposes

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

| ITEMS/AMOUNTS | Gross value | | | | Total value adjustments | | | Overall partial write-offs (*) |
|---|---|---|---|---|---|---|---|---|
| | First stage | | Second stage | Third stage | First stage | Second stage | Third stage | |
| | | of which instruments with low credit risk | | | | | | |
| 1. Loans subject to forbearance measures in accordance with the GL | 1,308,875 | | 292,657 | 39,624 | (6,043) | (15,874) | (18,957) | |
| 2. Loans subject to other forbearance measures | - | | | | | | | |
| 3. New loans | 1,141,157 | | | | | | | |
| **Total at 31-12-2020** | 2,450,032 | - | 292,657 | 39,624 | (6,043) | (15,874) | (18,957) | - |

### Section 5 - Hedging derivatives - Item 50

*5.1 Hedging derivatives: breakdown by hedge type and level*

| | FV (31.12.2020) | | | NA | FV (31.12.2019) | | | NA |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | 31.12.2020 | L1 | L2 | L3 | 31.12.2019 |
| ***A. Financial derivatives*** | - | 19,897 | - | 50,000 | - | 21,615 | - | 2,850,000 |
| 1) Fair value | - | 19,897 | - | 50,000 | - | 21,615 | - | 2,850,000 |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| 3) Investments in foreign operations | - | - | - | - | - | - | - | - |
| ***B. Credit derivatives*** | - | - | - | - | - | - | - | - |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| Total (A + B) | - | 19,897 | - | 50,000 | - | 21,615 | - | 2,850,000 |

*Key*
FV = fair value
NA = notional amount

L1 = Level 1
L2 = Level 2
L3 = Level 3

The decrease in the notional amount is due to the swap contract to hedge the TLTRO II operation, which expired in June 2020.

This item shows the fair values as at the reporting date of derivatives used by the parent company to hedge interest rate risk (fair value hedge) of long-term fixed-rate deposits received from banks: hedging relationships are of the micro-hedging type.

*5.2 Hedging derivatives: breakdown by hedged portfolio and type (carrying amount)*

| Transaction/Type of hedge | Fair value | | | | | | | Cash flows | | Investments in foreign operations |
|---|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | | Generic | Specific | Generic | |
| | debt instruments and interest rates | equity securities and share indexes | currencies and gold | credit | commodities | other | | | | |
| 1. Financial assets measured at fair value through other comprehensive income | - | - | - | - | X | X | X | - | X | X |
| 2. Financial assets measured at amortised cost | - | X | - | - | X | X | X | - | X | X |
| 4. Portfolio | X | X | X | X | X | X | - | X | - | X |
| 5. Other transactions | - | - | - | - | - | - | X | - | X | - |
| **Total assets** | - | - | - | - | - | - | - | - | - | - |
| 1. Financial liabilities | 19,897 | X | - | - | - | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | X | - | X | - | X |
| **Total liabilities** | 19,897 | X | - | - | - | - | - | - | - | X |
| 1. Expected transactions | X | X | X | X | X | | X | - | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | X | - | X | - | - |

Hedged financial liabilities comprise a long-term fixed rate term deposit received from the parent company Deutsche Bank AG, as part of the more general activity of managing the interest rate risk implicit in the provision of fixed rate loans to customers.

## Section 6 - Adjustments to generically hedged financial assets - Item 60

None at the reporting date.

## Section 7 - Equity investments - Item 70

*7.1 Equity investments: information on equity investments*

| Names | Registered office | Operational headquarters | Type of relationship | Investment relationship | | Voting available % |
|---|---|---|---|---|---|---|
| | | | | Investing company | Shareholding % | |
| A. Jointly controlled companies | | | | | | |
| NONE | | | | | | |
| B. Companies subject to significant influence | | | | | | |
| Prestipay S.p.A. | Udine | Udine | 4 | Deutsche Bank S.p.A. | 40% | 40% |

*Type of relationship:*

*4 - company subject to significant influence*

*7.2 Significant equity investments: carrying amount, fair value and dividends received*

*(thousands of euro)*

| Names | Carrying amount | Fair value | Dividends received |
|---|---|---|---|
| A. Jointly controlled companies | | | |
| NONE | | | |
| B. Companies subject to significant influence | | | |
| Prestipay S.p.A. | 3,931 | 4000 | - |

The Prestipay company was established in the second half of 2018.
At 31 December 2020 the company was not operational: for the purpose of valuation using the equity method the carrying amount was adjusted to the company's equity, recognising 40% of the accumulated losses due to the start-up phase of the new financial entity.
The start-up of ordinary financing activities planned for the first quarter of 2021 is expected to enable the rapid achievement of positive profitability.

*7.3 Significant equity investments: accounting information*

*data in euro*

| Names | Cash and cash equivalents | Financial assets | Non-financial assets | Financial liabilities | Non-financial liabilities | Total revenue | Net interest income | Net adjustments and write-backs on property, equipment and investment property and on intangible assets | Pre-tax profit (loss) from continuing operations | Post-tax profit (loss) from continuing operations | Post-tax profit (loss) from discontinued operations | Profit (loss) for the year (1) | Other income components net of taxes (2) | Comprehensive income (3) = (1) + (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A. Jointly controlled companies | | | | | | | | | | | | | | |
| NONE | | | | | | | | | | | | | | |
| B. Companies subject to significant influence | | | | | | | | | | | | | | |
| Prestipay S.p.A. | X | 7,899,779 | 1,671,907 | - | ( 180,206) | 541 | X | X | ( 86,278) | ( 86,278) | - | ( 86,278) | - | ( 86,278) |

*7.4 Non-significant equity investments: accounting information*

None.

*7.5 Equity investments: annual changes*

| | Total 31 12 2020 | Total 31 12 2019 |
|---|---|---|
| **A. Opening balance** | **4,000** | **800** |
| **B. Increases** | **-** | **3,200** |
| B.1 Purchases | - | 3,200 |
| B.2 Write-backs | - | - |
| B.3 Revaluations | - | - |
| B.4 Other decreases | - | - |
| **C. Decreases** | *69* | - |
| C.1 Sales | - | - |
| C.2 Value adjustments | - | - |
| C.3 Write-downs | 69 | - |
| C.4 Other decreases | - | - |
| **D. Closing inventories** | **3,931** | **4,000** |
| E. Total revaluations | - | - |
| F. Total adjustments | - | - |

In 2019, €3.2 million was paid following the capital increases carried out by the company Prestipay to acquire the necessary capital to start operations.

Item C 3 Write-downs expresses the value of the measurement at equity.

*7.6 Significant assessments and assumptions to determine the existence of joint control or significant influence*

In the case of Prestipay S.p.A., significant influence was inferred both from the shareholding and the agreements between the shareholders.

*7.7 Commitments related to equity investments in jointly controlled companies*

None.

*7.8 Commitments related to equity investments in companies subject to significant influence*

In 2021, no further capital increases are planned for the investee Prestipay S.p.A.

*7.9 Significant restrictions*

None at the date of these Financial Statements.

*7.10 Other information*

Nothing relevant to report.

### Section 8 - Technical reserves of reinsurers - Item 80

None at the reporting date.

**Section 9 - Property, equipment and investment property - Item 90**

*9.1 Property, equipment and investment property for functional use: breakdown of assets valued at cost*

| Assets/Amounts | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **1 Owned assets** | 122,466 | 126,475 |
| a) land | 49,983 | 49,983 |
| b) buildings | 41,638 | 42,801 |
| c) furniture | 4,366 | 6,098 |
| d) electronic systems | 637 | 7,222 |
| e) other | 25,842 | 20,371 |
| **2 Rights of use acquired through leasing** | 150,906 | 185,935 |
| a) land | - | - |
| b) buildings | 149,080 | 184,398 |
| c) furniture | | - |
| d) electronic systems | | - |
| e) others (motor vehicles) | 1,826 | 1,537 |
| **Total** | **273,372** | **312,410** |
| of which: obtained through the enforcement of the guarantees received | **-** | **-** |

*9.2 Property, equipment and investment property held for investment purposes: breakdown of assets valued at cost*

None at the reporting date.

*9.3 Property, equipment and investment property for functional use: breakdown of revalued assets*

None at the reporting date.

*9.4 Property, equipment and investment property held for investment purposes: breakdown of assets measured at fair value*

None at the reporting date.

*9.5 Inventories of Property, equipment and investment property according to IAS 2: breakdown*

| Assets/Amounts | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **1. Inventories of property, equipment and investment property obtained through the enforcement of the guarantees received** | - | - |
| a) land | - | - |
| b) buildings | - | - |
| c) furniture | - | - |
| d) electronic systems | - | - |
| e) other | - | - |
| **2 Other inventories of property, equipment and investment property** | | |
| **Total** | **-** | **-** |
| of which: measured at fair value net of sales costs | | |

*9.6 Property, equipment and investment property for functional use: annual changes*

| | Land | Buildings | Furniture | Electronic systems | Other | **Total** |
|---|---|---|---|---|---|---|
| **A. Opening gross balance** | **49,983** | **304,530** | **46,791** | **15,877** | **179,826** | **597,007** |
| A.1 Total net impairment losses | **-** | **(77,331)** | **(40,693)** | **(8,655)** | **(157,918)** | **(284,597)** |
| **A.2 Opening net balance** | **49,983** | **227,199** | **6,098** | **7,222** | **21,908** | **312,410** |
| **B. Increases:** | **-** | **35,449** | **573** | **481** | **19,239** | **55,742** |
| B.1 Purchases | - | 34,085 | 573 | 481 | 13,284 | 48,423 |
| B.2 Capitalised improvement costs | - | - | - | - | - | - |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Fair value gains recognised in: | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| B.5 Exchange rate gains | - | - | - | - | - | - |
| B.6 Transfers from investment property | - | - | X | X | X | - |
| B.7 Other decreases | - | 1,364 | - | - | 5,955 | 7,319 |
| **C. Decreases:** | **-** | **(71,930)** | **(2,305)** | **(7,066)** | **(13,479)** | **(94,780)** |
| C.1 Sales | - | - | | - | - | - |
| C.2 Depreciation | - | (40,428) | (1,635) | (317) | (11,638) | (54,018) |
| C.3 Impairment losses recognised in | - | (1,184) | - | - | - | (1,184) |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | (1,184) | - | - | - | (1,184) |
| C.4 Fair value losses recognised in: | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| C.5 Exchange rate losses | - | - | - | - | - | - |
| C.6 Transfers to: | - | - | - | - | - | - |
| a) investment property | - | - | X | X | X | - |
| b) assets held for sale | - | - | - | - | - | - |
| C.7 Other changes | - | (30,318) | (670) | (6,749) | (1,841) | (39,578) |
| **D. Closing net balance** | **49,983** | **190,718** | **4,366** | **637** | **27,668** | **273,372** |
| D.1 Total net impairment losses | **-** | **(99,165)** | **(41,014)** | **(8,556)** | **(158,991)** | **(307,726)** |
| D.2 **Gross closing balance** | **49,983** | **289,883** | **45,380** | **9,193** | **186,659** | **581,098** |
| E. Measurement at cost | **49,983** | **190,718** | **4,366** | **637** | **27,668** | **273,372** |

Items "A Opening gross balance" and "A.1 Net impairment losses" both reflect the derecognition of assets that have been fully depreciated.

*9.7 Property, equipment and investment property held for investment: annual changes*

None.

*9.8 Property, equipment and investment property according to IAS 2: annual changes*

Nothing to report.

The useful lives of the assets (unchanged from previous year) used to calculate depreciation are set out below:

| Categories | Useful life (in years) |
|---|---|
| - land | indefinite |
| - buildings | 33 |
| - furniture and fittings | 7 - 8 |
| - systems | 4 - 13 |
| - EAD electronic systems | 4 |
| - IT equipment | 5 |
| - non-IT equipment | 4 - 8 |
| - works of art | indefinite |

| *9.9 Commitments to acquire property, equipment and investment property* | |
|---|---|
| These commitments are as follows: | |
| - buildings | - |
| - furniture | 151 |
| - systems | 27 |
| - other | 1,410 |
| Total | **1,588** |

## Section 10 - Intangible assets - Item 100

*10.1 Intangible assets: breakdown by type of asset*

| Assets/Amounts | Total 31.12.2020 | | Total 31.12.2019 | |
|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life |
| **A.1 Goodwill**: | X | | X | |
| A.1.1 Attributable to the Group | X | - | X | - |
| A.1.2 Attributable to non-controlling interests | X | - | X | - |
| **A.2 Other intangible assets** | | | | |
| A.2.1 Assets measured at cost: | | | | |
| a) Internally generated intangible assets | - | - | - | - |
| b) Other assets | 47,347 | - | 52,933 | - |
| A.2.2 Assets measured at fair value: | | | | |
| a) Internally generated intangible assets | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | **47,347** | - | **52,933** | - |

*10.2 Intangible assets: annual changes*

| | Goodwill | Other intangible assets: internally generated | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | FINITE | INDEF. | FINITE | INDEF. | |
| **A. Opening gross balance** | - | 79,675 | - | 263,436 | - | 343,111 |
| A.1 Total net impairment losses | - | 79,675 | - | 210,503 | - | 290,178 |
| A.2 **Opening net balance** | - | - | - | **52,933** | - | **52,933** |
| **B. Increases** | | | | | | |
| B.1 Purchases | - | - | - | 8,468 | - | 8,468 |
| B.2 Increase in internally generated assets | - | - | - | - | - | - |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Fair value gains recognised in | - | - | - | - | - | - |
| - equity | - | - | - | - | - | - |
| - income statement | - | - | - | - | - | - |
| B.5 Exchange rate gains | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | - | - | - |
| **C. Decreases** | | | | | | |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Value adjustments | - | - | - | 14,054 | - | 14,054 |
| - Amortisation | - | - | - | 14,054 | - | 14,054 |
| - Write-downs | - | - | - | - | - | - |
| + equity | - | - | - | - | - | - |
| + income statement | - | - | - | | - | - |
| C.3 Fair value losses recognised in | - | - | - | - | - | - |
| - equity | - | - | - | - | - | - |
| - income statement | - | - | - | - | - | - |
| C.4 Transfers to non-current assets held for sale | - | - | - | - | - | - |
| C.5 Exchange rate losses | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | - | - | - |
| **D. Closing net balance** | - | - | - | **47,347** | - | **47,347** |
| D.1 Total net value adjustments | - | 79,675 | - | 217,583 | - | 297,258 |
| **E. Closing gross balance** | - | 79,675 | - | 264,930 | - | 344,605 |
| F. Measurement at cost | - | - | - | 47,347 | - | 47,347 |

***Key***
*FINITE: finite duration*
*INDEF: indefinite duration*

*10.3 Other information*

| | |
|---|---|
| Intangible assets acquired under government concession | - |
| Intangible assets given to guarantee group liabilities | - |
| Commitments to acquire intangible assets | 8 |
| Intangible assets under finance lease | - |

Commitments for the purchase of intangible assets amount to a total of €8 thousand and relate to software.

## Section 11 - Tax assets and liabilities - Item 110 of assets and item 60 of liabilities

*11.1 Deferred tax assets: breakdown*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| Employee benefits | 3 | 3 |
| Allowance for impairment (cash and endorsement) | 201,386 | 211,158 |
| IFRS 9 FTA | 45,339 | - |
| Costs deductible in subsequent years (provisions and other costs) | 13,393 | 12,778 |
| Other financial statements items | 344 | 366 |
| **Total** | **260,465** | **224,305** |

*11.2 Deferred tax liabilities: breakdown*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| Other financial statements items | 53 | 228 |
| **Total** | **53** | **228** |

*11.3 Changes in deferred tax assets (balancing entry in income statement)*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **1. Opening balance** | 223,939 | 259,592 |
| **2. Increases** | | |
| 2.1 Deferred tax assets recognised in the year | 48,109 | 2 |
| a) related to previous years | 48,100 | - |
| b) due to changes in accounting policies | - | - |
| c) reversals of impairment losses | - | - |
| d) other | 9 | 2 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | | |
| 3.1 Deferred tax assets derecognised in the year | 2,811 | 7,710 |
| a) reversals | 2,810 | 7,704 |
| b) impairment due to non-recoverability | - | - |
| c) due to changes in accounting policies | - | - |
| d) other | 1 | 6 |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | 9,115 | 27,945 |
| a) conversion into tax credits as per Law no. 214/2011 | 9,115 | 27,945 |
| b) other | - | - |
| **4. Closing balance** | **260,122** | **223,939** |

*11.4 Changes in deferred tax assets as per Law no. 214/2011 (balancing entry in income statement)*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **1. Opening balance** | 204,991 | 232,936 |
| **2. Increases** | - | - |
| **3. Decreases** | | |
| 3.1 Reversals | - | - |
| 3.2 Conversion into tax credits | 9,115 | 27,945 |
| a) from the loss for the year | 9,115 | 27,945 |
| b) from tax losses | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **195,876** | **204,991** |

*11.5 Changes in deferred tax liabilities (balancing entry in income statement)*

None at the date of these Financial Statements.

*11.6 Changes in deferred tax assets (balancing entry in equity)*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **1. Opening balance** | 366 | 50 |
| **2. Increases** | | |
| 2.1 Deferred tax assets recognised in the year | - | 316 |
| a) related to previous years | | |
| b) due to changes in accounting policies | - | - |
| c) other | - | 316 |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | | |
| 3.1 Deferred tax assets derecognised in the year | 23 | - |
| a) reversals | 23 | - |
| b) impairment due to non-recoverability | - | - |
| c) due to changes in accounting policies | - | - |
| d) other | - | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **343** | **366** |

*11.7 Changes in deferred tax liabilities (balancing entry in equity)*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **1. Opening balance** | 228 | 310 |
| **2. Increases** | | |
| 2.1 Deferred tax liabilities recognised in the year | - | - |
| a) related to previous years | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | | |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | | |
| **3. Decreases** | | |
| 3.1 Deferred tax liabilities derecognised in the year | 175 | 82 |
| a) reversals | 175 | 82 |
| b) due to changes in accounting policies | - | - |
| c) other | - | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **53** | **228** |

*11.8 Other information*

It should be noted that in the last two years the parent company Deutsche Bank did not recognise any deferred tax assets as detailed in the table below.

| | Total 31 12 2020 | | | Total 31 12 2019 | | |
|---|---|---|---|---|---|---|
| | Temporary differences | Tax effect | Rate % | Temporary differences | Tax effect | Rate % |
| Tax loss | 432,651 | 118,979 | 27.50% | 326,159 | 89,694 | 27.50% |
| Deferred deduction - costs attributable to the IFRS 9 FTA | - | - | - | 189,253 | 62,586 | 33.07% |
| Deferred deduction - ordinary costs | 86,607 | 23,817 | 27.50% | 107,894 | 32,794 | 30.39% |
| | **519,258** | **142,796** | **27.50%** | **623,306** | **185,074** | **29.67%** |

The non-recognition is the result of the tax loss in the Consolidated Financial Statements and the income forecasts for the next few years, which do not allow for the certainty of their recovery in a timeframe considered reasonable by the prevailing accounting practice.

As there is no limit on future carry forward loss, these aggregates represent an asset that can potentially be recognised in future years as the bank's earnings prospects improve.

**Section 12 - Non-current assets held for sale and disposal groups and associated liabilities - Asset item 120 and Liability item 70**

The Financial Statements items of the assets "Disposal groups" and of the liabilities "Liabilities associated with disposal groups" show the balances at 31 December 2020 and 2019 of the investee Vesta Real Estate S.r.l., net of the intragroup items subject to derecognition in the Consolidated Financial Statements.
The classification of the subsidiary in accordance with IFRS 5 reflects the sale expected by the second half of 2021 of the entire shareholding to BG.Re S.r.l..
Please refer to the management report and Part A of the Notes to the Financial Statements for further information.

For segment reporting purposes, the investee is posted in the column that includes the "Capital Release Unit".

*12.1 Non-current assets held for sale and disposal groups: breakdown by type of assets*

| | Total 2020 | Total 2019 |
|---|---|---|
| **A. Assets held for sale** | | |
| A.1 Financial assets | - | - |
| A.2 Equity investments | - | - |
| A.3 Property, equipment and investment property | - | - |
| A.3 Property, equipment and investment property | - | - |
| of which: obtained through the enforcement of the guarantees received | | |
| A.5 Other non-current assets | - | - |
| **Total A** | **-** | **-** |
| of which measured at cost | **-** | **-** |
| of which measured at fair value level 1 | **-** | **-** |
| of which measured at fair value level 2 | **-** | **-** |
| of which measured at fair value level 3 | **-** | **-** |
| **B. Discontinued operations** | | |
| B.1 Financial assets measured at fair value through profit or loss: | - | - |
| - financial assets held for trading | - | - |
| - financial assets designated at fair value | - | - |
| - financial assets mandatorily measured at fair value | - | - |
| B.2 Financial assets measured at fair value through other comprehensive income | - | - |
| B.3 Financial assets measured at amortised cost | - | - |
| B.4 Equity investments | - | - |
| B.5 Property, equipment and investment property | 4,968 | 5,944 |
| of which: obtained through the enforcement of the guarantees received | - | - |
| B.6 Intangible assets | - | - |
| B.7 Other assets | 49 | 47 |
| **Total B** | **5,017** | **5,991** |
| of which measured at cost | 5,017 | 5,991 |
| of which measured at fair value level 1 | **-** | **-** |
| of which measured at fair value level 2 | - | - |
| of which measured at fair value level 3 | - | - |
| **C. Liabilities associated with assets held for sale** | | |
| C.1 Payables | - | - |
| C.2 Securities | - | - |
| C.3 Other liabilities | - | - |
| **Total C** | **-** | **-** |
| of which measured at cost | **-** | **-** |
| of which measured at fair value level 1 | **-** | **-** |
| of which measured at fair value level 2 | **-** | **-** |
| of which measured at fair value level 3 | **-** | **-** |
| **D. Liabilities associated with discontinued operations** | | |
| D.1 Financial liabilities measured at amortised cost | - | - |
| D.2 Financial liabilities held for trading | - | - |
| D.3 Financial liabilities designated at fair value | - | - |
| D.4 Provisions | - | - |
| D.5 Other liabilities | 5 | 30 |
| **Total D** | **5** | **30** |
| of which measured at cost | 5 | 30 |
| of which measured at fair value level 1 | **-** | **-** |
| of which measured at fair value level 2 | - | - |
| of which measured at fair value level 3 | **-** | **-** |

*12.2 Other information*
None.

**Section 13 - Other assets - Item 130**

*13.1 Other assets: breakdown*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| Adjustment for illiquid portions of the portfolio (Advance under reserve and DI) | 141,611 | 297,867 |
| Other items | 246,744 | 30,161 |
| Accrued interest not due | - | 16,966 |
| Instructions to be carried out for customers and/or correspondent banks | 137 | 31,925 |
| Items in the course of collection between branches not attributed to pertinent accounts | 43,348 | 7,246 |
| Receivables for tax consolidation | 1,038 | 1,035 |
| Prepayments | 28,619 | 25,029 |
| Accrued income not relative to the item itself | 1,679 | 5,327 |
| Suspended costs | 349 | 1,266 |
| Tax receivables | 95,236 | 59,726 |
| Insurance compensation receivables | 5,067 | 6,689 |
| Receivables for supplies of goods and services | 26,827 | 27,123 |
| Current account cheques drawn on other banks | 19,712 | 13,999 |
| **Total** | **610,367** | **524,359** |

The item "prepayments" includes the costs incurred to obtain contracts with customers.
In particular, these are the monetary incentives granted to customers for asset management contracts.
These costs are amortised over a period of five years by directly reducing the commission income charged to
If the customer closes the contract before five years have elapsed, the unamortised portion of the cost is immediately written off.

The changes that took place in the years 2020, 2019 and 2018 were as follows:

| | |
|---|---|
| **Opening balance, at 1 January 2018** | 23,712 |
| New capitalisations made during the year | - |
| Amortisation and derecognition | (10,775) |
| **Closing balance at 31 December 2018** | **12,937** |

| | |
|---|---|
| **Opening balance at 1 January 2019** | 12,937 |
| New capitalisations made during the year | 13,868 |
| Amortisation and derecognition | (9,381) |
| **Closing balance 31 December 2019** | **17,424** |

| | |
|---|---|
| **Opening balance 1 January 2020** | 17,424 |
| New capitalisations made during the year | 16,152 |
| Amortisation and derecognition | (8,460) |
| **Closing balance at 31 December 2020** | **25,116** |

**LIABILITIES**

**Section 1 - Financial liabilities measured at amortised cost - Item 10**

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

| Transaction type/Amounts | Total 31 12 2020 | | | | Total 31 12 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | fair value level 1 | fair value level 2 | fair value level 3 | Carrying amount | fair value level 1 | fair value level 2 | fair value level 3 |
| 1. Due to central banks | **2,692,875** | X | X | X | **2,760,242** | X | X | X |
| 2. Due to banks | **5,610,094** | X | X | X | **5,395,920** | X | X | X |
| 2.1 Current accounts and demand deposits | 349,421 | X | X | X | 348,632 | X | X | X |
| 2.2 Maturity deposits | 4,626,711 | X | X | X | 4,418,018 | X | X | X |
| 2.3 Financing | 560,000 | X | X | X | 561,856 | X | X | X |
| 2.3.1 Repurchase agreements | - | X | X | X | - | X | X | X |
| 2.3.2 Other | 560,000 | X | X | X | 561,856 | X | X | X |
| 2.4 Commitments to repurchase own equity instruments | - | X | X | X | - | X | X | X |
| 2.5 Lease payables | 621 | X | X | X | - | X | X | X |
| 2.6 Other payables | 73,341 | X | X | X | 67,414 | X | X | X |
| **Total** | **8,302,969** | **-** | **8,611,362** | **-** | **8,156,162** | **-** | **8,337,134** | **-** |

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

| Transaction type/Amounts | Total 31 12 2020 | | | | Total 31 12 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | fair value level 1 | fair value level 2 | fair value level 3 | Carrying amount | fair value level 1 | fair value level 2 | fair value level 3 |
| 1. Current accounts and demand deposits | 14,618,578 | X | X | X | 13,893,526 | X | X | X |
| 2. Maturity deposits | - | X | X | X | 26,872 | X | X | X |
| 3. Financing | - | X | X | X | - | X | X | X |
| 3.1 Repurchase agreements | - | X | X | X | - | X | X | X |
| 3.2 Other | - | X | X | X | - | X | X | X |
| 4. Commitments to repurchase own equity instruments | - | X | X | X | - | X | X | X |
| 5. Lease payables | 153,920 | X | X | X | 187,267 | X | X | X |
| 6. Other | 666,979 | X | X | X | 621,956 | X | X | X |
| **Total** | **15,439,477** | **-** | **15,439,477** | **-** | **14,729,621** | **-** | **14,729,621** | **-** |

*1.3 Financial liabilities measured at amortised cost: product breakdown of outstanding securities*

| Transaction type/Amounts | Total 31 12 2020 | | | | Total 31 12 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | fair value level 1 | fair value level 2 | fair value level 3 | Carrying amount | fair value level 1 | fair value level 2 | fair value level 3 |
| A. Securities | | | | | | | | |
| 1. Bonds | 37 | - | 37 | - | - | - | - | - |
| 1.1 Structured | - | - | - | - | - | - | - | - |
| 1.2 Other | 37 | - | 37 | - | - | - | - | - |
| 2. Other securities | 5,246 | - | 5,331 | - | 10,818 | - | 11,023 | - |
| 2.1 Structured | - | - | - | - | - | - | - | - |
| 2.2 Other | 5,246 | - | 5,331 | - | 10,818 | - | 11,023 | - |
| **Total** | **5,283** | **-** | **5,368** | **-** | **10,818** | **-** | **11,023** | **-** |

The category of other securities consists of certificates of deposit.

*1.4 Detail of payables/subordinated securities*

At 31 December 2020, the parent company has two subordinated loans with banks for a total amount of €560,000 thousand, detailed below:

| | |
|---|---|
| Counterpart: | Deutsche Bank AG Frankfurt |
| Currency: | Euro |
| Loan start date: | 24 March 2015 |
| Reimbursement date: | 24 March 2025 |
| Interest rate: | Coupon frequency: quarterly |
| | Rate: indexed to 3M Euribor + 2.07% |
| Book balance (nominal value) | 150,000 thousand euros |

There is no provision for early repayment upon initiative of the bank.
Should the bank be wound up, the liability will only be repaid after all not equally subordinated creditors have been paid.

| | |
|---|---|
| Counterpart: | Deutsche Bank AG Frankfurt |
| Currency: | Euro |
| Loan start date: | 16 July 2015 |
| Reimbursement date: | 16 July 2025 |
| Interest rate: | Coupon frequency: quarterly |
| | Rate: indexed to 3M Euribor + 2.528% |
| Book balance (nominal value) | 410,000 thousand euros |

There is no provision for early repayment upon initiative of the bank.
Should the bank be wound up, the liability will only be repaid after all not equally subordinated creditors have been paid.

*1.5 Details of structured debts*

None.

| *1.6 Lease payables* | 31 12 2020 | 31 12 2019 |
|---|---|---|
| Payables to lessors - leasing of properties for functional use | 152,744 | 185,773 |
| Payables to lessors - company car leasing | 1,797 | 1,494 |
| Total | **154,541** | **187,267** |

The payable to lessors has the following residual maturities at 31 December 2020 and 2019:

| | 31/12/20 | 31/12/19 |
|---|---|---|
| Payables due within the year | 36,685 | 43,032 |
| Payables due in one to two years | 32,351 | 37,245 |
| Payable due in two to five years | 68,696 | 79,253 |
| Payable due beyond five years | 16,809 | 27,737 |
| Total | **154,541** | **187,267** |

The expected payments (in nominal value) for the set out contractual durations of the leasing agreements in place at 31 December 2020 and 2019 are as follows:

| | 31/12/20 | 31/12/19 |
|---|---|---|
| within twelve months | 38,265 | 45,239 |
| in one to two years | 33,543 | 38,886 |
| in two to five years | 70,320 | 81,857 |
| over five years | 15,991 | 28,106 |
| Total | **158,119** | **194,088** |

**Section 2 - Financial liabilities held for trading - Item 20**

*2.1 Financial liabilities held for trading: product breakdown*

| Transaction types/Group components | Total 31.12.2020 | | | | | Total 31.12.2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NA | FV | | | FV* | NA | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. On-statement of financial position liabilities** | | | | | | | | | | |
| 1. Due to banks | - | - | - | - | - | - | - | - | - | - |
| 2. Due to customers | - | - | - | - | - | - | - | - | - | - |
| 3. Debt instruments | - | - | - | - | | - | - | - | - | |
| 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 | | 12 | 121,469 | - | | | 28 | 98,426 | 112 | |
| 1.1 Trading | X | 12 | 121,469 | - | X | X | 28 | 98,426 | 112 | X |
| 1.2 Associated with *fair value option* | X | - | - | - | X | X | - | - | - | X |
| 1.3 Others | X | - | - | - | X | X | - | - | - | X |
| 2. Credit derivatives | | - | - | - | | | - | - | - | |
| 2.1 Trading | X | - | - | - | X | X | - | - | - | X |
| 1.2 Associated with *fair value option* | X | - | - | - | X | X | - | - | - | X |
| 2.3 Others | X | - | - | - | X | X | - | - | - | X |
| **Total B** | **X** | **12** | **121,469** | **-** | **X** | **X** | **28** | **98,426** | **112** | **X** |
| **Total (A + B)** | **-** | **12** | **121,469** | **-** | **-** | **-** | **28** | **98,426** | **112** | **-** |

***Key***
FV = fair value

NA = nominal or notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

The balance consists mainly of interest rate derivatives (IRS and IROCap) in the amount of €107 million (€93.2 million in 2019); the remaining €14.5 million consists of foreign exchange options and forward foreign exchange contracts (€5.3 million in 2019).
The operations carried out by the bank relate to contracts entered into with corporate customers (mainly in the mid-cap and SME sectors) whose market risk is closed out with equal and opposite transactions with Deutsche Bank AG.

*2.2 Detail of "Financial liabilities held for trading": subordinated liabilities*

None.

*2.3 Details of "Financial liabilities held for trading": structured debts*

None.

**Section 3 - Financial liabilities designated at fair value - Item 30**

None.

## Section 4 - Hedging derivatives - Item 40

*4.1 Hedging derivatives: breakdown by hedge type and level*

| | Notional value | Total 31 12 2020 | | | Notional value | Total 31 12 2019 | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair value | | | | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **A. Financial derivatives** | | | | | | | | |
| 1) Fair value | 27,000 | - | 7,696 | - | 45,000 | - | 14,919 | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| 3) Investments in foreign operations | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | | | | | | | | |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **27,000** | **-** | **7,696** | **-** | **45,000** | **-** | **14,919** | **-** |

The reduction in notional and related market values is due to the early termination of some hedging relationships at the end of the 2020 financial year: loans receivable subject to fair value hedging were repaid early and the related interest rate swap contracts were terminated.

***Key***

NA = nominal amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

*4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge*

| Transaction/Type of hedge | Fair value | | | | | | | Cash flows | | Investments in foreign operations |
|---|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | | Generic | Specific | Generic | |
| | debt instruments and interest rates | equity securities and share indexes | currencies and gold | credit | commodities | other | | | | |
| 1. Financial assets measured at fair value through other comprehensive income | - | - | - | - | X | X | X | - | X | X |
| 2. Financial assets measured at amortised cost | 7,696 | X | - | - | X | X | X | - | X | X |
| 3. Portfolio | X | X | X | X | X | X | - | X | - | X |
| 4. Other transactions | - | - | - | - | - | - | X | - | X | - |
| **Total assets** | **7,696** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Financial liabilities | - | X | - | - | - | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | X | - | X | - | X |
| **Total liabilities** | **-** | **X** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **X** |
| 1. Expected transactions | X | X | X | X | X | | X | **-** | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | X | - | X | - | - |

Receivables are due from Deutsche Bank Mutui S.p.A., a company controlled by the Milan branch of Deutsche Bank AG.

## Section 5 - Adjustments to generically hedged financial liabilities - Item 50

None.

## Section 6 - Tax liabilities - Item 60

See section 11 of Assets.

## Section 7 - Liabilities associated with disposal groups - Item 70

See section 12 of Assets.

## Section 8 - Other liabilities - Item 80

*8.1 Other liabilities: breakdown*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| Amounts available to customers/banks for future transactions | 6,553 | 5,587 |
| Payables due to personnel expense | 63,029 | 49,102 |
| Items in transit | 11,045 | 12,161 |
| Pending bank accounts | 53,236 | - |
| Sundry taxes to be paid on behalf of customers | 26,156 | 22,009 |
| Payables to social security institutions and tax authorities for contributions and withholdings | 30,216 | 19,362 |
| Trade payables and invoices expected | 147,388 | 126,014 |
| Payables for internal restructuring projects | 12,991 | 22,044 |
| Accrued expenses not relative to the item itself | 8,625 | 328 |
| Deferred income | 20,130 | 8,107 |
| Payables for tax consolidation | 353 | 424 |
| Suspense items for currency transactions | - | 5,278 |
| Instalments not yet due of consumer credit financing collected from customers | 10,618 | 8,988 |
| Other items | 108,935 | 90,253 |
| Consolidation adjustments | - | 67 |
| **Total** | **499,275** | **369,724** |

## Section 9 - Post-employment benefits - Item 90

*9.1 Post-employment benefits: annual changes*

| | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| **A. Opening balance** | 19,559 | 19,944 |
| **B. Increases** | | |
| B.1 Accruals for the period | 176 | 328 |
| B.2 Other changes | 12 | 1,332 |
| **C. Decreases** | | |
| C.1 Payments made | 1,356 | 1,998 |
| C.2 Other changes | 90 | 47 |
| **D. Closing balance** | **18,301** | **19,559** |

*9.2 Other information*

Post-employment benefits classify as a defined benefit plan and, as such, are subject to actuarial valuation.
The main actuarial assumptions adopted to value the benefits are as follows:

| - Economic assumptions | used for economic effects 2020 | used on the date of 31-12-2020 |
|---|---|---|
| annual discount rate | 0.93% | 0.61% |
| annual increase in cost of living | 1.40% | 1.23% |
| - Demographic assumptions | | |
| probability of an employee's death | ISTAT2014 | |
| probability of an employee's disability | unisex tables identified on the basis of a study conducted by the CNR on behalf of the University of Rome reduced by 60% | |

### Section 10 - Provisions for risks and charges - Item 100

*10.1 Provisions for risks and charges: breakdown*

| Items/Components | Total 31.12.2020 | Total 31.12.2019 |
|---|---|---|
| 1. Provisions for credit risk related to commitments and financial guarantees issued | 29,504 | 28,419 |
| 2. Provisions for other commitments and other guarantees issued | 8,969 | 7,077 |
| 3. Internal pension funds | 12,026 | 10,819 |
| 4. Other provisions for risks and charges | 123,091 | 111,952 |
| 4.1 legal disputes | 16,353 | 16,539 |
| 4.2 personnel expense | 17,429 | 16,843 |
| 4.3 corporate reorganization | 60,959 | 56,309 |
| 4.4 other | 28,350 | 22,261 |
| **Total** | **173,590** | **158,267** |

The provisions for risks and charges include, starting from 2018, the provision related to commitments and guarantees issued, calculated pursuant to the criteria of IFRS 9.
Previously, this provision was included among other liabilities.

*10.2 Provisions for risks and charges: annual changes*

| Items/Components | Provisions for other commitments and other guarantees issued | Pension funds | Other provisions for risks and charges | Total |
|---|---|---|---|---|
| **A. Opening balance** | 7,077 | 10,819 | 111,952 | 129,848 |
| **B. Increases** | | | | |
| B.1 Accruals for the period | - | 2,142 | 28,119 | 30,261 |
| B.2 Changes due to the passage of time | - | - | 144 | 144 |
| B.3 Changes due to changes in discount rate | - | - | - | - |
| B.4 Other changes | 2,289 | - | 660 | 2,949 |
| **C. Decreases** | | | | |
| C.1 Usage during the period | - | 935 | 15,359 | 16,294 |
| C.2 Changes due to variable discount rate | - | - | - | - |
| C.3 Other changes | 397 | - | 2,425 | 2,822 |
| **D. Closing balance** | **8,969** | **12,026** | **123,091** | **144,086** |

Provisions for the year include, among the main items, the amount of €7,976 thousand relating to the further allocation of charges for the solidarity fund for personnel set up in 2019.

*10.3 Provisions for credit risk related to commitments and financial guarantees issued*

| | guarantees issued | | | |
|---|---|---|---|---|
| | First stage | Second stage | Third stage | **Total** |
| **1. Commitments to disburse funds** | 24,539 | 2,480 | 1,997 | 29,016 |
| **2. Financial guarantees issued** | 160 | 328 | - | 488 |
| **Total at 31 December 2020** | **24,699** | **2,808** | **1,997** | **29,504** |
| **Total at 31 December 2019** | **25,084** | **2,058** | **1,277** | **28,419** |

*10.4 Provisions for other commitments and other guarantees issued*

Guarantees of a commercial nature as at 31.12.2020 amounted to €9 million, the previous year they amounted to €7.1 million.

*10.5 Defined benefit internal pension funds*

The pension funds at 31 December 2020 include the agents' termination benefits (FISC), treated as a defined benefit plan. In 2013, following the merger of the subsidiary New Prestitempo S.p.A., its transactions with the agency network at 31 December 2012 were transferred to the parent company, including the above agents' termination benefits (FISC), which comprise amounts due to agents when they retire, for permanent disability, death and termination of the agency contract by the bank (Article 1751 of the Italian Civil Code).

A similar situation had occurred in 2018 with the merger by incorporation of Finanza e Futuro Banca, which had brought in the FISC relating to the adviser network.

The agents' termination benefits, as they are offered to agents, and not to employees, fall within the scope of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). The valuations required by the standard can be carried out using different methodologies.

Given that the agents' termination benefits for agents and post-employment benefits for employees are quite similar, the parent company decided to use the same method adopted under IAS 19 to measure post-employment benefits for the agents' termination benefits.

Given their nature, agents' termination benefits have no legal personality and the amount accrued is invested in the parent company's assets.

The main assumptions adopted at 31 December 2020 in the actuarial valuation required by IAS 19 for defined benefit plans are as follows:

| | |
|---|---|
| - Financial assumptions | |
| annual discount rate | 0.61% |
| annual increase in cost of living | 1.23% |
| increase in annual provisions | 3.23% |
| - Demographic assumptions | |
| probability of an agent's death | ISTAT2014 |
| probability of an agent's disability | unisex tables identified on the basis of a study conducted by the CNR on behalf of the University of Rome reduced by 60% |

*10.6 Provisions for risks and charges - other provisions*

Other provisions comprise:

- legal disputes: the provision mainly includes accruals made to cover losses arising from lawsuits;

- personnel expenses: the provision includes charges for seniority and loyalty bonuses, as well as charges related to health coverage granted to employees no longer in service.

The main assumptions adopted in the actuarial valuation carried out at 31 December 2020 are as follows:

| | |
|---|---|
| Seniority and loyalty bonuses | |
| - Economic assumptions | |
| annual discount rate | 0.61% |
| annual increase in cost of living | 1.23% |
| - Demographic assumptions | |
| probability of an employee's death | ISTAT2014 |
| probability of an employee's disability | unisex tables identified on the basis of a study conducted by the CNR on behalf of the University of Rome reduced by 60% |
| Health coverage for employees no longer in service | |
| - Economic assumptions | |
| annual discount rate | 0.61% |
| annual increase in cost of living | 1.23% |
| increase in average health reimbursement | 3.13% |
| - Demographic assumptions | |
| probability of an employee's death | RG 48 tables published by the State General Accounting Office increased by 20% |
| probability of an employee's disability | unisex tables identified on the basis of a study conducted by the CNR on behalf of the University of Rome reduced by 60% |

- Other provisions: they include accruals for probable future charges.

Other assets include expected insurance compensation of €6,689 thousand related to the parent company for disputes in which it is a defendant and expects to lose.

**Contingent liabilities**

Contingent liabilities arise from current obligations and possible obligations arising from past events.

Group companies recognise a provision for potential losses only when there is a current obligation deriving from a past event which could involve a probable economic outlay and which can be reliably estimated.

For significant potential liabilities for which the possibility of a future loss is more than remote, but less than probable, the companies of the Group estimate the possible loss when they believe that an estimate can be made.

In determining which claims have a more than remote probability and therefore estimating their possible loss, the companies of the Group take into account numerous factors including, by way of example, the nature of the claim and the underlying facts, the procedural position and the legal background of each case, decisions of courts or tribunals, experience gained in similar cases, previous settlement negotiations, settlements among others in similar cases (to the extent known to Group companies), available compensation and opinions and advice of lawyers and other experts.

With reference to the proceedings pending at 31 December 2020, the estimate of the maximum total future loss with a more than remote, but less than likely, probability is approximately €2.9 million.

This estimated possible loss is based on currently available information and is subject to significant judgement and a number of known and unknown assumptions, variables and uncertainties. Such uncertainties may include inaccuracy or incompleteness of information available to Group companies, particularly in the early stages of the case, and the possibility that assumptions made regarding future decisions by courts or other tribunals or possible actions or positions taken by supervisory authorities or opponents, prove to be incorrect. In addition, estimates of possible loss for these matters often cannot be derived from the use of statistical or other quantitative analysis tools frequently used to make judgements and estimates, and are exposed to even greater uncertainty than in many other areas in which Group companies are required to exercise judgement and make estimates.

**Section 11 - Technical reserves - Item 110**

None at the reporting date.

## Section 12 - Redeemable shares - Item 130

*12.1 Redeemable shares: breakdown*

None.

## Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180

*13.1 "Share capital" and "Treasury shares": breakdown*

The parent company's share capital of €412,154 thousand consists of 159,749,610 ordinary shares with a nominal amount of €2.58 each, including 6,765,307 held by the parent (4.23%), 63,710 by shareholders that have not yet collected their shares resulting from the free capital increases and 27 shares to be assigned to the former shareholders of Deutsche Asset Management Italy S.p.A..

The 6,765,307 treasury shares held by the parent company have a carrying amount of €3,516 thousand, equal to an average unit carrying amount of €0.52.
The parent company's percentage of 4.23% is within the threshold set by the last paragraph of Article 2357 of the Italian Civil Code. The total nominal amount is €17,454 thousand.
The amount deducted from item 180 of the Statement of financial position liabilities corresponds, in accordance with Article 2357 ter of the Italian Civil Code, to the resulting reserve included in item 150 of the liabilities "Reserves".

*13.2 Share capital - Number of shares of the parent company: annual changes*

| Items/Types | Ordinary | Other |
|---|---|---|
| **A. Shares at the beginning of the financial year** | 159,749,610 | - |
| - fully paid-in | 159,749,610 | - |
| - not fully paid-in | - | - |
| A.1 Treasury shares (-) | (6,765,307) | - |
| **A.2 Outstanding shares: opening balance** | **152,984,303** | **-** |
| **B. Increases** | | |
| B.1 New issues | | |
| - against consideration: | - | - |
| - business combinations | - | - |
| - bond conversions | - | - |
| - exercise of warrants | - | - |
| - other | - | - |
| - free of charge: | - | - |
| - to employees | - | - |
| - to directors | - | - |
| - other | - | - |
| B.2 Sale of treasury shares | - | - |
| B.3 Other changes | - | - |
| **C. Decreases** | | |
| C.1 Cancellations | - | - |
| C.2 Purchases of treasury shares | - | - |
| C.3 Disposals of entities | - | - |
| C.4 Other changes | - | - |
| **D. Outstanding shares: closing balance** | **152,984,303** | **-** |
| D.1 Treasury shares (+) | 6,765,307 | - |
| D.2 Existing shares at the end of the financial year | 159,749,610 | - |
| - fully paid-in | 159,749,610 | - |
| - not fully paid-in | - | - |

*13.3 Share capital: other information*

In the 2019 financial year, the parent company Deutsche Bank AG had carried out a capital payment transaction, as described in more detail in the comment on item 150 "other reserves" for €250 million.
Also in 2020, the parent company carried out a further capital strengthening operation for €150 million.

*13.4 Retained earnings: other information*

Item 150 can be broken down as follows:

| | |
|---|---|
| - legal reserve | 74,380 |
| - reserve for own shares or quotas | 3,516 |
| - statutory reserves | 64,545 |
| - other profit reserves | 518,851 |
| - capital contributions | 500,038 |
| - negative reserve for coupons paid AT1 | (38,289) |
| - FTA IAS/IFRS reserve | 57,527 |
| - overall effect of IFRS 9 FTA | (169,025) |
| Total item 150 "Reserves" | **1,011,543** |

The overall effect of first-time application (FTA) of IFRS 9 had resulted in a net decrease in profit reserves of €169 million as well as a decrease in valuation reserves of €27.6 million. Please refer to the management report of the 2018 Financial Statements for a detailed comment on the effects of the introduction of IFRS 9.

In 2018, the parent company Deutsche Bank AG of Frankfurt carried out two capital strengthening operations of Deutsche Bank S.p.A.:

a first capital payment of €210 million on 27 March 2018 in order to offset the overall impact of the FTA of IFRS 9 of €196.7 million and consequently allow the bank to be able to maintain its capitalisation levels with respect to the regulatory obligations and objectives set within the SREP;

a second capital payment of €190 million on 13 November 2018 with the aim of protecting the equity from the impact of the loss of €168.2 million recognised in the income statement as a result of the early termination of a series of deposit transactions with a banking counterparty of the Deutsche Bank Group.

On 4 April 2019, the German parent company had further strengthened its equity with a capital payment of €250 million; the new contribution is linked to the growth in loans to customers and therefore to the RWAs relevant to the calculation of regulatory capital for regulatory purposes.

An additional payment of €150 million was made in 2020, bringing the total contribution to the Italian parent company to €800 million.

The negative reserve of €38,289 thousand charged to retained earnings refers to the coupon amounts paid in the period 2016-2020 on the AT1 capitalisation instrument, net of the related tax effect; more in detail, the changes that took place are shown in the following table.

| Reason | Amounts |
|---|---|
| gross coupon AT1 paid in 2016 | (5,567) |
| 2016 coupon tax effect | 1,470 |
| AT1 gross coupon paid in 2017 | (9,179) |
| 2017 coupon tax effect | 2,524 |
| AT1 gross coupon paid in 2018 | (9,179) |
| 2018 coupon tax effect | - |
| AT1 gross coupon paid in 2019 | (9,179) |
| 2019 coupon tax effect | - |
| AT1 gross coupon paid in 2020 | (9,179) |
| 2020 coupon tax effect | |
| Total at 31 December 2020 | **(38,289)** |

*13.5 Equity instruments: breakdown and annual changes*

The item in question amounts to €145 million, the balance is unchanged from the end of the previous year.

On 21 September 2015, Deutsche Bank S.p.A. had issued an Additional Tier 1 instrument, denominated in euro, for €145 million, whose terms were in accordance with the CRD IV regulation, in effect from 1 January 2014: the notes issued are the Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1.
The entire amount of the loan was subscribed by the ultimate parent company Deutsche Bank AG - Frankfurt.

The securities are perpetual (with maturity linked to the statutory duration of Deutsche Bank S.p.A.) and can be called by the issuer for the first time on 30 April 2021 ("first call date") and subsequently on each coupon payment date.
The fixed-rate coupon recognised until 30 April 2021 is equivalent to 6.33% per year and is payable annually. Subsequently, if the early repayment option is not exercised, the coupon will be redefined based on the five-year swap rate, in effect at the periodic reporting, plus 594 b.p.

Additional Tier 1 instruments contribute to strengthen the Deutsche Bank S.p.A. Tier 1 ratio.
As envisaged in regulatory requirements, the coupon payment of the equity instrument is optional. The settlement of the issued notes provides for a trigger of 5.125% on the Common Equity Tier 1 (CET1) by which, if the CET1 ratio of the Group or Deutsche Bank S.p.A. should fall below this threshold, the nominal value of the notes will be temporarily reduced by the amount necessary to restore the level, taking into consideration other instruments with similar characteristics. This write-down mechanism is regulated by Article 92 (1) (a) of the CRR.

*13.6 Other information*

No further significant information to be disclosed.

## Section 14 - Equity attributable to non-controlling interests - Item 190

14.1 Breakdown of item 190 "Equity attributable to non-controlling interests"

Equity attributable to non-controlling interests amounts approximately to €1 thousand and relates to the non-controlling interest of DB Covered Bond S.r.l..

Reference should be made to the table showing changes in equity for information on equity attributable to non-controlling interests.

*14.2 Equity instruments: breakdown and annual changes*

None.

**OTHER INFORMATION**

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

| | Nominal value on commitments and financial guarantees issued | | | Total 31 12 2020 | Total 31 12 2019 |
|---|---|---|---|---|---|
| | First stage | Second stage | Third stage | | |
| **1. Commitments to disburse funds** | **8,548,964** | **280,129** | **50,208** | **8,879,301** | **7,491,738** |
| a) Central banks | - | - | - | - | - |
| b) Public authorities | 69,560 | - | - | 69,560 | 37,145 |
| c) Banks | 503,034 | - | 8 | 503,042 | 458,950 |
| d) Other financial companies | 1,391,646 | 1,702 | 500 | 1,393,848 | 394,183 |
| e) Non-financial companies | 5,970,697 | 237,001 | 43,978 | 6,251,676 | 6,076,601 |
| f) Households | 614,027 | 41,426 | 5,722 | 661,175 | 524,859 |
| **2. Financial guarantees issued** | **1,525,354** | **15,995** | **3,629** | **1,544,978** | **229,843** |
| a) Central banks | - | - | - | - | - |
| b) Public authorities | 16 | - | - | 16 | 16 |
| c) Banks | 1,401,949 | 11,250 | 3,629 | 1,416,828 | 91,363 |
| d) Other financial companies | 932 | - | - | 932 | 1,432 |
| e) Non-financial companies | 115,321 | 4,726 | - | 120,047 | 126,799 |
| f) Households | 7,136 | 19 | - | 7,155 | 10,233 |

*2. Other commitments and other guarantees issued*

| | Nominal amount | Nominal amount |
|---|---|---|
| | Total 31 12 2020 | Total 31 12 2019 |
| **1. Other guarantees issued** | **3,860,413** | **4,835,560** |
| of which: impaired | 19,529 | 18,284 |
| a) Central banks | - | 225 |
| b) Public authorities | 175 | 204 |
| c) Banks | 77,716 | 1,232,955 |
| d) Other financial companies | 41,862 | 57,450 |
| e) Non-financial companies | 3,730,156 | 3,529,288 |
| f) Households | 10,504 | 15,438 |
| **2. Other commitments** | **-** | **76,685** |
| of which: impaired | - | - |
| a) Central banks | - | - |
| b) Public authorities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| e) Non-financial companies | - | 76,685 |
| f) Households | - | - |

*3. Assets pledged as guarantee for own liabilities and commitments*

| Portfolios | Amount 31 12 2020 | Amount 31 12 2019 |
|---|---|---|
| 1 - Financial assets measured at fair value through profit or loss | - | - |
| 2 - Financial assets measured at fair value through other comprehensive income | - | - |
| 3 - Financial assets measured at amortised cost | 3,673,915 | 4,434,994 |
| 4 - Property, equipment and investment property | - | - |
| of which: property, equipment and investment property that represent inventories | - | - |

Regarding the issue of covered bonds to be used as a guarantee instrument in secured financing transactions, which was launched by the parent company during 2012, as at the reporting date €3,674 million of performing mortgage loans issued to customers had been transferred to the specifically established special purpose vehicle company. It should be noted that the parent company is the originator bank, the financing bank and the issuer, and that the covered bond issue was fully subscribed by the parent company.

*4. Investments for unit-linked and index-linked policies*

None.

*5. Management and trading on behalf of third parties*

| Type of service | Amount |
|---|---|
| **1. Fulfilment of orders on behalf of customers** | |
| a) Purchases | 99,925 |
| 1. settled | 99,925 |
| 2. unsettled | - |
| b) Sales | 167,268 |
| 1. settled | 167,268 |
| 2. unsettled | - |
| **2. Individual portfolio management** | 3,259,978 |
| a) individual | 3,259,978 |
| b) collective | - |
| **3. Securities custody and administration** | |
| a) third party securities held as part of depository bank services (excluding portfolio management) | - |
| 1. securities issued by the company preparing the financial statements | - |
| 2. other securities | - |
| b) other third party securities on deposit (excluding portfolio management) | 10,827,499 |
| 1. securities issued by the company preparing the financial statements | 1,294 |
| 2. other securities | 10,826,205 |
| c) third party securities deposited with others | 8,935,241 |
| d) securities owned by the bank deposited with others | 119,271 |
| **4. Other transactions** | |
| 4.1 Receipt and transmission of orders and brokerage | |
| a) Purchases | 4,449,564 |
| 1. settled | 4,444,562 |
| 2. unsettled | 5,002 |
| b) Sales | 4,539,083 |
| 1. settled | 4,534,652 |
| 2. unsettled | 4,431 |

*6. Financial assets subject offset or subject to master offsetting or similar agreements*

None.

*7. Financial liabilities offset or subject to master offsetting or similar agreements*

None.

*8. Securities lending transactions*

At 31 December 2020, the bank had a securities lending agreement with its own parent company (Deutsche Bank AG), concerning debt securities issued by top-rated sovereign or primary foreign issuers, for a total nominal value of €522.1 million.
These securities are deposited for €491.1 million with the Bank of Italy as collateral for intraday advances and for €26 million with Euroclear as collateral for securities settlement operations. The residual €5 million of securities received on loan were lent to Deutsche Bank Mutui S.p.A., a company of the DB AG Group.

*9. Notes on jointly controlled assets*

None.

## Part C - NOTES TO THE CONSOLIDATED INCOME STATEMENT

### Section 1 - Interest - Items 10 and 20

*1.1 Interest and similar income: breakdown*

| Items/Products | Debt instruments | Financing | Other transactions | **Total 2020** | **Total 2019** |
|---|---|---|---|---|---|
| **1. Financial assets measured at fair value through profit or loss** | - | - | - | **-** | **-** |
| 1.1. Financial assets held for trading | - | - | - | **-** | - |
| 1.2. Financial assets designated at fair value | - | - | - | **-** | - |
| 1.3. Other financial assets mandatorily measured at fair value | - | - | - | **-** | - |
| **3. Financial assets measured at amortised cost:** | **814** | **516,514** | **-** | **517,328** | 502,028 |
| 3.1 Loans and receivables with banks | - | 7,336 | **X** | **7,336** | 16,925 |
| 3.2 Loans and receivables with customers | 814 | 509,178 | **X** | **509,992** | 485,103 |
| **4. Hedging derivatives** | **X** | **X** | 1,603 | **1,603** | 1,758 |
| **5. Other assets** | **X** | **X** | 182 | **182** | 68 |
| **6. Financial liabilities** | **X** | **X** | **X** | **15,428** | 15,817 |
| **Total** | **814** | **516,514** | **1,785** | **534,541** | **519,671** |
| of which: interest income on impaired financial assets | **-** | **6,375** | **-** | **6,375** | **7,839** |
| of which: interest income on finance leases | **-** | **-** | **-** | **-** | **-** |

Interest income on financial liabilities includes €12,601 thousand (€11,356 thousand in 2019) related to the financing transactions received from the Bank of Italy for TLTRO II (loan of €2.8 billion closed in June 2020) and TLTRO III (loan of €2.7 billion started at the end of June 2020).

*1.2 Interest and similar income: other information*

*1.2.1 Interest income on foreign currency financial assets* 5,293

*1.2.2 Interest income on finance leases*

None.

*1.3 Interest and similar expense: breakdown*

| Items/Products | Liabilities | Securities | Other transactions | **Total 2020** | **Total 2019** |
|---|---|---|---|---|---|
| 1. Financial liabilities measured at amortised cost | | | | | |
| 1.1 Due to central banks | - | **X** | **X** | **-** | - |
| 1.2 Due to banks | (56,873) | X | X | (56,873) | (59,314) |
| 1.3 Due to customers | (4,224) | X | X | (4,224) | (6,013) |
| 1.4 Securities issued | X | (21) | X | (21) | (68) |
| 2. Financial liabilities held for trading | - | - | - | - | - |
| 3. Financial liabilities designated at fair value | - | - | - | - | - |
| 4. Other liabilities and provisions | **X** | **X** | - | - | - |
| 5. Hedging derivatives | **X** | **X** | - | - | - |
| 6. Financial assets | **X** | **X** | **X** | **(4,499)** | **(9,718)** |
| **Total** | **(61,097)** | **(21)** | **-** | **(65,617)** | **(75,113)** |
| of which: interest expense relating to lease payables | (1,876) | **-** | **-** | **(1,876)** | **(2,245)** |

*1.4 Interest and similar expense: other information*

*1.4.1 Interest expense on foreign currency liabilities* (950)

*1.5 Differences on hedging transactions*

| Items | **Total 2020** | **Total 2019** |
|---|---|---|
| A. Gains on hedging transactions | 3,870 | 3,939 |
| B. Losses on hedging transactions | (2,267) | (2,181) |
| C. Balance (A-B) | **1,603** | **1,758** |

## Section 2 - Fees and commissions - Items 40 and 50

*2.1 Fee and commission income: breakdown*

| Type of service/Sectors | Total 2020 | Total 2019 |
|---|---|---|
| a) guarantees issued | 44,940 | 31,174 |
| b) credit derivatives | - | - |
| c) management, brokerage and consultancy services: | **354,643** | **382,937** |
| 1. trading in financial instruments | 282 | 599 |
| 2. foreign currency transactions | 816 | 3,335 |
| 3. asset management | **21,548** | **19,658** |
| 3.1. individual | 21,548 | 19,658 |
| 3.2. collective | - | - |
| 4. securities custody and administration | 976 | 5,891 |
| 5. depository services | - | - |
| 6. securities placement | 210,846 | 207,684 |
| 7. order collection and transmission | 9,686 | 10,778 |
| 8. consultancy services | **10,878** | **9,752** |
| 8.1. concerning investments | 10,878 | 9,752 |
| 8.2. concerning financial structure | - | - |
| 9. distribution of third party services | **99,611** | **125,240** |
| 9.1. asset management | **-** | **-** |
| 9.1.1. individual | - | - |
| 9.1.2. collective | - | - |
| 9.2. insurance products | 98,960 | 124,351 |
| 9.3. other products | 651 | 889 |
| d) collection and payment services | 77,040 | 36,513 |
| e) servicing *services* for securitisations | 7,097 | 3,324 |
| f) services for factoring transactions | - | - |
| g) tax collection services | - | - |
| h) management of multilateral trading systems | - | - |
| i) keeping and management of current accounts | 35,037 | 35,312 |
| j) other services | **47,393** | **88,918** |
| **Total** | **566,150** | **578,178** |

*2.1.2 Commission income: distribution channels of products and services*

| Channels/Sectors | Total 2020 | Total 2019 |
|---|---|---|
| **a) own branches:** | **253,021** | **194,192** |
| 1. asset management | 21,548 | 19,658 |
| 2. securities placement | 182,330 | 108,915 |
| 3. third party services and products | 49,143 | 65,619 |
| **b) off-premises distribution:** | **77,832** | **152,433** |
| 1. asset management | - | - |
| 2. securities placement | 28,322 | 98,549 |
| 3. third party services and products | 49,510 | 53,884 |
| **c) other distribution channels:** | **1,152** | **5,957** |
| 1. asset management | - | - |
| 2. securities placement | 194 | 220 |
| 3. third party services and products | 958 | 5,737 |

*2.2 Fee and commission expense: breakdown*

| Services/Sectors | Total 2020 | Total 2019 |
|---|---|---|
| a) guarantees received | (22,939) | (6,312) |
| b) credit derivatives | - | - |
| c) management and brokerage services: | **(120,395)** | **(129,515)** |
| 1. trading in financial instruments | (4,467) | (4,853) |
| 2. foreign currency transactions | - | - |
| 3. asset management: | **(106)** | **(52)** |
| 3.1 own | (106) | (52) |
| 3.2. delegated by third parties | - | - |
| 4. securities custody and administration | (406) | (2,155) |
| 5. placement of financial instruments | - | - |
| 6. off-premises distribution of financial instruments, products and services | (115,416) | (122,455) |
| d) collection and payment services | (19,022) | (7,472) |
| e) other services | **(13,553)** | **(46,646)** |
| **Total** | **(175,909)** | **(189,945)** |

## Section 3 - Dividends and similar income - Item 70

*3.1 Dividends and similar income: breakdown*

| Items/Income | Total 2020 | | Total 2019 | |
|---|---|---|---|---|
| | Dividends | Income from OEIC units | Dividends | Income from OEIC units |
| A. Financial assets held for trading | - | - | - | - |
| B. Other financial assets mandatorily measured at fair value | 1,750 | - | 2,792 | - |
| C. Financial assets measured at fair value | - | - | - | - |
| D. Equity investments | - | X | - | X |
| **Total** | **1,750** | **-** | **2,792** | **-** |

## Section 4 - Net trading income (expense) - Item 80

*4.1 Net trading income (expense): breakdown*

| Transactions/Income components | Gains (A) | Trading income (B) | Losses (C) | Trading losses (D) | Net result [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **-** | **12** | **-** | **(27)** | **(15)** |
| 1.1 Debt instruments | - | 1 | - | - | **1** |
| 1.2 Equity securities | - | 8 | - | (6) | **2** |
| 1.3 OEIC units | - | 3 | - | (21) | **(18)** |
| 1.4 Financing | - | - | - | - | **-** |
| 1.5 Other | - | - | - | - | **-** |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debt instruments | - | - | - | - | **-** |
| 2.2 Payables | - | - | - | - | **-** |
| 2.3 Other | - | - | - | - | **-** |
| **Other financial assets and liabilities: foreign exchange differences** | X | X | X | X | **1,135** |
| **3. Derivatives** | **178,644** | **20,381** | **(179,905)** | **(20,228)** | **(1,139)** |
| 3.1. Financial derivatives | **178,644** | **20,381** | **(179,905)** | **(20,228)** | **(1,139)** |
| - On debt instruments and interest rates | 178,644 | 20,381 | (179,905) | (20,228) | **(1,108)** |
| - On equity securities and share indexes | - | - | - | - | **-** |
| - On currencies and gold | X | X | X | X | **(31)** |
| - Other | - | - | - | - | **-** |
| 3.2 Credit derivatives | - | - | - | - | **-** |
| of which: natural hedges associated with the fair value option | X | X | X | X | |
| **Total** | **178,644** | **20,393** | **(179,905)** | **(20,255)** | **(19)** |

The assessment of credit risk inherent in the fair value of derivative contracts with customer counterparties showed costs of €620 thousand during the year, reflected in the income statement. The exact figure at 31 December 2020, which derives from applying the measurement model of CVA and DVA adjustments, was €1,509 thousand, compared to €889 thousand in the previous year.

## Section 5 - Net hedging income (expense) - Item 90

*5.1 Net hedging income (expense): breakdown*

| Income/Amounts | Total 2020 | Total 2019 |
|---|---|---|
| **A. Gains on:** | | |
| A.1 Fair value hedging derivatives | 5,706 | 3,538 |
| A.2 Hedged financial assets (fair value) | 301 | 226 |
| A.3 Hedged financial liabilities (fair value) | - | - |
| A.4 Cash flow hedging derivatives | - | - |
| A.5 Foreign currency assets and liabilities | - | - |
| **Total hedging income (A)** | **6,007** | **3,764** |
| **B. Losses on:** | | |
| B.1 Fair value hedging derivatives | - | (206) |
| B.2 Hedged financial assets (fair value) | - | - |
| B.3 Hedged financial liabilities (fair value) | (7,248) | (5,505) |
| B.4 Cash flow hedging derivatives | - | - |
| B.5 Foreign currency assets and liabilities | - | - |
| **Total hedging expense (B)** | **(7,248)** | **(5,711)** |
| **C. Net hedging income (expense) (A – B)** | **(1,241)** | **(1,947)** |
| of which: result of hedging on net positions | - | - |

Hedging relationships were within the quantitative thresholds set by IAS 39 for both 2020 and 2019.

## Section 6 - Profit (loss) on sale or repurchase - Item 100

*6.1 Profit (loss) on sale or repurchase: breakdown*

| Items/Income components | Total 2020 | | | Total 2019 | | |
|---|---|---|---|---|---|---|
| | Profit | Loss | Net result | Profit | Loss | Net result |
| **Financial assets** | | | | | | |
| 1. Financial assets measured at amortised cost | **6,462** | **-** | **6,462** | **14,766** | **-** | **14,766** |
| 1. 1 Loans and receivables with banks | - | - | **-** | - | - | **-** |
| 1.2 Loans and receivables with customers | 6,462 | - | **6,462** | 14,766 | - | **14,766** |
| 2. Financial assets measured at fair value through other comprehensive income | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debt instruments | - | - | **-** | - | - | **-** |
| 2.2 Financing | - | - | **-** | - | - | **-** |
| **Total assets (A)** | **6,462** | **-** | **6,462** | **14,766** | **-** | **14,766** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | (20,339) | **(20,339)** | 1,803 | (26) | **1,777** |
| 2. Due to customers | - | - | **-** | - | - | **-** |
| 3. Securities issued | - | - | **-** | - | - | **-** |
| **Total liabilities (B)** | **-** | **(20,339)** | **(20,339)** | **1,803** | **(26)** | **1,777** |

Profits on the sale of loans and receivables with customers amount to €6.5 million (in 2019 they were equal to €14.8 million) and refer exclusively to the assignment of impaired loans (non-performing loans) by the bank during 2020 (and 2019).

Repurchase losses of €20.3 million are due to the early repayment at market conditions of some time deposits received by the parent company DB AG Frankfurt.

## Section 7 - Net gains (losses) on financial assets and liabilities measured at *fair value through profit or loss* - Item 110

*7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value*

None.

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

| Transactions/Income components | Gains (A) | Realised gains (B) | Losses (C) | Realised losses (D) | Net result [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets** | | | | | |
| 1.1 Debt instruments | - | - | - | - | **-** |
| 1.2 Equity instruments | 48,344 | 1,399 | (186) | - | 49,557 |
| 1.3 OEIC units | - | - | - | - | **-** |
| 1.4 Financing | - | - | - | - | **-** |
| **2. Foreign currency financial assets: exchange rate differences** | **X** | **X** | **X** | **X** | (2,025) |
| **Total** | **48,344** | **1,399** | **(186)** | **-** | **47,532** |

The net result of other financial assets and liabilities measured at fair value through profit or loss showed revenues for €47.5 million in 2020, while in the previous year the bank had reported a profit of €8.5 million.
The revaluations determined in 2020 by updating the fair values of the investee companies mainly refer to VISA inc (share denominated in US dollars) and SIA S.p.A..

## Section 8 - Net value adjustments/write-backs for credit risk - Item 130

*8.1 Net value adjustments for credit risk relating to financial assets measured at amortised cost: breakdown*

| Transactions/Income components | Value adjustments (1) | | | Write-backs (2) | | **Total 2020** | **Total 2019** |
|---|---|---|---|---|---|---|---|
| | First and second stage | Third stage | | First and second stage | Third stage | | |
| | | Write-offs | Other | | | (3) = (1) – (2) | (3) = (1) – (2) |
| A. Loans and receivables with banks | **(816)** | **-** | **-** | **107** | **-** | **(709)** | **(925)** |
| - Financing | (816) | | - | 107 | - | (709) | (925) |
| - Debt instruments | - | - | - | - | - | - | - |
| of which: purchased or originated credit impaired | - | - | - | - | - | - | - |
| B. Loans and receivables with customers | **(115,867)** | **-** | **(293,928)** | **69,373** | **154,330** | **(186,092)** | **(139,934)** |
| - Financing | (115,778) | - | (293,928) | 69,373 | 154,330 | (186,003) | (139,845) |
| - Debt instruments | (89) | - | - | - | - | (89) | (89) |
| of which: purchased or originated credit impaired | - | - | - | - | - | - | - |
| **C. Total** | **(116,683)** | **-** | **(293,928)** | **69,480** | **154,330** | **(186,801)** | **(140,859)** |

*8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown*

| **Transactions/Income components** | **Net value adjustments** | | | **Total 31/12/2020** |
|---|---|---|---|---|
| | First and Second stage | Third stage | | |
| | | write-offs | other | |
| 1. Loans subject to forbearance measures in accordance with the GL | (3,509) | - | (6,169) | (9,678) |
| 2. Loans subject to other forbearance measures | (4,760) | - | (5,537) | (10,297) |
| 3. New loans | (2,133) | - | (668) | (2,800) |
| **Total 2020** | **(10,402)** | **-** | **(12,373)** | **(22,775)** |

*8.2 Net value adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown*

None.

## Section 9

## Profit/losses from contractual amendments without cancellations - Item 140

*9.1 Profits (losses) from contractual amendments: breakdown*

| *9.1 Profits (losses) from contractual amendments: breakdown* | | |
|---|---|---|
| Transactions/Values | **Total 2020** | **Total 2019** |
| Losses from mortgage renegotiations | (851) | (6) |
| Losses from renegotiation of personal loans | 1,435 | - |
| Total | 584 | (6) |

## Section 10 - Net premiums - Item 160

None.

## Section 11 - Other operating income (expense) of the insurance business - Item 170

None.

## Section 12 - Administrative expenses - Item 190

*12.1 Personnel expenses: breakdown*

| Type of expense/Sectors | Total 2020 | Total 2019 |
|---|---|---|
| 1) Employees | **(327,512)** | **(357,979)** |
| a) wages and salaries | (218,540) | (212,572) |
| b) social security charges | (57,576) | (54,738) |
| c) post-employment benefits | (12,538) | (11,656) |
| d) pension costs | (6) | (6) |
| e) accrual for post-employment benefits | (162) | (328) |
| f) accrual for pension and similar provisions: | - | - |
| - defined contribution plans | - | - |
| - defined benefit plans | - | - |
| g) payments to external supplementary pension funds: | (12,751) | (12,377) |
| - defined contribution plans | (12,751) | (12,377) |
| - defined benefit plans | - | - |
| h) costs of share-based payment plans | - | - |
| i) other employee benefits | (25,939) | (66,302) |
| 2) Other personnel | (7,779) | (6,331) |
| - atypical employment contracts | (7,809) | (6,462) |
| - group personnel on secondment at the bank | (482) | (438) |
| - cost recoveries for personnel seconded to other group companies | 512 | 569 |
| 3) Directors and statutory auditors | (230) | (356) |
| 4) Retired personnel | - | - |
| **Total** | **(335,521)** | **(364,666)** |

*12.2 Average number of employees per category*

| *Employees* | 2020 | 2019 |
|---|---|---|
| *a)* managers | 146 | 144 |
| *b)* total middle managers | 1,924 | 1,962 |
| *c)* other employees | 1,241 | 1,289 |
| total | **3,311** | **3,395** |
| Other personnel | 138 | 117 |
| total | **3,449** | **3,512** |

| *Post-employment benefits - total costs* | | |
|---|---|---|
| *a)* current service cost | | |
| *b)* interest expense | | (162) |
| *c)* expected return rate on plan assets | | - |
| *d)* recognised actuarial gains (losses) | | - |
| *e)* past service cost | | - |
| *f)* loss (gain) on curtailments or reductions | | - |
| **total** | | (162) |

*12.3 Defined benefit company pension funds: total costs*

None.

| 12.4 Other employee benefits | 2020 | 2019 |
|---|---|---|
| *- lunch vouchers* | (3,421) | (3,433) |
| *- insurance* | (5,706) | (5,877) |
| *- leaving incentives* | (14,680) | (52,427) |
| *- other benefits* | (2,132) | (4,565) |
| ***Total*** | **(25,939)** | **(66,302)** |

*12.5 Other administrative expenses: breakdown*

| Items/Components | 2020 | 2019 |
|---|---|---|
| - legal and notary fees | (13,711) | (15,832) |
| - sundry consultancy | (103,110) | (18,964) |
| - printed matter and stationery | (1,078) | (814) |
| - electronic machine hire and software | (15,975) | (14,659) |
| - third party services | (99,247) | (134,302) |
| - postage, telegraph, telephone and telex | (14,606) | (14,419) |
| - cleaning | (4,178) | (2,954) |
| - security | (1,784) | (1,943) |
| - lighting and heating | (4,901) | (4,847) |
| - maintenance, repair and transformation costs | (17,181) | (14,461) |
| - premises lease | (3,248) | (3,682) |
| - sundry insurance policies | (2,678) | (3,099) |
| - advertising and publicity | (5,508) | (11,582) |
| - memberships | - | (124) |
| - information and examinations | (2,244) | (3,522) |
| - travel costs | (1,353) | (3,768) |
| - contribution to the Resolution Fund - ordinary | (10,926) | (9,764) |
| - contribution to the Resolution Fund - additional | (3,451) | (3,575) |
| - contribution to the Interbank Deposit Protection Fund - ordinary | (8,074) | (8,458) |
| - contribution to the Interbank Deposit Protection Fund - additional | (3,883) | - |
| - other | (30,146) | (51,426) |
| SUBTOTAL (A) | **(347,282)** | **(322,195)** |
| | | |
| ***Income taxes and duties*** | | |
| - stamp duty paid to tax authorities | (3,837) | (3,158) |
| - local property tax | (938) | (876) |
| - other taxes and duties | (2,228) | (2,812) |
| SUBTOTAL (B) | **(7,003)** | **(6,846)** |
| TOTAL (A) + (B) | **(354,285)** | **(329,041)** |

Third party services mainly consist of services provided by other Deutsche Bank Group companies to the parent company.

Most of these services relate to IT activities.

The following events occurred in the years 2020 and 2019.

***- Interbank Deposit Protection Fund - ordinary contribution***

Legislative Decree no. 30/2016, transposing Directive 2014/49/EU, sets at 0.8% of protected deposits the target level that the financial endowment of deposit guarantee schemes must reach, by 3 July 2024, with the contributions paid by banks (Art. 96.1, paragraphs 1 and 2 of the TUB).

The financing mechanism defined by European legislation has already been regulated in the FITD Articles of Association with the reform approved by the Extraordinary Shareholders' Meeting of 26 November 2015 and, subsequently, aligned with the regulatory framework introduced by Legislative Decree no. 30/2016.

The Board of the Fund set the total contribution of the members for 2020 at €952.4 million. The share payable by the parent company was €11,898 thousand (€8,410 thousand in 2019). Operating grants for the year 2020 amounted to €59 thousand (€48 thousand in 2019).

***- Single Resolution Fund (SRF)***

Legislative Decrees no. 180 and 181 of 16 November 2015 implemented in national law Directive 2014/59/EU (so called Banking Resolution and Recovery Directive - BRRD), which establishes a framework for recovery and resolution of credit institutions and investment companies and envisages the creation of resolution funds.

Subjecting a bank to resolution means initiating a restructuring process managed by independent authorities - the resolution authorities - which, through the use of techniques and powers now offered by the BRRD, aims to avoid disruptions in the provision of essential services offered by the bank (e.g. deposits and payment services), to restore viable conditions for the healthy part of the bank and to wind down the remaining parts.

During the initial set-up phase of the Single Resolution Fund (transitional period), "national compartments" are provided for; the Bank of Italy, in its capacity as national resolution authority, has therefore established the National Resolution Fund.

Articles 78 and subsequent of Legislative Decree no. 180/15 envisage that these funds are

a) ordinary contributions, paid on an annual basis by banks with registered office in Italy and by Italian branches of non-EU banks, with the amount to be determined by Bank of Italy consistent with the amount established by the European Commission. These contributions are paid until the target level for the fund, specified in Art. 81 of the decree, has been reached.

b) extraordinary contributions, paid by the same parties as those referred to in point a) above, when the ordinary contributions are insufficient to cover the obligations, losses, costs and other expenses relating to the measures provided for in the Resolution Initiation Measures.

During 2020 the Group was called to pay both the ordinary contribution calculated by the Single Resolution Board in collaboration with the Bank of Italy and due to the Single Resolution Fund, in the amount of €10,926 thousand, and an additional contribution of €3,451 thousand.

## Section 13 - Net accruals to provisions for risks and charges - Item 200

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

| *Items/Components* | **Total 2020** | **Total 2019** |
|---|---|---|
| Commitments to disburse funds and financial guarantees issued: | | |
| - 1st and 2nd stage | (3,184) | 697 |
| - 3rd stage | 476 | 696 |
| - country risk | 45 | 2 |
| | **(2,663)** | **1,395** |

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

None.

*13.3 Net allocations to other provisions for risks and charges: breakdown*

| Items/Components | 2020 | 2019 |
|---|---|---|
| legal disputes | (2,845) | (1,101) |
| interest on discounting - time effect | - | - |
| interest on discounting - interest rate effect | - | - |
| insurance compensation - adjustment | - | - |
| other risks and charges | (13,655) | (4,406) |
| release of excess provisions | 2,426 | 575 |
| Total | **(14,074)** | **(4,932)** |

-

## Section 14 - Net value adjustments on property, equipment and investment property - Item 210

*14.1 Net value adjustments on property, equipment and investment property: breakdown*

| Assets/Income components | Depreciation | Impairment losses (b) | Write-backs (c) | **Net result (a + b – c)** |
|---|---|---|---|---|
| A. Property, equipment and investment property | | | | |
| 1. For functional use | | | | |
| - Owned | (15,092) | - | - | **(15,092)** |
| - Rights of use acquired through leasing | (38,928) | (1,184) | - | **(40,112)** |
| 2. Held for investment purposes | | | | |
| - Owned | - | - | - | **-** |
| - Rights of use acquired through leasing | - | - | - | **-** |
| 3. Inventories | X | - | - | **-** |
| **Total** | **(54,020)** | **(1,184)** | **-** | **(55,204)** |

## Section 15 - Net value adjustments/write-backs on intangible assets - Item 220

*15.1 Net value adjustments on intangible assets: breakdown*

| Assets/Income components | Amortisation (a) | Impairment losses (b) | Write-backs (c) | **Net result (a + b – c)** |
|---|---|---|---|---|
| A. Intangible assets | | | | |
| A.1 Owned | | | | |
| - Internally generated assets | - | - | - | **-** |
| - Other | (14,054) | - | - | **(14,054)** |
| A.2 Rights of use acquired through leasing | - | - | - | **-** |
| **Total** | **(14,054)** | **-** | **-** | **(14,054)** |

## Section 16 - Other operating income and expenses - Item 230

*16.1 Other operating expenses: breakdown*

| Items/Components | 2020 | 2019 |
|---|---|---|
| Intragroup consolidation adjustments | - | (15) |
| Losses on credit cards for fraud and irregularities | (511) | (977) |
| Purchased portfolio premiums | (2,638) | (2,268) |
| Charges for promoters and consortia associated to the "Finanza & Futuro" network | (1,220) | (4,185) |
| Costs of the covered bond issue | (4,215) | (4,609) |
| Assets not otherwise attributable and other operating expenses | (7,231) | (6,132) |
| | **(15,815)** | **(18,186)** |

*16.2 Other operating income: breakdown*

| Items/Components | 2020 | 2019 |
|---|---|---|
| Lease income | 3,416 | 3,568 |
| Portfolio premium awarded | 3,509 | 4,050 |
| Compensation for closure of custody activities | - | 6,800 |
| Income not otherwise attributable and other operating income | 3,408 | 7,574 |
| | **10,333** | **21,992** |

| | 2020 | 2019 |
|---|---|---|
| Net other operating income (expense) | **(5,482)** | **3,806** |

The amount of €6.8 million in 2019 related to the compensation recognised by DB AG Frankfurt following the completion of the transfer of custody activities to the Frankfurt platform, and following the conclusion of the "T2S - Target to Securities" project which concerned all DB Group companies in Europe. In particular, at the end of October 2019, the migration of contracts from DB S.p.A. to DB AG, which operated as a centralised Hub for all the Group's institutional customers, was completed. The commercial and customer support functions for investments in the Italian market remained with DB S.p.A.

The amount of €3,509 thousand (€4,050 thousand in 2019) refers to premiums collected as a result of the assignment of portfolios to advisors of the Finanza & Futuro network.

## Section 17 - Gains (losses) on equity investments - Item 250

This income statement item is present only in the 2020 financial year.

The amount of €69 thousand of loss refers to the result of the valuation at equity of the investee company Prestipay S.p.A., a company subject to significant influence.

## Section 18 - Fair value gains (losses) on property, equipment and investment property and intangible assets - Item 260

None.

## Section 19 - Impairment losses on goodwill - Item 270

*18.1 Impairment losses on goodwill: breakdown*

None.

## Section 20 - Net gains (losses) on sales of investments - Item 280

*20.1 Net gains (losses) on sales of investments: breakdown*

| Income components/Sectors | 2020 | 2019 |
|---|---|---|
| A. Property | - | - |
| - Gains on sales | - | - |
| - Losses on sales | - | - |
| B. Other assets | (166) | (411) |
| - Gains on sales | - | 3 |
| - Losses on sales | (166) | (414) |
| **Profit (loss)** | **(166)** | **(411)** |

## Section 21 - Income taxes for the year from continuing operations - Item 300

*21.1 Income taxes for the year from continuing operations: breakdown*

| Income components/Sectors | 2020 | 2019 |
|---|---|---|
| 1. Current taxes (-) | - | (1,792) |
| 2. Changes in current taxes from previous years (+/-) | 11,089 | (498) |
| 3. Decrease in current taxes for the year (+) | - | 2,145 |
| 3.bis Decrease in current taxes for the year due to the tax credit as per Law no. 214/2011 (+) | - | - |
| 4. Change in deferred tax assets (+/-) | 45,298 | (7,708) |
| 5. Change in deferred tax liabilities (+/-) | - | - |
| **6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)** | **56,387** | **(7,853)** |

*21.2 Reconciliation between the theoretical and effective tax expense*

| | | *Financial Year 2020* | *Financial Year 2019* | |
|---|---|---|---|---|
| Pre-tax profit (loss) from continuing operations | | (74,425) | (73,711) | |
| Pre-tax profit from discontinued operations | | (328) | (403) | |
| **Theoretical taxable profit, as per the financial statements** | | **(74,753)** | **(74,114)** | |
| | *rate 2020* | *theoretical tax* | *theoretical tax* | *rate 2019* |
| theoretical tax expense - IRES | 27.50% | - | - | 27.50% |
| theoretical tax expense - IRAP | 5.57% | - | - | 5.57% |
| theoretical tax benefit - IRES | 27.50% | 20,557 | 20,381 | 27.50% |
| **Total theoretical tax expense** | **33.07%** | **20,557** | **20,381** | **33.07%** |
| **Effective tax expense** | | **56,387** | **(7,853)** | |
| *- including tax expense on profit from continuing operations* | | *56,387* | *(7,853)* | |
| *- including tax expense on profit from discontinued operations* | | - | - | |
| | effective rate | **75.43%** | **-10.60%** | |
| (higher) lower taxes set aside, difference between actual and theoretical tax expense | | **35,830** | **(28,234)** | |
| Effects of the most significant changes: | | | | |
| - non-taxable revenue - permanent differences (IRES) | | 12,717 | 7,345 | |
| - non-deductible costs - permanent differences (IRES) | | (3,345) | (3,632) | |
| - effect of costs not deductible for IRAP purposes | | - | - | |
| - IRES Prepaid taxes on temporarily non-deductible costs not recognised by the parent company | | (6,499) | (18,332) | |
| - IRES Prepaid taxes on the fiscal loss for the year not recognised by the parent company | | (26,126) | (12,483) | |
| DTA registration - temporarily non-deductible past costs | | 48,100 | - | |
| Adjustments to recognition/valuation of deferred tax assets and liabilities | | (99) | (1,432) | |
| - other effects | | 11,082 | 300 | |
| total effects | | **35,830** | **(28,234)** | |

## Section 22 - Post-tax profit (loss) from discontinued operations - Item 320

*22.1 Post-tax profit (loss) from discontinued operations: breakdown*

| Income components/Sectors | 2020 | 2019 |
|---|---|---|
| **Group of assets/liabilities** | | |
| 1. Gains | - | 2 |
| 2. Losses | (328) | (405) |
| 3. Result of the valuations of the group of associated assets and liabilities | | |
| 4. Realised gains (losses) | | |
| 5. Income taxes and duties | - | - |
| **Profit (loss)** | **(328)** | **(403)** |

*22.2 Detail of income taxes related to discontinued operations*

None.

## Section 23 - Profit (loss) for the year attributable to non-controlling interests - Item 340

None.

## Section 24 - Other information

Nothing to report.

## Section 25 - Gain (loss) per share

*25.1 Average number of ordinary shares with dilutive effect*

*25.2 Other information*

The disclosure required by IAS 33 Earnings per Share is given below.

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Basic EPS (€/000)** | | |
| Profit (loss) attributable to the Group | (18,366) | (81,967) |
| **Diluted EPS (€/000)** | | |
| Profit (loss) attributable to the Group | (18,366) | (81,967) |
| less profits/losses due to dilutive components (not present) | - | - |
| Diluted profit (loss) attributable to the Group | (18,366) | (81,967) |
| **Average outstanding shares (no.)** | | |
| average outstanding shares | 152,984,303 | 152,984,303 |
| potential ordinary shares with dilutive effect | - | - |
| average outstanding shares, including potential shares | 152,984,303 | 152,984,303 |
| **Gain (loss) per share (€)** | | |
| basic gain (loss) per share | (0.12) | (0.54) |
| diluted gain (loss) per share | (0.12) | (0.54) |

## Part D – COMPREHENSIVE INCOME

The detailed information required by IAS 1 regarding the statement of comprehensive income is provided below.

*Breakdown of comprehensive income*

| | Items | Total 2020 | Total 2019 |
|---|---|---|---|
| 10. | **Profit (loss) for the year** | **(18,366)** | **(81,967)** |
| | **Other comprehensive income not reclassified to income statement** | | |
| 20. | Equity securities designated at fair value through other comprehensive income: | - | - |
| | a) fair value changes | - | - |
| | b) transfers to other components of equity | - | - |
| 30. | creditworthiness): | - | - |
| | a) fair value changes | - | - |
| | b) transfers to other components of equity | - | - |
| 40. | Hedges of equity securities designated at fair value through other comprehensive income: | - | - |
| | a) changes in fair value (hedged instrument) | - | - |
| | b) changes in fair value (hedging instrument) | - | - |
| 50. | Property, equipment and investment property | - | - |
| 60. | Intangible assets | - | - |
| 70. | Defined benefit plans | (554) | (2,114) |
| 80. | Non-current assets and groups of assets held for sale | - | - |
| 90. | Portion of valuation reserves of equity investments valued with the equity method | - | - |
| 100. | Income tax relating to other income components not recognised in the income statement | 152 | 581 |
| | **Other income components that will be reclassified to income statement** | | |
| 110. | Hedges of investments in foreign operations: | - | - |
| | a) fair value changes | - | - |
| | b) reclassification to the income statement | - | - |
| | c) other changes | - | - |
| 120. | Exchange rate gains (losses): | - | - |
| | a) value changes | - | - |
| | 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: result of net positions | - | - |
| 140. | Hedging instruments (non-designated elements): | - | - |
| | a) value changes | - | - |
| | b) reclassification to the income statement | - | - |
| | c) other changes | - | - |
| 150. | Financial assets (other than equity securities) measured at fair value through other comprehensive income: | - | - |
| | a) fair value changes | - | - |
| | b) reclassification to the income statement | - | - |
| | - adjustments for credit risk | - | - |
| | - gains/losses on sales | - | - |
| | c) other changes | - | - |
| 160. | Non-current assets and groups of assets held for sale: | - | - |
| | a) fair value changes | - | - |
| | b) reclassification to the income statement | - | - |
| | c) other changes | - | - |
| 170. | Portion of valuation reserves of equity investments valued with the equity method: | - | - |
| | a) fair value changes | - | - |
| | b) reclassification to the income statement | - | - |
| | - impairment losses | - | - |
| | - gains/losses on sales | - | - |
| | c) other changes | - | - |
| 180. | Income tax relating to other income components reclassified to income statement | - | - |
| 190. | **Total other comprehensive income** | **(402)** | **(1,533)** |
| 200. | **Comprehensive income (items 10 + 190)** | **(18,768)** | **(83,500)** |
| 210. | Comprehensive income attributable to non-controlling interests | - | 16 |
| 220. | **Comprehensive income attributable to the parent company** | **(18,768)** | **(83,516)** |

# Part E - RISKS AND RELATED HEDGING POLICIES

In accordance with the Basel II guidelines, Bank of Italy has regulated the methods and terms to be complied with by banks when providing the market with information about capital adequacy, exposure to risks and the general characteristics of their systems used to identify, measure and manage risks. These regulations are summarised in the third pillar of Basel II.

This information is published by the bank on its website in the section dedicated to Financial Statements data:
http://www.db.com/italia/it/content/bilanci_e_relazioni.html.

The information provided in the following section is based on internal management data and therefore may not coincide with those reported in parts B and C. The tables and information for which the indication of the "carrying amount" is specifically requested are an exception.

## INTRODUCTION

### Organisation of risk management and internal controls

Internal controls, as defined by Bank of Italy in its supervisory instructions, consist of a set of rules, functions, structures, human resources, processes and procedures that aim to ensure, in compliance with the principle of sound and prudent management, that the following objectives are achieved:

- verification that the strategies and corporate policies are implemented;
- containment of the risk within the limits indicated in the reference framework for the determination of the bank's risk propensity (Risk Appetite Framework - “RAF”);
- protection of assets and against losses;
- efficient and effective internal processes;
- reliability and safety of corporate information and information procedures;
- prevention of the risk of the bank becoming involved in illegal activities, even if involuntarily;
- compliance of operations with the law, supervisory regulations and internal policies, regulations and procedures.

The bank internal controls, in line with the instructions above, are split into four levels:

- decision-making and strategic supervision, carried out by the corporate bodies, specifically, the Supervisory Committee (strategic supervision), the Management Board and the CEO; these bodies define strategies and take resolutions to adapt and improve internal controls and implement such guidelines, by making the necessary interventions and ensuring that they are followed. In carrying out these activities, the Management Board makes use of the contribution of eight bodies (Assets & Liabilities Committee, Credit Committee, Audit Council, Non Financial Risk Committee, the Cost Council, Investment Committee, the DB Financial Agents Committee, and the Regional Data Council);

- internal audit (**third level controls**), designed to identify irregular activities, violations of procedures and regulations as well as to periodically assess the comprehensiveness, adequacy, functionality and reliability of the internal controls system and the information system. These activities are performed by the Group Audit Organisational Unit on all the production and management processes of the bank;

- controls over management of specific risks (**second level controls**) are performed, for all of DB S.p.A. Group and in line with prudential supervisory instructions issued by Bank of Italy, by the risk control function (Macro Area Chief Risk Officer *) and the compliance and anti-money laundering functions (within the AFC&Compliance Management), both established within the parent company, in accordance with the general principle that the primary responsibility for operational risk management should be delegated to the managers of the individual operating units.
Macro Area Chief Risk Officer and Compliance O.U. are dedicated structures, independent and separate from the business divisions. Monitoring of risk levels, any mitigation actions and related reporting are performed continuously, with the support of automated processes, or, on an exception basis, through sample testing.
The objective of the second level control units is to assist in defining the methodologies for identification, assessment, and measurement of risk, to support in defining the limits assigned to the various operational units, and to supervise compliance (within the defined Risk Appetite Framework), by also verifying the consistency of the operations of the individual areas with the assigned risk - return objectives, as well as adherence to the internal and external reference regulations.
The Macro Area Chief Risk Officer, as part of the bank's holistic view of risks, coordinates the preparation of ICAAP reporting, that is, coordinates the periodic recognition of the first and second pillar risks, ensuring the appropriate reporting is provided to top management and that the risks are consistent with the Risk Appetite Framework. As such, it assists in defining any risk mitigation actions and constantly monitors their status.
The Macro Area Chief Risk Officer participates in the inter-functional committees that oversee the assumption of major risks (Risk Committee, Assets & Liabilities Committee, Credit Committee, Reputational Risk Committee, Non-Financial Risk Committee, as well as Audit Council and Data Governance Council) and is called upon to assess the bank's most important transactions, on which he/she expresses a binding opinion.

- line controls (**first level controls**), designed to ensure the group companies' operations are performed correctly. They are performed by the same units that carry out the transactions or as part of back office procedures, which are often automated through IT procedures. They basically consist of hierarchical controls, applying the "four eyes" principle to transactions, and ensuring separation of duties, reconciliation with external sources and monitoring of access to systems.

The bank's general system of internal controls also includes specific organisational and control procedures to comply with the regulatory capital requirements as set out and defined in the bank’s ICAAP (Internal Capital Adequacy Assessment Process) policy and specific documents that regulate the related operating procedures.

**Risk culture**

The bank ensures circulation of a suitable risk culture based on the relevant principles defined by the ultimate parent company, Deutsche Bank AG:

- the risks must be assumed on the basis of a defined "risk appetite" compatible with the sustainability of the Institute's long-term value proposition;
- each risk shall be carefully assessed and approved as part of the more general risk management framework;
- risks shall be adequately balanced;
- risks shall be continuously monitored and managed.

---

(*) in order to preserve the independence requirement of the Risk Control Function and in consideration of the presence of credit proxies in the Macro Area Chief Risk Officer, the Credit Risk Control/Asset Quality Review Function was also established, reporting directly to the Management Board and with responsibilities for second-level controls on Credit Risk.

The bank promotes a strong risk culture, which is an integral part of its organisational processes and structures, through a holistic approach. All employees are responsible for risk management and are required to adopt a conduct that reinforces the Group's risk culture, aspects that are included in the assessment processes, as part of the broader overall performance evaluation for compensation purposes.

Specifically, employees are required to be fully responsible for any risks they take, to adopt strict risk assessment procedures and adequately consider the bank's position and reputation. The bank's Supervisory Committee ensures, inter alia, that the incentive and remuneration systems properly consider risk containment policies and that they are consistent with the bank’s long-term objectives, culture, corporate governance structure and internal controls.

In order to strengthen these behaviours and facilitate the development and promotion of an integrated risk culture at all levels, the group has a number of internal projects which include the circulation of its specific reference values and in-depth training. Such training activities include mandatory courses on various types of risk and applicable regulations to assist the growth of an internal risk culture based on honesty, correctness and compliance with the spirit and nature of regulations. In addition, the internal communications system ensures circulation of these messages at all levels.

## SECTION 1 - Risks of the consolidated accounting

### QUANTITATIVE DISCLOSURE

### A. CREDIT QUALITY

#### A.1 NON-IMPAIRED AND IMPAIRED CREDIT EXPOSURES: AMOUNTS, VALUE ADJUSTMENTS, DYNAMICS AND ECONOMIC DISTRIBUTION

Starting from the 2015 financial statements, credit quality is presented according to the classification introduced with the 7th update of Circular no. 272 of the Bank of Italy of 20 January 2015. This update modified the definitions of impaired financial assets in order to align them with the concept of "Non-Performing Exposures" (NPE) developed in the technical implementation rules (ITS) for consolidated statistical supervisory reporting defined by the European Banking Authority (EBA) and approved by the European Commission on 9 January 2015.

*A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)*

| Portfolio/quality | Non-performing loans | Unlikely to pay | Impaired past due exposures | Non-impaired past due loans | Other non-impaired loans | **Total** |
|---|---|---|---|---|---|---|
| 1. Financial assets measured at amortised cost | 51,485 | 67,835 | 78,290 | 682,931 | 23,874,304 | **24,754,845** |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | **-** |
| 3. Financial assets designated at fair value | - | - | - | - | - | **-** |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | - | **-** |
| 5. Financial assets held for sale | - | - | - | - | - | **-** |
| **Total 2020** | **51,485** | **67,835** | **78,290** | **682,931** | **23,874,304** | **24,754,845** |
| **Total 2019** | **37,201** | **118,793** | **42,927** | **507,613** | **23,074,867** | **23,781,401** |

| *A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Portfolio/quality | Impaired | | | | Non-impaired | | | Total (carrying amount) |
| | Gross amount | Total value adjustments | Carrying amount | Overall partial write-offs (*) | Gross amount | Collective impairment | Carrying amount | |
| 1. Financial assets measured at amortised cost | 764,878 | (567,268) | 197,610 | 25,252 | 24,750,477 | (193,242) | 24,557,235 | 24,754,845 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - |
| 3. Financial assets designated at fair value | - | - | - | - | X | X | - | - |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | X | X | - | - |
| 5. Financial assets held for sale | - | - | - | - | - | - | - | - |
| **Total 2020** | **764,878** | **(567,268)** | **197,610** | **25,252** | **24,750,477** | **(193,242)** | **24,557,235** | **24,754,845** |
| **Total 2019** | **742,401** | **(543,480)** | **198,921** | **270** | **23,734,164** | **(151,684)** | **23,582,480** | **23,781,401** |

(*) Value to be displayed for information purposes

As regards "Financial assets held for trading" and "Hedging derivatives", the cumulative capital losses and net exposures of financial instruments with evident poor credit quality, as well as the net exposures of the remaining financial assets, are provided below.

| Portfolio/quality | Assets with evident low credit quality | | Other assets | Carrying amount |
|---|---|---|---|---|
| | Cumulative losses | Carrying amount | Carrying amount | |
| 1. Financial assets held for trading | 15 | 605 | 102,532 | 103,137 |
| 2. Hedging derivatives | - | - | 19,897 | 19,897 |
| **Total 2020** | **15** | **605** | **122,429** | **123,034** |
| **Total 2019** | **5** | **251** | **102,971** | **103,222** |

It should be noted that during the year the parent company did not make partial derecognition of non-performing financial assets and that it did not make any purchases of these assets.

**B. INFORMATION ON STRUCTURED ENTITIES (OTHER THAN FOR SECURITISATION PURPOSES)**

None.

## SECTION 2 - Risks of the Prudential Consolidation

## 1.1 - CREDIT RISK

### QUALITATIVE DISCLOSURE

#### 1. General aspects

Over the years, credit risk control activities have been characterised by effective management and at the same time by the ability to substantiate and support the strategic planning and business model adopted by the Institute, ultimately aimed at a balanced growth aligned with the risk remuneration objectives of the assets under management.

The current year was heavily impacted by the evolution of the global COVID-19 pandemic which manifested the first European infections in Italy, resulting in the activation of containment measures based on physical lockdown starting from March 2020. Despite these events, the monitoring and management processes of the loan portfolio, together with the mitigation measures granted by the Authorities (i.e. moratoria "Cura Italia", "Liquidity" Decree and other initiatives of a non-legal nature), have allowed the maintenance of asset quality levels in line with the Institute's risk appetite, despite a physiological acceleration in the cost of risk triggered by market dynamics.

#### 1.1 Impacts from the COVID-19 pandemic

With reference to credit risk, Deutsche Bank S.p.A. has welcomed all the initiatives aimed at supporting the real economy implemented by the Italian government and, in addition, has offered further measures to support customers in this period and reduce as much as possible the negative effects of the crisis.

In fact, both additional initiatives that specifically meet the requirements of governmental or assimilated non-governmental moratoria ("ABI", "Assofin") as they are widely applied by credit institutions on the basis of national laws, as well as other moratorium initiatives not specifically referred to the aforementioned EBA guidelines and granted, therefore, as additional support instruments, have been followed.

All the concessions are aimed at responding as quickly as possible to the problems deriving from the temporary slowdown in the economic cycle and the related possible liquidity impacts.

The potential impact on the bank's risk profile was mitigated:

• with the acquisition of public guarantees in line with the mechanisms put in place at the government level;

• with a review of the risk management processes aimed at the correct identification of the risk profile in a market and operating context characterised by high volatility;

• with the monitoring and management of moratorium measures/emergency solutions, to deal with the new context and promptly identify potential signs of deterioration in the quality of assets.

In particular for the SME segment and, especially for companies with a moratorium and/or active liquidity programs, the existing monitoring process was strengthened through the inclusion of early warning indicators that make it possible to manage potential risks that have not yet emerged.

Furthermore, for the Private sector, as the deadline for the application of the moratoria expired at the end of the year, an additional non-governmental moratorium scheme was activated which provides for a particularly prudent criteria for classifying the credit.

For further details, refer to the information required by the EBA "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" provided through the Third Pillar disclosure document (i.e. "Pillar III").

#### 2. Credit risk management policies

#### 2.1 Organisational aspects

The qualitative disclosures regarding the management of credit risks and derivative transactions are provided below.

As a general rule, it should be noted that the granting of credit to the various counterparties can be only authorised by persons/bodies having the appropriate decision-making powers, the definition and attribution of which is the responsibility of the Management Board. Lending powers, which with respect to the same entity are higher or lower depending on the level of expected risk, are reviewed periodically, taking into account the qualifications and experience of the counterparties responsible for providing the credit.

All Deutsche Bank S.p.A. divisions apply uniform criteria in their credit granting processes, in line with the size and type of customer, using a set of qualitative and quantitative information that enables them to make an accurate estimate of the risk assumed. The granting of the relevant decision-making powers is also conditional on the passing of an aptitude test, the taking of which may be requested at any time, at the initiative of the power grantors.

Furthermore, the processes in place for the collaboration and sharing of knowledge and skills with the ultimate parent company Deutsche Bank AG make it possible to share, among other things, the main analyses on the markets and on the various economic sectors, and therefore to improve the portfolio screening and credit risk assessment. In particular, possible areas of vulnerability of the portfolio assets in unfavourable macroeconomic scenarios are carefully analysed and the assets are continuously monitored on a geo-sectoral basis, in order to identify in advance any necessary risk mitigation actions and safeguard the quality of the assets.

In compliance with regulatory requirements and in line with the Bank's banking book management strategies, the procedures for managing the late-collection operational phase were rationalised, with initiatives focused on defining paths capable of optimising the non-performing stock and, at the same time, reducing average processing times. The year under review saw further refinement of customer segmentation processes in the delinquency management phase aimed at prioritising processing queues and modulating corrective actions according to the characteristics of the case under management. This approach has allowed greater control of asset quality by reducing exposure to counterparties with behavioural profiles compatible with a potential deterioration, and by strengthening the relationship with the most virtuous clients.

With a view to optimising the management strategies of the bank's banking book, the decision was made to include all cases with an unfrozen moratorium in the recovery strategies classified as "High Risk", in order to favour timely contact with the customer and the search for a solution to the late payment of instalments or to amounts to be recovered.

**2.2 Management, measuring and control systems**

The banks continued to improve and optimise its main credit risk monitoring tools as part of the procedures and systems adopted to manage, measure and control risk. The key risk measurement procedures can be summarised as follows:

- attribution of the credit risk rating;
- determining the credit facility amount and approval procedure;
- ongoing risk monitoring;
- timely identification of irregular trends and identification of derisking strategies;
- monitoring and restructuring;
- regular review of policies and guidelines for the granting of credit;
- conducting stress testing exercises.

**- attribution of the credit risk rating.**

A fundamental aspect of the credit approval and ongoing monitoring of asset quality process is the in-depth valuation of the underlying risk. The approach used is based on the creditworthiness of the counterparty, assessed by summarising elements of direct and indirect risk, i.e. linked to the technical form of the credit facility. The result is expressed in terms of risk rating (understood as the "probability of default" (PD) over a period of one year) and, together with the technical characteristics of the credit facility granted, determines the approval level required and the subsequent monitoring actions.

The methodological approach adopted to determine the rating depends primarily on the nature and size of the customers assessed, together with the degree of exposure to the Institution.

Specifically, in the case of larger customers in the non-retail portfolio who, because of their financial requirements, are potential users of the full range of credit products and services offered by the bank, the rating assignment is a result of a review of the financial, operational and business characteristics of the counterparty and the specific characteristics of the facility in question. Positions that are characterised, on the other hand, by greater granularity typical of the "Retail" portfolio base the assignment of the rating on assessments of financial sustainability and predisposition to risk through socio-demographic profiling, again from a customer-centric perspective.

At the conclusion of this process, the counterparty is assigned a rating encoded within the internal scale of twenty-one distinct ratings that correspond to specific probabilities of default. The credit risk rating is used to determine the possible loss associated with the credit risk, together with other elements such as the expected recovery rate, amount and duration of the credit exposure. The parameters used to determine the expected loss are periodically reviewed and validated by the bank's designated business units.

All rating models are constantly reviewed to detect sources of instability in the credit risk dynamics and to continuously update the risk quantification component in order to preserve their full predictive capacity with respect to the most recent portfolio dynamics.

It is also specified that the rating models are being updated in order to ensure the extension of their use in the process of quantifying expected losses and the integration of recent regulatory developments regarding the calibration of risk parameters.

**- determining the credit facility amount and approval procedure**

Decisions about whether to grant credit are based on all the credit facilities granted to a counterparty (or a group of counterparties). The periodic renewal of existing credit facilities only takes place after a new decision is taken, which reviews all the risk elements pertinent for the granting of credit and, as such, consists of the relevant procedures and approvals.

For the typical lending activities of the commercial and corporate divisions, the credit report represents the outcome of the preliminary investigation and the main basis of assessment for the approval, renewal and review of the credit granted. These reports are usually updated once a year, in line with the expected frequency of updates on information used for assessing a customer's creditworthiness. They include sector figures, financial statements figures, a brief description of the reasons for requesting the credit facility and a summary of the counterparty's credit rating. In the case of renewals and revisions, this information is completed by details of the customer's lending history with the bank or the banking sector.

Financial and qualitative information is used to calculate the forecast risk and to take the final decision about the granting of credit. In particular, there has recently been a review of the acceptance strategy with the adoption of more homogeneous portfolio construction criteria consistent with the level of risk appetite.

The control of credit risk based on the precise assessment of individual positions is integrated with the assessment of the degree of diversification of the portfolio as a whole, in order to mitigate the potential risk of credit concentration. To this end, diversification strategies are employed depending on the major risk drivers and exposure limits are applied per borrower unit, which are subject to monitoring via specific reports.

The assessment procedure for the retail business, like for consumer credit, mortgage loans and credit cards, is based on the portfolio's structural characteristics: high fragmentation and granularity of credit exposures. Similarly, the approval procedure is primarily based on the extensive use of automated risk quantification methods, with application of a rating. Monitoring and reassessment of risk on an ongoing basis is based on observation of the payment profile over a predefined time horizon, recorded simultaneously on both proprietary and systemic exposures. Granularity and portfolio diversification levels are ensured for the retail segment by applying strict limits to the maximum amounts that can be agreed for credit facilities.

**- ongoing risk monitoring**

Exposures and their trends are monitored on an ongoing basis using procedures that differ depending on the type of business. The objective is to promptly identify and correct potential deterioration at both individual and product portfolio levels. In the current year, there was an improvement in the monitoring procedure through the refinement of the processes implemented on the control platforms, the selection of the relevant risk drivers, the derisking strategies and operational processes, in line with the regulatory evolution regarding the homogenisation of the credit classification criteria.

**- timely identification of irregular trends and identification of derisking strategies**

The CRM Monitoring Unit of the Credit Risk Management Department monitors "actual" and "trend" irregularities. The monitoring of "actual" anomalies concerns entrusted business positions and relates to non-compliance with contractual provisions on the use of assigned credit limits, monitored and managed using established rules covering the frequency of checks, the amount and period of continuous overdrafts, descriptions of the actions taken and escalation. With respect to the operating processes and to preserve asset quality, monitoring of the early delinquency stage was further strengthened by introducing tighter and more timely mitigation actions.

Monthly monitoring of "trend" irregularities in lending relationships involves management of those positions that individually, due to their re-occurrence, or in groups, merit identification, reporting and management. Assessment of these "trend" irregularities results in a review of the credit decision by the Credit Risk Management Department to protect the invested capital.

**- monitoring and management strategies**

In order to correctly understand its exposure to each customer or group of customers, the bank has, through the CRM Monitoring structure, a continuously updated and enhanced information base (through ad-hoc strategic initiatives), used to be able to proceed, if necessary, to a timely review of credit lines.

Specifically, the monitoring procedure for commercial credit continues to be based on a tool used to measure the trend of risk assumed on existing positions providing a summary of the degree of credit risk to be potentially assigned to each customer using "actual" and "trend" irregularities.

**- regular review of policies and guidelines for the granting of credit**

Pursuant to the current internal regulations, the Credit Risk Management Department carries out this procedure once a year, unless interim action is necessary to meet specific operating requirements. Specifically, the bank's risk policies result in detailed and precise credit lending policies that are continuously reviewed to protect asset quality by identifying potential risks on a timely basis.

**- conducting stress testing exercises**

A stress test is performed every three months to assess a portfolio's potential vulnerability to adverse but plausible macro-economic scenarios. The exercise is based on the use of differing methodological approaches and market scenarios to measure the sensitivity of risk-weighted assets to the environment, coupled with an assessment of the appropriateness of the economic capital allocation.

The current year has confirmed the ordinary operations based on the process of selecting adverse macroeconomic scenarios and the related quantification of the impacts on the bank's risk profile, but was further corroborated by assessments of consistency and cohesiveness with respect to the short-term COVID-19 economic context.

**Credit risk related to derivative transactions**

The bank uses derivative transactions with both commercial and institutional customers subject to operational ceilings for individual counterparties. It adopts prudent criteria to quantify the underlying risk, represented by the Potential Future Exposure (PFE).

The PFE shows the potential risk of a portfolio at a certain future date assuming an unfavourable change (exchange or interest rates) in the underlying assets/liabilities. The unfavourable change is usually determined using the historical volatility of the underlying asset/liability with a confidence level of 95%. The maximum value of the PFE is thus the best estimate of the credit exposure of a derivative in a reasonable worst case scenario. The bank has appropriate, sophisticated tools to calculate the Mark-to-Marketvalue of positions, through which it monitors the value at various points in time of exposures with individual counterparties.

**2.3 Methods of measuring expected losses**

In order to comply with the classification requirements set forth by IFRS 9, the bank has adopted, as of 2018, a model for classifying performing positions into Stage 1 or 2 depending on the presence of elements of significant credit risk deterioration. The criteria for recognition at the relevant stage are symmetrical in that the removal of increased risk conditions means that the Stage-1 classification can be reinstated.
With reference to the non-performing positions, the classification logic borrows the principle of regulatory convergence, allowing substantial consistency between the application of the regulatory default, management default and activation of the Stage-3 impairment model, a process that has undergone further optimisation in line with the initiatives to adhere to regulatory provisions in the area of credit classification.

The process of quantifying expected losses is carried out on the entire portfolio on the basis of forecast information that discounts macroeconomic factors ("forward-looking" component) as required by IFRS 9.
In particular, at the time of the first recording (so-called "Stage-1") the instrument must already discount an expected loss over a time frame of 12 months.
Upon the occurrence of a significant increase in credit risk, the asset is classified in the under-performing portfolio (so-called "Stage-2"), and must discount the expected loss over the entire residual life time.
In the case of further deterioration, the classification is changed to "non-performing" ("Stage-3"), where the amount of the write-down is commensurate with the historical recovery performance of the loan.
The expected loss is based on point-in-time data, which partly share the methodology used to quantify unexpected losses in internal credit risk models.

The methods of quantifying expected losses are mainly based on the following methodological choices.

- Use of a consistent credit risk quantification framework for determining the Expected Credit Loss, Regulatory Capital Requirements and quantification of Economic Capital.
- Quantification of the significant increase in credit risk based on migration to Stage-2 triggers on the basis of both qualitative and quantitative assessment elements.
- Integration of the forward-looking component in the model for quantifying expected losses based on the regulatory classification of the portfolio. Forward-looking data are consistent with the process of generating macroeconomic scenarios for the main corporate processes (in extensive terms and not limited to credit risk management processes), cover a time horizon of 2 years, are processed by a specific function of the parent company and are subject to approval processes by the top management of the parent company itself.
- Application of historical recovery curves to determine both the LGD component of the performing loan and the time-dependent impairment curve, which is a function of the historically demonstrated effectiveness and efficiency of the out-of-court and in-court recovery process.
- Application of a significant level of granularity for the calibration of risk parameters, capturing the specific characteristics of the product, management process and historically recorded performance.
- Lifecycle management of risk parameter quantification models embedded in the ordinary Model Risk Management framework for the "Risk&Capital" model segment: continuous monitoring of model performance, stability analysis of target parameter characteristics, assessment of the adequacy of predictive capacity, validation and ordinary back-testing. The framework adopted not only determines the independence between the development unit and the validation unit of the modelling suite, but also clearly establishes roles and responsibilities in order to preserve a continuous monitoring of the model risk.

**Changes due to COVID-19**

With the recent increase in COVID-19 infection rates in Italy, we continue to see a further increase in credit risk as a result of prolonged lockdown periods, of subsequent waves of COVID-19 infections and of a delayed economic recovery.
In order to integrate the credit risk assessment with the effects of the COVID-19 pandemic, the medium to long-term customer risk profiling took into account the effects resulting from lockdown periods that have impacted certain sectors in particular.
Banking operations were also affected in an initial period by the sudden application of the agile working method, which led to a slight deterioration in decay rates.
The liquidity and moratorium measures introduced by the authorities mitigated the impacts of the pandemic and, combined with the new guidelines for the classification of loans, allowed financial institutions to keep the impact on credit risk under control.
Credit risk mitigation also took place thanks to the optimisation of risk profiling processes during credit disbursement, capable of capturing the short-term evolution of geo-sectoral risk and aimed at expanding risk mitigation techniques.

The measurement of expected losses takes into account the recalibration of the Probability of Default (PD) on a medium to long-term scenario for both 12-month and lifetime PD.
In the context of the IFRS 9 methodology, the maintenance process of the forward looking estimation component has taken on particular importance in a macroeconomic context which, due to its intensity, duration and degree of pervasiveness, has a very peculiar development compared to the usual business cycle dynamics used to derive risk correlations. Specifically, on the one hand, the trend dynamics of the unemployment rate were significantly affected by the government's employment protection measures, while on the other, the fall in gross domestic product would have projected an overly cautious scenario from a forecasting perspective, as it was strongly affected by the periods of generalised and selective lockdown experienced in the short term. The difficulty in discerning phenomena of an idiosyncratic nature from correlations to risk of a structural nature has required alternative and corrective application solutions with respect to the ordinary process of projecting expected losses, in line with market best practices and regulatory indications on the subject.

At the beginning of the COVID crisis, the Deutsche Bank AG Group, which has adopted the IFRS 9 impairment model, has carried out a detailed analysis aimed at assessing the short-term corrections to the definition of macroeconomic scenarios, aimed at providing the most realistic representation of expected losses in an environment characterised by considerable volatility. In particular, in order to stabilise the macroeconomic projections in the direction of trend dynamics, estimates of the MEVs (macro-economic variables) were used over a 12-quarter time horizon, instead of the short-term realisations used in the ordinary model. This representation is intended to be the solution that allows on the one hand to evaluate the portfolio dynamics in conditions of a structural nature, and on the other hand to stabilise the process of constructing the cost of risk in the trend direction. The ordinary Expected Credit Loss modelling is constructed to capture, with a high degree of sensitivity, changes in the cycle dynamics and to incorporate them in the quantification of credit risk: such an approach would have created unmanageable and untrue fluctuations in the credit impairment quantification process. In order to assess the impacts deriving from changes in the macroeconomic correlation component, the operational monitoring process of the FLI Overlay was intensified, assessing the impact by type of satellite model, by regulatory class and by macro-type of portfolio, by macroeconomic driver and at the same time increasing the monitoring frequency on a weekly basis. This approach has enabled the bank to assess in real time the occurrence of distortionary dynamics of expected loss quantification.

At the same time, the calibration process of the historical default rate was aligned with the latest monthly survey useful for observing regulatory default events in the 12-month performance period, in order to more faithfully capture the contextual impacts on the risk performance of financial statement assets and to translate it more accurately into the estimate of the point-in-time probability of default.
With regard to the proper allocation of loan impairments, particular attention was paid to the micro-sector scenario analysis, in order to correctly assess any areas of medium-term vulnerability not captured by the modelling. This initiative consisted in the construction of a management overlay, a corrective quantification based on bottom-up analysis with a view to the Risk Appetite process, capable of capturing: possible areas of structural difficulty not sufficiently mitigated by policies to balance the risk profile and the adoption of government support measures for the economy, such as moratoria and state guarantees, characteristics of particular pro-cyclicality in some portfolios.
The sensitivity matrix of the Expected Credit Loss with respect to the Main Macroeconomic Variables modelled in the IFRS 9 Forward Looking Information Model is provided below for the fourth quarter of 2020 on the Overlay model application.

| MEV (Macro Variabile) | Sensitivity scenario | Stima Y1 | Stima Y2 | Stima Y3 | ECL Sensitivity |
|---|---|---|---|---|---|
| **GDP - Italy** | **+2** | 3,9 | 5,8 | 3,9 | **-7%** |
| | **+1** | 2,9 | 4,8 | 2,9 | **-3%** |
| | **base** | 1,9 | 3,8 | 1,9 | **Baseline** |
| | **-1** | 0,9 | 2,8 | 0,9 | **3%** |
| | **-2** | -0,1 | 1,8 | -0,1 | **7%** |
| **Unemployment - Italy** | **-2** | 8,7 | 8,4 | 7,8 | **-4%** |
| | **-1** | 9,7 | 9,4 | 8,8 | **-2%** |
| | **base** | 10,7 | 10,4 | 9,8 | **Baseline** |
| | **+1** | 11,7 | 11,4 | 10,8 | **2%** |
| | **+2** | 12,7 | 12,4 | 11,8 | **4%** |

On the issue of significant increase in credit risk (SICR), the statements of the Authorities (IASB, ESMA and EBA) specified that the IFRS 9 rules should not be applied mechanically, but that the SICR assessment should differentiate between debtors whose credit quality is significantly affected by the current situation in the long term, and those who will reasonably restore their creditworthiness even considering mitigating interventions in the form of government guarantees. Therefore, acceptance of the conditions set out in the general moratorium would not necessarily lead to a reclassification of the related credits to Step 2. The EBA has also clarified, on the issue of forbearance, that the moratorium does not result in the automatic classification of an exposure as a forborne exposure if it is based on applicable national law or an industry or sector-wide private initiative agreed and widely applied by credit institutions. Consistent with these recommendations, the Group has not automatically reclassified from "Stage 1" to "Stage 2" those credit exposures relating to customers who have applied for a moratorium, delegating, for voluntary moratoria or similar non-governmental ones ("ABI", "Assofin") which do not fall within the legislative framework, the final decision to be taken to an accurate assessment, corroborated by the peculiarities of the case and the assessment of the level of vulnerability of the economic activity or the reduction in the ability to repay the loan at the end of the concessions in question.

In any case, it must be noted that the Group has activated adequate credit processes, considering both qualitative and quantitative elements, in order to guarantee the correct classification at "Stage 2" or "Stage 3" (non-performing) of those exposures for which the increase in credit risk is not correlated or significantly affected in the long term, by the COVID-19 epidemic.
In detail, as a result of the COVID-19 pandemic, different regulatory treatments were allowed in terms of forbearance classification and detection of default at UTP, particularly from the perspective of assessing probable defaults:
- the granting of government moratoria or moratoria promoted by associations does not automatically activate a forbearance classification, however a specific assessment is aimed at verifying the pre-COVID-19 financial difficulties; in this case the probable default assessment is applied both during the moratorium period and immediately after its termination;
- for the other moratorium initiatives specifically granted by the Bank, the normal forbearance process is applied, which assesses the financial difficulty at the time of the concession; in this case, the probable default assessment is applied at the time and after the concession.

**2.4 Credit risk mitigation techniques**

The bank's lending policy has always entailed, when possible, the use of tools designed to mitigate credit risk. In particular, at least as far as large customers are concerned, the most frequently used instruments concern the assumption of guarantees issued by the ultimate parent company on behalf of its subsidiaries, or, for transactions whose amount exceeds the limits concerning large risks, the obtaining of cash pledges or sureties issued by the ultimate parent company.

For retail customers, guarantees are collected, including those that only partly cover the risks assumed. With respect to mortgages for the purchase of real estate, the main types of guarantees used are property guarantees.

Personal sureties are usually collected by the bank after they have been assessed, also by virtue of the preventive capacity against default events. In the year under review, the quality of the collateral pool adopted remained unchanged, albeit somewhat reduced in size due to the relative decrease in mortgage exposure within the portfolio mix of the Retail regulatory class. On the other hand, the degree of collateralisation of the Business Banking portfolio has significantly increased, and is more assisted by unfunded credit protection measures by virtue of the support of guarantees issued at state level to maintain systemic liquidity conditions adequate for the renewed economic context, and to a lesser extent as a result of the risk containment measures adopted at the level of the Bank's risk appetite.

Structures are in place to oversee the operational aspects related to credit risk mitigation tools.

As regards the implementation of the new definition of Default for the purposes of the transposition of EBA/GL/2016/07, "Guidelines on the application of the definition of Default pursuant to Article 178 of the EU Regulation", please refer to what is contained in the public disclosure ("Pillar 3").

**3. Impaired credit exposures**

The management of impaired assets is part of the NPL management strategy, integrated into the institution's overall business and risk strategy. This management provides for the adoption of a set of organisational controls and strategic lines aimed at optimising the quality of assets and supporting the maximisation of the profitability of the banking book, guaranteeing a level of NPL that is adequate for the risk appetite and the long-term sustainability of the value proposition.
Within Credit Risk Management there is a specific unit responsible for the monitoring and overall management of the impaired portfolio.

Collection and recovery activities for the Business Banking are carried out by the specific unit designated by the Workout & Collection unit, while collection and recovery activities for the Retail portfolio are more automated and tailored to reflect the classification of positions by days past due. The Collection O.U. devises the recovery strategies.

Operational management of impaired exposures is decentralised to the branch level by virtue of the ownership of the relationship for the relational customer component, or assisted by outsourced management structures for impaired loans without front-end mediation. The control and supervision of management is the responsibility of the Workout & Collection Unit of the Credit Risk Management Department, which also authorises the posting of positions in accordance with regulatory classification criteria, monitors derisking strategies introduced to protect capital and coordinates actions with the front-end of the distribution structure. Retail positions are mainly automatically managed, given their definition as "objective unlikely to pay", in line with the procedure to recover past due amounts, the due dates of which are scheduled to reflect the portfolio's ageing classes.

Classification of impaired loans as non-performing for all commercial bank financial assets can only be authorised by the Credit Risk Management Department. For the Mortgage Loans to Private Customers segment, the recognition of exposures as probable default at the end of 270 days of continuous past due date is followed by a risk assessment process that can lead to the determination of non-performing status within 360 days of past due date, except in special cases.

The factors that allow return from impaired to performing status are assessed carefully by relationship managers using updated objective and subjective data and require approval from the relevant decision-taking units of the Credit Risk Management Department.

Reclassification to the performing category of impaired positions can only be made if overdue amounts are paid.

Impairment losses on financial assets that exceed a certain amount reflect recovery estimates based on the analytical review of each impaired position. Otherwise, they are calculated automatically for small loans, using a statistical model updated regularly and which reflects the portfolio's risk trends and can convert them into appropriate risk mitigation levels. The periodic review of dedicated modelling and the guiding criteria for the determination of specific value adjustments have been marked by an increasing conservatism, aimed at a prudent representation of credit assets in the financial statements. The 2018 financial year had, in substance, recorded the adoption of the new derivation platform for the expected economic loss concurrently and consistently with the introduction of the IFRS 9. To this end, the model for quantifying the expected loss was implemented in order to translate loss forecasts (over a 12-month time horizon or for the entire residual maturity of the loan) into appropriate loan impairment levels for the corresponding classification stages of exposures valued at amortised cost.

Both the management and monitoring of impaired financial assets and the methods used to measure value adjustments are carried out using IT tools, which are increasingly efficient and precise, characterised by an increasing degree of integration into business practices.

### 3.1 Management strategies and policies

The asset management strategies are consistent with the value proposition of the individual business lines and with the bank's risk appetite. The pursuit of risk-adjusted objectives, the permeability of operational processes to the risk culture and the preparation of effective credit management platforms have enabled the achievement, on the one hand, of a level of asset quality among the best in the reference market and, on the other, have minimised recourse to initiatives of an extraordinary nature on the management of impaired assets.
The strategies for managing non-performing loans are based on the logic of portfolio segmentation, aimed at maximising the economic value of the recovery action by balancing the probability of recovering the credit exposure and the associated operating costs.
The use of credit transfer operations is a lever of the management strategy, part of the preparation of a medium-term plan aimed at creating structured partnerships with operators in the sector. These strategic options, which take the form of ongoing negotiated agreements, are aimed at the prudent and orderly management of non-performing loan flows and the maintenance of asset quality in line with management objectives. In view of the reduced incidence and trend reduction of impaired assets in relation to total credit exposures, the management strategy adopted by the bank has assumed a stable character in the reference period.

The operational practice of managing non-performing loans is differentiated according to the line of business, the overall exposure of the customer under management and the characteristics of the technical form. This segmentation of the process allows for the selection of the most efficient management lever according to the characteristics of the collection case, differentiating in absolute terms between actions of a standardised nature in terms of contact methods and communication techniques for "retail credit" exposures and actions of a relational nature aimed at providing advisory support for the more complex and larger exposures typical of the "Corporate" portfolio.
The criteria adopted for the classification of credit maximise the information available on the case under management, integrate objective quantitative elements with qualitative elements typical of the relational management of customers in the post-sale processes and aim at an early identification of signals of deterioration of credit quality.
The correct classification of exposures in the relevant impaired classes is accompanied by the preparation of targeted derisking actions and of increasing severity depending on the deterioration level. The adequacy of the value adjustments is delegated to the monitoring, validation and calibration of the quantification parameters of the expected credit loss for the portion of the portfolio with a more granular character, and to the preparation of a discount cash flow statement for the positions with greater management complexity and higher nominal exposure. In the latter case, the adequacy of the valuation is guaranteed by a periodic review of the assumptions of collection, by the direct knowledge of the characteristics of the collection case by the manager in charge, by the preparation of operating procedures aimed at guaranteeing homogeneity in the valuations, and by the adoption of a hierarchical authorization process.

### 3.2 Write-offs

The bank's credit management processes include criteria and procedures to regulate the criteria and application methods for asset derecognition operations. As a general rule, an accounting write-off of the gross amount of the exposure (or a portion thereof) must be made for the period in which it is determined that the receivable is likely to be uncollectible. The activation of a write-off of a residual receivable, whether full or partial, occurs only with the use of the write-down provision for Stage-3 rated positions and occurs at the same time as the assignment of a regulatory default rating.
The cancellation of the receivable is made operationally after consideration of all relevant information, such as the occurrence of a significant change in the borrower's financial position that would jeopardise the full or partial repayment of the remaining contractual exposure, or if the collection expectations from the risk mitigation guarantee enforcement process are judged inadequate to prevent the recognition of credit losses.
Uncollectability is particularly evidenced when the borrower is in insolvency or similar proceedings that provide evidence of a material inability to meet contractual payment obligations, particularly when:
- the judicial recovery actions undertaken have failed and the likelihood of success of further initiatives is insignificant;
- the enforcement of the guarantees acquired in support of the loan has already taken place or the corresponding liquidation will not bring further benefits to mitigate the expected losses;
- no other collection forecasts are envisaged on the basis of the derisking strategies activated and potentially activated;
- the bank, in anticipation of the ineffectiveness or uneconomic nature of further recovery actions, agrees with the remission of the residual contractual charges against an out-of-court agreement with the borrower, which provides for partial repayment of the residual debt;
- the bank arranges for the sale of the contractual rights to a third party for a payment lower than the value recorded in the financial statements for the underlying sale.

In general, the triggering of an accounting write-off may occur before the judicial recovery process is completed and, as a general rule, the write-off (unless a settlement agreement is reached) does not result in the bank losing the legal right to enforce the contractually defined credit.

### 3.3 Purchased or originated impaired financial assets

POCI (Purchased or Originated Credit Impaired) represent loans already impaired at the date of purchase or disbursement. At the date of initial recognition, the receivable is recognised at amortised cost based on an internal rate of return calculated on the estimate of the expected credit recovery flows. In the reference year, no assets subject to POCI classification were recognized.

## 4. Financial assets subject to commercial renegotiations and forborne exposures

The bank adopts regulated processes for the identification, classification and management of forborne exposures. The process of assigning to "forbearance" considers all exposures for which a contractual concession has been made to a borrower who is experiencing, or is about to experience, difficulty in meeting their contractual and financial obligations. Consistently with the regulatory provisions set out in Art. 241, Annex V, Commission Implementing Regulation (EU) 2017/1443 (CIR), the concession may not be made without the recognition of a loss and is normally subject to the following application conditions:
a) a modification of previous contractual terms and conditions which the borrower is deemed unable to meet due to its financial difficulties ("problem debt") resulting in insufficient debt service capacity and which would not have been granted if the borrower had not been in financial difficulty;
b) a full or partial refinancing of a distressed debt contract which would not have been granted if the borrower had not been in financial difficulty.

From an operational practice perspective, as of 2018, the bank had converged previous loan classifications such as "Debt Restructuring", and "Contractual Renegotiation of Problem Exposures" within this definition.
The classification as "Forbearance" takes place at the level of the individual contractual exposure subject to forbearance, where the conditions for identifying the borrower's financial difficulties are met.
The assessment of financial difficulties is based on the borrower's ability to repay regardless of the existence of risk mitigation techniques to back the loan.
The assessment of financial difficulties within the credit processes is subject to scrupulous verification and may be based on elements of an objective nature, such as the existence of a credit recovery initiative on the part of the borrower, the presence of a customer with non exact compliance with contractual obligations in the period preceding the granting of the loan, inclusion on operational early-warning/derisking lists and significant worsening of the probability of default (PD) of the customer as evidence of the deterioration of credit quality.
From a classification point of view, the activation of a "Forbearance" measure is associated with a process of quantifying the ECL from Stage 2 or Stage 3 depending on the classification of the loan at the time of granting. For positions eligible for Stage-2 classification, an assessment of the eligibility conditions for UTP is also routinely required, with a potential related migration to Stage 3 and corresponding triggering of a regulatory default. The conditions for deactivation of the "Forbearance" classification are promptly assessed and subject to the asseveration of the adequacy of the renewed conditions to the borrower's repayment capacity in a predefined time frame differentiated by Stage.

### 4.1 Impacts from the COVID-19 pandemic
See chapter 2.

#### QUANTITATIVE DISCLOSURE

#### A. CREDIT QUALITY

#### A.1 NON-IMPAIRED AND IMPAIRED CREDIT EXPOSURES: AMOUNTS, VALUE ADJUSTMENTS, DYNAMICS AND ECONOMIC DISTRIBUTION

The following table shows the breakdown of non-impaired exposures by portfolio, highlighting those that have been subject to forbearance measures, with the relative past due broken down by age bracket. Overdue amounts are a characteristic of consumer credit where the collection flow timing does not coincide with the related repayment dates of the underlying loans.

*A.1.1 Prudential consolidation - Distribution of financial assets by past due brackets (carrying amounts)*

| Portfolio/risk stages | First stage | | | Second stage | | | Third stage | | |
|---|---|---|---|---|---|---|---|---|---|
| | From 1 day up to 30 days | From over 30 days up to 90 days | Over 90 days | From 1 day up to 30 days | From over 30 days up to 90 days | Over 90 days | From 1 day up to 30 days | From over 30 days up to 90 days | Over 90 days |
| 1. Financial assets measured at amortised cost | 228,794 | 47,013 | 29,230 | 213,168 | 129,727 | 35,204 | 4,762 | 4,483 | 146,020 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - |
| **Total 2020** | **228,794** | **47,013** | **29,230** | **213,168** | **129,727** | **35,204** | **4,762** | **4,483** | **146,020** |
| **Total 2019** | **208,347** | **2,881** | **5,961** | **176,245** | **96,686** | **17,492** | **825** | **2,732** | **108,232** |

*A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and provisions*

| Reasons/risk stages | | | Opening balances | Increases from purchased or originated financial assets | Derecognitions other than write-offs | Net adjustments/ write-backs for credit risk (+/-) | Contractual changes without cancellations | Changes in the estimation methodology | Write-offs | Other changes | Closing inventories | Recoveries from collections of financial assets subject to write-offs | Write-offs recognised directly in the income statement |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total value adjustments | Stage 1 assets | Financial assets measured at amortised cost | 65,342 | - | - | 14,925 | - | - | - | 2,123 | **82,390** | - | - |
| | | Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - | **-** | - | - |
| | | of which: individual write-downs | 65,342 | - | - | 14,925 | - | - | - | 2,123 | **82,390** | - | - |
| | | of which: collective write-downs | - | - | - | - | - | - | - | - | **-** | - | - |
| | Stage 2 assets | Financial assets measured at amortised cost | 86,343 | - | | 32,241 | - | - | - | (7,732) | **110,852** | - | - |
| | | Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - | **-** | - | - |
| | | of which: individual write-downs | 86,343 | - | - | 32,241 | - | - | - | (7,732) | **110,852** | - | - |
| | | of which: collective write-downs | - | - | - | - | - | - | - | - | **-** | - | - |
| | Stage 3 assets | Financial assets measured at amortised cost | 543,480 | 1,008 | (44,772) | 139,599 | - | - | (2,707) | (69,340) | **567,268** | 1,415 | - |
| | | Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - | **-** | - | - |
| | | of which: individual write-downs | 543,480 | 1,008 | (44,772) | 139,599 | - | - | (2,707) | (69,340) | **567,268** | 1,415 | - |
| | | of which: collective write-downs | - | - | - | - | - | - | - | - | **-** | - | - |
| | of which: purchased or originated impaired financial assets | | - | 421 | - | 126 | - | - | - | - | **547** | - | - |
| | Total provisions on commitments to disburse funds and financial guarantees issued | First stage | 25,083 | - | - | 978 | - | - | (29) | (1,333) | **24,699** | - | - |
| | | Second stage | 2,058 | - | - | 2,161 | - | - | - | (1,411) | **2,808** | - | - |
| | | Third stage | 1,277 | - | - | (476) | - | - | - | 1,196 | **1,997** | - | - |
| **Total** | | | **723,583** | **1,008** | **(44,772)** | **189,428** | **-** | **-** | **(2,736)** | **(76,497)** | **790,014** | **1,415** | **-** |

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

| Portfolio/risk stages | Transfers between first and second stage | | Transfers between second and third stage | | Transfers between first and third stage | |
|---|---|---|---|---|---|---|
| | from first stage to second stage | from second stage to first stage | from second stage to third stage | from third stage to second stage | from first stage to third stage | from third stage to first stage |
| 1. Financial assets measured at amortised cost | 1,494,621 | 520,116 | 111,103 | 10,471 | 116,338 | 104,431 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - |
| 3. Commitments to disburse funds and financial guarantees issued | 193,322 | 269,631 | 9,655 | 1,279 | 19,231 | 6,671 |
| **Total 2020** | **1,687,943** | **789,747** | **120,758** | **11,750** | **135,569** | **111,102** |
| **Total 2019** | **656,059** | **321,907** | **63,862** | **4,005** | **104,149** | **4,530** |

*A.1.3a Loans subject to COVID-19 support measures: transfers between credit risk stages (gross and nominal values)*

| Portfolio/risk stages | Transfers between first and second stage | | Transfers between second and third stage | | Transfers between first and third stage | |
|---|---|---|---|---|---|---|
| | from first stage to second stage | from second stage to first stage | from second stage to third stage | from third stage to second stage | from first stage to third stage | from third stage to first stage |
| **A. Loans valued at amortised cost** | **333,177** | **896** | **39,578** | **-** | **46** | **-** |
| A.1 subject to forbearance measures in accordance with the GL | 333,177 | 896 | 39,578 | | 46 | |
| A.2 subject of other forbearance measures | - | - | - | - | - | - |
| A.3 new loans | - | - | - | - | - | - |
| **B. Loans measured at fair value through other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** |
| B.1 subject to forbearance measures in accordance with the GL | - | - | - | - | - | - |
| B.2 subject to other forbearance measures | - | - | - | - | - | - |
| B.3 new loans | - | - | - | - | - | - |
| **Total 2020** | **333,177** | **896** | **39,578** | **-** | **46** | **-** |

| A.1.4 Prudential consolidation - On- and off-statement of financial position credit exposures to banks: gross and carrying amounts | | | | | |
|---|---|---|---|---|---|
| Types of exposures/amounts | Gross amount | | Total value adjustments and total provisions | Carrying amount | Overall partial write-offs (*) |
| | Impaired | Non-impaired | | | |
| **A. On-statement of financial position credit exposures** | | | | | |
| a) Non-performing loans | - | X | - | - | - |
| - of which: forborne exposures | - | X | - | - | - |
| b) Unlikely to pay | - | X | - | - | - |
| - of which: forborne exposures | - | X | - | - | - |
| c) Impaired past due exposures | 5,421 | X | - | 5,421 | - |
| - of which: forborne exposures | - | X | - | - | - |
| d) Non-impaired past due exposures | X | - | - | - | - |
| - of which: forborne exposures | X | - | - | - | - |
| e) Other non-impaired exposures | X | 5,245,323 | (616) | 5,244,707 | - |
| - of which: forborne exposures | X | - | - | - | - |
| **Total A** | **5,421** | **5,245,323** | **(616)** | **5,250,128** | **-** |
| **B. Off-statement of financial position credit exposures** | | | | | |
| a) Impaired | 3,637 | X | - | 3,637 | - |
| b) Non-impaired | X | 2,063,260 | (73) | 2,063,187 | - |
| **TOTAL B** | **3,637** | **2,063,260** | **(73)** | **2,066,824** | **-** |
| **TOTAL A + B** | **9,058** | **7,308,583** | **(689)** | **7,316,952** | **-** |

(*) Value to be displayed for information purposes

| A.1.5 Prudential consolidation - On- and off-statement of financial position credit exposures to customers: gross and carrying | | | | | |
|---|---|---|---|---|---|
| Types of exposures/amounts | Gross amount | | Total value adjustments and total provisions | Carrying amount | Overall partial write-offs (*) |
| | Impaired | Non-impaired | | | |
| **A. On-statement of financial position credit exposures** | | | | | |
| a) Non-performing loans | 473,047 | X | (421,562) | 51,485 | - |
| - of which: forborne exposures | 488 | X | (386) | 102 | - |
| b) Unlikely to pay | 122,060 | X | (54,225) | 67,835 | - |
| - of which: forborne exposures | 59,491 | X | (22,569) | 36,922 | - |
| c) Impaired past due exposures | 164,350 | X | (91,481) | 72,869 | - |
| - of which: forborne exposures | 9,015 | X | (4,578) | 4,437 | - |
| d) Non-impaired past due exposures | X | 736,246 | (53,315) | 682,931 | - |
| - of which: forborne exposures | X | 9,322 | (1,363) | 7,959 | - |
| e) Other non-impaired exposures | X | 18,768,908 | (139,311) | 18,629,597 | - |
| - of which: forborne exposures | X | 109,735 | (2,283) | 107,452 | - |
| **Total A** | **759,457** | **19,505,154** | **(759,894)** | **19,504,717** | **-** |
| **B. Off-statement of financial position credit exposures** | | | | | |
| a) Impaired | 69,929 | X | (3,648) | 66,281 | - |
| b) Non-impaired | X | 12,276,570 | (34,753) | 12,241,817 | - |
| **TOTAL B** | **69,929** | **12,276,570** | **(38,401)** | **12,308,098** | **-** |
| **TOTAL A + B** | **829,386** | **31,781,724** | **(798,295)** | **31,812,815** | **-** |

| A.1.5a Loans subject to COVID-19 support measures: gross and carrying amounts | | | | |
|---|---|---|---|---|
| Types of loans/values | Gross amount | Total value adjustments and total provisions | Carrying amount | Overall partial write-offs (*) |
| **A. Non-performing loans:** | - | - | - | - |
| a) Subject to forbearance measures in accordance with the GL | - | - | - | - |
| b) Subject to other forbearance measures | - | - | - | - |
| c) New loans | - | - | - | - |
| **B. Loans under unlikely to pay:** | - | - | - | - |
| a) Subject to forbearance measures in accordance with the GL | 7,291 | (1,121) | 6,170 | - |
| b) Subject to other forbearance measures | - | - | - | - |
| c) New loans | - | - | - | - |
| **C. Impaired past-due loans:** | - | - | - | - |
| a) Subject to forbearance measures in accordance with the GL | 32,333 | (17,836) | 14,497 | - |
| b) Subject to other forbearance measures | - | - | - | - |
| c) New loans | - | - | - | - |
| **D. Other non-impaired past-due loans:** | - | - | - | - |
| a) Subject to forbearance measures in accordance with the GL | 292,657 | (15,874) | 276,783 | - |
| b) Subject to other forbearance measures | - | - | - | - |
| c) New loans | - | - | - | - |
| **E. Other non-impaired loans:** | - | - | - | - |
| a) Subject to forbearance measures in accordance with the GL | 1,308,875 | (6,043) | 1,302,832 | - |
| b) Subject to other forbearance measures | - | - | - | - |
| c) New loans | 1,141,157 | (2,800) | 1,138,357 | - |
| **Total (A+B+C+D+E)** | **2,782,313** | **(43,674)** | **2,738,639** | **-** |

*A.1.6 Prudential consolidation - On-statement of financial position credit exposures to banks: changes in gross impaired exposures*

| Reasons/Categories | Non-performing loans | Unlikely to pay | Impaired past due exposures | **Total** |
|---|---|---|---|---|
| **A. Opening gross exposure** | **-** | **-** | **-** | **-** |
| - of which: exposures transferred but not derecognised | - | - | - | - |
| **B. Increases** | **37** | **-** | **61,340** | **61,377** |
| B.1 inflows from non-impaired exposures | | | | - |
| B.2 transfers from purchased or originated impaired financial assets | - | - | - | - |
| B.3 transfers from other impaired exposure categories | - | - | - | - |
| B.4 contractual changes without cancellations | - | - | - | - |
| B.5 other increases | 37 | - | 61,340 | 61,377 |
| **C. Decreases** | **(37)** | **-** | **(55,919)** | **(55,956)** |
| C.1 outflows to non-impaired exposures | - | - | (3) | (3) |
| C.2 write-offs | (37) | - | - | (37) |
| C.3 collections | - | - | - | - |
| C.4 gains on sales | - | - | - | - |
| C.5 losses on sales | - | - | - | - |
| C.6 transfers to other impaired exposure categories | - | - | - | - |
| C.7 contractual changes without cancellations | - | - | - | - |
| C.8 other decreases | - | - | (55,916) | (55,916) |
| **D. Closing gross exposure** | **-** | **-** | **5,421** | **5,421** |
| - of which: exposures transferred but not derecognised | - | - | - | - |

*A.1.6bis Prudential consolidation - On-statement of financial position credit exposures to banks: changes in gross exposures subject to forbearance measures broken down by credit quality*

None.

*A.1.7 Prudential consolidation - On-statement of financial position credit exposures to customers: changes in gross impaired exposures*

| Reasons/Categories | Non-performing loans | Unlikely to pay | Impaired past due exposures | **Total** |
|---|---|---|---|---|
| **A. Opening gross exposure** | **454,014** | **200,580** | **87,806** | **742,400** |
| - of which: exposures transferred but not derecognised | - | - | - | - |
| **B. Increases** | **189,751** | **81,172** | **179,005** | **449,928** |
| B.1 inflows from non-impaired exposures | 73,410 | 47,132 | 139,136 | 259,678 |
| B.2 transfers from purchased or originated impaired financial assets | 9 | 6 | 392 | 407 |
| B.3 transfers from other impaired exposure categories | 85,792 | 3,234 | 13,770 | 102,796 |
| B.4 contractual changes without cancellations | - | - | | - |
| B.5 other increases | 30,540 | 30,800 | 25,707 | 87,047 |
| **C. Decreases** | **(170,718)** | **(159,692)** | **(102,461)** | **(432,871)** |
| C.1 outflows to non-impaired exposures | (4,420) | (2,609) | (10,063) | (17,092) |
| C.2 write-offs | (2,707) | - | - | (2,707) |
| C.3 collections | (20,485) | (36,501) | (13,309) | (70,295) |
| C.4 gains on sales | (24,579) | - | - | (24,579) |
| C.5 losses on sales | - | - | - | - |
| C.6 transfers to other impaired exposure categories | (1,615) | (52,932) | (48,249) | (102,796) |
| C.7 contractual changes without cancellations | - | - | - | - |
| C.8 other decreases | (116,912) | (67,650) | (30,840) | (215,402) |
| **D. Closing gross exposure** | **473,047** | **122,060** | **164,350** | **759,457** |
| - of which: exposures transferred but not derecognised | - | - | - | - |

*A.1.7bis Prudential consolidation - On-statement of financial position credit exposures to customers: changes in gross exposures subject to forbearance measures broken down by credit quality*

| Reasons/quality | Forborne exposures: impaired | Forborne exposures: non-impaired |
|---|---|---|
| **A. Opening gross exposure** | **87,598** | **46,858** |
| - of which: exposures transferred but not derecognised | - | - |
| **B. Increases** | **39,689** | **131,650** |
| B.1 inflows from non-impaired exposures, not subject to forbearance measures | 4,082 | 105,261 |
| B.2 inflows from non-impaired exposures, subject to forbearance measures | 9,484 | X |
| B.3 inflows from impaired exposures, subject to forbearance measures | X | 326 |
| B.4 inflows from impaired exposures, not subject to forbearance measures | 8,842 | 185 |
| B.5 other increases | 17,281 | 25,878 |
| **C. Decreases** | **(58,293)** | **(59,451)** |
| C.1 outflows to non-impaired exposures, not subject to forbearance measures | X | (6,892) |
| C.2 outflows to non-impaired exposures, subject to forbearance measures | (326) | X |
| C.3 outflows to impaired exposures, subject to forbearance measures | X | (9,484) |
| C.4 write-offs | (48) | - |
| C.5 collections | (6,552) | (26,675) |
| C.6 gains on sales | - | - |
| C.7 losses on sales | - | |
| C.8 other decreases | (51,367) | (16,400) |
| **D. Closing gross exposure** | **68,994** | **119,057** |
| - of which: exposures transferred but not derecognised | - | - |

*A.1.8 Prudential consolidation - Impaired on-statement of financial position credit exposures to banks: changes in total value adjustments*

None.

*A.1.9 Prudential consolidation - Impaired on-statement of financial position credit exposures to customers: changes in total value adjustments*

| Reasons/Categories | Non-performing loans | | Unlikely to pay | | Impaired past due loans | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Total | of which: forborne exposures | Total | of which: forborne exposures | Total | of which: forborne exposures | Total | of which: forborne exposures |
| **A. Opening impairment losses** | **416,813** | **30,331** | **81,788** | **24,014** | **44,879** | **323** | **543,480** | **54,668** |
| - of which: exposures transferred but not derecognised | - | - | - | - | - | - | - | - |
| **B. Increases** | **115,122** | **144** | **30,277** | **5,210** | **130,412** | **5,530** | **275,811** | **10,884** |
| B.1 value adjustments of purchased or originated impaired financial assets | 301 | - | 264 | - | 443 | - | 1,008 | - |
| B.2. other value adjustments | 37,541 | 59 | 16,672 | 1,253 | 66,656 | 2,889 | 120,869 | 4,201 |
| B.3 losses on sales | - | - | - | - | - | - | - | - |
| B.4 transfers from other impaired exposure categories | 74,091 | 71 | 1,218 | 7 | 9,334 | 1,520 | 84,643 | 1,598 |
| B.5 contractual changes without cancellations | - | - | - | - | - | - | - | - |
| B.6 other increases | 3,189 | 14 | 12,123 | 3,950 | 53,979 | 1,121 | 69,291 | 5,085 |
| **C. Decreases** | **(110,373)** | **(30,089)** | **(57,840)** | **(6,655)** | **(83,810)** | **(1,275)** | **(252,023)** | **(38,019)** |
| C.1 write-backs from valuation | (285) | (11) | (1,082) | (392) | (1,077) | (15) | (2,444) | (418) |
| C.2 write-backs from collections | (19,794) | (91) | (5,270) | (2,414) | (9,348) | (719) | (34,412) | (3,224) |
| C.3 gains on sales | (24,579) | - | - | - | - | - | (24,579) | - |
| C.4 write-offs | (2,707) | (6) | - | - | - | - | (2,707) | (6) |
| C.5 transfers to other | (1,037) | (110) | (45,485) | (1,448) | (38,121) | (40) | (84,643) | (1,598) |
| C.6 contractual changes without cancellations | - | - | - | - | - | - | - | - |
| C.7 other decreases | (61,971) | (29,871) | (6,003) | (2,401) | (35,264) | (501) | (103,238) | (32,773) |
| **D. Closing gross exposure** | **421,562** | **386** | **54,225** | **22,569** | **91,481** | **4,578** | **567,268** | **27,533** |
| - of which: exposures transferred but not derecognised | | - | - | - | - | - | - | - |

The tables below summarise the performance of the following indicators for loans and receivables with customers for the period 2014-2020:
- impaired assets and non-performing loans to total loans;
- coverage of impaired assets, provisions for risks/gross exposure;
- coverage of non-performing loans, provisions for risks/gross exposure.

*Impaired/non-performing loans to total loans*

| *Reference year* (Data in €/million) | *Loans and receivables with customers (item 40b S. of F. P.)* | *Net impaired loans* | ***% of total loans*** | *Of which net non-performing loans* | ***% of total loans*** |
|---|---|---|---|---|---|
| Balances at 31 December 2014 | 17,790 | 419 | **2.4%** | 218 | **1.2%** |
| Balances at 31 December 2015 | 17,639 | 314 | **1.8%** | 173 | **1.0%** |
| Balances at 31 December 2016 | 17,109 | 275 | **1.6%** | 158 | **0.9%** |
| Balances at 31 December 2017 | 17,392 | 267 | **1.5%** | 151 | **0.9%** |
| Balances at 31 December 2018 | 18,217 | 137 | **0.8%** | 39 | **0.2%** |
| Balances at 31 December 2019 | 19,489 | 199 | **1.0%** | 37 | **0.2%** |
| Balances at 31 December 2020 | 19,505 | 192 | **1.0%** | 51 | **0.3%** |

*Coverage ratio of impaired items - risk provisions/gross exposure*

| *Reference year* (Data in €/million) | *Impaired loans, gross amount* | *Provisions for risks* | *Net impaired loans* | ***% of coverage*** |
|---|---|---|---|---|
| Balances at 31 December 2014 | 1,222 | (803) | 419 | **65.7%** |
| Balances at 31 December 2015 | 1,072 | (758) | 314 | **70.7%** |
| Balances at 31 December 2016 | 888 | (613) | 275 | **69.0%** |
| Balances at 31 December 2017 | 854 | (587) | 267 | **68.7%** |
| Balances at 31 December 2018 | 748 | (611) | 137 | **81.7%** |
| Balances at 31 December 2019 | 742 | (543) | 199 | **73.2%** |
| Balances at 31 December 2020 | 759 | (567) | 192 | **74.7%** |

*Coverage ratio of non-performing loans - risk provision/gross exposure*

| *Reference year* (Data in €/million) | *Non-performing loans, gross amount* | *Provisions for risks* | *Net non-performing loans* | ***% of coverage*** |
|---|---|---|---|---|
| Balances at 31 December 2014 | 897 | (679) | 218 | **75.7%** |
| Balances at 31 December 2015 | 839 | (666) | 173 | **79.4%** |
| Balances at 31 December 2016 | 673 | (515) | 158 | **76.5%** |
| Balances at 31 December 2017 | 638 | (487) | 151 | **76.3%** |
| Balances at 31 December 2018 | 536 | (497) | 39 | **92.7%** |
| Balances at 31 December 2019 | 454 | (417) | 37 | **91.9%** |
| Balances at 31 December 2020 | 473 | (422) | 51 | **89.2%** |

## A.2 CLASSIFICATION OF EXPOSURES USING EXTERNAL AND INTERNAL RATINGS

### *A.2.1 Prudential consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees issued: by external rating classes (gross values)*

The parent company does not use external ratings to classify credit exposures on- and off-statement of financial position.

### *A.2.2 Prudential consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees issued: by internal rating classes (gross values)*

The parent company uses an internal rating system to classify reliable banking and non-banking customers.

This rating system is linked to the attribution of the PD (probability of default), a parameter that is used for the classification and evaluation of the loan portfolio on a collective basis.

The classification of loans by internal rating is not used for the purpose of calculating capital requirements.

The following tables show for the year 2020 and 2019 the breakdown by internal rating class of on-statement of financial position exposures of financial assets measured at amortised cost and fair value through other comprehensive income, for guarantees issued, for commitments to disburse funds with certain and uncertain use, and for other transactions.

**YEAR 2020**

| Internal rating classes | **A. Financial assets measured at amortised cost** | | | **B. Financial assets measured at fair value through other comprehensive income** | | | **Total (A + B)** | of which: purchased or originated impaired financial assets | **C. Commitments to disburse funds and financial guarantees issued** | | | **Total (C)** | **Total (A + B + C) 2018** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | First stage | Second stage | Third stage | First stage | Second stage | Third stage | | | First stage | Second stage | Third stage | | |
| **iAAA** | 63,127 | - | - | - | - | - | 63,127 | - | 14,310 | - | - | 14,310 | 77,437 |
| **iAA+** | 5,534 | - | - | - | - | - | 5,534 | - | 26,452 | - | - | 26,452 | 31,986 |
| **iAA** | 39,453 | 19,260 | - | - | - | - | 58,713 | - | 58,519 | - | - | 58,519 | 117,232 |
| **iAA-** | 50,193 | 1,969 | 1,810 | - | - | - | 53,972 | - | 191,610 | 3,662 | 3,557 | 198,829 | 252,801 |
| **iA+** | 99,806 | - | 1,729 | - | - | - | 101,535 | - | 256,404 | 1,672 | 60 | 258,136 | 359,671 |
| **iA** | 272,573 | 713 | 4 | - | - | - | 273,290 | - | 453,599 | 316 | 1 | 453,916 | 727,206 |
| **iA-** | 664,973 | 6,498 | 8 | - | - | - | 671,479 | - | 1,057,080 | 214 | - | 1,057,294 | 1,728,773 |
| **iBBB+** | 5,170,910 | 11,447 | 1,651 | - | - | - | 5,184,008 | - | 2,599,712 | 546 | 533 | 2,600,791 | 7,784,799 |
| **iBBB** | 2,426,412 | 6,992 | 132 | - | - | - | 2,433,536 | - | 966,820 | 1,293 | 9 | 968,122 | 3,401,658 |
| **iBBB-** | 1,878,242 | 17,042 | 360 | - | - | - | 1,895,644 | - | 1,150,285 | 11,943 | 56 | 1,162,284 | 3,057,928 |
| **iBB+** | 2,215,173 | 94,872 | 554 | - | - | - | 2,310,599 | - | 635,382 | 17,555 | 47 | 652,984 | 2,963,583 |
| **iBB** | 2,602,330 | 82,381 | 5,118 | - | - | - | 2,689,829 | - | 554,733 | 24,328 | 103 | 579,164 | 3,268,993 |
| **iBB-** | 3,312,310 | 194,175 | 671 | - | - | - | 3,507,156 | - | 356,377 | 29,346 | 59 | 385,782 | 3,892,938 |
| **iB+** | 2,243,143 | 278,311 | 1,015 | - | - | - | 2,522,469 | - | 177,457 | 61,611 | 71 | 239,139 | 2,761,608 |
| **iB** | 869,040 | 443,072 | 7,121 | - | - | - | 1,319,233 | - | 152,411 | 62,954 | 2,309 | 217,674 | 1,536,907 |
| **iB-** | 199,740 | 338,512 | 6,569 | - | - | - | 544,821 | - | 44,520 | 42,431 | 159 | 87,110 | 631,931 |
| **iCCC+** | 60,472 | 253,163 | 2,864 | - | - | - | 316,499 | - | 23,994 | 13,487 | 74 | 37,555 | 354,054 |
| **iCCC** | 31,914 | 185,458 | 1,760 | - | - | - | 219,132 | - | 8,440 | 16,561 | 73 | 25,074 | 244,206 |
| **iCCC-** | 11,500 | 222,884 | 8,691 | - | - | - | 243,075 | - | 2,620 | 5,756 | 258 | 8,634 | 251,709 |
| **iCC+** | 40 | 20,602 | 83,238 | - | - | - | 103,880 | - | 301 | 136 | 32,285 | 32,722 | 136,602 |
| **iCC** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iCC-** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iC+** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iC** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iC-** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **ID** | 56 | 13,999 | 641,242 | - | - | - | 655,297 | - | 712 | 2,313 | 14,119 | 17,144 | 672,441 |
| **Unassigned rating** | 341,970 | 215 | 342 | - | - | - | 342,527 | - | 1,116,956 | - | 64 | 1,117,020 | 1,459,547 |
| **Total 2020** | **22,558,911** | **2,191,565** | **764,879** | **-** | **-** | **-** | **25,515,355** | **-** | **9,848,694** | **296,124** | **53,837** | **10,198,655** | **35,714,010** |

**YEAR 2019**

| Internal rating classes | A. Financial assets measured at amortised cost | | | B. Financial assets measured at fair value through other comprehensive income | | | Total (A + B) | of which: purchased or originated impaired financial assets | C. Commitments to disburse funds and financial guarantees issued | | | Total (C) | Total (A + B + C) 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | First stage | Second stage | Third stage | First stage | Second stage | Third stage | | | First stage | Second stage | Third stage | | |
| **iAAA** | 792 | - | - | - | - | - | 792 | - | 12,937 | - | - | 12,937 | 13,729 |
| **iAA+** | 14,295 | - | - | - | - | - | 14,295 | - | 29,560 | - | - | 29,560 | 43,855 |
| **iAA** | 51,308 | 1 | - | - | - | - | 51,309 | - | 62,174 | - | - | 62,174 | 113,483 |
| **iAA-** | 77,667 | - | - | - | - | - | 77,667 | - | 183,156 | - | - | 183,156 | 260,823 |
| **iA+** | 187,707 | 1,200 | - | - | - | - | 188,907 | - | 386,409 | - | - | 386,409 | 575,316 |
| **iA** | 239,705 | 63 | - | - | - | - | 239,768 | - | 527,342 | 2,054 | - | 529,396 | 769,164 |
| **iA-** | 729,600 | 13,214 | 78 | - | - | - | 742,892 | - | 1,150,742 | 637 | 5 | 1,151,384 | 1,894,276 |
| **iBBB+** | 5,444,490 | 479 | 15 | - | - | - | 5,444,984 | - | 1,219,110 | 142 | 11 | 1,219,263 | 6,664,247 |
| **iBBB** | 1,301,292 | 1,914 | 107 | - | - | - | 1,303,313 | - | 811,716 | 914 | 33 | 812,663 | 2,115,976 |
| **iBBB-** | 2,356,433 | 34,051 | 79 | - | - | - | 2,390,563 | - | 1,156,110 | 1,373 | 33 | 1,157,516 | 3,548,079 |
| **iBB+** | 1,930,067 | 9,337 | 1,445 | - | - | - | 1,940,849 | - | 582,290 | 1,213 | 83 | 583,586 | 2,524,435 |
| **iBB** | 2,449,396 | 36,618 | 798 | - | - | - | 2,486,812 | - | 446,010 | 3,496 | 105 | 449,611 | 2,936,423 |
| **iBB-** | 3,133,081 | 85,816 | 4,697 | - | - | - | 3,223,594 | - | 344,170 | 46,903 | 563 | 391,636 | 3,615,230 |
| **iB+** | 2,545,551 | 66,837 | 1,203 | - | - | - | 2,613,591 | - | 251,340 | 7,601 | 112 | 259,053 | 2,872,644 |
| **iB** | 949,302 | 269,566 | 1,415 | - | - | - | 1,220,283 | - | 140,096 | 11,390 | 110 | 151,596 | 1,371,879 |
| **iB-** | 290,640 | 268,895 | 1,611 | - | - | - | 561,146 | - | 89,156 | 13,291 | 76 | 102,523 | 663,669 |
| **iCCC+** | 70,752 | 229,158 | 2,433 | - | - | - | 302,343 | - | 43,640 | 9,595 | 74 | 53,309 | 355,652 |
| **iCCC** | 25,417 | 190,539 | 3,079 | - | - | - | 219,035 | - | 10,572 | 2,601 | 82 | 13,255 | 232,290 |
| **iCCC-** | 12,910 | 151,034 | 6,462 | - | - | - | 170,406 | - | 4,855 | 2,400 | 127 | 7,382 | 177,788 |
| **iCC+** | 59 | 22,960 | 101,607 | - | - | - | 124,626 | - | 1,387 | 2,323 | 871 | 4,581 | 129,207 |
| **iCC** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iCC-** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iC+** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iC** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **iC-** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **ID** | 58 | 9,272 | 617,297 | - | - | - | 626,627 | - | 140 | 2,681 | 14,899 | 17,720 | 644,347 |
| **Unassigned rating** | 532,362 | 327 | 76 | - | - | - | 532,765 | - | 142,666 | 72 | 123 | 142,861 | 675,626 |
| **Total 2019** | **22,342,884** | **1,391,281** | **742,402** | **-** | **-** | **-** | **24,476,567** | **-** | **7,595,578** | **108,686** | **17,307** | **7,721,571** | **32,198,138** |

***A.3 BREAKDOWN OF GUARANTEED CREDIT EXPOSURE BY TYPE OF GUARANTEE***

*A.3.1 Guaranteed on- and off-statement of financial position credit exposures to banks*

| | Gross amount | Carrying amount | Collateral (1) | | | | Personal guarantees (2) | | | | | | | | | | Total (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Credit derivatives | | | | | Endorsement credits | | | | | |
| | | | Property - mortgages | Property - finance leases | Securities | Other collateral | Credit linked notes | Other derivatives | | | | Public authorities | Banks | Other financial companies | Other | | |
| | | | | | | | | Central counterparties | Banks | Other financial companies | Other | | | | | | |
| 1. On-statement of financial position guaranteed credit exposures: | | | | | | | | | | | | | | | | | |
| 1.1. fully guaranteed | **-** | **-** | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | |
| - of which impaired | **-** | **-** | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | |
| 1.2. partially guaranteed | **-** | **-** | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | |
| - of which impaired | **-** | **-** | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | |
| 2. Off-statement of financial position guaranteed credit exposures: | | | | | | | | | | | | | | | | | |
| 2.1. fully guaranteed | **25** | **25** | - | - | - | - | - | - | - | - | - | - | 25 | - | - | **25** | |
| - of which impaired | **-** | **-** | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | |
| 2.2. partially guaranteed | **19,997** | **19,989** | - | - | - | - | - | - | - | - | - | - | - | 8,198 | 6,160 | **14,358** | |
| - of which impaired | **-** | **-** | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | |

*A.3.2 Guaranteed loans and receivables with customers*

| | Gross exposure amount | Carrying amount | Collateral (1) | | | | Personal guarantees (2) | | | | | | | | | Total (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Credit derivatives | | | | | Endorsement credits | | | | |
| | | | Property - mortgages | Property - finance leases | Securities | Other collateral | Credit linked notes | Other derivatives | | | | Public authorities | Banks | Other financial companies | Other | |
| | | | | | | | | Central counterparties | Banks | Other financial companies | Other | | | | | |
| 1. On-statement of financial position guaranteed credit exposures: | | | | | | | | | | | | | | | | |
| 1.1. fully guaranteed | **9,527,263** | **9,264,672** | 6,189,855 | | 595,848 | 850,230 | - | - | - | - | - | 274,205 | 10,893 | 33,351 | 1,210,504 | **9,164,886** |
| - of which impaired | **293,386** | **84,019** | 56,953 | | 3,143 | 6,810 | - | - | - | - | - | 2,516 | | 496 | 13,754 | **83,672** |
| 1.2. partially guaranteed | **1,626,283** | **1,557,643** | 82,898 | | 79,355 | 32,442 | - | - | - | - | - | 650,723 | | 39,114 | 224,929 | **1,109,461** |
| - of which impaired | **74,121** | **16,835** | 152 | | 6 | - | - | - | - | - | - | 2,196 | | 216 | 1,482 | **4,052** |
| 2. Off-statement of financial position guaranteed credit exposures: | | | | | | | | | | | | | | | | |
| 2.1. fully guaranteed | **4,115,950** | **4,113,883** | 4,556 | | 268,121 | 167,215 | - | - | - | - | - | 5,195 | 1,405,878 | 132,176 | 2,120,859 | **4,104,000** |
| - of which impaired | **17,693** | **17,211** | - | | 851 | 853 | - | - | - | - | - | | 6,100 | | 9,407 | **17,211** |
| 2.2. partially guaranteed | **587,835** | **586,264** | 347 | | 11,628 | 10,366 | - | - | - | - | - | 9,495 | 57,733 | 47,618 | 140,148 | **277,335** |
| - of which impaired | **3,240** | **2,202** | | | 633 | | - | - | - | - | - | 25 | | 519 | 104 | **1,281** |

### *A.4 PRUDENTIAL CONSOLIDATION - FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED BY ENFORCEMENT OF GUARANTEES RECEIVED*

| | Credit exposure derecognised | Gross value | Total value adjustments | Carrying amount | |
|---|---|---|---|---|---|
| | | | | | of which obtained during the year |
| **A. Property, equipment and investment property** | - | 5,188 | (221) | 4,968 | 3 |
| A.1 Functional use | - | - | - | - | - |
| A.2 For investment purposes | - | - | - | - | - |
| A.3 Inventories | - | 5,188 | (221) | 4,968 | 3 |
| **B. Equity and debt securities** | - | - | - | - | - |
| **C. Other assets** | - | - | - | - | - |
| **D. Non-current assets and groups of assets held for sale** | - | - | - | - | - |
| D.1 Property, equipment and investment properties | - | - | - | - | - |
| D.2 Other assets | - | - | - | - | - |
| **Total 2020** | - | 5,188 | (221) | 4,968 | 3 |
| **Total 2019** | - | 6,207 | (263) | 5,944 | 4,586 |

The properties have been acquired by the investee Vesta Real Estate S.r.l. (REOCO).
These were properties awarded in judicial auctions relating to mortgage receivables from the former subsidiary Deutsche Bank Mutui S.p.A., deconsolidated in September 2017 and currently wholly owned by the Milan branch of Deutsche Bank AG.

#### B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

*B.1 Prudential consolidation - Sectoral breakdown of on- and off-statement of financial position credit exposures with customers*

| Exposure/Counterparty | Public authorities | | Financial companies | | Financial companies (of which: insurance companies) | | Non-financial companies | | Households | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments |
| **A. On-statement of financial** | | | | | | | | | | | | |
| A.1 Non-performing loans | - | - | 3 | (460) | - | - | 14,053 | (233,800) | 37,429 | (187,302) | 51,485 | (421,562) |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | 102 | (386) | 102 | (386) |
| A.2 Unlikely to pay | - | - | - | (8) | - | - | 63,075 | (50,658) | 4,760 | (3,559) | 67,835 | (54,225) |
| - of which: forborne exposures | - | - | - | | - | - | 35,267 | (21,724) | 1,655 | (845) | 36,922 | (22,569) |
| A.3 Impaired past-due exposures | - | - | 13 | (1) | - | - | 6,452 | (1,096) | 66,404 | (90,384) | 72,869 | (91,481) |
| - of which: forborne exposures | - | - | - | - | - | - | 802 | (417) | 3,635 | (4,161) | 4,437 | (4,578) |
| A.4 Non-impaired exposures | 287,684 | (811) | 638,279 | (2,309) | 12 | - | 5,094,145 | (32,154) | 13,292,420 | (157,352) | 19,312,528 | (192,626) |
| - of which: forborne exposures | - | - | - | - | - | - | 73,253 | (1,225) | 42,158 | (2,421) | 115,411 | (3,646) |
| **TOTAL A** | **287,684** | **(811)** | **638,295** | **(2,778)** | **12** | **-** | **5,177,725** | **(317,708)** | **13,401,013** | **(438,597)** | **19,504,717** | **(759,894)** |
| **B. Off-statement of financial position exposures** | | | | | | | | | | | | |
| B.1 Impaired exposures | - | - | 500 | - | - | - | 57,344 | (3,528) | 8,437 | (120) | 66,281 | (3,648) |
| B.2 Non-impaired exposures | 69,695 | (55) | 1,436,401 | (86) | - | - | 10,088,395 | (11,638) | 647,326 | (22,974) | 12,241,817 | (34,753) |
| **TOTAL B** | **69,695** | **(55)** | **1,436,901** | **(86)** | **-** | **-** | **10,145,739** | **(15,166)** | **655,763** | **(23,094)** | **12,308,098** | **(38,401)** |
| **TOTAL A+B 2020** | **357,379** | **(866)** | **2,075,196** | **(2,864)** | **12** | **-** | **15,323,464** | **(332,874)** | **14,056,776** | **(461,691)** | **31,812,815** | **(798,295)** |
| **TOTAL A+B 2019** | **263,799** | **(217)** | **1,183,124** | **(3,336)** | **311** | **-** | **14,478,103** | **(305,525)** | **14,423,963** | **(420,553)** | **30,348,989** | **(729,631)** |

*B.2 Prudential consolidation - Geographical breakdown of on- and off-statement of financial position credit exposures with customers*

| Exposures/Geographic areas | Italy | | Other European countries | | America | | Asia | | Rest of the world | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments |
| **A. On-statement of financial position exposures** | | | | | | | | | | | | |
| A.1 Non-performing loans | 51,481 | (421,545) | 2 | (7) | 2 | (10) | - | - | - | - | 51,485 | (421,562) |
| A.2 Unlikely to pay | 52,539 | (54,224) | 15,296 | (1) | - | - | - | - | - | - | 67,835 | (54,225) |
| A.3 Impaired past-due exposures | 72,853 | (91,470) | 15 | (11) | 1 | - | - | - | - | - | 72,869 | (91,481) |
| A.4 Non-impaired exposures | 18,836,886 | (190,580) | 287,526 | (1,176) | 57,078 | (130) | 32,276 | (3) | 98,762 | (737) | 19,312,528 | (192,626) |
| **TOTAL A** | **19,013,759** | **(757,819)** | **302,839** | **(1,195)** | **57,081** | **(140)** | **32,276** | **(3)** | **98,762** | **(737)** | **19,504,717** | **(759,894)** |
| **B. Off-statement of financial position exposures** | | | | | | | | | | | | |
| B.1 Impaired exposures | 36,046 | (3,648) | 30,230 | - | 5 | - | - | - | - | - | 66,281 | (3,648) |
| B.2 Non-impaired exposures | 11,386,560 | (30,719) | 501,405 | (137) | 282,524 | (3,842) | 2,014 | - | 69,314 | (55) | 12,241,817 | (34,753) |
| **TOTAL B** | **11,422,606** | **(34,367)** | **531,635** | **(137)** | **282,529** | **(3,842)** | **2,014** | **-** | **69,314** | **(55)** | **12,308,098** | **(38,401)** |
| **TOTAL A+B 2020** | **30,436,365** | **(792,186)** | **834,474** | **(1,332)** | **339,610** | **(3,982)** | **34,290** | **(3)** | **168,076** | **(792)** | **31,812,815** | **(798,295)** |
| **TOTAL A+B 2019** | **29,054,735** | **(728,707)** | **880,666** | **(716)** | **291,791** | **(64)** | **2,671** | **(52)** | **119,126** | **(92)** | **30,348,989** | **(729,631)** |

*B.3 Prudential consolidation - Geographical breakdown of on- and off-statement of financial position credit exposures with banks*

| Exposures/Geographic areas | Italy | | Other European countries | | America | | Asia | | Rest of the world | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments | Carrying amount | Total value adjustments |
| **A. On-statement of financial position exposures** | | | | | | | | | | | | |
| A.1 Non-performing loans | - | - | - | - | - | - | - | - | - | - | - | - |
| A.2 Unlikely to pay | - | - | - | - | - | - | - | - | - | - | - | - |
| A.3 Impaired past-due exposures | - | - | 2,601 | - | - | - | 1,736 | - | 1,084 | - | 5,421 | - |
| A.4 Non-impaired exposures | 1,207,780 | (606) | 3,971,591 | - | 17,663 | - | 46,751 | (8) | 922 | (2) | 5,244,707 | (616) |
| **TOTAL A** | **1,207,780** | **(606)** | **3,974,192** | **-** | **17,663** | **-** | **48,487** | **(8)** | **2,006** | **(2)** | **5,250,128** | **(616)** |
| **B. Off-statement of financial position exposures** | | | | | | | | | | | | |
| B.1 Impaired exposures | - | - | 3,617 | - | - | - | 20 | - | - | - | 3,637 | - |
| B.2 Non-impaired exposures | 92,503 | (9) | 1,733,708 | (51) | 153,285 | (2) | 74,336 | (11) | 9,355 | | 2,063,187 | (73) |
| **TOTAL B** | **92,503** | **(9)** | **1,737,325** | **(51)** | **153,285** | **(2)** | **74,356** | **(11)** | **9,355** | **-** | **2,066,824** | **(73)** |
| **TOTAL A+B 2019** | **1,300,283** | **(615)** | **5,711,517** | **(51)** | **170,948** | **(2)** | **122,843** | **(19)** | **11,361** | **(2)** | **7,316,952** | **(689)** |
| **TOTAL A+B 2019** | **1,224,296** | **(890)** | **4,661,967** | **(17)** | **149,824** | **(22)** | **83,184** | **(92)** | **14,692** | **(7)** | **6,133,963** | **(1,028)** |

*B.4 Large exposures*

| | 31 12 2018 | 31 12 2017 | 31 12 2016 |
|---|---|---|---|
| a) Carrying amount | 11,579,057 | 11,960,413 | 11,300,900 |
| b) Weighted amount | 644,331 | 292,249 | 175,703 |
| c) Number | 8 | 7 | 7 |

It should be noted that from the 2019 financial year, the parent company is no longer required to prepare supervisory reports on a consolidated basis. Data for the last three years to which these reports refer (2016-2018) are provided for information purposes.

## C. SECURITISATION TRANSACTIONS

### QUALITATIVE DISCLOSURE

During the year under review and in the previous year, the bank did not carry out any securitisation transactions nor did it purchase any securities issued by special purpose entities as part of such transactions.

At the reporting date, like at 31 December 2019, the bank has no exposures with unconsolidated SPEs and for structured financial products used for securitisations. Moreover, the bank has not entered into credit derivative agreements for protection of sales, such as credit default swaps, nor has it purchased securities like credit linked notes.
More generally, there are no exposures to high-risk financial product categories, such as junior and mezzanine securities related to securitisations (ABS or CDOs); furthermore, no CDS agreements have been sold and there are no exposures to monoline insurance.

As regards the issue of covered bonds carried out by the bank in 2012, please refer to the specific chapter of the Explanatory Notes that follows.

### QUANTITATIVE DISCLOSURE

This case is not relevant for the years 2019 and 2020.

## D. TRANSFER TRANSACTIONS

### A. FINANCIAL ASSETS TRANSFERRED AND NOT FULLY DERECOGNISED

There are no financial assets sold and not derecognised at the year end date.
For this reason, the tables in the Notes to the Financial Statements E.1, E.2 and E.3, required to describe the quantitative aspects of the financial assets sold and not fully derecognised, are not shown here.

### B. FINANCIAL ASSETS TRANSFERRED AND FULLY DERECOGNISED, WITH RECOGNITION OF CONTINUING INVOLVEMENT

None.

### D.4 Prudential consolidation - covered bond transactions

*Description of the covered bond issuance programme*

In 2012, the Management Board of the bank approved a programme whose objective was to generate local funding independently and in addition to the current financing provided by the ultimate parent company Deutsche Bank AG by issuing covered bonds to be used as collateral for financing transactions with the European Central Bank (ECB) via the Bank of Italy, as a monetary policy instrument in the Eurosystem (including by replacing the securities already pledged as guarantee for previous transactions and received through securities lending carried out by Deutsche Bank AG).

Accordingly, during the first half of 2012, the bank launched a covered bond issuance programme using residential mortgage loans as the underlying assets. This programme is governed, at a regulatory level, mainly:
(i) by the specific provisions referred to in Article 7-bis of Law no. 130 of 30 April 1999 (on the subject of credit securitisation);
(ii) by the regulation of the Ministry of Economy and Finance no. 310 of 14 December 2006 (which governs: the maximum ratio between the covered bonds and the assets sold; the identification of the type of such assets and those, with equivalent risk profiles, that can be used for their subsequent integration; the characteristics of the guarantee);
(iii) the supervisory provisions of the Bank of Italy (New prudential supervisory provisions for banks, which establish the prudential requirements of the issuing banks - in terms of capital requirements and limits on the sale of assets - and related controls).

In a nutshell, the Programme consists of the following main phases:
(a) one or more transfers of loans by the bank (performing mortgage loans granted to private customers by the Private & Business Clients division, via its BancoPosta, Prestitempo and PBB channels) in favour of the SPV specifically set up and registered under Article 106 of the Consolidated Banking Act. The asset pools comply with the definition of a portfolio as per Law no. 130 and were identified using objective criteria. They were transferred without recourse;

(b) a subordinated loan granted by the bank to the SPV to meet the obligations to pay the purchase price of the loans;
(c) the issuance of the first demand, autonomous, irrevocable and unconditional guarantee by the SPV in favour of the covered bond holders and with limited recourse to the assets sold;
(d) one or more covered bond issues by the bank;
(e) the listing of the covered bonds on the Luxembourg Stock Exchange (CSSF);
(f) the execution of hedging derivatives, both for the bank and for the SPV, with Deutsche Bank AG - London branch;

(g) a number of contracts between the issuer/transferor/lender (the bank) and the SPV structured in line with current practice for this type of transaction, considering also the bank’s role as servicer to the SPV as regards administration, management, collection and recovery of the loans; collection of the transferred loans, cash and payment services and liquidity and payment management.

As required by Italian legislation, an SPV was set up, SPV Covered Bond S.r.l., which subsequently changed its name to DB Covered Bond S.r.l., to issue the guarantee required by the regulation and purchase the transferred assets. It is included in the register as per Article 106 of the Consolidated Banking Act. The SPV was set up with the assistance of Securitisation Services S.p.A. and Finanziaria Internazionale Securitisation Group S.p.A., which also assisted the bank to structure and manage the programme. The bank obtained the necessary authorisation from the Bank of Italy to acquire the investment and acquired 90% of the SPV from SVM Securitisation Vehicles Management S.r.l. on 13 June 2012.

The main roles, provided for in the programme described above, are as follows:
- Deutsche Bank S.p.A. is the originator of the securitised assets, the funder of the special purpose vehicle and the issuer of the covered bonds; the bank also acts as servicer;
- DB Covered Bond S.r.l. acts as a guarantor for the investors in the covered bonds to the extent of the assets transferred to it; the special purpose vehicle has been included in the banking group following authorisation from the Bank of Italy and is fully consolidated in accordance with the provisions of the interpretative document SIC 12 issued by the IASB (IFRS 10 from 2014); - the auditing company BDO Italia S.p.A. acts as Asset Monitor;
- Deutsche Bank AG London Branch is the counterparty with which the vehicle and the bank have respectively entered into the asset swap, to protect the market value of the transferred assets, and the back-to-back swap for the management of the cash flows of the mortgages.

*Transaction structure, accounting treatment and recognition in the financial statements*

This section summarises the various stages of the transaction and the accounting entries recognised in the bank's financial statements under the IFRS, which impacted its financial position and results of operations.

The structure of the transaction provides for the following main phases:
a) Deutsche Bank S.p.A. acquires control of a purpose-built vehicle company, DB Covered Bond S.r.l.;
b) Deutsche Bank S.p.A. sells without recourse a set of assets of high credit quality to the vehicle, creating a segregated capital (Pool cut);
c) the originator bank provides a subordinated loan to the vehicle for the purpose of financing the payment of the transfer price of the assets by the vehicle;
d) Deutsche Bank S.p.A. issues covered bonds backed by a first demand guarantee which is issued by the vehicle for the exclusive benefit of the investors holding the covered bonds; this guarantee is a limited recourse on the assets constituting the segregated assets owned by the vehicle (the guarantor);

e) Deutsche Bank S.p.A. subscribes all the covered bonds issued, which are therefore used to guarantee the collateralised loan transactions;

f) the vehicle agreed an asset swap with a leading banking counterpart (Deutsche Bank AG - London Branch) to hedge the market risk on the portfolio of assets acquired (fair value hedge); under the terms of this contract (interest rate swap), the vehicle pays a rate equal to the return on the portfolio and receives a floating rate increased by a spread;
g) Deutsche Bank S.p.A. enters into a swap agreement with DB AG London that mirrors the swap contract negotiated with the vehicle (back-to-back), thus bringing the interest flows of the mortgages back into the bank's banking book.

The accounting treatment of the transaction as a whole refers, in particular, to the aspects of derecognition of the transferred assets (governed by IFRS 9) and consolidation of the special purpose vehicle (governed until 31 December 2013 by SIC 12, the interpretative document on consolidation of special purpose vehicles, and from 1 January 2014 by the new standard IFRS 10).
More specifically, IFRS 9 requires the derecognition of a financial instrument from the transferor's financial statements to be determined on the basis of the economic substance of the transaction, regardless of the legal form of the transaction.

Accordingly, the transaction is presented in the financial statements as follows:
• the loans transferred continue to be recognised in the bank's statement of financial position in assets caption 40b "Loans and receivables with customers" (in the sub-item "Loans") as Deutsche Bank S.p.A. continues to hold the risks and rewards of ownership of the legally assigned loans, as non-repayment of the loans would make it impossible for the vehicle to repay the subordinated loan obtained from the bank, which implies that the credit risk of the transferred assets remains with the bank itself;

• the loan granted by the bank to the vehicle is not recognised separately as it is offset against the liability with the vehicle for the initial transfer price. Therefore, the loan is not included in the credit risk valuation as this risk entirely relates to the loans transferred which continue to be recognised in the bank's separate financial statements;
• the "transferred and not derecognised" loans continue to be recognised as normal based on their amount, amortised cost and fair value;
• the payments collected by the bank (which also acts as servicer) are transferred to the vehicle's collection account daily and recorded in its accounting records as follows:
  • collection of the principal from the borrower is recognised as a decrease in the receivable from the borrower;

• the repayment of the same principal amount to the vehicle is recognised as a counter-entry for the recording of a receivable from the vehicle:
- this credit will be closed at the time of repayment of the subordinated loan;
- the portion of interest collected by the borrower is recognised as a contra-entry to Item 10 "Interest income: loans and receivables with customers" (interest on loans continues to be recognised on an accrual basis through the charging of accruals);
- the transfer of the same amount of interest to the vehicle is recognized as a counter-entry to the recognition of a receivable from the vehicle itself;
- this credit is closed upon collection of the active "leg" of the back-to-back swap agreed upon between the bank and DB AG London.

• the "DB Covered Bond S.r.l." vehicle is controlled by the Deutsche Bank S.p.A. (90%); the related investment is recognised in item 70 "Equity investments" and consolidated on a line-by-line basis;

• the covered bonds issued were fully subscribed by the bank and, therefore, they are not recognised in item 30 "Securities issued" as they are offset against the related asset item (financial assets acquired); the income statement reflects this situation and does not present either the interest expense on the covered bonds or the interest income on the repurchased bonds;

• Deutsche Bank S.p.A.'s use of the repurchased covered bonds as collateral, replacing the securities received on loan from Deutsche Bank AG, for the advance received in February 2012 does not affect the bank's statement of financial position but only leads to entries in the securities, commitments and risks captions due to the materiality of the own securities not recognised and pledged as guarantee with third parties.

Given the characteristics of the transaction and the related accounting treatment, the back-to-back swap fair value with DB AG London is not recognised in the bank's separate financial statements as its recognition would be a duplication of the rights and obligations already recognised by continuing to recognise the transferred loans pursuant to paragraph b.3.2.1.4 of IFRS 9.

*Risks of the covered bond issuance programme and control activities*

The programme was structured to comply with the legislative and regulatory requirements described above which allow the issue of covered bonds when the transferor banks and issuers meet certain capital requirements.

The programme structure is subject to rigid legislative requirements given the bank's role as originator, issuer and servicer and requires continuous assessment for each transfer transaction and each issue of covered bonds.

Pursuant to the supervisory instructions, the parent company drew up control procedures for the transaction which were approved by the Management Board and subsequently presented to the Supervisory Board for its approval.

In short, these control procedures are carried out by the parent company's different organisational units as follows:

(i) tests of the quality and integrity of the assets pledged as collateral for covered bonds, Credit Risk Management O.U.;
(ii) monitoring of compliance with the maximum ratio of covered bonds issued to assets pledged as collateral, Treasury O.U.;
(iii) compliance with the transfer limits: Finance O.U., as regards the identification of the band according to the parameters established by the Supervisory Provisions, and Credit Risk Management O.U. for calculation of the percentage of the value of the assets transferred as a total of the "suitable assets" to be calculated for each transfer transaction;

(iv) methods of integration of the assets sold, Legal O.U., as regards the contractual aspects through which to prevent the use of supplementary methods other than those expressly established by the Supervisory Provisions, and Treasury O.U., for monitoring the segregated assets of the SPV and compliance with the limit of 15% of supplementary eligible assets;
(v) effectiveness and adequacy of hedging risks through derivative contracts, Treasury O.U.;

(vi) mandatory test (tests to ensure balance between the due dates of the cash flows generated by the transferred assets, which are segregated assets of the SPV, and the due dates of the payments due by the parent company to the bondholders and other transaction costs) and asset coverage test,
Treasury O.U.; (vii) complete check of tests performed: Group Audit unit, using the information and valuations provided by the Asset Monitor.

Pursuant to the supervisory instructions, the bank has engaged Mazars S.p.A., an independent audit company other than the firm engaged to audit its separate and consolidated financial statements, to act as the legally-required Asset Monitor. Mazars checks the transaction is performed correctly and the guarantee's integrity which must be ensured over the bonds' term. Its tests, which include those required by the regulation, are documented in an annual report addressed also to the bank's Supervisory Board. In accordance with the supervisory instructions, the content and methods used for monitoring are set out in a contract signed with the bank.

As a result of the novation of the contract for the assignment of Asset Monitor role on 28 July 2015, it should be noted that, as of that date, the activity in question is carried out by the auditing firm BDO Italia S.p.A. (formerly Mazars S.p.A.).

*Description of the bond issues*

In 2012, the first transfer and subsequent issue of covered bonds took place as part of the programme launched by the bank:

- the assets were transferred on 22 June 2012;
- the bonds were issued on 27 July 2012 and repurchased by the bank to be used as guarantee for the collateralised financing transactions (retained transaction).

The covered bonds are plain vanilla bonds with a bullet repayment on their maturity date, also to comply with the requirements about monetary instruments in the Eurosystem. Their issue required authorisation by the Luxembourg market authority and they are rated by Moody's.

Key characteristics of the 2012 transfer:

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 22/06/2012 | Residential mortgage loans | 3,515,461,543 | 42,607 | 100% individuals |

and first issue of covered bonds by the bank:

| Covered bond issue programme | | | | | | | |
|---|---|---|---|---|---|---|---|
| ISIN code | Issue nominal amount (Euro) | Repurchase nominal amount (Euro) | Issue price | Bond issue date | Bond maturity date | Interest | External rating at issue |
| IT0004840598 | 2,900,000,000 | 2,900,000,000 | 100.00 | 27/07/2012 | 28/07/2015 | Quarterly floating rate, Euribor 3m + 250 b.p. | Moody's: A2 |

The security issued had the following denomination: "IND DB COVER B 12-15".
This bond was extinguished following early repayment in June 2015, at the same time as the issue of two new securities whose details are provided below.

With regard to separate assets, it should be noted that during the 2013 financial year the bank:
a) sold a second portfolio for €664,108,347 (at the 30 June 2013 measurement date). The vehicle funded this acquisition partly by using a €425,000,000 subordinated loan granted to the company by the bank as per the relevant agreement and partly by using cash inflows of €239,108,347 (principal) arising from its eligible assets that can be used for this purpose. The vehicle concurrently adjusted the initially-agreed hedging derivatives to adjust their calculation notional amount in order to include the amount of the second loan portfolio;

b) repurchased loans with some past due instalments for €4,302,448.

Key characteristics of the 2013 transfer:

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 26/07/2013 | Residential mortgage loans | 664,108,347 | 6,376 | 100% individuals |

In the first half of 2014, on 28 February, the bank repurchased a total of €2,955,808 against 39 mortgage loans, some with overdue payments.

A second repurchase was carried out at the end of August against an amount of €1,944,469 for 21 mortgage contracts which, at that date, had at least three unpaid instalments.

On 24 November 2014 a third transfer of a portfolio of mortgage contracts with the following characteristics was carried out:

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 24/11/2014 | Residential mortgage loans | 900,154,766 | 7,734 | 100% individuals |

Similar to the second sale, this third transfer of assets to the segregated portfolio was also partially financed through the concession of a subordinated loan by the bank of €540 million, while the residual amount of €360.2 million was settled using liquid funds from the collections of the principal amounts of mortgages recognised under the vehicle company's assets. The payment of this amount was part of the normal payment process, known as "waterfall", relative to the fourth quarter of 2014 and was executed in the month of January 2015.

As previously noted, in June 2015, the bank has issued two new covered bonds for a total nominal amount of €3.5 billion, which replaced the previous issue of €2.9 billion.
The characteristics of the two securities can be summarised as follows:

| Covered bond issue programme | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ISIN code | Issue nominal amount (Euro) | Repurchase nominal amount (Euro) | Issue price | Bond issue date | Bond maturity date | Interest | External rating at issue | External rating, at 31 December 2020 | Carrying amount at 31 December 2020 (Euro) |
| IT0005115024 | 3,000,000,000 | 3,000,000,000 | 100.00 | 09/06/2015 | 28/07/2022 | Quarterly floating rate, Euribor 3m + 18 b.p. | Moody's: Aa2 | Moody's: Aa3 | - |
| IT0005115123 | 500,000,000 | 500,000,000 | 100.00 | 09/06/2015 | 28/07/2021 | Quarterly floating rate, Euribor 3m + 15 b.p. | Moody's: Aa2 | Moody's: Aa3 | - |

On 24 November 2015, a fourth transfer took place of a portfolio of mortgage contracts with the following characteristics:

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 24/11/2015 | Residential mortgage loans | 991,509,153 | 8,691 | 100% individuals |

During 2015, the bank carried out three repurchases of smaller mortgage portfolios with at least three unpaid instalments or with a loan-to-value ratio greater than 100%:
- on 20 February, the first repurchase of 37 positions for €3,281,002 (of which 36 with more than three expired instalments and one with an LTV higher than 100%);
- second repurchase carried out on 25 June 2015 of 34 positions (32 past-due and 2 with excess LTV) for a total of €2,597,085;
- third repurchase of 72 positions, with at least three unpaid instalments, carried out on 22 December 2015 with an outlay by the bank of €6,027,456.

The buybacks carried out in 2016 were as follows:
- first repurchase of 57 positions, of which 55 with at least three unpaid instalments and 2 with LTV greater than 100%, carried out on 24 June 2016 for €4,144,394;

- second repurchase of 48 positions, with at least three unpaid instalments, carried out on 20 December 2016 for € 3,738,325.35.

On 24 November 2016, the fifth transfer of 10,430 mortgage contracts was carried out for €1,095,361,125.66; similarly to the three previous transfers in the 2013 and 2015 three-year period, also for the fourth transfer of assets to the segregated portfolio, the purchase was partly financed through the increase of the subordinated loan by the bank, for €680 million, while the remaining amount of €415 million was settled through the use of the available liquidity from the capital repayment of the loans recorded under the assets of the special purpose vehicle. The payment of this amount was included in the normal payment process, known as "waterfall", relative to the fourth quarter of 2016 and was executed in the month of January 2017.

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 24/11/2016 | Residential mortgage loans | 1,095,361,126 | 10,430 | 100% individuals |

The buybacks carried out in 2017 were as follows:
- on 22 June, 40 positions were repurchased totalling €3,035,871.86 (of which 39 had more than 3 unpaid instalments and 1 with an LTV greater than 100%);
- second repurchase of 94 positions carried out on 23 November 2017 with an outlay by the bank of €8,782,170.36.

During the 2017 financial year, there were no transfers of mortgage loans to the separate assets of the vehicle.

The transactions that took place in 2018 can be grouped as follows:
1) two repurchases of small portfolios relating to loan positions with at least three unpaid instalments or with a loan-to-value indicator greater than 100%;
2) three transactions relating to the subordinated loan received from Deutsche Bank S.p.A.;
3) the sixth sale of a portfolio of mortgages to carry out the so-called replenishment of the vehicle's assets pledged to guarantee the bank bonds issued.

The details of the above transactions, in chronological order, are as follows:
- sixth transfer of 7,359 mortgage loans on 22 March 2018 with a countervalue of €700,127,287.63; similarly to the five previous transfers in the period 2013-2017, also for the sixth transfer of assets to the segregated portfolio the purchase was financed in part through the increase of the subordinated loan by Deutsche Bank S.p.A., for €546.1 million, while the remaining amount of €154 million was settled by using the available liquidity from the collection of the principal amount of the loans included in the assets of the vehicle company. The payment of this amount was included in the normal payment process, known as "waterfall", relative to the first quarter of 2018 and was executed on 26 April 2018;

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 22/03/2018 | Residential mortgage loans | 700,127,287 | 7,359 | 100% individuals |

- increase in the subordinated loan for €546,100,000, amount disbursed on 22 March 2018 at the time of the sale transaction;
- on 24 May a first repurchase of 26 positions for €1,964,864.51, all the positions had more than three past-due instalments;
- on 26 July 2018, an initial partial repayment of the subordinated loan for €321,040,680.37 by using the excess liquidity held by the vehicle;

- on 26 October 2018, a second partial repayment of the subordinated loan for €163,280,540.38 by using the excess liquidity held by the vehicle; after the two partial repayments, the balance of the subordinated loan was €4,178,003,877.39;
- on 23 November a second repurchase of 29 positions for €2,419,748.41, of which 23 positions with more than three past-due instalments.

The transactions that took place in 2019 can be grouped as follows:
1) two repurchases of small portfolios relating to loan positions with at least three unpaid instalments or with a loan-to-value indicator greater than 100%;
2) four transactions relating to the subordinated loan received from Deutsche Bank S.p.A;
3) the seventh and eighth sale of two portfolios of mortgages to carry out the so-called replenishment of the vehicle's assets pledged to guarantee the bank bonds issued.

The details of these transactions, in chronological order, are as follows:
- on 28 January 2019, partial repayment of the subordinated loan for €120 million by using the excess liquidity held by the vehicle;

- on 23 May, first repurchase of 37 positions for an equivalent value of €2,888,738.58, the positions had in 34 cases more than three overdue instalments and in the remaining three cases inconsistencies in the guarantees associated with the transferred loans;

- seventh transfer of 6,268 mortgage loans on 24 September 2019 with a countervalue of €606,055,419.74; similarly to the six previous transfers in the period 2013-2018, also for the seventh transfer of assets to the segregated portfolio, the purchase was partly financed through the increase of the subordinated loan by Deutsche Bank S. p.A., in the amount of €235 million, while the remaining amount of €371.1 million was settled through the use of the available liquidity from the capital collections of the loans recorded in the assets of the special purpose vehicle. The payment of this amount was included in the normal payment process, known as "waterfall", relative to the fourth quarter of 2019 and was executed on 25 October 2019;

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 24/09/2019 | Residential mortgage loans | 606,055,420 | 6,268 | 100% individuals |

- increase in the subordinated loan in the amount of €235 million, which was disbursed on 24 September 2019 at the time of the sale transaction;
- on 24 October, a second repurchase of 32 positions for a countervalue of €1,922,039.07, all of which had more than three instalments overdue;
- on 28 October 2019, partial repayment of the subordinated loan for €118,098,161.58 million by using the excess liquidity held by the vehicle;

- eighth assignment of 5,413 mortgage loans on 22 November 2019 with a countervalue of €579,726,738; the purchase had been partially financed through the increase in the subordinated loan by Deutsche Bank S.p.A, for the amount corresponding to the price of the mortgages purchased;

| Asset transfer date | Nature of the securitised assets | Value of assets transferred (Euro) | No. of contracts transferred | Borrowers transferred, business sector |
|---|---|---|---|---|
| 22/11/2019 | Residential mortgage loans | 579,726,738 | 5,413 | 100% individuals |

- increase in the subordinated loan for €579,726,738.18, amount disbursed on 22 November 2019.

The transactions that took place in 2020 can be grouped as follows:
1) one repurchase of small portfolios relating to loan positions with at least two unpaid instalments or with a loan-to-value indicator greater than 100%;
2) three transactions relating to the subordinated loan received from Deutsche Bank S.p.A.;
3) no further disposals were carried out in 2020 after the last two were completed in 2019.

The details of these transactions, in chronological order, are as follows:

on 27 January 2020, the first partial repayment of the subordinated loan for €197 million by using the excess liquidity held by the vehicle;
on 23 April 2020 a repurchase of 150 positions for an equivalent value of €12,379,442.65, the positions had in 124 cases at least two overdue instalments and in the remaining 26 cases inconsistencies in the guarantees associated with the transferred loans;

on 27 April 2020, the second partial repayment of the subordinated loan for €221 million by using the excess liquidity held by the vehicle;

on 27 July 2020, the third partial repayment of the subordinated loan for €173 million by using the excess liquidity held by the vehicle.

Total receivables sold and not derecognised amounted to €3,670 million at 31 December 2020 (net of the provision for risks), while at 31 December 2019 the balance was €4,435 million.

The key figures of the SPV DB Covered Bond S.r.l. and inferable from the separate statement of financial position are as follows:

| amounts in millions of euros | 31 12 2020 | 31 12 2019 | 31 12 2018 |
|---|---|---|---|
| a) loans and receivables | 3,670 | 4,435 | 3,887 |
| b) cash and cash equivalents | 475 | 314 | 297 |
| c) other assets | 30 | 15 | 17 |
| **Total assets** | **4,175** | **4,764** | **4,201** |
| Subordinated loan (*) | 4,164 | 4,755 | 4,178 |
| Other liabilities | 11 | 9 | 23 |
| **Total liabilities** | **4,175** | **4,764** | **4,201** |

The key income statement figures are as follows:

| amounts in millions of euros | 2020 | 2019 | 2018 |
|---|---|---|---|
| interest income on loans | 75.9 | 87.9 | 97.7 |
| net income (cost) of asset swap | 2.8 | 26.4 | 13.1 |
| interest expense on subordinated loan (*) | (87.9) | (97.4) | (92.6) |
| costs charged by servicer | (4.1) | (3.8) | (4.1) |
| other costs | (2.2) | (13.1) | (14.1) |
| **Net result** | (15.5) | - | - |

(*): as noted earlier, this loan is not recognised in the originator's separate financial statements or the DB S.p.A. Group's consolidated financial statements as per IFRS 9. Similar behaviour is applied to inherent interests.

### E. Prudential consolidation - Credit risk measurement models

The bank does not make use of internal valuation models to measure exposure to credit risk.

## 1.2 - MARKET RISKS

### 1.2.1 INTEREST RATE AND PRICE RISKS - REGULATORY TRADING BOOK

**QUALITATIVE DISCLOSURE**

**A. General aspects**

At year-end, the Group does not have any exposure to interest rate risk with respect to its debt instruments in the trading book. Sometimes, however, there are still some positions for this type of security arising from the brokerage activity of the order collection desk.

With respect to price risk, the main activities performed involving equity instruments are related to the operations of the order collection desk regarding which no positions are expected.

**B. Management and measurement of interest rate and price risks**

**QUANTITATIVE DISCLOSURE**

*1. Regulatory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and financial derivatives*

| Type/Residual maturity | On demand | Up to 3 months | From over 3 months up to 6 months | From over 6 months up to 1 year | From over 1 year up to 5 years | From 5 to 10 years | Over 10 years | Open term | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **1. On-statement of financial position assets** | | | | | | | | | |
| 1.1 Debt securities | - | - | - | - | - | - | - | - | **-** |
| - with early repayment option | - | - | - | - | - | - | - | - | **-** |
| - other | - | - | - | - | - | - | - | - | **-** |
| 1.2 Other assets | - | - | - | - | - | - | - | - | **-** |
| **2. On-statement of financial position liabilities** | | | | | | | | | |
| 2.1 Repurchase agreements | - | - | - | - | - | - | - | - | **-** |
| 2.2 Other liabilities | - | - | - | - | - | - | - | - | **-** |
| **3. Financial derivatives** | | | | | | | | | |
| 3.1 With underlying security | | | | | | | | | |
| - Options | | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - | **-** |
| + Short positions | - | - | - | - | - | - | - | - | **-** |
| - Other derivatives | | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - | **-** |
| + Short positions | - | - | - | - | - | - | - | - | **-** |
| 3.2 Without underlying security | - | 3,175,218 | 449,267 | 767,150 | 1,748,545 | 433,501 | 303,833 | - | **6,877,514** |
| - Options | | | | | | | | | |
| + Long positions | - | 2 | 2 | 2 | 10 | 4 | - | - | **20** |
| + Short positions | - | 2 | 2 | 2 | 10 | 4 | - | - | **20** |
| - Other derivatives | | | | | | | | | |
| + Long positions | - | 1,629,748 | 225,243 | 383,254 | 855,575 | 204,992 | 139,845 | - | **3,438,657** |
| + Short positions | - | 1,545,466 | 224,020 | 383,892 | 892,950 | 228,501 | 163,988 | - | **3,438,817** |

As permitted by current legislation, the classification by residual life of assets, liabilities and financial derivatives expressed in foreign currencies is not shown as they do not represent a significant part of the same aggregates expressed in euro.

| *2. Regulatory trading book: breakdown of exposures in equity instruments and share indexes by main stock exchange in the listing country* |
|---|
| There are no significant positions at the reporting date. |

**3. Regulatory trading book: internal models and other methodologies used to analyse sensitivity**

As noted above, there are no material interest rate and price risk positions in the trading book. Outstanding positions, with respect to both debt and equity securities, are monitored using limits of nominal quantities and no sensitivity analysis is performed on these securities in the portfolio.

**1.2.2 INTEREST RATE AND PRICE RISKS - BANKING BOOK**

**QUALITATIVE DISCLOSURE**

**A. General aspects, management and measurement of interest rate and price risks**

The market risk originating from the banking book is mainly attributable to the lending activity carried out by the IPB and Corporate Bank divisions.

Interest rate risk is monitored on a daily/monthly basis using the following metrics:
• Change in the economic value of equity (Δ EVE) with respect to parallel and non-parallel shocks to the term structure of interest rates, defined according to the stress scenarios in the EBA Guidelines, as well as considering an instantaneous and parallel change of +/- 1 percentage point. This metric is estimated on a monthly basis.
• Change in net interest income (Δ NII) with respect to parallel and non-parallel shocks to the term structure of interest rates, defined according to the stress scenarios in the EBA Guidelines, as well as considering an instantaneous and parallel change of +/- 1 percentage point. This metric is estimated on a monthly basis.
• Value at Risk (VaR): this metric is estimated on a daily basis and is based on the historical simulation method, 99% confidence interval and 1 day time horizon.
• Sensitivity measures (PV01): this metric measures the risk attributable to the change in the value of a financial position as a result of a change in a predefined quantity of valuation parameters, e.g. an increase in the interest rate curve by one basis point. This metric is estimated on a daily basis.
• Greche (Vega): this metric allows for more accurate risk profiling, especially in the presence of optional components, such as, for example, the ability of customers to repay early fixed-rate mortgages without penalty, in accordance with the Bersani Law. This metric is estimated on a daily basis.
Each of the above metrics is subject to specific limits/thresholds for intervention, as described in the Bank's Risk Appetite Framework (RAF), approved by the Risk Committee and by the Supervisory Board of Deutsche Bank S.p.A.
The Treasury Organizational Unit manages the interest rate risk, in order to comply with the aforementioned thresholds/limits, in accordance with the provisions of internal policies and procedures.
The Assets and Liabilities Committee is entrusted with the task of supervising and defining the guidelines for the management of the Bank's exposure to interest rate risk, ensuring compliance with the aforementioned thresholds/limits.
For the purposes of identifying, measuring and monitoring the interest rate risk, expressed according to the metrics indicated above, Deutsche Bank S.p.A. uses Group systems, processes and procedures, resorting to the use of internal models, developed centrally at the competent structures of the ultimate parent company, calibrated, in the case of the so-called behavioural models, taking into account the peculiarities and specificities of the underlying local portfolios.

At 31 December 2020, financial assets mandatorily measured at fair value through profit or loss are represented exclusively by equity securities, for €137,749 thousand, related to interests of less than 20% held in unlisted companies.

**QUANTITATIVE DISCLOSURE**

*1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities*

| Type/Residual maturity | On demand | Up to 3 months | From over 3 months up to 6 months | From over 6 months up to 1 year | From over 1 year up to 5 years | From 5 to 10 years | Over 10 years | Open term | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **1. On-statement of financial position assets** | 8,475,593 | 3,637,111 | 947,056 | 1,077,052 | 5,946,554 | 2,721,137 | 1,898,933 | - | **24,703,436** |
| 1.1 Debt securities | - | - | 99,170 | - | - | - | - | - | **99,170** |
| - with early repayment option | - | - | - | - | - | - | - | - | **-** |
| - other | - | - | 99,170 | - | - | - | - | - | **99,170** |
| 1.2 Financing to banks | 2,550,139 | 1,172,124 | 518 | 21,460 | 251,953 | 921,865 | 319,187 | - | **5,237,246** |
| 1.3 Financing to customers | 5,925,454 | 2,464,987 | 847,368 | 1,055,592 | 5,694,601 | 1,799,272 | 1,579,746 | - | **19,367,020** |
| - current account | 1,379,452 | - | - | - | 689 | - | - | - | **1,380,141** |
| - other financing | 4,546,002 | 2,464,987 | 847,368 | 1,055,592 | 5,693,912 | 1,799,272 | 1,579,746 | - | **17,986,879** |
| - with early repayment option | 4,107,270 | 1,773,413 | 699,980 | 1,016,630 | 5,524,149 | 1,792,555 | 1,578,377 | - | **16,492,374** |
| - other | 438,732 | 691,574 | 147,388 | 38,962 | 169,763 | 6,717 | 1,369 | - | **1,494,505** |
| **2. On-statement of financial position liabilities** | 15,618,237 | 3,817,785 | 481,131 | 574,975 | 1,988,574 | 125,770 | 876,795 | - | **23,483,267** |
| 2.1 Due to customers | 15,194,273 | 1,940 | - | - | - | - | - | - | **15,196,213** |
| - current account | 14,504,651 | - | - | - | - | - | - | - | **14,504,651** |
| - other payables | 689,622 | 1,940 | - | - | - | - | - | - | **691,562** |
| - with early repayment option | - | - | - | - | - | - | - | - | **-** |
| - other | 689,622 | 1,940 | - | - | - | - | - | - | **691,562** |
| 2.2 Due to banks | 421,909 | 3,814,880 | 480,748 | 573,758 | 1,987,948 | 125,770 | 876,795 | - | **8,281,808** |
| - current account | 276,892 | - | - | - | - | - | - | - | **276,892** |
| - other payables | 145,017 | 3,814,880 | 480,748 | 573,758 | 1,987,948 | 125,770 | 876,795 | - | **8,004,916** |
| 2.3 Debt instruments | 2,055 | 965 | 383 | 1,217 | 626 | - | - | - | **5,246** |
| - with early repayment option | - | - | - | - | - | - | - | - | **-** |
| - other | 2,055 | 965 | 383 | 1,217 | 626 | - | - | - | **5,246** |
| 2.4 Other liabilities | - | - | - | - | - | - | - | - | **-** |
| - with early repayment option | - | - | - | - | - | - | - | - | **-** |
| - other | - | - | - | - | - | - | - | - | **-** |
| **3. Financial derivatives** | - | 57,000 | 20,000 | - | 12,000 | 60,000 | 5,000 | - | **154,000** |
| 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 | - | 7,000 | 20,000 | | | 50,000 | - | - | **77,000** |
| + short positions | - | 50,000 | | | 12,000 | 10,000 | 5,000 | - | **77,000** |
| **4. Other off-statement of financial position transactions** | 578,046 | - | - | - | - | - | - | - | **578,046** |
| + long positions | 289,023 | | | | | | | - | **289,023** |
| + short positions | 289,023 | - | - | - | - | - | - | - | **289,023** |

As permitted by current regulations, the classification by residual maturity of assets, liabilities, financial derivatives and other off-statement of financial position transactions denominated in foreign currencies is not disclosed as they do not represent a material portion of the same aggregates denominated in euro.

**2. Banking book: internal models and other methodologies for sensitivity analyses**

For the purpose of measuring the Interest Rate Risk in Banking Book (IRRBB), Deutsche Bank S.p.A. uses internal models, developed centrally at the competent structures of the ultimate parent company, subject to a regular validation process and continuous review in accordance with the provisions of the Group Policies on Model Risk Management. The results of these models are shared with the local Finance and Treasury structures, the Group's first line of defence, and CRO, as the second line of defence.

Among the centrally developed models, in addition to those aimed at determining the change in Net Interest Income (Δ NII) and the economic value of equity (Δ EVE), with respect to parallel and non-parallel shocks to the term structure of interest rates, there are behavioural models related to the following aspects:
- The Non Maturity Deposits Modelling
- The Prepayment Model.

In particular, the Prepayment model used to manage interest rate risk on fixed-rate mortgages is structured according to the following components, aimed at considering the different nature of early repayments:
- Interest Rate Dependent Component, aimed at estimating the extent of future early repayments caused by changes in the interest rate curve;
- Interest Rate Independent Component, aimed at estimating the extent of future early repayments caused by external factors independent of the interest rate curve;
- Usage Overlay, aimed at capturing the phenomenon of customers exercising the implicit contractual option existing on fixed-rate loans.

The calibration of these behavioural models is carried out taking into account the nature and characteristics of the underlying products.
The assumptions used, as well as the related calibrations, are subject to regular review and, if necessary, updated.

The bank has also formalised the limits/thresholds within the Risk Appetite Framework approved by the Supervisory Board (after review by the other internal structures in charge, in particular the Risk Committee and ALCo). If the limits/thresholds are exceeded, immediate notification is provided to the managers of the divisions concerned, in order to promptly identify the causes and possible recovery measures. The table below shows the specific and average risk values at 31 December 2020.

| *Metrics* | *Limit/ Threshold* | *2020 AVG values* | *Values as of Dec 2020* | *Monitoring Frequency* |
|---|---|---|---|---|
| PV01 | Threshold | Eur -43 K | Eur -5 K | Daily |
| VaR | Threshold | Eur 286 K | Eur 220 K | Daily |
| ΔEVE | Limit | Eur -23 mn | Eur -27 mn | Monthly |
| ΔNII | Threshold | Eur -54 mn | Eur -57 mn | Monthly |
| Vega | Threshold | - | Eur -445 K | Daily |

Δ EVE is a change in economic value of equity with respect to parallel and non-parallel shocks to the term structure of interest rates, defined according to the stress scenarios described in the EBA Guidelines.

Δ NII is the maximum reduction of Net Interest Income in a standard scenario defined by EBA +/- 100bp compared with a base scenario.

### 1.2.3 CURRENCY RISK

#### QUALITATIVE DISCLOSURE

**A. General aspects, management and measurement of currency risk**

There are no significant currency risk positions since currency transactions (FX Spot, FX Forward, Currency Swaps, Commodities) with customer counterparties are settled with the ultimate parent company.

**B. Currency hedges**

The main forex activities relate to the hedging of transactions agreed with customers. They are fully hedged at the end of the day through back-to-back deals with the ultimate parent company, both for spot and forward positions.

Trading in OTC derivatives in the forex segment is solely performed on behalf of third parties with corporate customers. Structured, high value added products are increasingly used, often indexed to parameters other than exchange rates (e.g. interest rates of different foreign currencies).

#### QUANTITATIVE DISCLOSURE

*1. Breakdown of assets, liabilities and derivatives by currency*

| Items | Currency | | | | | | |
|---|---|---|---|---|---|---|---|
| | **USD** | **NOK** | **YEN** | **YUAN** | **GBP** | **Other currencies** | **Total** |
| **A. Financial assets** | **457,057** | **64,627** | **19,765** | **6,437** | **18,727** | **19,727** | **586,340** |
| A.1 Debt instruments | - | - | - | - | - | - | - |
| A.2 Equity instruments | 32,121 | - | - | - | - | - | 32,121 |
| A.3 Financing to banks | 234,743 | 1,719 | 19,765 | 6,437 | 18,667 | 18,494 | 299,825 |
| A.4 Financing to customers | 190,193 | 62,908 | - | - | 60 | 1,233 | 254,394 |
| A.5 Other financial assets | - | - | - | - | - | - | - |
| **B. Other assets** | **2,386** | **241** | **563** | **-** | **1,418** | **4,163** | **8,771** |
| **C. Financial liabilities** | **412,800** | **63,421** | **20,325** | **6,485** | **20,042** | **23,615** | **546,688** |
| C.1 Due to banks | 90,199 | 63,230 | 1,090 | - | 57 | 4,045 | 158,621 |
| C.2 Due to customers | 322,601 | 191 | 19,235 | 6,485 | 19,985 | 19,570 | 388,067 |
| C.3 Debt instruments | - | - | - | - | - | - | - |
| C.4 Other financial liabilities | - | - | - | - | - | - | - |
| **D. Other liabilities** | **24,119** | **-** | **-** | **-** | **101** | **16** | **24,236** |
| **E. Financial derivatives** | **1,006** | **(300)** | **(1)** | **-** | **6** | **-** | **711** |
| - Options | - | - | - | - | - | - | - |
| + Long positions | 1 | - | - | - | - | - | 1 |
| + Short positions | (1) | - | - | - | - | - | (1) |
| - Other derivatives | 1,006 | (300) | (1) | - | 6 | - | 711 |
| + Long positions | 147,369 | 15 | 8,703 | 16,955 | 243 | - | 173,285 |
| + Short positions | (146,363) | (315) | (8,704) | (16,955) | (237) | - | (172,574) |
| **Total assets** | **606,813** | **64,883** | **29,031** | **23,392** | **20,388** | **23,890** | **768,397** |
| **Total liabilities** | **583,283** | **63,736** | **29,029** | **23,440** | **20,380** | **23,631** | **743,499** |
| **Difference (+/-)** | **23,530** | **1,147** | **2** | **(48)** | **8** | **259** | **24,898** |

**2. Internal models and other methodologies for sensitivity analyses**

The Forex sector does not calculate VaR as all positions are settled with the ultimate parent company on a daily basis.

### 1.3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

#### 1.3.1 DERIVATIVE TRADING INSTRUMENTS

#### A. FINANCIAL DERIVATIVES

*A.1 Trading financial derivatives: notional values at the end of the period*

| Underlying assets/Derivatives | Total 2020 | | | | Total 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. Debt instruments and interest rates** | **-** | **-** | **3,114,893** | **-** | **-** | **-** | **2,400,120** | **-** |
| a) Options | - | - | 77,933 | - | - | - | 117,772 | - |
| b) Swaps | - | - | 3,036,960 | - | - | - | 2,282,348 | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **2. Equity instruments and share indexes** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **3. Currencies and gold** | **-** | **-** | **393,599** | **-** | **-** | **-** | **1,135,290** | **-** |
| a) Options | - | - | 20,070 | - | - | - | 617,750 | - |
| b) Swaps | - | - | 16,299 | - | - | - | 56,163 | - |
| c) Forwards | - | - | 357,230 | - | - | - | 461,377 | - |
| f) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Other** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **-** | **-** | **3,508,492** | **-** | **-** | **-** | **3,535,410** | **-** |

*A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by products*

| Derivative types | Total 2020 | | | | Total 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 | - | - | 6,913 | - | - | - | 1,965 | - |
| b) Interest rate swaps | - | - | 88,628 | - | - | - | 76,209 | - |
| c) Cross currency swaps | - | - | 533 | - | - | - | 334 | - |
| d) Equity swaps | - | - | - | - | - | - | - | - |
| e) Forwards | - | - | 7,063 | - | - | - | 3,099 | - |
| f) Futures | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **103,137** | **-** | **-** | **-** | **81,607** | **-** |
| **2. Negative fair value** | | | | | | | | |
| a) Options | - | - | 6,845 | - | - | - | 1,991 | - |
| b) Interest rate swaps | - | - | 106,829 | - | - | - | 93,126 | - |
| c) Cross currency swaps | - | - | 533 | - | - | - | 108 | - |
| d) Equity swaps | - | - | - | - | - | - | - | - |
| e) Forwards | - | - | 7,274 | - | - | - | 3,341 | - |
| f) Futures | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **121,481** | **-** | **-** | **-** | **98,566** | **-** |

| *A.3 OTC trading financial derivatives: notional amounts, gross positive and negative fair values by counterparty* | | | | |
|---|---|---|---|---|
| Underlying assets | Central counterparties | Banks | Other financial companies | Other |
| Contracts not included in netting agreements | | | | |
| **1. Debt securities and interest rates** | | | | |
| − notional amount | X | 1,795,075 | 36,734 | 1,283,084 |
| − positive fair value | X | 35,226 | 325 | 53,212 |
| − negative fair value | X | (106,380) | (2) | (583) |
| **2. Equity instruments and share indexes** | | | | |
| − notional amount | X | - | - | - |
| − positive fair value | X | - | - | - |
| − negative fair value | X | - | - | - |
| **3. Currencies and gold** | | | | |
| − notional amount | X | 201,591 | 3,443 | 188,565 |
| − positive fair value | X | 8,518 | 20 | 5,835 |
| − negative fair value | X | (9,173) | (238) | (5,105) |
| **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 in netting agreements | | | | |
| **1. Debt securities and interest rates** | | | | |
| − notional amount | - | - | - | - |
| − positive fair value | - | - | - | - |
| − negative fair value | - | - | - | - |
| **2. Equity instruments and share indexes** | | | | |
| − notional amount | - | - | - | - |
| − positive fair value | - | - | - | - |
| − negative fair value | - | - | - | - |
| **3. Currencies 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 life of OTC trading financial derivatives: notional values* | | | | |
|---|---|---|---|---|
| Underlying/Residual life | Up to 1 year | From over 1 up to 5 years | Over 5 years | **Total** |
| A.1 Financial derivatives on debt instruments and interest rates | 685,766 | 1,647,870 | 781,257 | 3,114,893 |
| A.2 Financial derivatives on equity instruments and share indexes | - | - | - | - |
| A.3 Financial derivatives on currency and gold | 341,155 | 52,444 | - | 393,599 |
| A.4 Financial derivatives on commodities | - | - | - | - |
| A.5 Other financial derivatives | - | - | - | - |
| **Total 2020** | **1,026,921** | **1,700,314** | **781,257** | **3,508,492** |
| **Total 2019** | **1,270,469** | **1,527,781** | **737,160** | **3,535,410** |

## B. CREDIT DERIVATIVES

At 31 December 2020, the companies of the Group did not hold any positions in credit derivatives.

### 1.3.2 THE ACCOUNTING COVERAGES

### A. FINANCIAL DERIVATIVES

### QUALITATIVE DISCLOSURE

Preamble

Deutsche Bank Group companies make use of the possibility, which was provided for when IFRS 9 was introduced, to continue to fully apply the provisions of the previous accounting standard IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for all types of hedges (both specific and general hedges).
The Group has confirmed this choice also for the year 2020.

#### A. Fair value hedges

At the date of preparation of these financial statements (and in the previous year 2019) the companies of the Group had the following types of hedges in place:
- specific fair value hedge of fixed-rate loans with banks;
- specific fair value hedge of long-term fixed-rate deposit liabilities with banks.

These are micro-hedging with a 1:1 ratio between the hedged asset or liability and the related hedging derivative.
In all the above cases, the Group has used fixed versus floating interest rate swaps. Only instruments involving a counterparty external to the Group can be designated as hedging instruments.

The aforementioned hedges were put in place in order to neutralise the interest rate risk arising from variable rate deposits or loans against deposits with banks.

In all cases, the so-called "critical terms" of the hedged instruments and related derivatives coincide; nominal and notional values, fixed percentage rates received and paid, dates of payment of interest and differentials, final maturities, absence of pre-payments.

#### B. Cash flow hedging activities

They hedge the exposure to variability in future cash flows attributable to particular risks associated with a recognised asset or liability.

At 31 December 2020, there were no cash flow hedges.

#### C. Hedges of investments in foreign operations

This did not apply in both reporting periods.

#### D. Hedging instruments

The hedging transactions carried out by the parent company refer solely to the interest rate risk on fixed rate financial instruments.
Only plain vanilla interest rate swap derivative contracts are used, given the relative simplicity of the hedged instrument.

#### E. Items covered

Deposit transactions, both active and passive, with banks of the Deutsche Bank Group are subject to fair value hedging.

#### F. Uncertainty deriving from the reform of interest rate benchmarks

Below is the disclosure required by paragraph 24 H of IFRS 7 regarding the effects of the IBOR reform on the application of hedge accounting.

The main opinion to be made regarding the application of the IASB Phase 1 benchmark reform concerned the development of Euribor. The Deutsche Bank Group expects the Euribor to continue to exist in its current form as a reference rate for the foreseeable future.
For these reasons, the Group generally does not believe that its hedge accounting, with Euribor as the hedged risk, is directly affected by the reform of the interest rate benchmarks at 31 December 2020.

This impact is even more reduced in consideration of the fact that, at 31 December 2020, Deutsche Bank S.p.A. has only hedging relationships of the fair value hedge type in place, which therefore have as their object a fixed rate and not a variable market rate.

**QUANTITATIVE DISCLOSURE**

## A. HEDGING DERIVATIVES

*A.1 Hedging financial derivatives: notional values at the end of the period*

| Underlying assets/Derivatives | Total 2020 | | | | Total 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. Debt instruments and interest rates** | **-** | **-** | **77,000** | **-** | **-** | **-** | **2,895,000** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | 77,000 | - | - | - | 2,895,000 | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **2. Equity instruments and share indexes** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **3. Currencies and gold** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Other** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **-** | **-** | **77,000** | **-** | **-** | **-** | **2,895,000** | **-** |

*A.2 Hedging financial derivatives: gross positive and negative fair value - breakdown by product*

| Derivative types | Positive and negative fair value | | | | | | | | Change in value used to recognise hedge ineffectiveness (*) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total 2020 | | | | Total 2019 | | | | Total 2020 | Total 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 | - | - | - | - | - | - | - | - | - | - |
| b) Interest rate swaps | - | - | 19,897 | - | - | - | 21,615 | - | - | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - | - | - |
| e) Forwards | - | - | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **19,897** | **-** | **-** | **-** | **21,615** | **-** | **-** | **-** |
| **2. Negative fair value** | | | | | | | | | | |
| a) Options | - | - | - | - | - | - | - | - | - | - |
| b) Interest rate swaps | - | - | 7,696 | - | - | - | 14,919 | - | - | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - | - | - |
| e) Forwards | - | - | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **7,696** | **-** | **-** | **-** | **14,919** | **-** | **-** | **-** |

(*) = data not required for companies that apply hedge accounting rules pursuant to IAS 39.

| *A.3 Hedging financial derivatives: notional amounts, gross positive and negative fair value by counterparty* | | | | |
|---|---|---|---|---|
| Underlying assets | Central counterparties | Banks | Other financial companies | Other |
| Contracts not included in netting agreements | | | | |
| **1. Debt securities and interest rates** | | | | |
| − notional amount | X | 77,000 | - | - |
| − positive fair value | X | 19,897 | - | - |
| − negative fair value | X | (7,696) | - | - |
| **2. Equity instruments and share indexes** | | | | |
| − notional amount | X | - | - | - |
| − positive fair value | X | - | - | - |
| − negative fair value | X | - | - | - |
| **3. Currencies and gold** | | | | |
| − notional amount | X | - | - | - |
| − positive fair value | X | - | - | - |
| − negative fair value | X | - | - | - |
| **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 in netting agreements | | | | |
| **1. Debt securities and interest rates** | | | | |
| − notional amount | - | - | - | - |
| − positive fair value | - | - | - | - |
| − negative fair value | - | - | - | - |
| **2. Equity instruments and share indexes** | | | | |
| − notional amount | - | - | - | - |
| − positive fair value | - | - | - | - |
| − negative fair value | - | - | - | - |
| **3. Currencies 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 life of OTC hedging financial derivatives: notional values* | | | | |
|---|---|---|---|---|
| Underlying/Residual life | Up to 1 year | From over 1 up to 5 years | Over 5 years | **Total** |
| A.1 Financial derivatives on debt instruments and interest rates | - | **12,000** | **65,000** | **77,000** |
| A.2 Financial derivatives on equity instruments and share indexes | - | - | - | - |
| A.3 Financial derivatives on currency and gold | - | - | - | - |
| A.4 Financial derivatives on commodities | - | - | - | - |
| A.5 Other financial derivatives | - | - | - | - |
| **Total 2020** | **-** | **12,000** | **65,000** | **77,000** |
| **Total 2019** | **2,800,000** | **12,000** | **83,000** | **2,895,000** |

**B. HEDGING CREDIT DERIVATIVES**

This did not apply in 2020 nor in 2019.

**C. NON-DERIVATIVE HEDGING INSTRUMENTS**

Table not completed as only required for entities applying hedge accounting under IFRS 9.

**D. HEDGED INSTRUMENTS**

Table not completed as only required for entities applying hedge accounting under IFRS 9.

**E. EFFECTS OF EQUITY HEDGING TRANSACTIONS**

Table not completed as only required for entities applying hedge accounting under IFRS 9.

### 1.3.3 OTHER INFORMATION ON (TRADING AND HEDGING) DERIVATIVE INSTRUMENTS

### A. FINANCIAL AND CREDIT DERIVATIVES

No offsets were made in accordance with IAS 32 for the positive and negative fair values of derivative contracts.
Therefore, this table is not completed and reference is made to the previous tables showing the gross values of hedging and trading contracts.

## 1.4 LIQUIDITY RISK

### QUALITATIVE DISCLOSURE

**A. General aspects, management and measurement of liquidity risk**

Liquidity risk identifies the risk deriving from the bank's inability to meet its expected and/or unexpected payment commitments on time, without compromising its operations or financial stability.

The bank has a governance structure, control, monitoring and risk management processes in place to ensure an adequate liquidity profile even in stress situations and in the presence of unexpected exogenous events, such as the COVID-19 pandemic in 2020.

The main metrics with which liquidity risk is monitored, in accordance with the provisions of the bank's "Liquidity Management Policy", periodically updated and approved by the Risk Committee and the Supervisory Board, are as follows:

•**Liquidity Coverage Ratio (LCR)**: ratio between the volume of high quality liquid assets (HQLA) and the total volume of net outflows in the event of stress, deriving from both current and potential exposures; the LCR was transposed into European legislation through the regulation on capital requirements (CRR). The minimum capital ratio to be respected is 100%, to be calculated individually for each bank in the Group. For Deutsche Bank S.p.A. at 31 December 2020 the LCR stands at 150% (183% at the end of 2019).

•**Liquidity Stress Test** or Stressed Net Liquidity Position (sNLP): this metric is aimed at verifying the liquidity available under stress conditions over a time horizon of 8 weeks. Liquidity stress tests are one of the key tools for liquidity risk management. The objective is to analyse the bank's ability to withstand certain stress scenarios, thus providing useful indications for defining what countermeasures to take if necessary. The applied stress scenarios have been structured on the basis of historical events and cover institution-specific events (e.g. rating downgrade), market-related events (such as systemic risk) as well as a combination of both. The stress tests take under consideration a time period of eight weeks (which, in the opinion of the bank, represents the most critical time in the event of a liquidity crisis) and apply the relative stress cases to all the possible risk factors arising from the on- and off-financial statement products.
In order to perform the liquidity stress tests, Deutsche Bank S.p.A. uses Group procedures and internal models, which are developed centrally at the competent structures of the ultimate parent company and are subject to regular ongoing review.

•**Use of the DB AG financing line (KWG 15)**: Deutsche Bank S.p.A. has existing financing facilities with Deutsche Bank AG that it can access both in normal times and in stress situations. The use and availability of these uncommitted lines (KWG 15) is subject to constant monitoring.

•**Daily negative change in sight deposits of the IPB division**: monitoring of retail customers' demand deposit balances compared to the previous day. Demand deposits represent the bank's main source of supply.

•**Strategic liquidity reserve deposited with the Bank of Italy**. The bank has a portfolio of eligible assets, part of which are obtained through a securities lending agreement with Deutsche Bank AG under which Deutsche Bank S.p.A. has full control of the securities on loan, with the right to participate in both short and long-term monetary policy operations if there are liquidity needs.

•**Bank of Italy matrix** (average value with reference to the time horizon of one month)

Each indicator reported above is subject to specific limits/thresholds, in accordance with the provisions of the Bank's Risk Appetite Framework (RAF), approved by the Risk Committee and the Supervisory Board of Deutsche Bank S.p.A., so as to promptly identify any signs of deterioration in the Bank's liquidity profile, both in the short and medium to long term, thus enabling the Bank to take appropriate countermeasures where necessary.

The Treasury Organisation Unit is responsible for managing liquidity risk, for the purposes of compliance with the aforementioned thresholds/limits, in accordance with internal policies and procedures.

The Assets and Liabilities Committee (ALCO) is responsible for overseeing and defining guidelines for liquidity risk management, ensuring compliance with the above thresholds/limits. The ALCO is also responsible for deciding what actions to take in the event of potential or actual situations of stress on liquidity, or in the face of any relevant event, in accordance with the provisions of the Bank's "Contingency Funding Plan", periodically updated and tested annually.
ALCO always has the task of reviewing and approving the local implementation of the transfer pricing principles defined by the ultimate parent company.

During the year, the bank participated in the European Central Bank's long-term refinancing programme (TLTRO-III) for an amount of €2.7 billion. The new TLTRO III program replaced the previous TLTRO II (equal to €2.8 billion).
This transaction allows the bank to improve its funding profile and liquidity management, diversifying its funding and increasing its stability and independence from its ultimate parent company.

**Impacts from COVID-19 pandemic**

The effects of the pandemic on economic activity did not have a significant impact on Treasury activities, which continued regularly. The bank's overall liquidity situation was not affected by the risks associated with the so-called "bank run" and the massive use of credit lines by companies but, on the contrary, there was an increase in deposits.

### QUANTITATIVE DISCLOSURE

*1. Breakdown of financial assets and liabilities by residual contractual maturity*

| Items/Time | On demand | From over 1 day up to 7 days | From over 7 days up to 15 days | From over 15 days up to 1 month | From over 1 month up to 3 months | From over 3 months up to 6 months | From over 6 months up to 1 year | From over 1 year up to 5 years | Over 5 years | Open term | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **On-statement of financial position assets** | 4,446,207 | 49,572 | 93,780 | 332,587 | 1,153,948 | 1,059,916 | 1,601,582 | 8,437,583 | 6,403,745 | 1,109,572 | 24,688,492 |
| A.1 Government bonds | - | - | - | - | - | 15 | - | 100,000 | - | - | 100,015 |
| A.2 Other debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| A.3 OEIC units | - | - | - | - | - | - | - | - | - | - | - |
| A.4 Financing | 4,446,207 | 49,572 | 93,780 | 332,587 | 1,153,948 | 1,059,901 | 1,601,582 | 8,337,583 | 6,403,745 | 1,109,572 | 24,588,477 |
| - Banks | 2,549,936 | 2,411 | 4,707 | 4,354 | 1,714 | 522 | 20,367 | 251,251 | 1,286,940 | 1,109,572 | 5,231,774 |
| - Customers | 1,896,271 | 47,161 | 89,073 | 328,233 | 1,152,234 | 1,059,379 | 1,581,215 | 8,086,332 | 5,116,805 | - | 19,356,703 |
| **On-statement of financial position liabilities** | 15,708,474 | - | 133,662 | 4,353 | 426,988 | 481,462 | 574,406 | 5,247,301 | 1,000,161 | - | 23,576,807 |
| B.1 Deposits and current accounts | 14,967,911 | - | 133,662 | 2,412 | 426,020 | 481,079 | 573,187 | 1,986,675 | 1,000,161 | - | 19,571,107 |
| - Banks | 349,422 | - | 133,662 | 2,412 | 426,020 | 481,079 | 573,187 | 1,986,675 | 1,000,161 | - | 4,952,618 |
| - Customers | 14,618,489 | - | - | - | - | - | - | - | - | - | 14,618,489 |
| B.2 Debt instruments | 2,092 | - | - | - | 968 | 383 | 1,219 | 626 | - | - | 5,288 |
| B.3 Other liabilities | 738,471 | - | - | 1,941 | - | - | - | 3,260,000 | - | - | 4,000,412 |
| **Off-statement of financial position transactions** | 488,673 | 21,375 | 26,986 | 103,771 | 162,995 | 181,954 | 191,405 | 114,572 | 248,435 | - | 1,540,166 |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | | |
| - Long positions | - | 10,686 | 13,486 | 51,776 | 80,236 | 82,929 | 94,520 | 52,248 | - | - | 385,881 |
| - Short positions | - | 10,689 | 13,486 | 51,993 | 80,201 | 82,930 | 94,495 | 52,248 | - | - | 386,042 |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | | |
| - Long positions | 88,764 | - | - | - | 602 | 644 | 1,272 | - | - | - | 91,282 |
| - Short positions | 106,965 | - | - | - | 166 | 519 | 701 | - | - | - | 108,351 |
| C.3 Deposits and financing to be received | | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - | - |
| C.4 Commitments to disburse funds | | | | | | | | | | | |
| - Long positions | 8,639 | - | 14 | 2 | 1,790 | 14,932 | 417 | 10,076 | 248,435 | - | 284,305 |
| - Short positions | 284,305 | - | | | | | | | | - | 284,305 |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of capital | | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of capital | | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - | - |

As permitted by current regulations, the classification by residual maturity of assets, liabilities and off-statement of financial position transactions denominated in foreign currencies is not disclosed as they do not represent a material portion of the same aggregates denominated in euro.

## 1.5 OPERATIONAL RISKS

### QUALITATIVE DISCLOSURE

#### A. General aspects, management and measurement of operational risk

Operational risk is the risk of losses resulting from an error in, or from inadequacy of, processes and internal systems, or human error, or losses resulting from an external event. Operational risk includes legal risk while excluding business and reputation risks.

Deutsche Bank S.p.A.'s Operational Risk Management Framework has been consolidated over the past few years with the implementation of a governance model based on "3 Lines of Defence" (3LoD), which has led to a revision of the Bank's Internal Control System, redistributing responsibilities along the aforementioned 3 lines of defence and defining the minimum standards of the control system.

The 3LoD model and its underlying principles apply to all organisational levels, i.e. Deutsche Bank AG Group, Region, Country, Legal Entity, Branch, etc. The 3 Lines of Defence have a duty to adopt organisational safeguards delegated to ensure adherence to the principles defined in the model, taking into account the legal and regulatory framework. The 1st Line of Defence ("1st LoD") consists of all business divisions and infrastructure organisations that provide services to the bank (Group Technology Operations, Corporate Services, Divisional Control Officer, etc.). The second Line of Defence ("2nd LoD") is formed of all the independent infrastructure functions responsible for managing and controlling risks, in particular the Non Financial Risk - Operational Risk Management and Corporate Insurance (NFR - ORM&CI) O.U. for operational risks. The third Line of Defence ("3rd LoD") is the Internal Audit Function, Group Audit O.U.

The identification, quantification and corresponding determination of the adequacy of the level of risk with respect to the Bank's operating model, as well as the adoption of the necessary risk mitigation measures, are an integral part of Deutsche Bank S.p.A.'s Risk Appetite Framework. The quantification of operational risk, consistently expressed in the process of determining the Bank's demand for regulatory and economic capital, is therefore an integral part of the process of identifying Pillar 1 and Pillar 2 capital requirements, and is translated into the corresponding levels of the following control metrics: Common Equity Tier 1 ratio and Economic Capital Adequacy, Tier 1, Total Capital Ratio and Operational Risk Losses, reported respectively as regulatory limits, risk-appetite thresholds and operational/management limits. Within the risk governance processes, NFR - ORM&CI operates as a second-level function in risk assessment and management, and supports the adoption of organisational safeguards to maintain appropriate risk levels.

Deutsche Bank's organisational model provides for a clear identification of roles and responsibilities, in line with the 3LoD governance approach, able to guarantee the assumption of a level of risk deemed appropriate to the nature of the business model adopted:

i. the Non Financial Risk Management Function defines and maintains in a consistent and homogeneous way within the Deutsche Bank AG Group the common framework for the management of operational risks (so-called "Group non Financial Risk Management Framework");
ii. the Risk Owners (1st LoD) are fully responsible for the non-financial risks generated by their operations and take steps to adopt a responsible management consistent with a predefined risk appetite;
iii. the Risk Type Controllers (2nd LoD) define the minimum operational risk control standards for which they are responsible and the related risk appetite and carry out the second level controls, in full independence (2nd LoD);
iv. the Global Non-Financial Risk Management Function defines the operational risk assessment methodology, the risk management framework.

This governance model translates into the following operational guidelines:
i. the development and continuous maintenance of the Operational Risk Management Framework (ORMF), including the clear and detailed definition of roles and responsibilities, ensuring full consistency at Group level, is delegated to the Non-Financial Risk Management Function of the ultimate parent company; ii. the daily management of operational risk by:
a) the Risk Owners (1st LoD) i.e., in Deutsche Bank S.p.A., the Business divisions and infrastructure functions that act as "service providers" within the Group;
b) the Control Functions with regard to their own processes or if they are carrying out first level controls;
iii. the monitoring and critical review of the implementation of the ORMF at the level of the Institute carried out by the NFR - ORM&CI O.U. of Deutsche Bank S.p.A., an independent second level function. This control activity is exercised on the operational risks for all divisions/infrastructure functions in coordination with the other control functions (Risk Type Controllers), addressing the resolution of points of incomplete or incorrect implementation of the ORMF and ensuring the constant analysis of the evolution of the operational risks of the bank and the Group;
iv. the periodic verification, reported at least quarterly to the top management of the bank, also in prospective terms, of the adequacy of the capital held by the bank against operational risks.

Supervision of all aspects of operational risks at the Deutsche Bank S.p.A. Group level and the adoption of any escalation initiatives is assigned to a Management Committee, specifically set up at the parent company, i.e. the Non-Financial Risk Committee chaired by the Chief Risk Officer, and attended by the COOs of the business divisions and the heads of the central functions: Compliance, Legal, HR. In this context, the managers of the following O.U. are permanently invited: Group Audit O.U, NFR - ORM&CI O.U., Anti-Financial Crime O.U., Divisional Control Office O.U., Tax O.U., NFR - COO Coverage and Resilience Risk O.U., Chief Financial Office and the head of Global Technology & Operation Chief Information Security Office, in addition to the Head of Chief Information Security Officer. NFR - ORM&CI coordinates the Non Financial Risk Committee, monitoring the implementation of the decisions taken.

The operating model is based on a group of organisational safeguards of a heterogeneous and integrated nature, aimed at identifying, assessing and mitigating operational risks:

•*Loss Data Collection* : the systematic collection of loss events resulting from operational risk, an essential prerequisite for risk management activities, including detailed analyses, identification of possible corrective actions and timely communication with senior management. All losses greater than €1,000 are recorded in the db-Incident Reporting System (db IRS);

• the "Lessons Learned" process is activated for those events that involve a loss starting from €2,500,000 or, regardless of the amount, when the need arises. The process includes, but is not limited to:

- systematic risk analyses, including a description of the business environment in which the loss occurred, previous events, events that could have led to a loss that did not subsequently materialise, and the specific Key Risk Indicators ("KRI") used;
- cause analysis;
- revision for improvement of controls and other actions to prevent or mitigate recurrence of the event;
- assessment of the residual exposure to Operational Risk.

The implementation of the corrective actions defined in this process is systematically monitored and supported by monthly reports to senior management;

•*Emerging Risk Identification:* impacts on the risk profile resulting from new products or core change initiatives are assessed and approved in advance.. In the case of important transformations of the business or processes, the Transformation Risk Assessment is used, in which the first line carries out an *ex ante* recognition of the emerging risks and existing controls and, through critical review by the control functions, assesses the residual risk both in the design phase and after the go-live of the initiative.

•*Risk Mitigation:* once the mitigating actions have been implemented, they are monitored until the identified risk factors are removed.

•*Key Risk Indicators* : are used to monitor the operational risk profile and provide timely communication of impending issues. The KRIs allow monitoring of the risk culture of the bank and business environment and initiate risk mitigation actions. They facilitate an early management of Operational Risk, based on an early warning system that can be traced back to the measurement of the KRIs themselves;

•*Self-Assessment Process (bottom-up)* : carried out at least once a year, it is used to highlight potentially high-risk areas, identifying possible interventions to mitigate the risk, through the Risk and Control Assessment process, supported by a global application.

Other processes, methodologies and tools are used in Deutsche Bank to supplement the Operational Risk Framework and manage specific types of risks. These include, in particular:

• the Operational Risk arising from outsourcing contracts, managed through the Third Party Risk Management ("TPRM") process: the risk is assessed and managed individually for each contract, following the rules set out in the relevant TPRM Policy and in line with the Deutsche Bank AG Group framework;

• the New Product Approval ("NPA") process for assessing and approving (among others) the operational risk associated with the adoption of new products or the implementation of new processes related to them;

• Business Continuity Risk, for which Deutsche Bank has set up a framework, compliant with the Group's corporate procedures, with the reference regulations and aligned with the standards of the banking sector. In the context of this programme, each business and infrastructure function is required to establish, update and test the effectiveness of business continuity plans for their respective sectors, including the definition of strategies for the recovery of relevant activities in the event of business interruption due to critical events, through back-up solutions.

In the event of highly critical events for the Bank as a whole (e.g. having an actual or potential impact on the safety of employees and/or on the financial, operational, reputational or regulatory situation), a crisis management framework has been defined, the effectiveness of which is periodically tested through periodic exercises involving senior management;

• Information Technology Risk ("IT Risk"), understood as the operational risk associated with the acquisition, adoption, use, management and disposal of technology within the Bank. In this context, the IT Risk management framework implements the company's risk management strategy and takes into account technology, processes, personnel, budget and regulatory requirements; technologies covered by IT Risk include, but are not limited to, hardware, software, telecommunications systems, data processing and storage centres, and third-party managed solutions. The IT Risk management framework follows the 3LoD model and the Group's Non-Financial Risk Management Framework by defining its principles and minimum control standards. The IT risk appetite statement defines the acceptable limits of availability of IT systems in relation to Financial, Reputational and Regulatory impacts.

IT Risk monitors the organisation's adherence to the principles and risk appetite defined for technology management through the use of specific risk indicators ("KRI").

The COVID-19 pandemic was an exogenous factor that intervened violently and pervasively. Starting from China, and then with a speed never experienced in human history, it led to a series of lockdowns and containment measures that forced a large part of the human population to stay in their homes. In this context, the Bank immediately resorted, where possible, to carrying out its activities remotely, complying with government decrees limiting mobility in the territory, and activated the crisis management process in Italy following the government's instructions. Deutsche Bank remains largely in the mode of remote working or division of activities between home and office, in compliance with the business continuity plan. The lockdown, in particular, required to quickly adopt temporary diversions to existing operational processes to allow certain activities to be carried out remotely. Within the operational risk framework, the deviations activated all risk management tools with the involvement of the impacted control functions to assess the applicability of the identified choices. The operational changes made during the lockdown months led to a fruitful review of some previously existing processes, which therefore underwent an organic overhaul.
In 2020, the Bank completed a multi-year project to replace a large part of its IT systems with a new IT platform managed entirely by the external vendor Cedacri. The initiative followed a risk assessment process that was constantly monitored in various pre- and post-implementation phases, some of which materialised with limited operational losses, despite the scale of the project.

The bank uses the Basic Indicator Approach (BIA) to determine its capital requirements for operational risks:

| *(in thousands of euro)* | 31/12/2020 | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Regulatory requirements for operational risk | 127,926 | 126,603 | 128,541 |

**QUANTITATIVE DISCLOSURE**

| Operational risk losses by type of event (*in thousands of euro)* | Year 2020 | | Year 2019 | |
|---|---|---|---|---|
| | Distribution of losses | number of events | Distribution of losses | number of events |
| Customers, Products and Business Modes | 5,187 | 83 | 3,924 | 45 |
| External Fraud | 1,895 | 7,044 | 2,001 | 7,967 |
| Internal Fraud | 720 | 2 | 255 | 2 |
| Execution, Delivery & Management Process | 400 | 71 | 1,028 | 91 |
| Other | 223 | 9 | 340 | 11 |
| Total | 8,425 | 7,209 | 7,547 | 8,116 |

**Year 2019**

Net operating losses in 2019 amounted to €7,547 thousand. The most significant event was due to the provision (€2,500 thousand) for the AGCM fine on the "Fai +1%" commercial campaign.
The most significant types of events were in the "Customers, Products and Business Modes" category, a category that, in addition to the provision for the aforementioned fine, had caused losses due to:
- the repayment to customers of undue fees and commissions for approximately €700 thousand;
- a lawsuit for approximately €500 thousand relating to a 2012 event for commissions related to an agency contract.

**Year 2020**

Net operating losses in 2020 amounted to € 8,425 thousand. The most significant event (for €2,302 thousand) is due to the pro-rata charge borne by DB S.p.A. and deriving from the larger administrative fine imposed on DB AG by the US Department of Justice for some conduct - deemed irregular - also carried out by DB S.p.A. through the use of Business Development Consultants. In the area of fraud, the provision for alleged fraud perpetrated by a financial consultant of the DB Financial Advisors network (€854 thousand) should be noted. Among the legal proceedings is one brought by a client seeking a declaration of invalidity of a contract for the purchase of investment funds (€800,000)
The most significant losses by type of event are found in the category "Customers, Products and Business Modes", which in addition to the aforementioned events related to Business Development Consultants and to the required termination of the contract, include losses due to:
- a provision for disputes on the management of an Asset Management Agreement in funds for €72 thousand;
- two lawsuits for specific events in which customers contested lack of information when subscribing to investments in 2017 (via call centres), with provisions of €62 thousand and €61 thousand, respectively.

# PART F – Consolidated Equity

## Section 1 - CONSOLIDATED EQUITY

### A. Qualitative disclosure

Consolidated equity is the equity owned by the Group and consists of all those elements that do not fall under the definition of assets or liabilities according to the methods of measurement and quantification established by international accounting standards.

Capital management comprises the policies and decisions necessary to define the amount of equity so as to ensure compliance with prudential regulations.

The parent company monitors compliance and utilisation of capital related to risk assets on an ongoing basis, especially its counterparties' creditworthiness.

The Deutsche Bank Group is subject to the prudential rules set forth in Basel III pursuant to the rules defined by the European authorities with the CRR Regulation and the CRD IV Directive, as well as Bank of Italy, and is subject to the capital adequacy requirements.

These rules first of all provide for higher minimum requirements for regulatory capital (CET1 and T1) than did the Basel II regulations. Secondly, they require banks to have capital resources in excess of the minimums (additional buffers).

It should be noted that from 2019 the parent company is no longer required to draw-up supervisory reports on a consolidated basis.

**B. QUANTITATIVE DISCLOSURE**

*B.1 Consolidated equity: breakdown by type of company*

| Equity captions | Consolidated prudential | Insurance companies | Other companies | Eliminations and consolidation adjustments | Total |
|---|---|---|---|---|---|
| Share capital | 412,155 | - | - | - | 412,155 |
| Share premium | 331,959 | - | - | - | 331,959 |
| Reserves | 1,011,543 | - | - | - | 1,011,543 |
| Equity instruments | 145,000 | - | - | - | 145,000 |
| (Treasury shares) | (3,516) | - | - | - | (3,516) |
| Valuation reserves: | (761) | - | - | - | (761) |
| - Equity securities designated at fair value through other comprehensive income | - | - | - | - | - |
| - Hedges of equity securities designated at fair value through other comprehensive income | - | - | - | - | - |
| - Financial assets (other than equity securities) measured at fair value through other comprehensive income | - | - | - | - | - |
| - Property, equipment and investment property | - | - | - | - | - |
| - Intangible assets | - | - | - | - | - |
| - Hedges of investments in foreign operations | - | - | - | - | - |
| - Cash flow hedges | - | - | - | - | - |
| - Hedging instruments [non-designated elements] | - | - | - | - | - |
| - Exchange rate gains (losses) | - | - | - | - | - |
| - Non-current assets and group of assets held for sale | - | - | - | - | - |
| - Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness) | - | - | - | - | - |
| - Actuarial gains (losses) on defined benefit plans | (761) | - | - | - | ( 761) |
| - Portion of valuation reserves of equity-accounted investees | - | - | - | - | - |
| - Special revaluation laws | - | - | - | - | - |
| Profit (Loss) for the year (+/-) of the Group and non-controlling interests | (18,366) | - | - | - | ( 18,366) |
| **Equity** | **1,878,014** | **-** | **-** | **-** | **1,878,014** |

It should be noted that the valuation reserves relating to actuarial gains (losses) regarding the defined benefit pension plans are not reversed in the income statement.
Changes in equity during the year are shown in the statement of changes in equity.

*B.2 Valuation reserves for financial assets at fair value through other comprehensive income: composition*

None.

*B.3 Valuation reserves for financial assets at fair value through other comprehensive income: annual changes*

None.

*B.4 Valuation reserves of defined benefit plans: annual changes*

| | |
|---|---|
| **Opening balance 1 January 2020** | **(359)** |
| Changes during the year | (402) |
| **Closing balance at 31 December 2020** | **(761)** |

**Section 2 - REGULATORY CAPITAL AND RATIOS**

It should be noted that from 2019 the parent company is no longer required to draw-up supervisory reports on a consolidated basis.

**Part G – BUSINESS COMBINATIONS**

## SECTION 1 - TRANSACTIONS CARRIED OUT DURING THE YEAR

### *1.1 Business combinations*

The Group did not carry out any business combinations involving entities or business units during the year (according to the IFRS 3 definitions).

### *1.2 Other disclosures on business combinations*

1.2.1 Changes in goodwill

| (thousands of euro) | |
|---|---|
| **Goodwill at 1.1.2020** | - |
| **Increases** | |
| Goodwill recognised during the year | - |
| **Decreases** | |
| - Impairment losses | - |
| - Disinvestments | - |
| **Goodwill at 31.12.2020** | - |

## SECTION 2 - TRANSACTIONS CARRIED OUT AFTER THE REPORTING DATE

2.1 Business combinations

No transactions have taken place after the reporting date.

## Section 3 – Retrospective adjustments

None.

## Part H – RELATED PARTY TRANSACTIONS

The IAS 24 definition of a related party is set out below.

**Related party**

A related party is a person or entity that is related to the entity that is preparing its financial statements

**(a)** A person or a close family member of that person is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent company of the

**(b)** An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent company, subsidiary and company of the group is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a group to which the other entity belongs);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in point (a);

(vii) a person identified in point (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent company of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Based on the above definitions, the parent company's and other consolidated companies' significant related parties are the following:

- Directors of the Management or Supervisory Boards, managers in charge of business divisions and control functions and their family members;
- BoD Directors, statutory auditors and key management personnel of the subsidiaries and their family members;
- companies controlled directly or indirectly by the parent company, Deutsche Bank S.p.A.;
- the ultimate parent company Deutsche Bank AG;
- other Deutsche Bank AG Group companies around the world;
- the pension fund for personnel of Deutsche Bank S.p.A.

**1. Fees of key management personnel**

The following table provides details of the costs incurred for key management personnel in 2020.

| **Role/Office held**<br>Data in €/000 | Short-term benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments | **Total 2020** | **Total 2019** |
|---|---|---|---|---|---|---|---|
| Members of the parent company's Manage | 4,205 | 1,483 | 5,130 | 4,681 | 4,221 | **19,720** | **8,103** |
| Members of the parent company's Superv | 199 | - | - | - | - | **199** | **335** |
| BoD Directors of investee companies | 105 | - | - | - | - | **105** | **110** |
| Statutory auditors of investee companies | 20 | - | - | - | - | **20** | **10** |
| Internal control functions of the parent company | 1,055 | 100 | 27 | - | 35 | **1,217** | **1,247** |
| Other key management personnel | 1,324 | 131 | 6 | 335 | 51 | **1,847** | **1,941** |
| Business division *heads* | 1,929 | 242 | 178 | - | 201 | **2,550** | **2,302** |
| **Total 2020** | **8,837** | **1,956** | **5,341** | **5,016** | **4,508** | **25,658** | **X** |
| **Total 2019** | **9,654** | **1,189** | **2,000** | **-** | **1,205** | **X** | **14,048** |

With regard to the liabilities recognised in the Financial Statements related to the costs of strategic resources, at 31-12-2019 and 31-12-2020 the following is report

| Data in €/000 | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Post-employment benefits | 79 | 73 |
| Other liabilities and provisions | 480 | 556 |
| **Total** | **559** | **629** |

**2. Notes on Related party transactions**

**2.1 Transactions with key management personnel**

The following table shows the balances at 31 December 2020, grouped by type of function performed, credit facilities granted and their use by Deutsche Bank S.p.A., as well as deposits, current accounts and other forms of direct funding held with the parent company.

| **Role/Office held**<br>Data in €/000 | Credit facilities granted | Cash loans and other advances | Payables for deposits, current accounts and prepaid cards |
|---|---|---|---|
| Members of the Management Board | 601 | 578 | (207) |
| Members of the Supervisory Board | - | - | (58) |
| Control functions | 117 | 91 | (698) |
| Heads of business divisions and other key management personnel | 1,893 | 1,454 | (311) |
| BoD Directors of subsidiaries and associates, key management personnel of the ultimate parent company Deutsche Bank AG | 954 | 888 | (3,627) |
| Pension Fund for personnel of Deutsche Bank S.p.A. | - | - | (3,849) |
| Associated parties | 236 | 226 | (471) |
| **Total 2020** | **3,801** | **3,237** | **(9,221)** |
| **Total 2019** | **4,330** | **4,157** | **(14,905)** |

**2.2 Transactions with Group companies**

The balances of the transactions carried out by the Italian Group companies with the ultimate parent company, Deutsche Bank AG, and the other Deutsche Bank AG Group companies are shown in the following table:

| **Statement of financial position**<br>thousands of euro | **Ultimate parent company Deutsche Bank AG** | **Other Deutsche Bank AG Group companies** | **Pension fund for personnel of Deutsche Bank S.p.A.** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| 20. Financial assets measured at fair value through profit or loss | 42,476 | - | - | 42,476 |
| 40a) Loans and receivables with banks | 3,960,474 | 95,218 | - | 4,055,692 |
| 50. Hedging derivatives | 19,897 | - | - | 19,897 |
| 130. Other assets | 22,071 | 10,405 | - | 32,476 |
| **Total** | **4,044,918** | **105,623** | **-** | **4,150,541** |
| **Liabilities** | | | | |
| 10a) Due to banks | 5,454,075 | 34,095 | - | 5,488,170 |
| 10b) Due to customers | | 10,008 | 3,849 | 13,857 |
| 20. Financial liabilities held for trading | 114,353 | - | - | 114,353 |
| 40. Hedging derivatives | 7,696 | - | - | 7,696 |
| 100. Other liabilities | 77,218 | 3,378 | - | 80,596 |
| **Total** | **5,653,342** | **47,481** | **3,849** | **5,704,672** |

The notional amounts and market values of the derivatives in place at 31 December 2020 are as follows:

| *thousands of euro* | **Ultimate parent company Deutsche Bank AG** | **Other Deutsche Bank AG Group companies** | **Total** |
|---|---|---|---|
| Notional amount of interest rate derivatives | 4,224,982 | - | 4,224,982 |
| Positive fair value of interest rate derivatives | 55,656 | - | 55,656 |
| Negative fair value of interest rate derivatives | (114,076) | - | (114,076) |
| Notional amount of equity security and share index derivatives | - | - | - |
| Positive fair value of equity security and share index derivatives | - | - | - |
| Negative fair value of equity security and share index derivatives | - | - | - |
| Notional amount of currency forwards | 186,794 | - | 186,794 |
| Positive fair value of currency forwards | 3,638 | - | 3,638 |
| Negative fair value of currency forwards | (1,957) | - | (1,957) |
| Notional amount of currency derivatives | 197,621 | - | 197,621 |
| Positive fair value of currency derivatives | 3,079 | - | 3,079 |
| Negative fair value of currency derivatives | (6,016) | - | (6,016) |

The next table shows the 2020 income statement items.

| **Income Statement**<br>thousands of euro | **Ultimate parent company Deutsche Bank AG** | **Other Deutsche Bank AG Group companies** | **Pension fund for personnel of Deutsche Bank S.p.A.** | **Total** |
|---|---|---|---|---|
| 10. Interest and similar income | 10,673 | 5,847 | - | 16,520 |
| 20. Interest and similar expense | (59,980) | - | (16) | (59,996) |
| 40. Fee and commission income | 23,189 | 23,062 | - | 46,251 |
| 50. Fee and commission expense | (5,419) | (198) | - | (5,617) |
| 80. Net trading income (expense) | (11,156) | - | - | (11,156) |
| 90. Net hedging income (expense) | (12,519) | 12,635 | - | 116 |
| 100. d) Profit (loss) on sale or repurchase of financial liabilities | (20,339) | - | - | (20,339) |
| 180. Administrative expenses | (61,492) | (3,283) | - | (64,775) |
| 220. Other operating income/expense | (2,236) | 683 | - | (1,553) |
| **Total** | **(139,279)** | **38,746** | **(16)** | **(100,549)** |

The following table summarises the key figures of the 2018 and 2019 Consolidated Financial Statements of Deutsche Bank AG, Frankfurt (Germany), the ultimate parent company that manages and coordinates Deutsche Bank S.p.A.

| **Key figures of Deutsche Bank AG (based on IFRS)**<br>€ millions | **31 12 2019** | **31 12 2018** |
|---|---|---|
| Total assets | 1,297,674 | 1,348,137 |
| Lending - Reverse repos and securities lending | 14,229 | 11,618 |
| Financial assets measured at fair value through profit or loss | 530,713 | 573,344 |
| Financial assets measured at fair value through the valuation reserve | 45,503 | 51,182 |
| Loans and receivables | 429,841 | 400,297 |
| Deposits from customers and banks | 572,208 | 564,405 |
| Funding - Repos and securities lending | 3,374 | 8,226 |
| Financial liabilities at fair value through profit or loss | 404,448 | 415,680 |
| Non-current liabilities | 136,473 | 152,083 |
| Equity | 55,857 | 62,495 |
| Net interest income | 13,749 | 13,192 |
| Total income | 26,775 | 25,316 |
| Accruals to the allowance for impairment | (723) | (525) |
| Operating costs | (25,076) | (23,461) |
| Operating profit (loss) | (2,634) | 1,330 |
| Net Profit (loss) attributable to the Group | (5,265) | 267 |
| Headcount | 87,597 | 91,737 |
| Branches | 1,931 | 2,064 |
| Common Equity Tier 1 (CET1) ratio | 13.60% | 13.60% |
| Tier 1 capital ratio | 15.60% | 15.70% |
| Total capital ratio | 17.40% | 17.50% |
| Long-term rating (non preferred senior, unsecured): | | |
| Moody's Investors Service, New York | Baa3 | Baa3 |
| Standard & Poor's, New York | BBB- | BBB- |
| Fitch Ratings, New York | BBB+ | BBB+ |
| DBRS Ratings, Toronto | BBB (high) | A (low) |

# Part I – Payment agreements based on own equity instruments

This type of payment agreement was not used in the DB S.p.A. Group in 2019 and 2020; however, for the sake of completeness, it is deemed useful to note the following:
Deutsche Bank AG Group has granted to some employees of the Group companies remuneration plans based on the shares of the ultimate parent company (Deutsche Bank AG).
These plans provide for the allocation to the interested employees of a certain number of shares of the ultimate parent company on condition that the employees remain with the company for a defined period of time (vesting period). The grant of shares to employees is free of charge, except for the taxes and social security contributions on the value of the shares at the time of the actual delivery of the securities to the employees.
These share-based plans establish that the shares will be delivered to the employees, if they comply with the vesting period conditions, by a service company of the Group (DB Group Services Ltd), which is specialised in managing this type of plan.
The costs for the purchase of the shares under the plan is borne by the company where the employees are employed.

The agreement between the individual companies and DB Group Services Ltd provides for the purchase of the shares at a fixed price, which is determined at the time the related rights are granted to the employees.
The transaction is completed when DB Group Services Ltd. allocates the shares by issuing invoices to the individual group companies. These invoices also include the cost of hedging the price fluctuation of Deutsche Bank AG's shares.
Under the terms of the agreement, the fair value of the share-based remuneration at the reporting date was calculated using the price defined in the share purchase agreement.

The accounting treatment of these transactions, established in accordance with the provisions of IFRS 2, "Share-based Payment", refers to the case of the share-based payment arrangement settled with equity instruments of the parent company Deutsche Bank AG.
The share plans are classified as "equity-settled" in the Separate Financial Statements of Deutsche Bank AG.
For all plans using DB AG shares, our parent company Deutsche Bank AG has been identified as the entity granting the right to receive shares: therefore, in the financial statements of all subsidiaries such plans are classified as equity-settled share-based payment transactions.

For the purposes of the IFRS Separate Financial Statements, each subsidiary recognises the services received under the share plan as personnel expenses against a corresponding increase in equity for a capital contribution by the parent company, which is credited to the reserves.
The amount of the personnel expenses is based on the communications sent by DB Group Services Ltd to all the group companies.

The cost of the shares allocated is recharged to the subsidiaries as follows:
this cost is recognised on an accruals basis over the period in which the employees render their services, which corresponds to the vesting period under the respective plans, if the employment relationship is not terminated early.
In accounting terms, this cost is treated by the subsidiaries as an adjustment to the capital contribution received from the parent company: the liability for recharging the cost is then accounted for by reducing equity accordingly, by charging the item "reserves".

Gains/losses from hedging Deutsche Bank AG share price fluctuations are credited /debited to the Group companies by DB Group Services Ltd: in this case, too, financial changes are recorded as balancing entries to the changes in the equity item "reserves".

## Part L – Segment reporting

Disclosures about the operating segments have been prepared in accordance with the "managerial approach" provided for by IFRS 8, whereby operating segments are presented on the basis of internal reports. These are regularly reviewed by the operational manager for the allocation of resources to a particular area and for the evaluation of its performance.

### A. Primary reporting format

*Organisation by business segment*

### Operating segments

The following operating segments reflect the group's organisational structure of the internal reporting systems.
The Group's segment reporting reflects the organisational structure of the internal management reporting systems, on which the assessment of the financial performance of the business segments and the allocation of resources to them are based. In general, reclassifications resulting from changes in the organisational structure are included in the presentation of comparative figures for previous periods when considered in the Group's management reporting systems.

The organisational structure of the DB AG Group is divided into four main business divisions, in addition to a unit responsible for the disposal of non-core activities.
At 31 December 2020, the operating segments were as follows:
- Corporate Bank,
- International Private Bank,
- Investment Bank,
- Asset Management,

in addition to the Capital Release Unit (CRU).

This divisional organisation had been implemented at the DB AG Group level from the beginning of the third quarter of 2019 as a result of the announcement of the new strategy, which was communicated to investors on 8 July 2019.
The significant aspects of the sectoral structure can be summarised as follows:
**Corporate Bank (CIB)** – this division provides financing, lending and transaction banking services to corporate and commercial customers, and is divided into the two sub-divisions GTB – Global Transaction Banking and Commercial Banking;
**International Private Bank** – this division includes the sectors that work with private retail customers, as well as wealth management (WM) activities offered to high net worth individuals, foundations and professional companies operating in the WM sector;
**Investment Bank** – this division operates in the areas of debt and equity origination, advisory, structured finance and asset backed securities;
**Asset Management** – this division performs asset management activities that provide investment solutions to individual investors and financial intermediaries operating in this field;
finally, the purpose of the Capital Release Unit (**CRU**) is to dispose of assets that are no longer required for the Bank's business in order to free up resources, reduce risk-weighted assets and the associated use of regulatory capital.

The following tables show the main statement of financial position and income statement figures for the year ended 31 December 2020.

**Income statement**

| (€ millions) | Investment Bank | Corporate Bank | Asset Management | Private Bank | Total divisions | Central services, capital release unit, consolidation and reconciliation | Total |
|---|---|---|---|---|---|---|---|
| *net interest income* | 3.6 | 17.6 | - | 458.2 | **479.4** | (10.5) | **468.9** |
| *net fee and commission inco* | 0.7 | 32.3 | - | 335.60 | **368.6** | 21.6 | **390.2** |
| *other revenue, net* | 23.2 | 2.8 | - | 23.10 | **49.1** | (14.5) | **34.6** |
| **Net revenue** | **27.5** | **52.7** | **-** | **816.9** | **897.1** | **(3.4)** | **893.7** |
| **Accruals to allowances for impairment** | **(0.4)** | **(2.2)** | **-** | **(181.3)** | **(183.9)** | (2.9) | **(186.8)** |
| *personnel expense* | 0.0 | (8.7) | - | (244.8) | **(253.5)** | (82.1) | **(335.6)** |
| *amortisation, depreciation and impairment losses* | - | (1.5) | - | (64.5) | **(66.0)** | (3.3) | **(69.3)** |
| *other operating costs* | (4.8) | (36.9) | (0.1) | (406.1) | **(447.9)** | 71.5 | **(376.4)** |
| **Operating costs and adjustments** | **(4.8)** | **(47.1)** | **(0.1)** | **(715.4)** | **(767.4)** | **(13.9)** | **(781.3)** |
| **Pre-tax profit (loss) for the year** | **22.3** | **3.4** | **(0.1)** | **(79.8)** | **(54.2)** | **(20.2)** | **(74.4)** |
| Net loss of groups of assets held for sale | - | - | - | - | **-** | **(0.3)** | **(0.3)** |
| | | | | | | | |
| *of which net inter-segment revenues/costs* | (1.4) | (2.6) | - | (4.0) | **(8.0)** | **8.0** | **-** |

**Statement of financial position**

| *(€ millions)* | Investment Bank | Corporate Bank | Asset Management | Private Bank | Total divisions | Central services, capital release unit, consolidation and reconciliation | Total |
|---|---|---|---|---|---|---|---|
| Financial assets | 166 | 1,081 | - | 19,397 | 20,644 | 4,513 | 25,157 |
| Other assets | 208 | 62 | - | 1,212 | 1,482 | (198) | 1,283 |
| Groups of assets held for sale | - | - | | - | - | 5 | 5 |
| **Total assets** | **374** | **1,143** | **0** | **20,609** | **22,126** | **4,320** | **26,446** |
| | | | | | | | |
| Financial liabilities | 38 | 1,982 | 0 | 13,468 | 15,488 | 8,389 | 23,877 |
| Other liabilities | 154 | 44 | 1.00 | 1,354 | 1,553 | (862) | 691 |
| Liabilities held for sale | - | - | - | - | - | - | - |
| Equity | 9 | 2 | - | (77) | (66) | 1,944 | 1,878 |
| **Total liabilities and equity** | **201** | **2,028** | **1** | **14,745** | **16,975** | **9,471** | **26,446** |

B. Secondary reporting format

The breakdown of income statement and financial position statement figures by geographical area is not relevant for the Deutsche Bank Group as all activities are carried out in Italy.

Part M – LEASING INFORMATION

Section 1 - Lessee

**Qualitative information**

Lease agreements falling within the scope of application of IFRS 16 refer to the following types of underlying assets:
- real estate for functional use, housing the bank's branch network, financial shops and direct sales outlets of the Deutsche Bank Easy division;
- vehicles belonging to the company fleet.

IFRS 16 is applicable only to the parent company which has both property unit lease agreements and car rental agreements in place.

The parent company has taken advantage of the possibility granted by IFRS 16 par. 16 not to apply the provisions for lessees for the accounting and presentation in the financial statements of short-term contracts and contracts of low value:

- contracts with a duration not exceeding twelve months are considered to be short-term contracts;

- contracts for assets whose initial market value (new assets) does not exceed €5,000 are considered low-value;
- for these types of contracts, the expense is recognised on a constant basis over the term of the contracts and is classified as "other administrative expenses".

**Quantitative disclosure**

In addition to the information below, see the following sections of these Notes to the Financial Statements:
- part B, Assets, section 6 on property, equipment and investment property, for the rights of use;

- part B, Liabilities, section 1 financial liabilities measured at amortised cost, for lease payables to leasing companies;

- part C, income statement, section 1, interest, for the section on interest expense on lease payables.
It should also be noted that during the 2020 and 2019 financial years the parent company did not carry out any sale and leaseback transactions, therefore without any related profit or loss, nor did it report any gain or loss on sub-leasing transactions.

Depreciation and value adjustments for assets consisting of the right of use by underlying asset class are detailed as follows for the years 2019 and 2020:

| *Data in €/000* | year 2020 | year 2019 |
|---|---|---|
| Depreciation of right of use - real estate for functional use | 37,903 | 40,180 |
| Value adjustments - real estate for functional use | 1,184 | - |
| Depreciation of right of use - motor vehicles | 1,025 | 1,180 |
| total | 40,112 | 41,360 |

The following costs, recorded as administrative expenses, were incurred for lease contracts excluded from the application of IFRS 16:

| *Data in €/000* | year 2020 | year 2019 |
|---|---|---|
| Costs related to short-term leases | 2,872 | 2,339 |
| Costs related to the lease of small value assets | 921 | 1,349 |
| total | 3,793 | 3,688 |

As for cash outflows to which the lessee is potentially exposed, which do not take into account the valuation of lease liabilities, exposures arising from extension and termination options are relevant to Deutsche Bank.

At 31 December 2020 (and 2019), the quantification of potential outflows is as follows:

| *Data in €/000* | year 2020 | year 2019 |
|---|---|---|
| Up to a year | 3,117 | - |
| between 1 and 2 years | 6,051 | 2,039 |
| between 2 and 3 years | 12,802 | 8,746 |
| between 3 and 4 years | 16,027 | 11,229 |
| between 4 and 5 years | 20,526 | 16,384 |
| beyond 5 years | 227,928 | 206,009 |
| total | 286,451 | 244,407 |

Section 2 - Lessor

Not applicable.

## ANNEXES TO THE FINANCIAL STATEMENTS

**Compensation to the independent auditors**
(thousands of euro)

| Type of service | Party providing service | Year 2020 |
|---|---|---|
| Accounting audit | Mazars Italia S.p.A. | **421** |
| Other services - assessment on the implementation of the bank's new IT platform | Mazars Italia S.p.A. | **224** |
| | **Total** | **645** |

The amounts shown in the table are the contractually agreed fees and do not include expenses, any supervisory contributions, or VAT.

**Fiduciaria Sant'Andrea S.r.l.**
Registered office in Milan - Piazza del Calendario no. 3

## Statement of financial position

data in euro

| Assets items | | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| 10. | Cash and cash equivalents | 623 | 611 |
| 40. | Financial assets measured at amortised cost: | 1,208,478 | 790,291 |
| | a) loans and receivables with banks | 822,466 | 372,158 |
| | c) loans and receivables with customers | 386,012 | 418,133 |
| 100. | Tax assets | 28,616 | 20,901 |
| | a) current | 8,144 | 8,144 |
| | b) prepaid | 20,472 | 12,757 |
| 120. | Other assets | 125,427 | 184,737 |
| **Total assets** | | **1,363,144** | **996,540** |

| Liabilities and equity items | | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| 10. | Financial liabilities measured at amortised cost: | 371,899 | 644,458 |
| | a) payables | 371,899 | 644,458 |
| 80. | Other liabilities | 354,974 | 376,206 |
| 90. | Post-employment benefits | 74,000 | 74,000 |
| 100. | Provisions for risks and charges: | 18,282 | 16,880 |
| | c) other provisions for risks and charges | 18,282 | 16,880 |
| 110. | Capital | 93,600 | 93,600 |
| 150. | Reserves | 1,087,456 | 19,112 |
| 160. | Valuation reserves | 3,872 | 3,941 |
| 170. | Profit (Loss) for the year | (640,939) | (231,657) |
| **Total liabilities and equity** | | **1,363,144** | **996,540** |

## Income statement

data in euro

| Items | | 2020 | 2019 |
|---|---|---|---|
| 10. | Interest and similar income | 26 | 130 |
| 20. | Interest and similar expense | (49) | (5) |
| **30.** | **Net interest income** | **(23)** | **125** |
| 40. | Fee and commission income | 1,077,649 | 1,143,278 |
| **60.** | **Net fees and commissions** | **1,077,649** | **1,143,278** |
| **120.** | **Total income** | **1,077,626** | **1,143,403** |
| 130. | Net adjustments/write-backs for credit risk of: | (36,050) | 10,155 |
| | a) financial assets measured at amortised cost | (36,050) | 10,155 |
| **150.** | **Net financial income** | **1,041,576** | **1,153,558** |
| 160. | Administrative expenses: | (1,690,207) | (1,380,717) |
| | a) personnel expenses | (690,148) | (650,306) |
| | b) other administrative expenses | (1,000,059) | (730,411) |
| **210.** | **Operating costs** | **(1,690,207)** | **(1,380,717)** |
| **260.** | **Pre-tax profit (loss) from continuing operations** | **(648,631)** | **(227,159)** |
| 270. | Income taxes for the year from continuing operations | 7,692 | (4,498) |
| **280.** | **Post-tax profit (loss) from continuing operations** | **(640,939)** | **(231,657)** |
| **300.** | **Profit (Loss) for the year** | **(640,939)** | **(231,657)** |

## Statement of comprehensive income

data in euro

| Items | | 2020 | 2019 |
|---|---|---|---|
| **10.** | **Profit (Loss) for the year** | **(640,939)** | **-231,657** |
| | **Other comprehensive income (expense), net of income taxes, that will not be reclassified to profit or loss** | | |
| 20. | Equity securities designated at fair value through other comprehensive income | - | - |
| 30. | Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness) | - | - |
| 40. | Hedges of equity securities designated at fair value through other comprehensive income | - | - |
| 50. | Property, equipment and investment property | - | - |
| 60. | Intangible assets | - | - |
| 70. | Defined benefit plans | **(69)** | (3,990) |
| 80. | Non-current assets and groups of assets held for sale | - | - |
| 90. | Portion of valuation reserves of equity investments valued with the equity method | - | - |
| | **Other comprehensive income (expense), net of income taxes, that will be reclassified to profit or loss** | | |
| 100. | Hedges of foreign investments | - | - |
| 110. | Exchange rate gains (losses) | - | - |
| 120. | Cash flow hedges | - | - |
| 130. | Hedging instruments (non-designated elements) | - | - |
| 140. | Financial assets (other than equity securities) measured at fair value through other comprehensive income | - | - |
| 150. | Non-current assets and groups of assets held for sale | - | - |
| 160. | Portion of valuation reserves of equity investments valued with the equity method | - | - |
| **170.** | **Total other comprehensive income, net of income taxes** | **(69)** | **(3,990)** |
| **180.** | **Comprehensive income (Items 10+170)** | **(641,008)** | **-235,647** |

Financial Statements certified by Mazars Italia S.p.A.
Exact copy of the 2020 Financial Statements of the subsidiary Fiduciaria Sant'Andrea S.r.l.

## DB Covered Bond S.r.l.

Registered office in Conegliano (TV) - Via V. Alfieri no. 1

### Statement of financial position

data in euro

| Assets | 31.12.2020 | 31.12.2019 |
|---|---|---|
| 40. Financial assets measured at amortised cost | 48,979 | 42,528 |
| a) loans and receivables with banks | 48,979 | 42,528 |
| 100. Tax assets | 454 | 604 |
| a) current | 454 | 604 |
| 120. Other assets | 8,048 | 7,800 |
| **Total assets** | **57,481** | **50,932** |

| Liabilities and equity items | 31.12.2020 | 31.12.2019 |
|---|---|---|
| 60. Tax liabilities | 180 | 150 |
| a) current | 180 | 150 |
| 80. Other liabilities | 45,301 | 38,782 |
| 110. Capital | 10,000 | 10,000 |
| 140. Share premium | 2,000 | 2,000 |
| 170. Profit (loss) for the year | - | - |
| **Total liabilities and equity** | **57,481** | **50,932** |

**Income Statement**
data in euro

| Items | 2020 | 2019 |
|---|---|---|
| 50. Fee and commission expense | (414) | (233) |
| **60. Net fees and commissions** | **(414)** | **(233)** |
| **120. Total income** | **(414)** | **(233)** |
| 160. Administrative expenses: | (70,830) | (75,017) |
| a) personnel expenses | (10,911) | (10,769) |
| b) other administrative expenses | (59,919) | (64,248) |
| 200. Other operating income and expenses | 71,424 | 75,400 |
| **210. Operating costs** | **594** | **383** |
| **260. Pre-tax profit (loss) from continuing operations** | **180** | **150** |
| 270. Income taxes for the year from continuing operations | (180) | (150) |
| **280. Post-tax profit (loss) from continuing operations** | **-** | **-** |
| **300. Profit (loss) for the year** | **-** | **-** |

**Statement of comprehensive income**
data in euro

| | *Items* | 2020 | 2019 |
|---|---|---|---|
| **10.** | **Profit (Loss) for the year** | - | - |
| | **Other comprehensive income (expense), net of income taxes, that will not be reclassified to profit or loss** | | |
| 20. | Equity securities designated at fair value through other comprehensive income | - | - |
| 30. | Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness) | - | - |
| 40. | Hedges of equity securities designated at fair value through other comprehensive income | - | - |
| 50. | Property, plant and equipment | - | - |
| 60. | Intangible assets | - | - |
| 70. | Defined benefit plans | - | - |
| 80. | Non-current assets and groups of assets held for sale | - | - |
| 90. | Portion of valuation reserves of equity investments valued with the equity method | - | - |
| | **Other comprehensive income (expense), net of income taxes, that will be reclassified to profit or loss** | | |
| 100. | Hedges of foreign investments | - | - |
| 110. | Exchange rate gains (losses) | - | - |
| 120. | Cash flow hedges | - | - |
| 130. | Hedging instruments (non-designated elements) | - | - |
| 140. | Financial assets (other than equity securities) measured at fair value through other comprehensive income | - | - |
| 145. | Available-for-sale financial assets | - | - |
| 150. | Non-current assets and groups of assets held for sale | - | - |
| 160. | Portion of valuation reserves of equity investments valued with the equity method | - | - |
| **170.** | **Total other comprehensive income, net of income taxes** | - | - |
| **180.** | **Comprehensive income (Items 10+170)** | - | - |

Financial Statements certified by Mazars Italia S.p.A.
Exact copy of the 2020 Financial Statements of the subsidiary DB Covered Bond S.r.l.

**Vesta Real Estate S.r.l.**
**Registered office in Milan - Piazza del Calendario 1**

*Euro*

| **Statement of financial position assets** | | **2020** | **2019** |
|---|---|---|---|
| **A) Non-current assets** | | | |
| I) Property, plant and equipment | | | |
| II) Investment property | | | |
| III) Goodwill and other assets with indefinite life | | | |
| IV) Other intangible assets | | | |
| V) Equity investments | | | |
| VI) Other financial assets | | | |
| VII) Deferred tax assets | | | |
| ***Total non-current assets*** | | | |
| **B) Current assets** | | | |
| I) Trade and other receivables | | 48,996 | 46,596 |
| IRES receivables | | 97 | 97 |
| VAT credit | | 11,306 | 8,906 |
| Receivables from customers | | - | - |
| Receivables from Consolidating Company for Tax Consolidation | | 37,562 | 37,562 |
| Other receivables | | 31 | 31 |
| II) Inventories | | 4,967,816 | 5,944,463 |
| Property in Naples | 238,000 | | |
| Property in Bergeggi Lot 1 | 185,000 | | |
| Property in Bergamo | 4,544,816 | | |
| III) Contract work in progress | | | |
| IV) Current financial assets | | | |
| V) Cash and cash equivalents | | | |
| Bank current accounts | | 93,881 | 80,363 |
| ***Total current assets*** | | **5,110,693** | **6,071,422** |
| **C) Non-current assets held for sale** | | | |
| Non-current assets held for sale | | | |
| ***Total Non-current assets held for sale*** | | | |

*Euro*

| Statement of financial position liabilities | 2020 | 2019 |
|---|---|---|
| **C) Equity** | | |
| I. Share capital, including unpaid amount | | |
| Shares | 10,000 | 10,000 |
| II. Share premium reserve | | |
| Share premium reserve | 581,522 | 647,468 |
| III. Revaluation reserve | | |
| IV. Other reserves | | |
| V. Retained earnings (losses carried forward) | | |
| VI. Profit (loss) for the year | (335,599) | (415,946) |
| ***Total equity*** | **255,923** | **241,522** |
| **D) Non-current liabilities** | | |
| a) Outstanding bonds | | |
| b) Due to banks | | |
| c) Other financial liabilities | | |
| Financial payables | 4,850,006 | 5,800,025 |
| d) Provisions for risks and charges | | |
| e) Employee benefits | | |
| f) Deferred tax liabilities | | |
| ***Total non-current liabilities*** | **4,850,006** | **5,800,025** |
| **E) Current liabilities** | | |
| a) Outstanding bonds | | |
| b) Due to banks | - | - |
| c) Payable to suppliers | | |
| Suppliers of goods and services | 2,738 | - |
| Invoices to be received | 1,190 | 1,190 |
| Sundry payables | - | 28,685 |
| d) Advances for contract work in progress | | |
| e) Other financial liabilities | | |
| Financial liabilities | - | - |
| f) Tax liabilities | | |
| Tax liabilities for withholding amounts | 836 | - |
| g) Other current liabilities | | |
| ***Total current liabilities*** | **4,764** | **29,875** |
| **Total liabilities** | **5,110,693** | **6,071,422** |

The Chief Executive Officer

*Euro*

| Income statement | 2020 | 2019 |
|---|---|---|
| 1. Revenues | | |
| Revenues from sales and services | - | - |
| Other revenue | - | - |
| 5. Changes in inventories of finished goods and work in progress | | |
| (Opening inventories) | (6,044,986) | (1,779,359) |
| Increases for the year | (3,240) | (4,586,127) |
| Write-downs | (162,437) | - |
| Reduction for use of previous years' write-downs | 102,505 | - |
| Sales for the year | 835,000 | 160,000 |
| Closing inventories | 5,128,272 | 6,044,986 |
| ***Gross revenues*** | ***(144,886)*** | ***(160,500)*** |
| 6. Other costs | | |
| Stationery | - | - |
| Technical consulting | (22,711) | (26,696) |
| Administrative services | (27,278) | (27,572) |
| Legal and consulting fees | (4,356) | (5,436) |
| Bank service fees | (158) | (382) |
| Services provided by Deutsche Bank Mutui S.p.A. | (42,700) | (122,000) |
| Commissions to intermediaries | (19,703) | (5,856) |
| Auditing | - | - |
| Miscellaneous expenses and services | (8,530) | (12,389) |
| Stamp duties | (104) | (100) |
| Infocamere service | (79) | (79) |
| IMU tax | (43,688) | (30,453) |
| Other taxes | (310) | (567) |
| Government concession tax | - | (310) |
| Chamber of commerce fees | (125) | (120) |
| Tasi tax | (122) | (72) |
| Other non-deductible charges | - | (5) |
| Tari tax | (11,774) | (8,685) |
| ***Total costs*** | ***(181,638)*** | ***(240,722)*** |
| 15. Financial income (expense) | | |
| Interest income on bank deposits | - | - |
| Interest expense on loan | (7,222) | (12,877) |
| Commissions on DB Mortgage Indemnity | (1,853) | (1,847) |
| Fees and commissions for non-use of credit lines | - | - |
| Other operating expenses | | |
| Total Expenses/Income | ***(9,075)*** | ***(14,724)*** |
| ***Pre-tax profit (loss)*** | ***(335,599)*** | ***(415,946)*** |
| 22. Income taxes | | |
| IRES for the year | - | - |
| Taxes from previous years | - | - |
| Prepaid taxes from previous years | | |
| **Net profit (loss) for the year** | **(335,599)** | **(415,946)** |

## STATEMENT OF COMPREHENSIVE INCOME

*Euro*

| | 2020 | 2019 |
|---|---|---|
| Profit (Loss) for the year | (335,599) | (415,946) |
| **Other comprehensive income (expense), net of income taxes, that will not be reclassified to income statement** | | |
| Property, plant and equipment | | |
| Intangible assets | | |
| Actuarial gains (losses) on defined benefit plans | | |
| Non-current assets held for sale | | |
| Share of valuation reserves of equity investments valued at equity | | |
| Other income comprehensive income (expense), net of income taxes, that will be reclassified to income statement | | |
| Hedges of foreign investments | | |
| Exchange rate differences | | |
| Cash flow hedges | | |
| Financial assets available for sale | | |
| Non-current assets held for sale | | |
| Portion of valuation reserves of equity investments valued with the equity method | | |
| **Total other comprehensive income, net of income taxes** | | |
| **Comprehensive income** | (335,599) | (415,946) |

Exact copy of the 2020 Financial Statements of Vesta Real Estate S.r.l.