WARNING:

Following the Bank of Italy recommendation dated 27 March 2020, regarding the distribution of dividends in the current health emergency related to the spread of the Coronavirus, the Board of Directors of the Parent Company Banca di Asti held on 9 April 2020 amended the previously-approved Proposal to the Shareholders' Meeting for the allocation of the profit for the year.

Consequently, the Banca di Asti Group recalculated the consolidated regulatory capital and the relative capital ratios as at 31 December 2019, and adjusted the corresponding prudential reports.

The amounts of consolidated capital requirements updated on the basis of the new proposal, are therefore € 1,054,176 thousand, 13.58%, 13.58% and 16.38% as regards Own Funds, CET1 Ratio, Tier 1 Ratio and Total Capital Ratio.

GRUPPO CASSA DI
RISPARMIO DI ASTI

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MAIN BALANCE SHEET DATA	31/12/2019	31/12/2018	CHANGES	
			Absolute	%
NET LOANS AND ADVANCES TO CUSTOMERS	6,890,068	7,159,657	-269,589	-3.77%
DIRECT FUNDING [(1)]	10,013,055	9,088,368	924,687	10.17%
INDIRECT FUNDING	6,179,457	6,007,679	171,778	2.86%
TOTAL BALANCE SHEET ASSETS	12,962,617	11,878,906	1,083,711	9.12%
TOTAL OWN FUNDS	1,043,567	951,874	91,693	9.63%

MAIN INCOME STATEMENT DATA	31/12/2019	31/12/2018	CHANGES	
			Absolute	%
NET BANKING INCOME	327,291	245,815	81,476	33.15%
OPERATING COSTS	-248,232	-256,073	7,841	-3.06%
NET PROFIT	40,748	5,878	34,870	593.23%

OTHER DATA AND INFORMATION	31/12/2019	31/12/2018	CHANGES	
			Absolute	%
EMPLOYEES	1,863	1,877	-14	-0.75%
BANK BRANCHES	236	241	-5	-2.07%
NON-BANKING BRANCHES	79	78	1	1.28%
NUMBER OF CUSTOMERS	478,184	466,485	11,699	2.51%

INDICATORS

PROFITABILITY INDICATORS	31/12/2019	31/12/2018
OPERATING COST INCOME [(2)]	55.41%	69.39%
ROE	5.00%	0.74%

RISK INDICATORS	31/12/2019	31/12/2018
NET BAD LOANS/NET LOANS AND ADVANCES TO CUSTOMERS	1.82%	2.15%
COVERAGE RATIO FOR BAD LOANS [(3)]	68.24%	68.12%
COVERAGE RATIO FOR TOTAL NON-PERFORMING LOANS	49.72%	48.79%
TEXAS RATIO [(3)]	70.88%	80.93%
FINANCIAL LEVERAGE [(4)]	17.54	16.23

CAPITAL RATIOS	31/12/2019	31/12/2018
CET 1 RATIO (CET1/RWA)	13.42	11.71
TOTAL CAPITAL RATIO (TOTAL OWN FUNDS/RWA)	16.22	14.86

(1) The figure is influenced by the trend of funding from institutional counterparties, net of which direct funding would be € 9,631 million as at 31/12/2019 and € 8,784 million as at 31/12/2018.

(2) Cost Income is calculated by excluding the extraordinary contributions to the National Resolution Fund, the write-down of the contribution to the Voluntary Scheme and the allocation to the Solidarity Fund; the figure for 2018 was calculated using the same criteria.

(3) Bad loans are shown net of write-downs made in previous years and of interest on arrears deemed wholly unrecoverable; the figures for 2018 were calculated using the same criteria.

(4) Calculated as the ratio of total assets net of intangible assets (numerator) and shareholders' equity net of intangible assets (denominator).

The schedules have been prepared using the figures of the reclassified income statement for operating purposes by referring to the methods illustrated in "Economic performance".
For the reconciliation between the reclassified financial statements and the statutory accounts, refer to the schedules shown in the "Annexes".

KEY CONSOLIDATED OPERATING DATA

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Amounts are shown in €/thousand)	31/12/2019	31/12/2018	CHANGES	
			Absolute	%
ASSETS				
Cash and cash equivalents	67,739	64,558	3,181	4.93
Financial assets	1,415,062	760,302	654,760	86.12
Financial assets measured at amortised cost	10,444,962	9,999,373	445,589	4.46
- of which loans and advances to banks	*554,111*	*152,533*	*401,578*	*263.27*
- of which loans and advances to customers	*6,890,068*	*7,159,657*	*-269,589*	*-3.77*
- of which other financial assets measured at amortised cost	*3,000,783*	*2,687,182*	*313,600*	*11.67*
Equity investments	77	0	77	n.c.
Property, plant and equipment and intangible assets	300,920	261,498	39,422	15.08
Tax assets	315,288	321,077	-5,789	-1.80
Other assets	418,569	472,098	-53,529	-11.34
TOTAL ASSETS	**12,962,617**	**11,878,906**	**1,083,711**	**9.12**
LIABILITIES AND SHAREHOLDERS’ EQUITY				
Deposits from banks	1,648,569	1,530,194	118,375	7.74
Financial liabilities held for trading	17,590	20,818	-3,228	-15.51
Direct funding	10,013,055	9,088,368	924,687	10.17
- of which deposits from customers	*8,181,813*	*6,867,016*	*1,294,797*	*18.86*
- of which debt securities in issue	*1,772,380*	*2,103,007*	*-330,647*	*-15.72*
- of which financial liabilities designated at fair value	*78,882*	*118,345*	*-39,483*	*-33.35*
Hedging derivatives	126,675	75,461	51,214	67.87
Tax liabilities	3,088	3,238	-150	-4.63
Other liabilities	245,083	257,189	-12,106	-4.71
Provisions for risks and charges	85,065	85,352	-287	-0.34
Shareholders’ equity	805,754	659,810	145,944	22.12
Minority shareholders’ equity	17,738	158,476	-140,738	-88.81
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**12,962,617**	**11,878,906**	**1,083,711**	**9.12**

In relation to the introduction of the new accounting standard IFRS 16 on 1 January 2019, the Group applied the option not to restate the comparative data. This means that the specific items of property, plant and equipment and deposits from customers among the balance sheet figures for 2019 and 2018 are not completely comparable.

For the reconciliation between the reclassified financial statements and the statutory accounts, refer to the schedules shown in the “Annexes”.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(Amounts are shown in €/thousand)	31/12/2019	31/12/2018	CHANGES	
			Absolute	%
INTEREST MARGIN	209,590	174,631	34,959	20.02
Net fees and commissions	95,609	125,524	-29,915	-23.83
of which Commercial banking	*114,411*	*121,787*	*-7,376*	*-6.06*
of which Pitagora	*-18,802*	*3,737*	*-22,539*	*n.s.*
Net profit (loss) from trading, hedging, assets/liabilities measured at fair value through profit and loss and at fair value through other comprehensive income, gains/losses on disposal of loans (Pitagora)	125,964	25,320	100,644	n.s.
of which Commercial banking	*62,946*	*12,645*	*50,301*	*n.s.*
of which Pitagora	*63,018*	*12,675*	*50,343*	*n.s.*
Dividends and similar income	10,929	13,282	-2,353	-17.72
Other operating expenses/income	1,947	3,876	-1,929	-49.77
GROSS INTEREST AND OTHER BANKING INCOME	444,039	342,633	101,406	29.60
Gains/Losses on disposal of financial assets measured at amortised cost	-23,244	-31,025	7,781	-25.08
Net adjustments for credit risk on financial assets measured at amortised cost	-93,078	-65,793	-27,285	41.47
Profits/losses from contractual changes without derecognition	-426			
NET INTEREST AND OTHER BANKING INCOME	327,291	245,815	81,476	33.15
Operating Costs:	-248,232	-256,073	7,841	-3.06
Personnel expenses	-131,627	-142,149	10,522	-7.40
of which personnel expenses	*-131,504*	*-126,069*	*-5,435*	*4.31*
of which allocations to the Solidarity Fund	*-123*	*-16,080*	*15,957*	*-99.24*
Other administrative expenses	-94,693	-99,481	4,788	-4.81
of which other administrative expenses	*-85,483*	*-89,599*	*4,116*	*-4.59*
of which contributions to the National Resolution Fund, S.R.F. and D.G.S.	*-9,210*	*-9,882*	*672*	*-6.80*
Net value adjustments to property, plant and equipment/intangible assets	-21,912	-14,443	-7,469	51.71
GROSS OPERATING PROFIT (LOSS)	79,059	-10,258	89,317	n.s.
Net provisions for risks and charges	-18,459	-4,474	-13,985	n.s.
Gains (losses) on equity investments	0	-9	9	-100.00
Other non-recurring income/charges	19	1	18	n.s.
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**60,619**	**-14,740**	**75,359**	**n.s.**
Taxes	-19,871	20,618	-40,489	n.s.
PROFIT FROM CONTINUING OPERATIONS	**40,748**	**5,878**	**34,870**	**593.23**
PROFIT FOR THE YEAR	**40,748**	**5,878**	**34,870**	**593.23**

In relation to the introduction of the new accounting standard IFRS 16 on 1 January 2019, the Group applied the option not to restate the comparative data. This means that the items relating to the interest margin, other administrative expenses and adjustments to property, plant and equipment in the income statement figures for 2019 and 2018 are not comparable.

The schedules have been prepared using the figures of the reclassified income statement for operating purposes by referring to the methods illustrated in "Economic performance".

For the reconciliation between the reclassified financial statements and the statutory accounts, refer to the schedules shown in the "Annexes".

The macroeconomic scenario

From the beginning of 2019, the international economic scenario showed signs of a flatter trend and the growth of world economic activity slowed down both in advanced and emerging economies, both impacted by the substantial maturity of the global economic cycle. Nevertheless, the accommodative policies of the central banks of the advanced economies and the relaxing of tension between the United States and China relating to custom duties boosted world trade, which resumed growth, leading to less pessimistic growth forecasts.

Based on the estimates of the International Monetary Fund (IMF) published in January, the growth of GDP was 2.9% in 2019 (a further fall compared to the estimate made in October), while a figure of 3.3% is predicted for 2020 and 3.4% for 2021. The fall in growth last year and the performance forecast for the coming years highlight the slowdown that the world economies are reporting, particularly in Europe and Asia.

According to studies by the Bank of Italy, the slowdown in the expansive trend of the economy is due to geopolitical uncertainties and the vulnerability of emerging markets. International trade increased only towards the end of 2019, after trade tensions on customs duties abated. Financial conditions continued to be substantially stable. Towards the end of the year, risk appetite rose slightly due to renewed expectations of a trade agreement between the United States and China, of a lower level of risk relating to a disorderly Brexit and the robustness of US economic figures.

Prospects for the growth of the global economy continue to be low. Geopolitical tension has risen significantly, particularly between the United States and Iran, and there are still fears that the Chinese and Indian economies may slow down more than expected. Although a Brexit without an agreement is no longer on the table, there is still a high degree of uncertainty as to the finalisation of the process to ratify the exit agreement, and as to future economic relations between the United Kingdom and the European Union (EU).

With regard to the situation of the advanced economies, according to the IMF, the United States recorded moderate growth in 2019, down against 2018; the weakness stems from the lower levels of confidence due to the geopolitical situation, the fall in non-residential fixed investment and the fall in exports. This led the Central Bank of America to inject liquidity and to lower the interest rates on Federal Funds by 75 basis points in 2019. Activity in the Eurozone was held back by a weak manufacturing sector, particularly in Germany. At the same time, positive aspects, such as the rise in employment and in wages, although at a slower pace, continue to sustain the economic resilience of the Eurozone. There are still risks to growth, related to the geopolitical situation, rising protectionism and the vulnerability of the emerging markets, although these aspects have become less pronounced, as part of the uncertainty as to international trade has been abated.

The Governing Council of the European Central Bank (ECB) reiterated its intention to continue with very accommodative monetary policy for some time. In the United Kingdom, economic activity slowed down in 2019. Confidence indicators were at modest levels, but lower than their historic averages. The result of the December election, as cited, averted the risk of a disorderly exit from the EU, as the withdrawal agreement has now become law. Nevertheless, the United Kingdom now has to rapidly reach an agreement on future relations with the European Union towards the end of 2020, and therefore political uncertainty remains high. In Japan, the trend that began at the end of 2018 continued, with moderate growth. Spending on operational factors rose, even though exports, production and business sentiment reflected the international geopolitical situation. In China, the slowdown of economic activity, underway since the beginning of 2019, appears to be stabilising and should draw further benefits from the signature of the agreement (Phase 1) that regulates, to a certain extent at least, trade relations with the United States.

With regard to advanced economies that do not belong to the Eurozone, according to the initial figures published by the Bank of Italy relating to the third quarter of 2019, GDP in the United States recorded a rise of 2.1% yoy, slightly up against 2.0% recorded in the second quarter and in line with the expectations of economic operators. In Japan, GDP recorded an increase of 1.8% yoy. In the United Kingdom, it rose by 1.7% In China, the growth rate continued to be stable (+6.0%), although down on last year.

The situation of the economies of emerging and developing countries was significantly influenced by geopolitical tensions and by conflicts. In particular, Argentina, Iran, Turkey, Venezuela and smaller nations such as Libya and Yemen, are experiencing serious macroeconomic difficulties. The larger emerging economies, India, Brazil, Mexico, Russia, *inter alia*, recorded growth that was considerably lower than their historic averages.

GDP performance in the main emerging economies was positive, but fragmented. In India GDP continued to rise (5.8% yoy); in Brazil, figures were positive but down against the same period of the previous year (0.8% according to estimates at the end of 2019); in Russia, growth was positive (1.1%), but considerably lower than 2018.
In the Eurozone, economic growth continued, but was down against last year. In 2019, GDP recorded a rise of 1.2% yoy, the most recent data and the results of the latest economic studies by the Bank of Italy show weaker growth than expected, due to specific factors at country and industry level. The weakness continued to regard the industrial sector, with a particularly marked decrease in Germany. Growth was sustained by internal demand, particularly by consumption, boosted by good employment figures and by the accommodative nature of monetary policy, which continued to support economic growth in the Eurozone. Business investments benefitted internal demand, favourable borrowing conditions and the improvement of financial statements. In addition, in 2019, the ECB confirmed the long-term nature of its expansive policies with a view to further stimulating economic growth.

At national level, according to the latest economic bulletin of the Bank of Italy, the economy started to lose momentum at the beginning of 2019, within the wider slowdown of the Eurozone, and then continued to fall during the second half of the year. Real GDP fell in the last three months of 2019, recording 0.1% at the end of the year. The slowdown was partially caused by the unfavourable trend of world trade but, above all, by the weakness of the internal manufacturing industry, which could also spread to the service sector. Surveys conducted by ISTAT and by the Bank of Italy indicate that businesses are still adopting a cautious approach: expectations on the development of demand indicate a rise in sales towards the end of the year and an improvement in foreign demand, particularly in industry in the narrow sense, although these contrast with negative opinions on the overall economic situation, especially as regards service companies.

Inflation in the main advanced economies continues to be limited, despite tensions in the labour market, which to date have translated into modest wage increases. Overall, "underlying" inflationary pressure should continue to be moderate in the short and medium term. In the United States, inflation was 2.3%, with a marked increase towards the end of the year due, partly, to an increase in the price of commodities, oil in particular, which experienced high volatility due to USA-Iran tensions; instead it fluctuated around 0.5% in Japan. In the United Kingdom, it recorded a continuous downtrend, reaching 1.3% at year end. In China, inflation was 2%, a slight rise against the previous year, and continued to be modest in the main emerging economies, especially in Brazil, up to 4.3% and in Russia (3%). However, India recorded a figure of 7%, a marked increase on the previous year (2.1%).

According to the latest figures of the international labour organization, in 2019, at global level, the unemployment rate was 5.4%, with 188 million people unemployed, up by 10 million against 2018. The same organisation estimates that the level of unemployment will remain stable for the next two years. The report also confirms that the labour market conditions in industrialised countries have continued to improve, particularly in the United States (4%) and in Japan (2.2%).

The European labour market has continued to improve. According to the ISTAT report, employment has now surpassed pre-crisis levels, bringing the rate of unemployment to 7.4% in 2019. Although the recovery is now widespread and many European nations are recording a fall in unemployment, this trend could stabilise due to a tightening of the conditions of the labour market, above all in German and the Netherlands.

At national level, employment continues to fall: according to ISTAT data, in December, the estimated number of people looking for a job fell against the previous year (9.8%; -0.8% against 2018). The rise in the number of jobs regarded all of the main macro sectors. In 2019, the number of employees continued to rise, however in the third quarter, the number of permanent employment contracts rose at a slower pace, while fixed term employment contracts started to rise again. These trends are influenced by the slowdown of transformations into permanent contracts. The percentage of transformations (new jobs and transformations), fell from 22.3% in the second quarter of 2019 to the current 12.8%.

The banking operating scenario. Lending activities

Given the slower growth rate of economic activity, the increased risk of a downtrend and the contained level of inflation, in 2019, central banks all over the world adopted more accommodative policies with respect to 2018. The Federal Reserve cut interest rates on Federal Funds by 75 basis points for the first time since the financial crisis, and from October, it intervened, guaranteeing, until January 2020, injections of liquidity through repurchasing agreements with overnight and 14-day maturities. Furthermore, from October, the Fed resumed the purchase of Treasury Bills with short-term maturities, expanding its budget at a monthly rate of USD 60 billion, until the second quarter of 2020. The main purpose of this was to absorb the liquidity tensions in the US interbank market from the Spring of 2019.
Among the other expansive monetary policy measures implemented, the European Central Bank cut the rate on Deposit Facility transactions by 10 basis points, bringing it into negative territory at -0.5%, and resumed the net asset purchased in November. This shift in political position appears to have been perceived by the financial markets as a turnaround in the monetary policy cycle, after a period of interest rate normalisation in several economies. The shift suggests that the process to return to pre-crisis interest rates and the balance sheets of the central banks may be more difficult than expected, especially for nations with weaker growth.

The scenario of banking activity in Italy continues to be challenging as in previous years; however, there are some factors that can be seen in a positive light, according to the Bank of Italy studies. Borrowing conditions continued to be relaxed: the banks indicate an easing of loan granting criteria and the cost of credit for households has fallen significantly. In contrast, business credit has fallen slightly, in line with the weakness of demand and the tightening of supply criteria, mainly implemented through an increase of the interest rates applied to businesses that are considered more risky. The flow of new non-performing loans continues to be modest, despite the unfavourable phase in the cycle. Furthermore, the banks have continued in their efforts to reduce the stock of non-performing loans included in their assets.
Credit trends continue to be influenced by the performance of investments and the economic cycle, which continues to be modest. The supply of loans to households has remained solid in terms of loans to purchase a home (+2.4% yoy). On the other hand, loans to non-financial companies fell by 1.4% in 2019. While loans to manufacturing companies and service companies rose, loans to construction companies fell. In all sectors, loans to smaller companies fell further.

The figures gathered by the ABI (Italian Banking Association) indicate that loans to households and businesses fell by 1.4% yoy, due to a fall in the demand for loans, even though interest rates continue to stand at historically very low levels. In

contrast, as already mentioned, a rise in the market of household mortgages was recorded.
Deposits rose by over € 116 billion, as at November 2019, compared with one year previously (a change of +7.9%) and, for the first time in over 7 years, medium and long-term funding, namely through bonds, recorded an increase of around € 3.5 billion in absolute terms yoy. Overall, although the figures are positive, they have all fallen against 2018 both in percentage and absolute terms; net bad loans went against the trend, and amounted to € 31.4 billion as at November 2019; this figure is a significant drop (€ -55.4 billion) compared to the figure for December 2016 (€ 86.8 billion).

Moving to bank interest rates, according to the ABI, the spread between the average interest rate on loans and the average interest rate on deposits of households and non-financial companies was 192 basis points, a sharp fall from the over 300 basis points recorded before the financial crisis (329 basis points at the end of 2007); the average interest rate on total loans was 2.50%, reaching a new record low compared to 2.51% the previous month (6.18% before the crisis, at the end of 2007); the average interest rate on new loans for the purchase of a house was 1.44% (1.4% in November 2019, 5.72% at the end of 2007); that on new loans to businesses was 1.20% (1.31 the previous month and 5.48% at the end of 2007), continuing to fall like the other items.

The local economy

According to a study by the Bank of Italy on the economic situation of Piedmont, in the first half of the year, the phase of weakness that began in the Summer of 2018 continued. Industrial production fell slightly, negatively impacted by the fall in foreign demand and the difficulties experienced by some specialist sectors in the region, particularly the motor vehicle and textile sectors. Business investments also fell. Instead, with regard to the service sector as a whole, performance was still fairly positive, although the situation was less favourable for the retail trade. In the construction industry, the economic situation improved slightly, although levels of activity continue to record historically very low figures. The private construction industry, in particular, benefitted from the further increase in sales in the real estate market; house prices have fallen however, even though only slightly.

In terms of employment, the recovery continued, although at a much slower pace than last year. The slight increase was driven by the employee component and regarded permanent contracts in particular, to a large extent reflecting the transformation of fixed-term contracts, going against the national trend. In contrast, new jobs with fixed-term employment contracts fell, also due to the deterioration of the economic scenario. The number of people looking for a job and the unemployment rate fell further.

Credit slowed down in the first six months. This was above all the result of a weak demand for loans for investments, against supply conditions applied by banks that were substantially unchanged. Loans to households continued to rise at the same pace as the previous year, with stable supply and overall accommodative policies. Credit quality continued to improve, while the bank deposits of households and businesses rose. The value of securities deposited with the banking system also rose, following the fall last year; the increase regarded all types of securities, with the exception of bank bonds.

In the Province of Asti, according to *Unioncamere Piemonte*, a slight rise in the number of small businesses (+0.16%) was recorded in the first three quarters of 2019. Industrial production levels in the area rose by 0.4%, thanks to the excellent performance of food and beverage industries. In contrast, the very positive period for exports recorded in 2018 came to an end, and this year recorded a decrease of -8.7%. The growth rate of new businesses was slightly positive (+0.14%), but the level of employment in the Asti area was down (-3,000 units).

Sources used: IMF, Bank of Italy, ABI, ISTAT, Unioncamere, Confartigianato, Regional Authority of Piedmont, Chamber of Commerce.

The consumer credit market

In the European scenario, according to the results of a survey published by Eurofinas (European Federation of Finance House Associations), in the first half of 2019, new loans amounting to € 235.1 billion were disbursed, marking an increase of +0.6% against the same period of 2018.
Personal loans recorded the highest increase, with a rise of 4% compared to the previous year, while revolving credit rose at a more moderate pace of 1.6%.

Loans to purchase motor vehicles rose by only 0.4% (-4.1% for new cars and +4.7% for used cars), a considerable slowdown compared to the double-digit growth recorded in the first half of 2018.
Aggregate figures reflect modest performance in all national markets.
In particular, Italy and Spain recorded an increase in consumer credit of over 5%, while Belgium, the Czech Republic and Norway recorded a fall of their market share of between -5% and -3%.
With regard to the Italian market, in 2019, consumer credit recorded a trend in line with that of the household consumption of durable goods, which showed resilience over the year.
Overall, in 2019, the flows disbursed rose by +5.7%, confirming the pace of the previous year, although slightly lower.
Almost € 66 billion was disbursed, with a total of over 310 million new loan agreements.
The market was driven by loans for the purchase a car/motorcycle, up by 8.5%, although at a slightly slower pace than the previous year, and those used to purchase other goods, which recorded double-digit growth (+12.3), while personal loans were in line with the increase recorded in 2018 (+5.2%), sustained by new loans.
Disbursements through credit cards/instalment payments recorded an increase of +5.1%. More specifically, the performance reflects that of credit cards, accounting for the majority of transaction flows, the majority of which are used on a “settle the balance” basis.

Sources: Eurofinas. Biannual Survey 2019; Retail Credit Observatory. Forty-seventh edition produced by Assofin, Crif and Prometeia; Assofin Observatory on Consumer Credit - December 2019.

The salary and pension assignment loan market

In 2019, salary and pension assignment loans rose by +1.8% (corresponding to a total of € 5.8 billion), at a slower rate than the previous year (+4.6%).
This trend reflects a fall in loans to public sector employees (-2.2%), which represent around one third of total flows of this segment, with loans to private employees only just positive (+0.6%) and a good increase in loans to pensioners (+5%).
Looking at performance in terms of percentage change, salary and pension assignment loans recorded a negative figure in the first quarter of 2019 (-1.5%) but the pace picked up in the second quarter (+7.5%), while credit flows fell in the third quarter (+1.3%), and continued to fall in the fourth (-0.8%), down with respect to market activity as a whole.

Sources: Eurofinas. Biannual Survey 2019; Retail Credit Observatory. Forty-seventh edition produced by Assofin, Crif and Prometeia; Assofin Observatory on Consumer Credit - December 2019.

The acquisition of minority shares of Biverbanca by Banca di Asti

After obtaining the authorisations from the competent authorities, the acquisition by Banca di Asti of the remaining Biverbanca shares was finalised, enabling it to reach 100% of Biverbanca's share capital, through the contribution in kind by Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli of 49,301,884 ordinary shares of Biverbanca, freeing up the share capital increase of the Parent Company resolved by the Board of Directors on 21 November 2019, which took place on 23 December 2019.
The purpose of the Transaction is to strengthen the Group structure by generating significant industrial synergies and better capital allocation. More specifically, the Transaction is part of a strategy pursued to increase the size of the Group, and is consistent with its roots and its operating units located in traditional business areas, focusing on expanding the sales network in Northern Italy, while also pursuing the Group's interest in continuing to support the local economy and to participate in the local initiatives set in motion thus far by Banca di Asti and by Biverbanca (maintaining the "Biverbanca" name even if it is merged into Banca di Asti), in full compliance with supervisory and credit selection principles, as well as to safeguard/enhance the human resources in a Group context.
The new share capital of Banca di Asti amounts to € 363,971,167.68 and is represented by 70,537,048 shares. Pursuant to art. 2444 of the Italian Civil Code, the certificate confirming the execution of the share capital increase was submitted for registration on the Asti Register of Companies within the legal terms. As part of the Transaction, two shareholders' agreements were signed, one between Fondazione Cassa di Risparmio di Asti and Fondazione CR Biella, and the other between Fondazione Cassa di Risparmio di Asti and Fondazione CR Vercelli, to allow Fondazione CR Biella and Fondazione CR Vercelli to appoint their representatives to the corporate bodies of Banca di Asti and specifically: 2 directors (including the Deputy Chairman) by Fondazione CR Biella and 1 director by Fondazione CR Vercelli.
In this regard, it is envisaged that, subject to obtaining the necessary regulatory authorisations, the Extraordinary Shareholders' Meeting of Banca di Asti will be convened to approve certain amendments to the articles of association for the purpose of providing that the Deputy Chairman of the Board of Directors is taken from the second list by number of votes (with a minimum of 10%) and the so-called "list vote" mechanism for the appointment of the members of the Board of Statutory Auditors so as to permit the appointment of 1 standing auditor and 1 alternate auditor from the second list.
The Transaction has led to the creation of the "Banca dei Territori", governed by Bank Foundations that have been working together for a long time and operate in the interest of the local communities, which will benefit shareholders, but above all savers and businessmen and women.
Again with regard to the Transaction, it also entailed the acquisition by Fondazione Cassa di Risparmio di Vercelli of additional Banca di Asti shares, corresponding to 0.25% of share capital, held by Fondazione Cassa di Risparmio di Asti, and additional Banca di Asti shares, corresponding to around 1.57% of share capital, held by Banco BPM S.p.A.

Mission and strategic design

In 2019, the companies of the Cassa di Risparmio di Asti Group continued to focus on strengthening their good market positions, to pursue their mission with determination and strength and to considerably expand their territorial and operational horizons. The capital ratios obtained in 2019 place the companies among the most solid and solvent in Italy, both at individual company and Group level, with a high surplus of liquidity reserves and on the capital requirements of the Supervisory Authority.

The good positioning of the banking Group on its foundations and the series of strategic activities planned and already in progress, have enabled the objectives established in the 2019-2021 Strategic Plan to be developed, focused on the autonomy of the Cassa di Risparmio di Asti Group, considering the following requirements:

- to maintain the Group's structural foundations which, thanks to the strategic decisions and the operating results of recent years, are solid and at high levels, particularly as regards liquidity, capitalisation, provisioning rates, financial leverage, efficiency and productivity ratios (net of charges and contributions to support the system and the costs of Redundancy Funds) and the diversification of sources of income;
- to look towards the future, while achieving a good level of profitability, continuing to pursue development projects and the related investments (including the relative costs in the income statement) to further improve the service model, with a view to making its competitiveness more effective from a sales perspective and its organisation and work processes more efficient;
- to improve overall profitability (short and medium term) and the related cost/income ratio, to increase the size of indirect funding, especially in the asset management area, to reduce the percentage represented by gross and net non-performing loans of total loans;

The Cassa di Risparmio di Asti Group confirms that they wish to be a set of modern, fast and flexible commercial companies, able to compete with excellence in their local markets, seeking to build lasting relationships with Customers to achieve reciprocal economic advantages.

Given the nature of a Banking Group, research and development activities are mostly addressed to studying the possible application of new technologies to customer relations, to improve and/or expand the range of products/services offered, to simplify and render internal company processes more efficient or for adaptations to comply with regulations.
The following paragraphs illustrate the main initiatives in the various areas.

Commercial policy

As at 31 December 2019, the Sales Network of the Banks of the Cassa di Risparmio di Asti Group was comprised by 236 branches, a Private Network with 7 managers and a Business Network with 25 managers.
Of the total number of branches, 205 are located in Piedmont and more specifically: 65 in the Asti area, 36 in the Biella area, 38 in the Vercelli area, 31 in the Turin area, 15 in the Cuneo area, 13 in the Alessandria area, 6 in the Novara area and 1 in the Verbano/Cusio/Ossola area.
Beyond the borders of Piedmont, the Group has operations in Lombardy, with 13 branches in the Milan area, 2 in the province of Varese, 5 in the province of Monza-Brianza and 2 in the Pavia area, 1 in the province of Brescia and 1 in the province of Bergamo, plus a further 4 agencies in the Valle d'Aosta Region, 1 branch in the province of Genoa in the Liguria Region and 1 branch in the province of Padua and 1 in the province of Verona, in the Veneto Region.

The sales network of Pitagora is mostly characterised by a direct and exclusive arrangement between the Company and the Financial agents, who work in sales outlets located throughout the country, which as at 31 December 2019 totalled 79.

With regard to commercial policy, in 2019, business strategies continued to be applied Group-wide, thanks to the collaboration and coordination between the different operating units.

The revision of the opening hours for Customers, in line with the evolution of the service model offered to Customers launched in 2017, continued into 2019, and has enabled the afternoon slot to be dedicated almost exclusively to presenting the product range and business consulting for Customers, while meeting any needs relating to branch transactions through the use of automatic cashiers.
Furthermore, with a view to business continuity with respect to the current organisational structure, a structural revision of the Company Organisational Chart was carried out to meet the need to guarantee that structures are able to fully focus on important issues of customer relations and on the related reputational impact.

The role of Banks with deep roots in the local area is always important, attentive to the needs of households and businesses, particularly small and medium sized enterprises, categories that have unfortunately been the worst hit by crisis in recent years.
The Group also feels that it is extremely important to take the requests of the local communities it operates in into due consideration, also through synergies created over the years with local institutions and associations it works with to support economic and social development.

Corporate product range

To provide support to businesses, the "Innovando Agricoltura", "Innovando Imprese" and "Innovando Estero" financing facilities, the Finpiemonte subsidised loans and the "Nuova Sabatini" loan to Small and Medium sized Enterprises (SME) for the purchase of new production machinery, systems and equipment, continue to be offered.

In the agriculture segment, subsidised loans under the "2019 Piedmont Region Green Plan" continue to be offered to individual and associated farmers, together with the relative reporting of the amounts disbursed to the competent entities.

During the year, the Guarantee Fund for SMEs - Italian Law 662/1996 - managed by MedioCredito Centrale was maintained operational. The Fund issues direct guarantees for loans granted to businesses and freelance professionals. The activation of this instrument has facilitated the access to credit of SMEs and professionals operating in the sectors covered by the Fund, enabling these customers to benefit from particularly advantageous economic conditions.

In 2019, the Cassa di Risparmio di Asti Group, in partnership with Piemonte Energy S.p.A., launched the offer for a qualified electricity supply service also to its corporate customers. The aim is to further enrich the range of services and products offered to the corporate segment, by providing expertise, services and competitive rates. Also in 2019, the due analyses were conducted to launch the supply of gas to corporate customers in 2020 (January).

The partnership with Turin Polytechnic also continued in 2019, through a product called PMInnova, by means of which the Cassa di Risparmio di Asti Group and the Polytechnic make themselves available to businesses to promote technological development, providing support to their innovation requirements and providing the opportunity to participate in projects funded by the European Union to help them obtain non-repayable grants and low-interest loans. PMInnova entails a "Subscription" service and other services provided by Turin Polytechnic: "Advice on innovation", "Registering for tenders" and "Business check-up".

In addition to the PMInnova initiative, the partnership with a company called Credit Data Research Italia S.r.l. (CDR) continued, which provides further advisory services to businesses, focusing on company finance and competitiveness. The range of services provided by CDR seeks to encourage and stimulate the investment opportunities of companies, through an extensive and diversified array of tools, including subsidised loans, tax credit, vouchers, non-repayable grants or interest rebates. Competitiveness is also supported through the provision of a clear and transparent credit profile for customers, suppliers or business partners and through the issue of certifications, for the environment, occupational health and safety or legislative obligations (e.g. GDPR).

Furthermore, in view of the entry into force of Italian Legislative Decree 14/2019, the Cassa di Risparmio di Asti Group, in partnership with CDR, is promoting a series of free meetings dedicated to the issue of Business Crisis, the aim of which is to provide support to corporate customers with the legislative reform. This initiative has been named "Education 2019", precisely due to its educational and not immediately commercial value and has enjoyed a high level of appreciation.

The long-term car leasing service continued to be offered in 2019 by Cassa di Risparmio di Asti Group and ALD Automotive Italia S.r.l.. ALD Automotive Société Anonyme, a company belonging to the Société Générale Group, is the number one operator in Europe, the third largest in the World, and through its subsidiary ALD Automotive Italia S.r.l., it is the largest operator in Italy in terms of market share.

With a view to expanding and updating its range of corporate products and services, following an in-depth survey of the market and of opportunities, in 2019, the Cassa di Risparmio di Asti Group gave a positive evaluation to the entry into the market of Minibonds and Short Term Bonds, which Milan Polytechnic, in a dedicated 2018 Annual Report, defines as debt securities issued by non-financial Italian companies, listed or unlisted on the stock market, by virtue of the legislative changes introduced from 2012 onwards.

The minibonds are considered a valid source of non-alternative funding, and as complementary to bank credit. It is also important to emphasise how the access to Minibonds represents strategic “training” to prepare for subsequent more complex transactions with institutional investors such as private equity or stock market listings.

Private customer product range

With regard to consumer credit, in 2019, the Group once again confirmed its focus on the world of individual and household customers, recording significant results in terms of disbursements.

From August 2019, the Group introduced the new digital signature function, which enables customers to apply for the “Erbavoglio Online” personal loan through the Banca Semplice Home (Internet Banking) service, representing a new approach to customer relations and credit management.

The Group also continued to focus on young people and training, through the personal loan called Erbavoglio for young adults aged between 18 and 28, to finance a master’s degree or an internship in Italy or abroad or for the start of their working career, or to finance the expenses that young people usually have to cover (for example the purchase of a PC, a car, etc.).

Again as regards consumer credit, the number of requests from Group customers interested in salary and pension assignment loans rose, offered in collaboration with Pitagora S.p.A., which belongs to the Group. In this regard, in 2019, to meet the needs to Customers, open days were organised in collaboration with Pitagora, dedicated to the “App day” and “CQ day” products, and were held on the premises of the respective branches of Group Banks.
Since December 2016, Group Customer consumers have been able to apply for a new type of loan called “Free Loan” addressed to those that intend to purchase a consumer good or service, benefiting from payment by instalments at advantageous

conditions. This type of loan may only be used in combination with specific commercial initiatives set in place with partners that are selected on each occasion. The partnership with C.E. Communications Engineering S.r.l. (Juice) continued, an authorised dealer for Apple Distribution International, which entails the Group Banks advising the company of customers interested in purchasing Apple brand products and accessories dedicated to the iOS world.

With a view to consolidating its relationship with customers who are Shareholders, the “Progetto Soci della Cassa” project, launched in 2011, was renewed for 2019. The project envisages exclusive services, especially in the healthcare sector, with the opportunity of accessing preventive medicine schemes free of charge, based on specific check-ups and specialist examinations (“health vouchers”).
Agreements continued to be made with new medical centres to further extend the territorial coverage of the offer dedicated to Parent Company Shareholders. In addition to dedicated supplementary healthcare solutions, Shareholders also have the opportunity of obtaining a “Nexi Excellence Soci” credit card free of charge, and for shareholders aged between 18 and 28, the “Nexi Classic” or “Nexi Finanziamento Erbavoglio +” or “Nexi Revolving” credit card. Lastly, the service also includes “museum vouchers”, valid for entry into exhibitions located in affiliated Museums and Entities.
At the end of 2019, the traditional Christmas Concert dedicated to Shareholders who hold at least 300 shares was staged, which has become a much appreciated and very popular annual appointment (attended by over 15,000 people).

The successful partnership with So.Met Energia S.r.l. and Piemonte Energy S.p.A. continued, offering a qualified electricity and natural gas supply service to the Group’s private banking customers, and recording significant results in terms of switching utility providers.

The aim of the partnership is to further enrich the range of services it can offer its private banking customers, who benefit from a special rate, and to facilitate entry into the free market with a view to the end of the higher protection service, currently envisaged for 31 December 2021, for customers who have not yet taken this decision.

Welfare areas continue to be a key focus, combined with the “Healthcare assistance” component, which in recent years is becoming increasingly important. In fact, through a product called “Carta dei Servizi per la Famiglia (Charter of Services for the Family) - Salutissima”, Group Banks have drawn up an offer of comprehensive healthcare plans, with options to meet the various requirements of Customers, combined with additional banking and non-banking services, such as a legal helpline. In 2019, Upgrade Azzurro was launched, available in “Dental Free” and “Dental Full” versions, which enables customers to extend their Healthcare Plans, with unlimited dental services, both in terms of type and number of visits at affiliated centres, and with a specific upper limit in terms of amount and number in terms of each individual type of service, at non-affiliated centres.

In 2019, several of the most successful promotional events for “wellbeing and lifestyle” were confirmed and extended, such as the “Camper per la Salute”, which continue to contribute to strengthening the Group Bank’s role as the “local bank”, by offering around 1,500 specialist examinations provided free of charge in the various commercial areas, in over 45 days, by FAB - Fondo Assistenza e Benessere S.M.S., a partner of the “Salutissima - programma benessere” initiative.

Furthermore, the long-term lease service offered in partnership with ALD Automotive Italia S.r.l. is also offered to private banking customers.

Payment instruments

In line with the advantageous conditions offered in previous years, to facilitate the circulation of instruments that are able to guarantee customers “self-service” transactions, such as the “Giramondo” debit card and the Banca Semplice Home service, in 2019, these services continued to be provided, targeting private banking customers that do not already own these instruments, offering the first year free of charge.
The range of payment cards was extended with the addition of the international debit card Nexi Debit, available in two versions, retail and small business, and of the new Carta&Conto, which replaces the previous prepaid card.
With regard to mobile payment services, our international credit and debit cards became ‘virtual’ and can now be used for the Apple Pay, Samsung Pay and Google Pay services, available from 2018, confirming our intention to offer our customers the most modern payment instruments.
Again as regards innovative payment services, Bancomat Pay was introduced, which enables money to be exchanged both between individuals and with merchants and the public administration, and can be activated through internet banking and used via the Bancomat app.
As regards Acquiring, we have extended the range of POS devices available by adding a smart POS to those already offered. This new type of POS offers merchants new services, which can be activated as they become available, through an app that can be downloaded by the C-Global store.

Foreign sector

With regard to the foreign sector, the main driver of domestic economic growth continues to be exports.
To meet the needs of corporate customers, again in 2019, the Cassa di Risparmio di Asti Group expanded its financial, credit and commercial range, offering an extensive portfolio of dedicated products and services.

An information campaign was also set in motion, to inform customers about initiatives encouraging internationalisation promoted by Public Entities (tenders, loans, vouchers etc.).
Particular attention was also placed in updating and advising customers about legislative, regulatory and operating changes that regard several key import/export countries.
Our constant commitment to promoting and supporting the internationalisation of local businesses is rewarded by the positive performance that can be seen by analysing the flows: in fact in 2019, imports and exports were significantly higher than the previous year, with an increase, in line with national figures, in the number of exporting enterprises, especially small and medium sized ones.

The Cassa di Risparmio di Asti Group, as in previous years, continues to work with Co.Mark S.p.A., to provide customers with a professional assistance and advisory service for internationalisation called “Export Development”. The aim of this service is to accompany customers along the path towards internationalisation, structured step by step, effective and bespoke, with a view to boosting sales and increasing the export revenues of the company; furthermore, through dialogue with the sales representatives, and by sharing the methods used, expertise and know-how can be transferred, thus strengthening the commercial capacity of the company.
More specifically, “Export Development” meets the needs of the local business community, particularly small and medium sized enterprises, which due to their small size find it difficult to penetrate foreign markets.

Financial sector

The economic scenario in 2019 continues to witness strong competition between banks in terms of funding and Banca di Asti pursues the objective of enhancing its relationship with the customer, seen as constant and long-lasting.

The “Welcome” initiative, which aims to increase funding from both existing and new customers, by combining the offer of investment services with Time Deposit Accounts was confirmed and adjusted to the remuneration levels offered by the competition in 2019, and was available for the first 7 months of the year.

The offer of mutual investment funds and of the asset management service have continued to be the main instruments used when providing advice to customers to increase the level of portfolio risk diversification and to guarantee the professional management of the same.

The portfolio management service “Patrimonium Multilinea”, launched in 2014, with the aim of increasing the level of personalisation in the asset management service for Affluent customers, continues to enjoy success in terms of the amount of assets managed. Through this service, customers receive the support of Investment consultants and can establish and manage the personalised asset allocation of their portfolios over time, using specifically developed simulation tools and receiving periodic statements.

In 2019, the “Patrimonium Multilinea” management service was expanded with the addition of two new lines, the *ML Strategia Obbligazionaria 2019-2021* and *ML Azionario Internazionale Accumulo 2019-2021*, which enable accumulation strategies to be adopted for bonds and shares, based on schedules defined contractually. They supplement the lines already available to build personalised portfolios for affluent customers.

In line with the features of the “Patrimonium Multilinea” service, and in the light of the macroeconomic and market scenario, the subscription of asset management products continued to be successful, adopting investment strategies characterised by a prudent approach to the financial markets, with the gradual accumulation of the more risky assets.

From January, the subscription of two new management lines was launched, the *2019 Balanced Trainer* and the *2019 Aggressive Trainer*, which envisage the gradual investment of the capital entrusted to the bank by customers, in the share and bond markets, with the aim of building, over a set time horizon, a portfolio with a share component of 40% and 80% respectively, corresponding to the Classic Balanced and Classic Aggressive lines.

On 10 October, with the aim of continuing to offer products based on the logic of a gradual approach to the market, the 2020 Moderate Trainer and the 2020 Balanced Trainer were launched, which at the end of the accumulation plan, envisage an asset component of 20% and 40% respectively, corresponding to the Classic Moderate and Classic Balanced lines.

With regard to Individual Savings Plans, at the beginning of 2019, the Bank blocked new subscriptions due to the fact that the implementing government decree relating to the legislation including in the 2018 budget law, on to the new composition of the Benchmark, was not issued. Only customers in possession of an ISP activated in 2018 were able to make further subscriptions.

In July, the range of investment products was expanded with the addition of the “Life/investment saving” segment, through a partnership agreement with the Helvetia group.

Three new multi-segment insurance products with financial content were therefore made available for placement.

These are three single-premium insurance solutions, with the option if additional payments, which envisage the investment of the premium in a combination of a traditional insurance component (Segment I) and a Unit Linked component (Segment III).
The new range of insurance investment products, called Helvetica Multimix, add to the range of products available to diversify a customer's financial assets, by offering investment solutions that are able to meet financial needs and welfare needs at the same time, alongside traditional solutions of Managed segment, namely the Multimanager Asset Management lines and the extensive range of UCITS.

To complete the range of investment products used by our customers, the offer of Banca di Asti and Biverbanca bonds was maintained, together with the "Time Deposit Account", subject to the guarantees envisaged by the Interbank Deposit Protection Fund.

Insurance sector

In 2019, the insurance sector confirmed the positive development trend already recorded in previous years, reaching a volume of net premiums purchased of around € 65.5 million.
In 2019, by virtue of the agreements signed at the end of 2018, partnerships with leading European insurance companies were established, such as the Helvetia Group (through Helvetia Vita for a range of savings/investment products, Chiara Assicurazioni and Helvetia Italia for a range of non-auto and auto policies respectively), and with the CNP group for life/personal protection policies.

These agreements have made it possible for Group Banks to continue with its strategy to rationalise the product range and promote the insurance portfolio.
From 2018, in line with IDD legislation (Insurance Distribution Directive (IDD), Group Banks made the strategic decisions to adopt a distribution model to support advisory activities by assessing the consistency of the offer with the needs of the customer and of the target market also by adopting organisational oversight IT systems.

With regard to the subsidiary Pitagora, over the year the Company consolidated its relations with its historic partners, leaders in the insurance sector, to cover its credit risks.

More specifically, Pitagora continued to work in partnership with AXA France Vie S.A., AXA France IARD S.A. and Net Insurance S.p.A., Net Insurance Life S.p.A., MetLife Europe Limited, HDI Assicurazioni S.p.A., Great American International Insurance Limited and Credit Life International and Aviva Italia, partners that specialise in insurance cover and protection from credit risks and/or life insurance cover, mandatory for the salary and pension assignment loans disbursed.
Furthermore, new partnerships were signed with Cardif Assurance, a market leader, Harmonie Mutuelle, Iptiq Life S.A. (Swiss Re Group) and Allianz Global Life.

With regard to the concentration of credit risk, in line with its insurance concentration policy, Pitagora confirmed the application of rules to assess the policies to be selected for each loan transaction, by conducting ex ante checks to ensure the fulfilment of specific qualitative and solidarity requirements by the partner Insurance companies, such as the assignment of a rating by ECAI agencies Standard & Poor's, Fitch and Moody's, recognised by the Bank of Italy, also with a view to assessing "Credit Risk Mitigation" requirements.

Communications

The communications activities of Cassa di Risparmio di Asti Group Banks in the first quarter of 2019 were characterised by advertising campaigns in line with the messages developed in 2018.

From April, a wide-ranging campaign was developed - which will continue on into 2020 - featuring the concept "We like looking after you", which enables both commercial and institutional messages to be created. The philosophy underlying all of the messages is to convey an image consistent with the mission, namely a modern, fast, flexible group, able to create value over time for all stakeholders, emphasising the importance of personal relations in dealings with customers and shareholders. The campaigns feature network staff and customers.

The different subjects of the campaign have been conveyed on each occasion by means of traditional communication tools - printed materials - and innovative ones - which can also be displayed on smartphones, tablets and PCs, and digital signage. The products and services promoted over the year regard the various segments of the retail and business product ranges of Banca di Asti, in line with the strategic plan and commercial policies: the personal loan "Erbavoglio", the wellbeing programme for the whole family "Salutissima", the gas and electricity offer, the new internet banking platform, financial advice, payment and collection instruments that offer an alternative to cash.

In addition, a 'drive to store' campaign was created through social media for the opening of the new Banca di Asti branch in Verona.

Over the year, a number of searches for highly specialised personnel were set in motion, mainly circulated through digital tools, social media and on-line recruiting platforms (Linkedin, Indeed).

The subsidiary Pitagora further boosted its sales and advertising activities through digital channels.

More specifically, in 2019, the company website was renewed, with a more customer-oriented layout, with a view to making it more attractive to potential customers and at the same time providing more information in terms of transparency and the ways to contact the company.

These improvements, combined with efforts to optimise the content (SEO) and search marketing activities to increase the visibility and traceability of the website through search engines (SEM), generated 578,647 views and aroused the interest of 290,187 potential new customers. In addition, direct marketing activities continued.

Sponsorships and partnerships

Sponsorships were managed mostly with regard to the sports, local community, cultural and social spheres, prioritising entities, associations, businesses of groups that are already customers of the Banks; the aim is to provide support to activities that improve the lives of the communities in which the Banks operate, with good image exposure.

Group Banks traditionally participate in the main local events, which provide high visibility, not only at local level: "Farms in the City" and the Magna Charta exhibition in Vercelli, the "Father and son. Ettore Pistoletto Olivero and Michelangelo Pistoletto" exhibition in Biella; the Fiera di Asti, the Bagna Cauda Day, the Organic Wine Show, il Palio di Asti, the Festival delle Sagre, the Douja d'Or, the "Monet and the impressionists in Normandy" exhibition in Asti, were some of the sponsorships with the greatest impact.

Events

The organisation of events is one of the most demanding tasks of the Communications sector, but does provide the highest image exposure and direct communication opportunities. Of the main events organised over the year, we draw attention to:

- five exclusive evening events held at Palazzo Gromo Losa for the "Father and son. Ettore Pistoletto Olivero and Michelangelo Pistoletto" exhibition, with a guided tour of the exhibition and dinner at the museum, which involved around 100 customers;
- four evening events for the "Magna Charta - Guala Bichieri and his legacy" exhibition, at the Arca di Vercelli, with a guided tour of the exhibition and dinner, which involved around 80 selected customers;
- the show entitled "Non mi hai più detto ti amo" with Lorella Cuccarini and Giampiero Ingrassia, at the Alfieri theatre in Asti, dedicated to the affluent customers of Banca di Asti, which was attended by over 500 people;
- four exclusive evening events at Palazzo Mazzetti, for the "Monet and the impressionists in Normandy" exhibition, with a guided tour of the exhibition and dinner at the museum, which involved around 150 selected customers;
- the Christmas Concert reserved to shareholders of Banca di Asti, with 20 shows, of which 8 in Asti, 3 in Biella, 2 in Vercelli, 2 in Varallo Sesia, 2 in Turin, 1 in Alba, Alessandria and Milan, which attracted over 15,000 spectators.

In collaboration with FAB SMS, Fondo Assistenza e Benessere, events continued to be held in the branches to promote a culture of prevention. On the Salutissima Camper, preventive check-ups were provided to around 930 people, with 27 “Health Days” relating to the Biverbanca branches and 620 people, with 18 “Health Days” relating to the branches of Banca di Asti.

E-banking

In 2019, all retail users were migrated to the new internet banking platform called Next Gen, which boasts new features and numerous improvements over the last one as well as completely new and more modern layout. The app has also been renewed.
PSD2 legislation also introduced the requirement for SCA (Strong Customer Authentication) to access the service at login.
Online sales features were later released on the new platform, at present just for debit cards and Erbavoglio loans for fixed and limited amounts. To finalise the relative contracts, digital signatures have been introduced by downloading a digital certificate within the Banca Semplice Home service.

Human resource management

The table below provides data relating to the breakdown of the workforce by contractual category, age brackets and education.

EMPLOYEES (by category)	2019	
	Number	%
Executives	31	1.66%
Middle Managers	558	29.95%
Clerks	1,274	68.39%
TOTAL	**1,863**	**100.00%**

The employees of the subsidiary company Pitagora S.p.A. belong to the Commerce and Services sector: the breakdown between the different contractual categories has been adapted to that of the banking sector.

EMPLOYEES (by age bracket)	2019			
	Executives	Middle Managers	Clerks	Total
Up to 30	0	0	186	186
Between 30 and 50	6	213	776	995
Over 50	25	345	312	682
TOTAL	**31**	**558**	**1,274**	**1,863**

EMPLOYEES (education)	2019		
	Men	Women	Total
University Degree	314	428	742
High School Diploma	451	631	1,082
Secondary School education	28	11	39
Elementary School education	0	0	0
TOTAL	**793**	**1,070**	**1,863**

Human resource development

The training offered was adapted to both the needs that emerged from an analysis of the integrated systems of personnel management tools, and the need to boost expertise relating to business development, legislative changes, project management and procedural innovations. Of these, the strategies outlined in the 2019-2021 Strategic Plan are of particular importance, which contain the areas for development identified by Cassa di Risparmio di Asti Group.

In 2019, Academies were designed and inaugurated for Group Banks, with a view to sharing know-how, values, approaches and strategies for personal development, with the aim to continuously develop and share knowledge, align corporate values and enhance professionalism.

The first Academy to be held was that addressed to Top Management, with a view to:

- spreading and guiding the company culture of the workforce in line with the mission;
- disseminating the company's guidelines and objectives;

- acquiring new professional and personal expertise to improve managerial performance;
- strengthening leadership skills to encourage the acquisition of the tools and the skills needed to manage and motivate workers;
- facilitating the analysis of one’s own leadership style.

In addition to the cited Academies, the Training Plan is structured into the following Subject areas:

- “Management - Behavioural Training” included in career paths relating to the role of Directors/Deputy Directors and Office Managers of the Head Office;
- “Sales Training” with a view to boosting the action of sales structures, empowering and enhancing individual staff members, the managers dedicated to specific segments and product managers;
- “Specialist Training” addressed to encouraging an understanding of activities and an awareness of the role assigned within the company and to looking deeper into certain topics in order to boost the professional/job profile;
- “Legislative Training” the objective of which is to keep skills constantly updated with respect to legislative provisions.

With regard to the subsidiary Pitagora, also in 2019, the Company continued to provide training to its branch employees and to its sales network, are expanding and updating the professional know-how and skills of the entire company structure is considered to be of fundamental importance, also with a view to guaranteeing customers a service based on the principles of correctness and transparency.

To this end, continuous training was offered in:

(i) GDPR and Privacy;
(ii) Anti-money laundering legislation;
(iii) Italian Legislative Decree 231/2001;
(iv) Transparency of transactions and of banking and financial services and correctness of relations between intermediaries and customers;
(v) Occupational health and safety.

Furthermore, Pitagora organised training courses in English, Team-Building, Excel, Securitisation, Cyber security, use of Qlik View, as well as Web Marketing techniques and effective communication.

The Company continued its successful partnership with SAA - Scuola di Amministrazione Aziendale – belonging to Turin University, by organising a series of courses for the mandatory professional development courses for financial agents registered on the List held by the Agents and Brokers Body (“Organismo Agenti e Mediatori”, “OAM”), in preparation for the exam for aspiring agents. Therefore training days in the classroom were organised, which involved the entire sales network, in compliance with legislative provisions and the circulars of the OAM.

With a view to recruiting new resources and placing them in its sales network, Pitagora trained new financial agents, using the "Academy" course, offered internally since 2018.

In this regard, the Academy course, also in 2019, guaranteed the training of both agents registered with the OAM and future financial agents by providing training days addressed to maintaining the requirements requested by the OAM, through:

- theory courses held by university professors, assisted by industry professionals;
- training days to develop the commercial, organisational and operating aptitudes of the sales network, with a view to excelling in the service provided to customers of future financial agents;
- a modular and structures training course dedicated to preparing for the OAM exam, in order to acquire the legal, commercial and operating skills required of a financial agent;
- training days to develop the knowledge of the tools, operations and the management structure of Pitagora.

In 2019, the Company conducted training sessions for 70 aspiring agents, following which, 54 successfully passed the OAM exam; of the latter, 37 were formally engaged by the Company as financial agents before the end of the year, and 6 in the current year.

The environment

Social and environmental sustainability are of fundamental importance to the Group, which has set numerous initiatives in motion to highlight the relevance of ESG (Environmental, Social, Governance) topics. For more details, please refer to the content of the Non-Financial Statement.

Development strategy and projects

The active management of an extensive Project Portfolio has strengthened the Group's implementing skills and directed productive energy to the initiatives identified by areas for development envisaged in the Strategic Plan.

Through guided projects, significant results were obtained, confirming the Group's profile as a competitive and modern Commercial banking group that focuses specifically on diversifying sources of income, overseeing risk, the effective management of non-performing exposures and operational efficiency.

Furthermore, to maintain competitiveness in a market in which innovation is the driving force behind new service models, and has become key in a mature industry such as banking, projects focusing on "technological innovation" have been undertaken. The 2019 Project Portfolio therefore encompassed numerous initiatives that can be grouped into five main areas, the results of which confirm the Group's ability to effectively implement them.

Laboratories

In line with previous years, the "New Branch New Network Laboratory" project continued, the objectives of which are to consolidate the development of the service model by evolving commercial practices, to simplify operational management, also in relations with customers, to introduce optimisation processes, to disseminate branch models that are technologically evolved and have redesigned layouts.
Attention to the customer was the focus that guided the fine-tuning of the service model, concentrating on training the Sales Network from a change management perspective, with a view to improving competitiveness based on personal relationships with customers.
The service model will be based on welcoming the customer and on providing assistance to Casse Più operations, on work organisation and planning, on the active monitoring of operating peaks to reduce the waiting times of customers in the branch.
Newly-opened branches were equipped with evolved ATMs, which in addition to the standard withdrawals and payments, feature numerous other activities that previously could only be offered by a cashier and when the branch was open. These evolved functions have been extended to all ATMs already in use, where technically feasible.

Of the active Laboratories, the efforts dedicated to the "Quality and Lean Organisation Laboratory" are of note, the purpose of which is to test and develop organisational processes and models, seeking to increase service quality through robotics and automation. More specifically, numerous processes have been automated, relating to both the sales network and the head office, which required manual, repetitive activities with a low added value. Automation has also led to an improvement in process quality and the related reduction of operational risk.
With regard to the issue of customer service quality, the business model for the management of the ticketing system and for process measurement has been defined, the internal reporting system has been activated and numerous processes have been added to the oversight mechanism.

Testing also continued as regards the "Technology Laboratory", which focused on four areas for development: Analytics, Chatbot and Artificial Intelligence, Big data and advanced electronic signature.
In the area of analytics, algorithms for customer analyses and to improve the range of products and services offered based on needs that change very quickly were tested with successful results. In addition, a chatbot was tested to give advice using artificial intelligence that "learns" continuously from chatting with users.
Significant progress was made also in terms of big data, and the possibility to actually use the data; the test on the Big Data Appliance, provided by the outsourcer of the IT system by activating a partition of archives, was concluded successfully. The architecture of the data flow receipt system was also defined.

With regard, instead, to the area of advanced electronic signature, a technological system was designed that enabled contracts to be signed in the branch also in a deferred mode.

Asset Quality and capital

Credit risk received a considerable amount of attention, both in terms of portfolio management and the consequent management of the related risks. With a view to improving asset quality and capital absorption, efforts relating to two long-term projects continued.
"AIRB Pooled Rating", which designed, implemented and fine-tuned the processes, the structures and the instrumentation of the risk management and measurement system, based on internal rating models. The project envisages the participation of a pool of banks that share the Cedacri information system.
"NPE Strategy Execution", the aim of which is to implement the new NPE management model, taking into account the ECB Less Significant Institutions Guidelines and industry best practices. More specifically, the project seeks to increase the governance and control of NPE management by quickly reducing the stock of the same to sustainable levels, completing the extraordinary deleverage programme launched at the end of 2017. The improvement of the Bank's asset quality is determined by the improvement of ordinary management at all stages of NPE. The initiatives planned during the year obtained substantially important results, due to the adoption of the "agile" approach, which optimises the time required to meet objectives, and so-called "sprints", which help focus resources to achieve real results in a short amount of time.

Commercial

The Group has developed a substantial series of commercial projects, of which the "Energy Consulting for Private and Corporate customers" is worth mentioning, which has further contributed to diversifying the source of income in 2019. The range of electricity and natural gas services is now available to both private banking and corporate customers.

Again as regards the commercial area, projects with a high technological content were competed, namely "Digital Signatures for remote contracts" and "On-Line Branch":

- the former, to develop an alternative way of signing to the tradition one, so that the customers of Group Banks can sign contracts remotely;
- the latter to generate and facilitate the sale of products and services and to modernise the Group's image, by integrating the relationship model on a multi-channel basis with the service provided by the Local networks.

The WhatsApp communication service for customers was also launched. This social network has become a digital branch for sending text and voice messages and also images. The Bank responds through a certified profile. The online branch is also available by phone, e-mail and text messages, and provides assistance for online purchases also outside of the opening hours of traditional branches.

Efficiency

Efforts were focused on the activities required by anti-money laundering legislation and on the need to expand the service offered by the sales network. Therefore we concentrated on measures that enabled the absorption of branch resources dedicated to anti-money laundering activities to be reduced, seeking to centralise some of them, automating those possible and acquiring outsourced services to collect data from the beneficial owner. These measures led to significant results in terms of saving operational time in the branch, further strengthening the controls already in place and improving the quality of service provided to branches.

Funding

With regard to intragroup funding operations, the model for the purchase of non-recourse loans was defined and constructed by Pitagora, which means that intergroup securitisation transactions will no longer be needed. In less than six months, the IT and security infrastructure was implemented, and the information and reporting flows, operating processes and internal controls were all set in place.

Projects in Pitagora

Over the year, projects focused in particular on commercial, legislative and efficiency areas.

Commercial

The “Personal loans by Younited Credit” project was completed, which has contributed to the range of products offered by Pitagora and good income in terms of fees and interest.

Legislation and Regulation

The “Loan classification and supervisory reporting from a CR perspective” project was completed, the aim of which was to review the logic underlying loan classification and the consequent supervisory reporting based on the Central Credit Register and in compliance with new accounting standard IFRS 9.

Efficiency

The “Customer Portal” project was completed, which led to the creation of a reserved area for customers so that they can see their repayment plans, consult their document folder and submit requests.

The internal control system

In line with Supervisory provisions, the Internal Control System is comprised by a set of rules, processes, procedures, organisational structures and resources, which seek to ensure, while observing the principles of sound and prudent management, that the following objectives are reached:

- verifying the implementation of company strategies and policies;
- containing risk within the limits established by the Group;
- the effectiveness and efficiency of company processes;
- safeguarding the value of assets and protecting from losses;
- reliability and safety of company information and of IT procedures;
- preventing the risk that the Group is involved in illegal activities;
- the compliance of operations with the law, Supervisory regulations as well as policies, regulations and internal procedures.

The Internal Control System is an integral part of the Group’s daily activities and all company structures are committed, with regard to their specific scope of responsibility and the tasks assigned to each of them, to conducting controls on the processes and operating activities they are responsible for. The system envisages three levels of controls:

- first-level controls, to ensure that the operations performed by the same operating structures or assigned to back office structures are conducted correctly, and incorporated into IT procedures as far as possible;
- risk and compliance controls, entrusted to structures other than production, they ensure that the risk management process has been correctly implemented, check the consistency of the operations of individual areas with the risk objectives, verify compliance with the delegations awarded and verify the compliance of company operations with the law and regulations;
- internal audit, whose purpose is to identity irregularities, infringements of procedures and of regulations, as well as to assess the overall functioning of the Internal Control System. The activity, entrusted to independent non-production structures, is performed on a continuous basis, periodically or by exceptions, also through on-site audits.

First-level controls are performed directly by the operating structures, which are primarily responsible for the risk management process: during daily operations, these structures must manage the risks resulting from ordinary business activities; they must comply with the operating limits assigned to them consistent with the risk objectives and with the procedures that the risk management process breaks down into. Specific audits are also conducted in this regard, by specialist structures of the head office (mostly back office), with a view to improving the effectiveness of the control oversight mechanisms envisaged by company processes.

Risk and compliance controls (second level) are assigned to the Risk Management and Compliance Functions respectively.

The Risk Management Function is tasked with continuously verifying the adequacy of the risk management process, the measurement and integrated control of the main types of risk and the consequent capital adequacy. The Function contributes to defining and implementing the Risk Appetite Framework (RAF) and the relative risk governance policies, verifies compliance with the limits assigned to the various operating functions and checks the consistency of the operations of the individual production areas with the risk objectives established. The Function is also responsible for measuring and assessing risk with a view to calculating the overall internal capital (Internal Capital Adequacy Assessment Process, ICAAP) and the liquidity situation (Internal Liquidity Adequacy Assessment Process, ILAAP) as envisaged by Prudential Supervision Regulations.

The Compliance Function ensures the oversight and the management of activities related to the risk of non compliance with the law, meaning the risk of incurring judicial or administrative sanctions, relevant financial losses or reputational damage due to infringements of mandatory (legislative or regulatory) provisions, or those relating to self-regulation (articles of associations, codes of conduct, codes of self-governance, regulations, policies).

To this end, the Function identities, assesses and manages the risk of legislative or regulatory infringements and ensures that the internal processes and procedures are consistent with the objective of preventing the infringement of external regulatory and self-regulatory provisions. With regard to investment services, the same Function is tasked with regularly checking and assessing the adequacy and the effectiveness of the oversight mechanisms adopted for the provision of these services.

The Internal Audit Function (third level) adopts a systematic approach, to verify the regularity of operations and the risk trend, as well as to periodically assess the completeness, the adequacy, the functioning and the reliability of the overall Internal Control System.

The Internal Audit Function is also tasked with periodic audits on the adequacy and the effectiveness of the second level Company Control Functions, on the effectiveness of the process to define the Risk Appetite Framework (RAF), on the internal consistency of the overall mechanism, and the compliance of company operations with the RAF, on the adequacy of the Internal Capital Adequacy Assessment Process (ICAAP) and on the compliance of remuneration and incentive practices with the legislation in force and the policies adopted by the Group.

The Company Control Functions also include the Anti-Money Laundering Function, governed by specific implementing provisions on the organisation, procedures and internal controls to prevent the use of intermediaries and of other parties that conduct financial activities for the purpose of money laundering or terrorist financing, pursuant to Italian Legislative Decree no. 231 of 21 November 2007.

The company control functions also include the Validation Function, which is tasked with continuously checking the compliance of the Internal Rating System (IRB) and the adequacy of the methods used by the Group to manage and measure risk.

The Internal Audit, Anti-Money Laundering, Risk Management, Validation and Compliance Functions of the Subsidiary Biverbanca S.p.A. are centralised in the Parent Company, as are the Anti-Money Laundering, Risk Management and Compliance Functions of Pitagora S.p.A..

In addition to the Company Control Functions, the following Bodies envisaged by the Articles of Association or by Legislative provisions are also in place: Risk Committee, Board of Statutory Auditors, Supervisory Body pursuant to Italian Legislative 231/2001 and the Independent Auditors.

In addition, with a view to implementing and promoting a culture of legality throughout the organisational structure, an “Internal whistleblowing system” is in place. Any illegal conduct (meaning an action or an omission) that emerges in the performance of a working activity, which could be damaging or detrimental for the Group or for its employees as directed towards infringing the legislative provisions governing banking activity, may be reported.

Within the Internal Control System, a series of communication flows is envisaged, on a continual basis, between the Company Control Functions and the Corporate Bodies, relating, in particular, to the results of control activities and the identification of remedial actions as well as verifying the relative progress. The sharing of information that may be useful for planning and more generally the coordination of activities between the different Control Functions takes place (in addition to the Group and company coordinating bodies envisaged by internal regulations) at a specific “Inter-functional ICS Coordination Group” envisaged by the Group ICS regulation.

With regard to the Internal Control System, in its management and coordination capacity, the Parent Company exercises:

- strategic control over the development of the various business areas in which the Group operates and of the risks associated with the same;
- management control to ensure a balanced economic, financial and capital situation for individual Group companies and for the Group as a whole;
- technical-operational control to assess the various risk profiles of the individual Subsidiaries and of the overall risks of the Group.

Main risk factors relating to the Group and the sector it operates in

The Group is exposed to the risks of the banking and financial sector, the main ones of which are credit risk, market risk, liquidity risk and operational risk. In line with that provided for in the Group's policy documents, maintaining high standards in terms of monitoring, measuring and managing relevant company risks is considered strategic.

Just as in the past, in 2019, efforts continued to ensure the continuous development of the internal control system, with a view to pursuing the increasing integration and effectiveness of oversight mechanisms with regard to the different risk categories.

Credit risk

Consistent with the commercial and territorial nature of Group Banks, credit policies are addressed to supporting local economies, households, businessmen and women, professionals and small and medium sized enterprises; credit therefore is the most important aspect of the Companies' business and credit risk is the most significant source of risk to their businesses.

The aim is to create a stable relationship with the customer, managed from a long-term perspective, with a view to providing continuity over time to relations with counterparties, in order to understand their strategic decisions and their key economic and financial factors, prioritising credit risk over increasing asset volumes. Credit risk represents the potential loss resulting from changes in the customers' income generating capacity and equity situation, that occur after the disbursement of the loans, such that the customer cannot promptly fulfil its contractual obligations. Indications of credit risk are not only insolvency, but also the deterioration of creditworthiness.

When granting loans, the Group's guidelines, retained fundamental for the correct management of its loans portfolio, are based on the fragmentation of the risk among a multitude of parties (private and corporate customers) operating in different sectors of economic activity and in different market segments and the consistency of each credit facility to the creditworthiness of the customer, and the type of transaction, taking into account collateral guarantees that may be acquired.

To mitigate credit risk, during the credit facility granting process, guarantees are required, the effectiveness of which is checked periodically.
Using specific structures, procedures and tools to manage and control credit risk, the Group constantly monitors the development of doubtful exposures - considered as a whole or as individual components - and the percentage they represent of the total cash loans disbursed and signature loans granted. For further information on the credit risk of the Group and the relative management policies, please refer to the Notes to the consolidated financial statements, Part E.

Market risk

The main components of market risk are interest rate risk and price risk on the owned banking book and the trading book, foreign exchange risk and counterparty risk. Market risks represent, therefore, a central component of the broader economic risk, or the risk linked to the possibility that the profit generated will differ from shareholder and management expectations.

The Group has adopted strategies, procedures and systems to manage and control market risk.
Pure trading activities and consequently the trading book are marginal in terms of the construction and management of the Group's owned portfolio.
The Group operations on the markets regarding financial instruments and foreign currencies are traditionally characterised by the utmost prudence and, therefore, the risk exposure generated by the same is usually limited.

Foreign exchange risk represents the risk of incurring losses due to adverse changes in the prices of foreign currencies on all of the positions held by the Group, regardless of the portfolio they are allocated to. The Group is marginally exposed to foreign exchange risk as a result of its limited trading activities in the currency markets and its investment and fundraising activities with instruments denominated in a currency other than the Euro.
Hedging of foreign exchange risk tends towards minimising currency exposure by entering into agreements with credit counterparties intended to hedge the positions at risk.

Counterparty risk is the risk that the counterparty to a transaction relating to specific financial instruments defaults before the transaction is settled. This is a type of risk that generates a loss if the transactions set in place have a positive value at the time the counterparty becomes insolvent. The main source of counterparty risk is related to derivatives stipulated by the Group exclusively with institutional counterparties to hedge interest rate risk. In this regard, a form of mitigation of counterparty risk is represented by Credit Support Annex contracts, stipulated with counterparties, which entail setting up guarantees to cover the existing credit.

For information on the market risk of the Group and the relative management policies, please refer to the Notes to the consolidated financial statements, Part E.

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its obligations at the time of redemption and covers the possibility that the enterprise cannot maintain its payment commitments, due to the inability to raise new funds (so-called funding liquidity risk) and/or the inability to liquidate assets on the market (so-called market liquidity risk) due to the existence of limits to their disposal.

Liquidity risk also includes the risk of dealing with payment commitments at non-market costs or incurring a high
cost of funding and/or incurring capital losses due to the disinvestment of the assets.

The proper management and adequate monitoring of company liquidity also involves processes, instruments and methodologies that embrace distinct areas represented by operating liquidity, structural liquidity and strategic liquidity.

The Group has adopted tools and procedures to ensure effective and active liquidity management and the systematic control of the liquidity position and of the management of the owned portfolio. The Group has also adopted specific "Group Liquidity Policies" with a view to establishing the principles and guidelines for the efficient and effective management of its liquidity, in order to comply with Supervisory and internal regulations and to comply with the regulatory limitations envisaged by Supervisory Regulations.

For information on Group liquidity risk and on the relative management and control tools, please refer to the Notes to the consolidated financial statements, Part E.

Operational risk

Operational risk is the risk of suffering from losses deriving from inadequacies, malfunctioning or gaps in internal processes, in human resources, in systems or due to external events. This risk encompasses "legal risk" (risk resulting from infringements or from failure to comply with laws or regulations, or poor transparency as regards the legal rights and duties of the counterparties to a transaction) and "conduct risk" (risk of losses due to the inappropriate offer of financial services and the related legal costs, including cases of conduct that are intentionally inadequate or negligent).

The sources of operational risk include customers, products and
operating practices, external fraud, the performance and management of processes, employment contracts and occupational safety, damages to material goods and internal fraud.

The entire organisational structure is exposed to operational risk and the
functions responsible for processes and/or the company operating units are tasked with managing this risk.

The Internal Control System constitutes a fundamental element of the overall Group Company governance system. Its objective is to guarantee that company operations are inspired by principles of sound and prudent management and that they are aligned with approved strategies, the policies adopted and the risk appetite.

The awareness of the importance of an efficient Internal Control System in terms of safeguarding the value of the business and in safeguarding its reputation is conveyed within the Group by plans, decisions and action aimed at spreading a "risk culture" and at strengthening the control system.

Group companies have adopted tools and procedures to keep operational risk under control and, periodically, collect, analyse and statistically process the historic loss data recorded internally.
One tool used to mitigate operational risk is represented by the Business Continuity Plan, which envisages a series of initiatives to reduce the damages caused by accidents and disasters that directly or indirectly affect Group Companies to an acceptable level, and by the Disaster Recovery Plan, which establishes the technical and organisational measures needed to handle events which could lead to the unavailability of data processing centres.

Lastly, another tool used to mitigate operational risk is represented by the insurance cover set in place by Group Companies with leading insurance companies.

The Prevention and Protection Department, in compliance with provisions in force, monitors health and safety conditions in the workplace, implementing, if necessary, the appropriate improvement measures.

IT risk

Closely related to operational risk, IT risk represents the risk of incurring economic losses, reputational damage and the loss of market share relating to the use of information and communications technology.
The IT system (including technological resources - hardware, software, data, electronic documents - and human resources dedicated to their administration) represents a very important tool to achieve strategic and operating objectives, given the critical nature of the business processes that depend on them. In fact:

- from a strategic perspective, a safe and efficient IT system, based on a flexible, resilient architecture, integrated at group level, enables the opportunities offered by technology to be exploited to extend and improve products and services for customers, increase the quality of work processes, encourage a paperless approach, reduce costs also by creating virtual banking services;
- with a view to sound and prudent management, the IT system enables management to obtain detailed, relevant and updated information to make informed and rapid decisions and to properly implement the risk management process;
- with regard to limiting operational risk, the regular performance of internal processes and of the services provided to customers, the integrity, confidentiality and availability of the information processed, relay on the functioning of automated processes and controls;
- as regards compliance, the IT system is tasked with recording, storing and correctly representing operating events and events that are relevant for the purposes envisaged by the law and by internal and external regulations.

For further information on the operational and IT risks of the Group and on the relative management policies, please refer to the Notes to the consolidated financial statements, Part E.

Emerging risks

The Group will assess for the coming years whether to add to its analyses - and consequently its disclosure - relating to the impact generated and suffered in terms of Climate Change, also based on changes in the relevant legislation, with specific reference to that indicated by the European Commission. To this end, note that, as part of its “Credit Policies”, the Group intends to make a specific assessment of loan transactions to companies that use technologies or produce waste or emissions which have been demonstrated or are strongly feared to be harmful to public health and/or the natural environment.

Consolidated non-financial statement

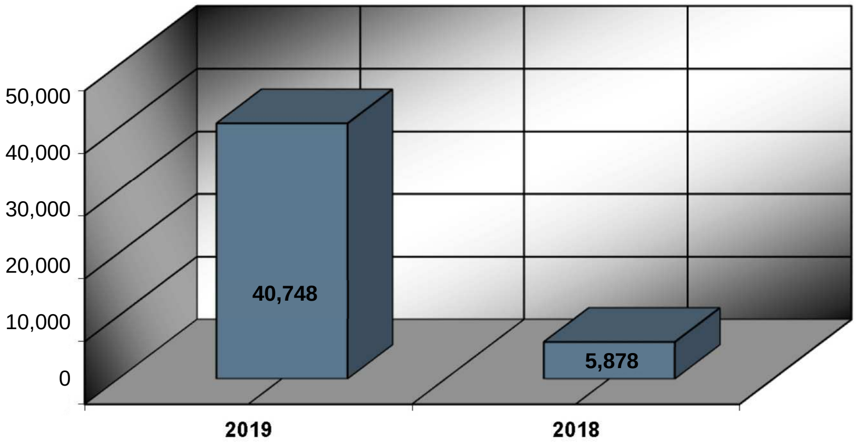
The Consolidated non-financial statement of Cassa di Risparmio di Asti Group, drawn up pursuant to Italian Legislative Decree 254/16, is a separate report with respect to this Report on operations, as envisaged by Art. 5, paragraph 3, letter b) of Italian Legislative Decree 254/16, and is available on the website at www.bancadiasti.it in the Investor Relations section.

ECONOMIC PERFORMANCE

Income trends

2019 ended on a positive note for the Bank, as it recorded a net profit of around € 40.8 million, significantly higher than the profit recorded last year (€ 5.9 million, +593.23%). The Group's net comprehensive income was € 13.8 million.
In the period in question, with a still difficult economic situation, efforts continued to be addressed to the planned derisking strategy, and the extraordinary corporate transaction for the acquisition by Banca di Asti of the minority shares of Biverbanca was finalised, which leads to significant economic, capital and governance advantages.

NET PROFIT
(€/ thousand)



The achievement of the above-cited profit is considered particularly positive also in light of the fact that it includes the expense, amounting to around € 9.2 million, relating to the ordinary contributions to the S.R.F. (Single Resolution Fund - National Resolution Fund) and to the D.G.S. (Deposit Guarantee Scheme - Interbank Deposit Protection Fund), as well as the expense relating to the contribution to the Voluntary Scheme of the Interbank Deposit Protection Fund for the measure taken in support of Carige, amounting to € 1.3 million.

Excluding the non-recurring income components relating to the above-cited measures, as well as the losses resulting from the extraordinary assignment of NPLs, the net business result would be € 58.1 million (+67.47% compared to the figure for 2018, recalculated using the same criteria, also excluding the expenses relating to the Solidarity Fund and the positive non-recurring components relating to the new insurance policy distribution agreement signed in 2018).

The above-illustrated results confirm the Group's ability to identify effective strategic lines and actually achieve them. The finalisation of the Biverbanca Transaction, the diversification of sources of income, risk oversight, the strategy to manage non-performing loans, the focus on operating efficiency and project management, enabled 2019 to be closed with a significant profit and, at the same time, to reinforce all of the Group's fundamental principles, laying the best foundations to continue to create value for its shareholders in the future as well, and, more generally, to meet the needs and the expectations of all stakeholders, reciprocating the trust that they place in Group companies every day.

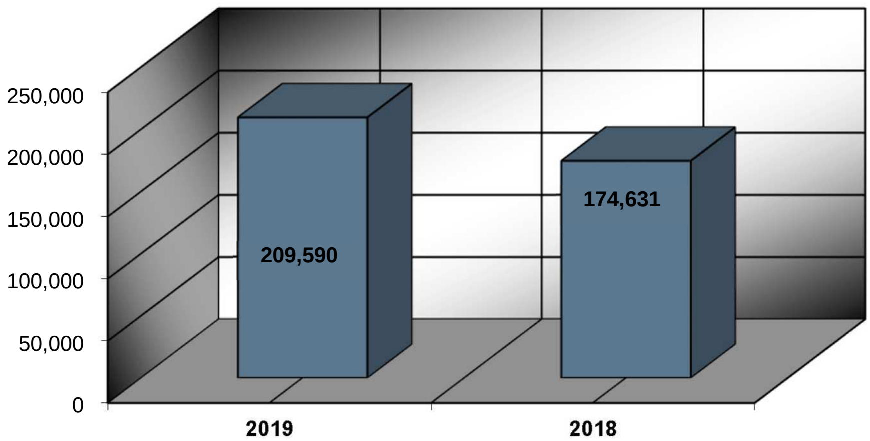
The analyses of income trends, illustrated below, refer to the Consolidated Income Statement, reclassified according to operating criteria, with a view to highlighting, by examining interim results, the subsequent levels of formation of the final economic result.

For the reconciliation between the reclassified financial statements and the statutory accounts, please refer to the schedules shown in the “Annexes” section, while for more in-depth information, please refer to the schedules shown in the various sections of “Part C - Information on the Income Statement” in the Notes to the Consolidated financial statements.

Operating interest margin

The operating interest margin amounted to € 209.6 million and was significantly higher than the figure for 2018 (€ 174.6 million, +20.02%), due to the combined effect of the increase in financial assets and the partial recomposition of direct funding.

INTEREST MARGIN
(€/ thousand)



INTEREST MARGIN	2019 (€/thousand)	2018 (€/thousand)	% change
Interest income and similar revenues	294,543	260,576	13.04%
Interest expense and similar charges	-84,953	-85,945	-1.15%
Interest margin	**209,590**	**174,631**	**20.02%**

Gross interest and other banking income

Gross interest and other banking income amounted to around € 444 million, compared to a figure in 2018 of € 342.6 million (+29.60%); the major contributors to this result were the net result of the financial assets and liabilities of the Commercial banks and the reduction of the average cost of funding. The salary and pension assignment loans segment also made a significant contribution.

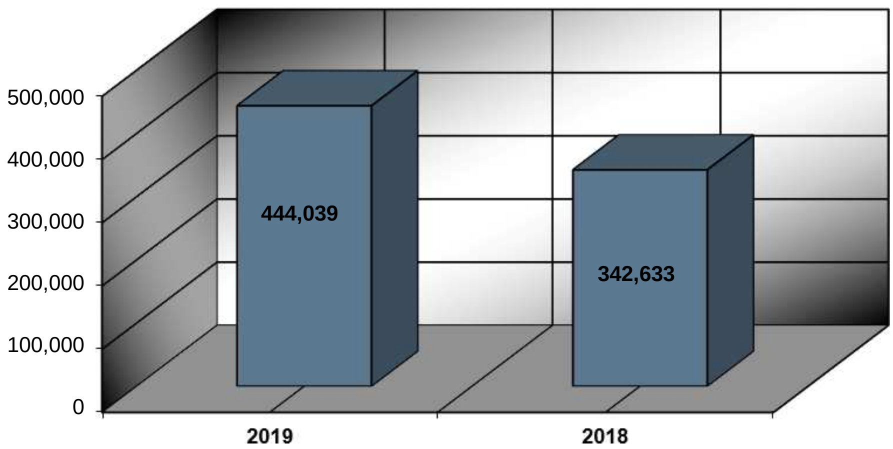
Net fee and commission income amounted to € 95.6 million, down 23.83% against 2018; this decrease reflects the yoy differences found in the income structure of the subsidiary Pitagora, relating to the classification of salary and pension assignment loans. Limiting the scope of analysis to the Group's commercial banks and excluding the positive non-recurring components relating to the new insurance policy distribution agreement signed in 2018, net fee and commission income would instead have recorded an increase yoy of 3.74%.
The net fee and commission income of the management, brokerage and financial and insurance consulting segment totalled € 52.4 million, down against 2018 (but significantly up by +13.02% excluding from the latter the already cited non-recurring components relating to the insurance division).

With regard to other net fee and commission income, income from collection and payment services totalled € 19.2 million, slightly lower than 2018 by 2.43%. The fee and commission income received for the management of current accounts and deposits, which saw a slight fall against the previous year, amounted to € 24 million (-1.59%). Those relating to other services, amounting to € -2.4 million, substantially made up of fee and commission relating to credit transactions, were down significantly.

The dividends on the Group's equity investments amounted to around € 11 million (-17.72%) and were mainly related to the investments held in the Bank of Italy and Cedacri S.p.A.

The balance between operating income and expenses came to € 1.9 million, down against the figure for 2018: in this segment, Pitagora contributed with a negative balance between expenses and income of € 1.8 million.

The overall net result from financial assets and liabilities, which includes both the profit (loss) from transactions in financial instruments (amounting to € 62.9 million, significantly higher yoy), and the measurement of financial liabilities measured at fair value, as well as the gains from the assignment of loans and advances to third parties by the subsidiary Pitagora - was a profit of € 125.5 million, considerably higher than € 25.3 million recorded in 2018.



GROSS INTEREST AND OTHER BANKING INCOME	2019 (€/thousand)	2018 (€/thousand)	% change
Interest margin	209,590	174,631	20.02%
Net fee and commission income	95,609	125,523	-23.83%
- management, brokerage and consulting	52,445	57,904	-9.43%
- collection and payment services	*19,165*	*19,643*	*-2.43%*
- loans and guarantees	*2,332*	*2,485*	*-6.16%*
- management of current accounts and deposits	*24,026*	*24,415*	*-1.59%*
- other services	*-2,374*	*21,076*	*-111.26%*
Dividends and similar income	10,929	13,282	-17.72%
Other operating income (expenses)	1,947	3,876	-49.77%
Results of other financial assets and liabilities	125,964	25,320	397.49%
Gross interest and other banking income	**444,039**	**342,633**	**29.60%**

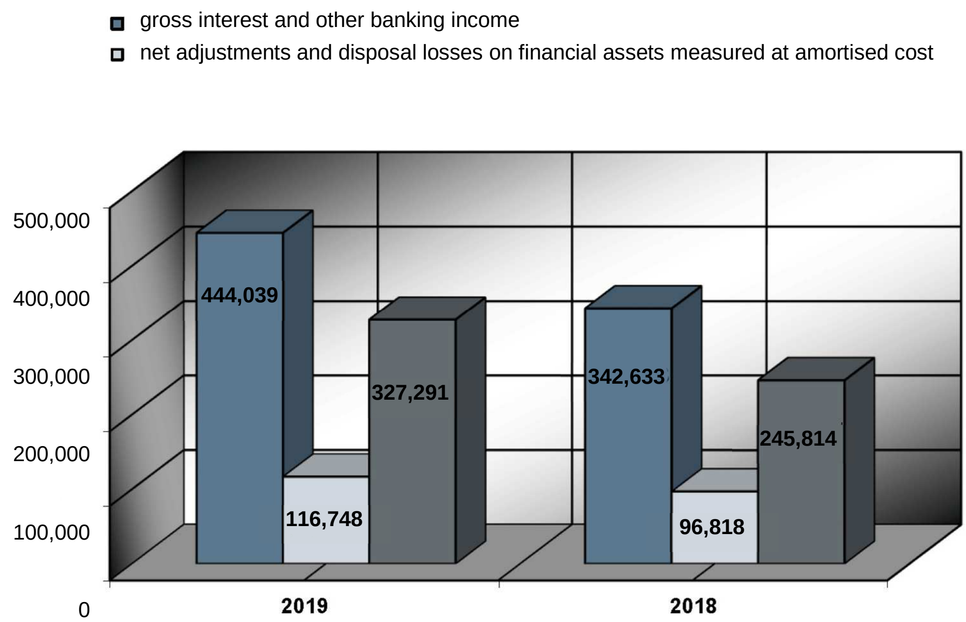
Net interest and other banking income

Net interest and other banking income was also positive, net of losses on disposal, value adjustments on financial assets measured at amortised cost and losses from contractual changes without derecognition, which amounted to € 327.3 million, up € 81.5 million (+33.15%) against last year.

Losses resulting from the disposal of financial assets measured at amortised cost relating to loans and advances to customers, totalled € 23.2 million and related entirely to derisking operations conducted during the year in line with the Group NPL Strategy.
Net adjustments for credit risk on financial assets measured at amortised cost made during the year were € 93.1 million; of these, the adjustments on customer loans

amounted to around € 95.8 million, up €34.9 million against 2018 (+57.36%), and consequently result in a cost of risk corresponding to 1.30% of gross loans and advances to customers, which, in a framework of provisioning policies that seek to be increasingly prudent, is slightly higher than the 0.79% recorded as at 31 December 2018. This is a trend which, *inter alia*, includes the forecast, from a forward-looking perspective of part of the expected economic impact of future NPL derisking operations.

NET INTEREST AND OTHER BANKING INCOME	2019 (€/thousand)	2018 (€/thousand)	% change
Gross interest and other banking income	444,039	342,633	29.60%
Gains (losses) on disposal of financial assets measured at amortised cost	-23,244	-31,025	-25.08%
Net adjustments for credit risk on financial assets measured at amortised cost	-93,078	-65,793	41.47%
- of which: net adjustments on loans and advances to customers	*-95,775*	*-60,863*	*57.36%*
Profits/losses from contractual changes without derecognition	-426	0	n.s.
Net interest and other banking income	**327,291**	**245,815**	**33.15%**



Profit before tax from continuing operations

The profit before tax from continuing operations for 2019 amounted to € 60.6 million, significantly higher than the previous year.

Operating costs amounted to € 248.2 million, down by € 7.8 million against the figure for 2018 (-3.06%).

Of these, personnel expenses, totalling € 131.6 million, represented around 53.03% of the total and were down by 7.40% against the figure as at 31 December 2018 (which however included provisions relating to the Solidarity Fund of € 16.1 million). Net of the latter expense, personnel expenses rose by € 4.31% against 31 December 2018, mainly due to the variable component of remuneration.

The component relating to other administrative expenses, amounting to € 85.5 million - excluding the contribution to the National Resolution Funds, SRF and DSG (totalling € 9.2 million) - recorded a decrease of around € 4.1 million (-4.59%).
The contribution of the subsidiary Pitagora to total other administrative expenses for 2019 was € 12.4 million (-12.79% against 2018).

The depreciation of property, plant and equipment, and amortisation of intangible assets was € 21.9 million, up against last year (+51.71%); the change in this item is substantially due to the application of accounting standard IFRS 16 from 1 January 2019, which entails a reduction in the costs for leases included among administrative expenses and the respective increase of the share of amortisation of the RoU (Right of Use). The change in value adjustments on property, plant and equipment and intangible assets, net of the amortisation of the RoU, would be 4.96%, while the change in other administrative expenses without the effects of IFRS 16 would be +1.98%.
In 2019, research and development costs were not included under intangible assets and in the same year, no tax credit was recognised or generated with regard to research and development costs.

The item allocations to liability provisions includes, with reference to the Group’s Commercial banks, provisions relating to complaints, disputes or requests for compensation equal to roughly € 1.4 million, connected to past activities of reporting customers interested in purchasing diamonds.
With regard to Pitagora, the net provisions for the year mainly related to:

- potential future expenses, for € 1 million, relating to commission expenses calculated *pro-rata temporis*, acknowledged to customers in the event of the early termination of loans disbursed before 2016, and not recharged to agents, in line with the policy adopted by the Company;
- potential future expenses referring to reimbursements of price spreads between the discount rate and the rate applied to customers due to loan transferee companies following early termination for € 3.3 million;
- potential future expenses relating to collection expenses charged by INPS, amounting to € 1.3 million;
- potential future expenses for claims relating to compensation to customers following early terminations that took place before the Bank of Italy guidelines were published on 4 December 2019, of € 1.1 million; during the year, a net release of € 0.25 million was made from the provision for potential future expenses relating to expenses for claims;
- potential future expenses for compensation to be provided to customers in the case of future early terminations for € 10.2 million.

The cost/income indicator, which corresponds to the ratio of operating costs to gross interest and other banking income and therefore measures operating efficiency, was 55.9% in 2019; its operational value, if calculated excluding the contributions and expenses incurred to sustain the banking system and the extraordinary costs related to the activation of the Solidarity Fund, was 55.4%, which represents a good level of cost productivity.

In more general terms, the trend of operating expenses reflects the Group's strategic direction, focused on investing in commercial and technological development, as well as in human capital, through a series of projects whose aim is to effectively pursue its medium-long term objectives, in accordance with the company values.

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	2019 (€/thousand)	2018 (€/thousand)	% change
Net interest and other banking income	327,291	245,815	33.15%
Operating costs	-248,232	-256,073	-3.06%
- personnel expenses	-131,627	-142,149	-7.40%
- personnel expenses	-131,504	-126,069	4.31%
- allocations to the Solidarity Fund	-123	-16,080	-99.24%
- other administrative expenses	*-94,693*	*-99,481*	*-4.81%*
- other administrative expenses	*-85,483*	*-89,599*	*-4.59%*
- contribution to S.R.F. and D.G.S.	*-9,210*	*-9,882*	*-6.80%*
- net adjustments on property, plant and equipment and intangible assets	*-21,912*	*-14,443*	*51.71%*
Net provisions for risks and charges	-18,459	-4,474	312.58%
Gains (losses) on equity investments	0	-9	-100.00%
Gains (losses) on disposal of investments	19	1	n.c.
Profit (loss) from continuing operations	**60,619**	**-14,740**	**-511.26%**

OTHER ADMINISTRATIVE EXPENSES	2019 (€/thousand)	2018 (€/thousand)	% change
IT expenses	-28,831	-25,741	12.00%
Property expenses	-10,483	-17,985	-41.71%
General expenses	-24,004	-26,868	-10.66%
of which: - securitisation costs	*-3,397*	*-5,783*	*-41.26%*
- contribution to National Resolution Fund and IDPF	*-9,210*	*-9,882*	*-6.80%*
Professional and insurance expenses	-20,734	-18,280	13.42%
Utilities	-3,865	-4,127	-6.35%
Promotional, advertising and marketing expenses	-3,847	-3,896	-1.26%
Indirect taxes and duties	-2,929	-2,583	13.40%
Other administrative expenses	**-94,693**	**-99,481**	**-4.81%**

These types of expenses are shown net of the relative recoveries

Taxes and net profit

Group net profit amounted to € 40.7 million, +34.9 million compared to the net profit recorded in 2018. This result is comprised by a profit of € 35.3 million pertaining to the Parent Company and around € 5.4 million pertaining to minority interests.

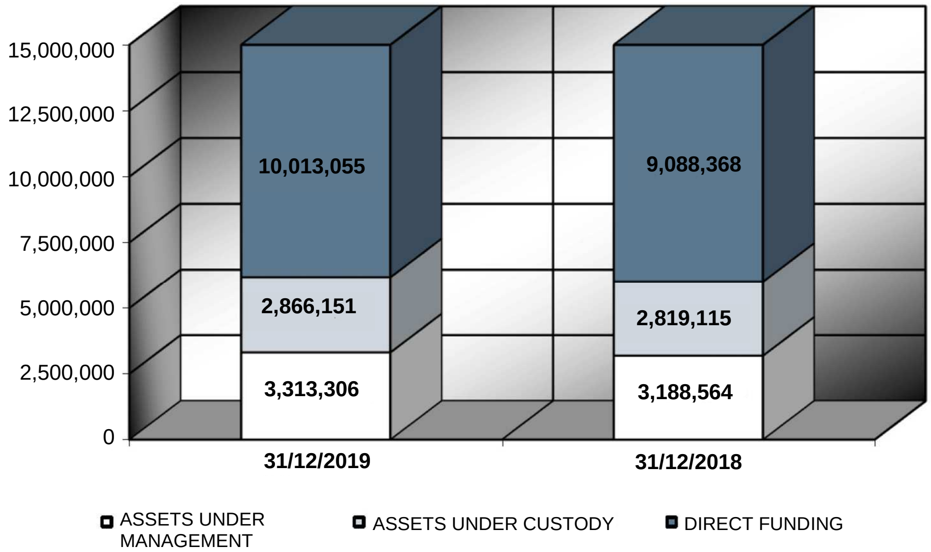
If extraordinary economic components are excluded, the consolidated net profit for the business would be around € 58.1 million.

The probability test envisages the full recovery of the remaining deferred tax assets recognised for the tax loss by 2027, and those recognised in 2018 for the FTA of IFRS 9, on a straight-line basis until 2028, in accordance with the laws currently in force.

NET PROFIT	2019 (€/thousand)	2018 (€/thousand)	% change
Profit (loss) from continuing operations	60,619	-14,740	-511.26%
Tax expense (recovery) on income from continuing operations	-19,871	20,618	-196.38%
Net profit	**40,748**	**5,878**	**593.23%**

Assets managed on behalf of customers

As at 31 December 2019, brokered financial assets amounted to € 16.2 billion, up by 7.26% since the beginning of the year; total assets from non-institutional customers amounted to € 14.5 billion, up 2.22% against the previous year. Within the aggregate as a whole, direct funding continues to be the most important component, representing 61.84% of the total.



TOTAL FINANCIAL ASSETS	2019		2018		% change
	Amount	%	Amount	%	
Direct funding	10,013,055	61.84%	9,088,368	60.20%	10.17%
of which: from customers	*8,349,416*	*51.56%*	*8,205,856*	*54.36%*	*1.75%*
of which: from market securitisation	*1,281,717*	*7.92%*	*578,126*	*3.83%*	*121.70%*
of which: institutional funding	*381,922*	*2.36%*	*304,386*	*2.02%*	*25.47%*
Assets under management	3,313,306	20.46%	3,188,564	21.12%	3.91%
Assets under custody	2,866,151	17.70%	2,819,115	18.67%	1.67%
Total financial assets	**16,192,512**	**100.00%**	**15,096,047**	**100.00%**	**7.26%**
of which: from customers	*14,528,873*	*89.73%*	*14,213,535*	*94.15%*	*2.22%*

Note that the method adopted to measure financial assets in the tables is as follows:

- *Direct funding: book value*
- *Assets under management and under custody: market value as at 31/12/2019*

Direct funding

In 2019, the Group's direct funding amounted to € 10 billion, up against the previous year by 10.17%, corresponding to € 891 million. More specifically, retail funding totalled € 8.3 billion and therefore showed an increase of 1.75%.

The funding structure is formed mainly by the issue of bonds subscribed by customers of around € 3 billion and € 6.4 billion in current accounts, which also includes time deposits.
By virtue of the contribution of the component relating to securitisation transactions, bonds recorded a positive change of €264 million (+9.59%); current accounts also recorded an increase of around € 507 million (+8.65%), as did repurchase agreements, which recorded an increase of € 75.2 million.

The specific aggregate "deposits, current accounts and bonds", also due to a restructuring of managed assets which promoted indirect funding, recorded an increase of 8.76%, considerably higher than the market figure (+4.80% ref. ABI January 2020).

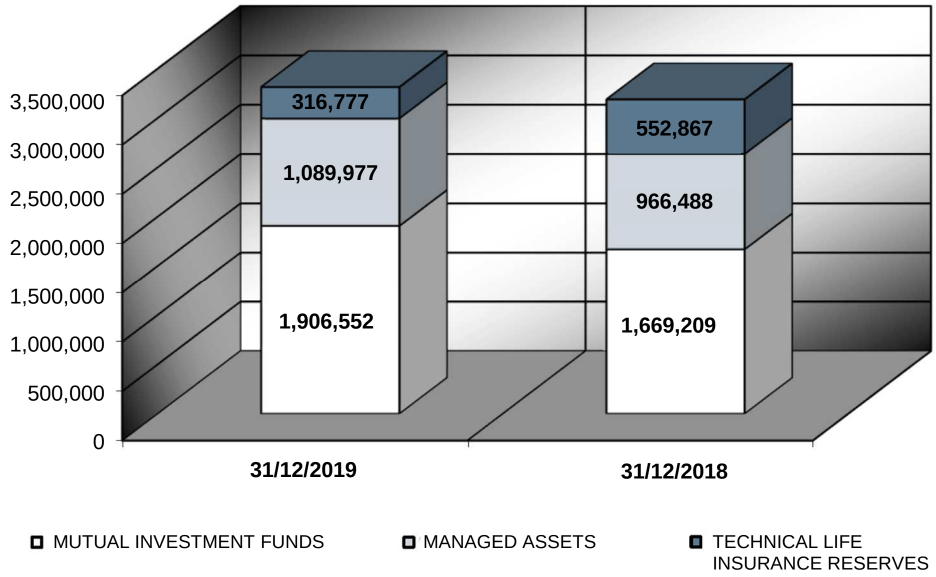
DIRECT FUNDING FROM CUSTOMERS	2019	2018	Change	
			Absolute	%
Bonds	3,019,583	2,755,302	264,281	9.59%
of which: originating from securitisation	1,148,368	517,075	631,293	122.09%
of which: measured at fair value	78,882	118,345	-39,463	-33.35%
Current accounts	6,365,274	5,858,720	506,554	8.65%
Repurchase agreements	343,199	268,045	75,154	28.04%
Savings deposits	100,299	106,799	-6,500	-6.09%
Banker's drafts	24,965	28,201	-3,236	-11.47%
Certificates of deposit	27	217	-190	-87.56%
Lease liabilities	34,140	0	34,140	n.c.
Other funding	125,568	71,084	54,484	76.65%
Total direct funding	**10,013,055**	**9,088,368**	**890,547**	**10.17%**

Assets under management and under custody

Assets under management amounted to € 3.3 billion, up against 2018 by 3.91% (and considerably higher by 13.69% net of the insurance component).

Assets under custody amounted to € 2.9 billion, recording an increase of 1.67% as at 31 December 2019.

Indirect funding therefore totalled € 6.2 billion, recording an increase against 31 December 2018 of 2.86%.



	2019		2018		%
	Amount	%	Amount	%	change
Mutual investment funds	1,906,552	57.54%	1,669,209	52.35%	14.22%
Managed assets - securities and funds	1,089,977	32.90%	966,488	30.31%	12.78%
Technical life insurance reserves	316,777	9.56%	552,867	17.34%	-42.70%
Assets under management	**3,313,306**	**100.00%**	**3,188,564**	**100.00%**	**3.91%**

Loans and advances to customers

As at 31 December 2019, net loans and advances to customers amounted to around € 6.9 billion, before securitisation transactions, down (-3.77%) against last year, against a banking industry average of -2.25%, according to the ABI.

Over 2019, two important derisking operations were performed through the assignment of bad loans for a net value of € 44.4 million; net of this assignment and of the extraordinary sale of securitised salary and pension assignment loans, net loans and advances to customers would have recorded a slight decrease of 1.20% against last year.

The performance of this aggregate therefore confirms that, despite the continuing unfavourable economic scenario, the Group has continued to commit to ensuring financial support to private banking customers and to economic operators, with the firm conviction that the recovery can only be achieved through the engine of the real economy.

The consumer credit segment recorded a decrease of 5.19%, recording € 904 million: this reduction is essentially due to the unwinding of group securitisations and to the subsequent assignment of part of the resulting receivables to third parties.

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS	2019 (€/thousand)	2018 (€/thousand)	Changes	
			Absolute	%
Current accounts	606,117	667,637	-61,520	-9.21%
Mortgages	4,852,546	4,988,857	-136,311	-2.73%
Credit cards, personal loans, and salary and pension assignment loans	904,326	953,867	-49,541	-5.19%
Other transactions	527,078	549,296	-22,217	-4.04%
Total loans and advances to customers	**6,890,068**	**7,159,657**	**-269,589**	**-3.77%**
of which financial loans	*6,890,068*	*7,159,657*	*-269,589*	*-3.77%*

With regard to corporate loans, the Group continues to pursue a policy that seeks to improve the relationship with SMEs by operating on the market with a view to increasing and differentiating the content of its product range, in particular by focusing on specific and innovative products to meet the differing financial and non-financial needs of the enterprise.

The Group continues to carefully oversee "risk fragmentation" regarding both the distribution by economic activity and concentration by single Customer, which are maintained at fairly contained levels and have gradually decreased.

STATISTICAL TABLE REGARDING THE CONCENTRATION OF THE LOANS PORTFOLIO	2019*	2018
Top 10 groups	4.05%	4.32%
Top 20 groups	6.28%	6.79%
Top 30 groups	8.00%	8.68%
Top 50 groups	10.72%	11.65%
Top 100 groups	15.08%	16.86%

** including the salary and pension assignment loans of the subsidiary Pitagora S.p.A.*
The percentages shown represent the amount granted as at 31/12/2019.

Credit quality

Even though credit quality still reflects consequences of the unfavourable phase of the economic cycle in recent years, it has improved by virtue of efforts made as part of the long-term derisking strategy defined at Group level, relating to a specific NPE Strategy, which in turn, breaks down into various operations at various stages of completion.

At the end of the year, the total value of non-performing exposures net of adjustments amounted to € 407 billion, marking a significant decrease of € 95 million (-18.91%) compared to 2018.

During 2019, the Parent Company and the subsidiary Biverbanca S.p.A. undertook two important derisking operations through the disposal of bad loans. The first, which took place in the first half of the year, regarded a total gross value of € 148.9 million.

Subsequently, towards the end of the year, the Parent Company and the subsidiary Biverbanca S.p.A. and a further 10 banks, pursuant to article 58 of Italian Legislative Decree 385/1993 and articles 1 and 4 of Italian Law 130/1999, finalised the non-recourse transfer for a consideration and en bloc of a portfolio of loans classified and marked as bad loans on the transfer date to the special purpose vehicle Pop NPLs 2019 S.r.l. (S.P.V.), also requesting the Ministry of Finance and Economy, pursuant to the Decree of 3 August 2016, for a guarantee on the senior tranche of the securities issued.
The multi-originator securitisation transaction, with relative derecognition, regarded loans with a gross book value of € 61.2 million.

The Gross NPL ratio as at 31 December 2019 was 11.02%. The corresponding net NPL Ratio was 5.91%, considerably lower than 7.02% recorded in 2018.

The total level of coverage of these assets is 49.72% (up against 48.79% last year), higher than the average for the credit sector, which is 47.60% as stated by the Bank of Italy (latest figure available 30 June 2019).

More specifically, bad loans net of adjustments were € 125 million, compared to € 154 million recorded in 2018, representing 1.82% of total loans and a coverage level of 68.24% (banking industry average of 59.90%, source Bank of Italy, figure at June 2019).

Unlikely to pay loans, again net of adjustments, amounted to € 239 million, down by 12.09% against last year; they represent 3.47% of total loans, and have a coverage level of 34.13% (system average of 35.70% source Bank of Italy, figure at June 2019).

The Texas Ratio, calculated as the ratio of gross non-performing loans to tangible common equity plus provisions, was 70.88% and confirms a good capacity to absorb any unexpected losses on loans.

Loans and advances to customers, net of adjustments, broke down as follows:

	2019		2018		Changes
	Amount	%	Amount	%	%
Bad loans	125,409	1.82%	154,052	2.15%	-18.59%
Unlikely to pay	238,800	3.47%	271,652	3.79%	-12.09%
Past due loans	43,276	0.63%	76,804	1.07%	-43.65%
Non-performing loans	**407,485**	**5.91%**	**502,508**	**7.02%**	**-18.91%**
Performing loans	6,482,583	94.09%	6,657,149	92.98%	-2.62%
Loans and advances to customers	**6,890,068**	**100.00%**	**7,159,657**	**100.00%**	**-3.70%**

	2019				2018			
	Gross amount	Value adjustments	Net amount	% coverage	Gross amount	Value adjustments	Net amount	% coverage
Bad loans	394,846	269,437	125,409	68.24%	483,282	329,230	154,052	68.12%
Unlikely to pay	362,530	123,730	238,800	34.13%	406,331	134,679	271,652	33.15%
Past due loans	53,097	9,821	43,276	18.50%	91,751	14,947	76,804	16.29%
Total non-performing loans	**810,473**	**402,988**	**407,485**	**49.72%**	**981,364**	**478,856**	**502,508**	**48.79%**

** bad loans are shown net of write-downs made in previous years and of interest on arrears deemed wholly unrecoverable.*

With reference to loans and advances to customers measured at amortised cost, the breakdown is as follows:

	2019				2018			
	Gross amount	Value adjustments	Net amount	% coverage	Gross amount	Value adjustments	Net amount	% coverage
Bad loans	388,025	264,752	123,273	68.23%	477,031	324,663	152,368	68.06%
Unlikely to pay	355,642	122,183	233,459	34.36%	399,006	132,403	266,603	33.18%
Past due loans	51,797	9,656	42,141	18.64%	89,835	14,797	75,038	16.47%
Total non-performing loans	**795,464**	**396,591**	**398,873**	**49.86%**	**965,872**	**471,863**	**494,009**	**48.85%**

** bad loans are shown net of write-downs made in previous years and of interest on arrears deemed wholly unrecoverable.*

Company liquidity and the securities portfolio

As part of liquidity management, treasury activities remain focused on balancing inflows and outflows in the short and very short term (by changing monetary reserves or activating treasury financial transactions) aimed at ensuring the accurate balance of cash at every moment.
The Group maintains a large liquidity reserve and carefully oversees the management of positions open to interest rate risk.

As at 31 December 2019, financial assets other than loans and advances to customers amounted to a total of € 4.4 billion, up on the previous year (+28.09%). The largest component of the owned securities portfolio, equal to € 3 billion, is allocated to stable investment.
The portion of financial assets measured at fair value through other comprehensive income that does not refer to equity investments is mainly composed of government securities from the EU area, mainly Italian.
The management of the securities portfolio has changed over time, adjusting in each case to the need for credit disbursement, the market conditions and the stability of liquidity.

The securities portfolio is comprised of € 1,460 million in refinancing with the European Central Bank, € 300 million in repurchase agreements entered into with Cassa Compensazione e Garanzia and € 127 million in bilateral repurchase agreements entered into with a leading banking counterparty.
Financial instruments eligible as collateral in financing transactions on the market amounted to € 4.2 billion as at 31 December 2019 net of the ECB haircut, of which € 1.8 billion committed. As a result, the eligible amount of financial instruments available comes to € 2,462 million.

	2019	2018	Changes	
	(€/thousand)	(€/thousand)	Absolute	%
NET INTERBANK POSITION	**-1,094,458**	**-1,377,661**	**283,203**	**-20.56%**
Loans and advances to banks	554,111	152,533	401,578	263.27%
Deposits from banks	1,648,569	1,530,194	118,375	7.74%
FINANCIAL ASSETS	**4,415,845**	**3,447,485**	**968,360**	**28.09%**
Financial assets measured at fair value through profit and loss	28,048	35,465	-7,417	-20.91%
of which fair value of derivatives	*15,629*	*21,002*	*-5,373*	*-25.58%*
Financial assets measured at fair value through other comprehensive income	1,387,014	724,837	662,177	91.36%
Other financial assets measured at amortised cost	3,000,783	2,687,183	2,399,737	n.s.
FINANCIAL LIABILITIES HELD FOR TRADING	**17,590**	**20,818**	**-3,228**	**-15.51%**
of which fair value of derivatives	*17,590*	*20,818*	*-3,228*	*-15.51%*
DERIVATIVES (NOTIONAL AMOUNTS)	**1,856,735**	**2,235,564**	**-378,829**	**-16.95%**

As regards derivatives, the segment is mainly characterised by operations correlated with the pursuit of the company strategy of interest rate risk hedging and activities connected with securitisations of loans.

Composition of the Group

The composition of the "Cassa di Risparmio di Asti Banking Group" as at 31 December 2019 is as follows:

- Parent Company: Cassa di Risparmio di Asti S.p.A.
- Subsidiaries:
    - Biver Banca S.p.A.
    - Pitagora Contro Cessione del Quinto S.p.A.
    - Immobiliare Maristella S.r.l.

During 2019, Banca di Asti finalised its acquisition of the minority shares of the subsidiary Biverbanca, thereby reaching 100% of the share capital. The cost of the equity investment in the subsidiary Biverbanca therefore increased by € 125 million. Additional information on the transaction can be found in the section "Company operations".

Shareholders' equity

Shareholders' equity, including profit for the year, came to € 806 million.

The evolution of shareholders' equity during the year was as follows:

Evolution of Group shareholders' equity	Amount (Euro/1000)
Group shareholders' equity as at 1 January 2019	**659,810**
Increases	**174,631**
- Net profit for the year	35,330
- Net change in available reserves	14,301
- Change due to share capital increase	55,603
- Change in provisions for the share premium reserve due to share capital increase	69,397
Decreases	**-28,687**
- Net change in valuation reserves	-26,346
- Net change in purchases and sales of treasury shares	-2,341
Group shareholders' equity as at 31 December 2019	**805,754**
Minority shareholders' equity as at 31 December 2019	**17,738**

The Group shareholders' equity increased by € 145.9 million compared to the end of the previous year. The increase is mainly due to the acquisition by the Parent Company of the remaining shares of the subsidiary Biverbanca in order to achieve ownership of 100% of the share capital, and the connected share capital increase, carried out in December 2019. The acquisition was carried out through the contribution in kind by the Foundations of 49,301,884 ordinary shares of Biverbanca (41,648,330 held by Fondazione Cassa di Risparmio di Biella and 7,653,554 held by Fondazione Cassa di Risparmio di Vercelli) to free up the share capital increase carried out by the Parent Company, which resulted in the issue of 10,775,862 new shares with a total value of € 124,999,999.20, of which € 55,603,447.92 in capital and € 69,396,551.28 as share premium. Therefore, the share capital increased from € 308,367,719.76 to € 363,971,167.68, divided into 70,537,048 shares with nominal value of € 5.16 each.

The change in valuation reserves of negative € 24 million was mainly attributable to the combined effect of the decrease in value of financial assets measured at fair value through other comprehensive income of € 22.3 million, the decrease in value due to the fair value measurement of financial liabilities due to changes in creditworthiness of € 2.1 million, the decrease relating to the negative reserve for actuarial losses (pursuant to IAS 19) of € 0.9 million and the increase in the value of cash flow hedge derivatives of € 1.3 million.

The Parent Company's share capital breaks down as follows:

Shareholders	%
Other shareholders	40.13%
Fondazione Cassa Di Risparmio di Asti	31.80%
Fondazione Cassa Di Risparmio di Biella	12.91%
Banca Popolare di Milano	9.99%
Fondazione Cassa Di Risparmio di Vercelli	4.20%
Treasury shares	0.97%

Treasury shares

As at 31 December 2019 the share capital amounted to € 363,971 thousand, broken down into 70,537,048 ordinary shares with a nominal value of € 5.16.
The treasury shares held by the Group as at 31 December 2019 totalled 681,699, equal to 0.97% of the share capital, with a nominal value of € 3,517,566.84 and a book value of € 8,862,880.94.
During 2019, 201,601 treasury shares were purchased, included in the reserve for treasury shares in portfolio, equal to 0.29% of the share capital, for a nominal value of € 1,040,261.16 and a consideration of € 2,340,671.39. No treasury shares were sold.
At the date of preparation of these financial statements (26 March 2020), treasury shares in portfolio totalled 773,889, for a book value of € 9,932,498.82.

Corporate Governance Report pursuant to art. 123-bis

Pursuant to art. 123-bis of the Consolidated Finance Act, the Parent Company has drawn up the "Report on Corporate Governance and Ownership Structures" for 2019. That report, approved by the Board of Directors on 26 March 2020, was made available to Shareholders and the public on the company website www.bancadiasti.it, as well as in hard copy at the registered offices and at the shareholders' meetings.

Total Bank Own Funds and capital ratios

Total Bank Own Funds of the Cassa di Risparmio di Asti Group came to around € 1,043.6 million.
The CET 1 Ratio (CET1/RWA) amounts to 13.42%, which is higher than the minimum requirement that the Group must meet as a result of the Supervisory Review and Evaluation Process (SREP) conducted by the Bank of Italy, with the final measure dated 19 June 2019 equal to 9.5% (including the "capital conservation buffer" of 2.5%). The Total Capital Ratio (Total Own Funds/RWA) amounts to 16.22%.

OWN FUNDS AND SOLVENCY RATIOS	2019	2018
Own Funds (€/1,000)		
Common Equity Tier 1 (CET1) capital net of regulatory adjustments	863,469	750,452
Additional Tier 1 (AT1) capital net of regulatory adjustments	0	9,409
Tier 1 capital (TIER1)	**863,469**	**759,861**
Tier 2 (T2) capital net of regulatory adjustments	180,098	192,013
Total Own Funds	**1,043,567**	**951,874**
Risk-weighted assets (€/1,000)		
Portion absorbed for credit and counterparty risk, including the portion absorbed by securitisations	43.68%	48.06%
Portion absorbed for market risk	0.03%	0.06%
- of which:		
a) trading portfolio risk	*0.03%*	*0.06%*
b) foreign exchange risk	*0.00%*	*0.00%*
Portion absorbed for credit value adjustment (CVA) risk	0.29%	0.42%
Free portion	56.00%	51.46%
Portion absorbed by Operational Risk	5.33%	5.31%
Free portion	50.67%	46.15%
Total capital requirements	514,739	512,491
Excess	528,828	439,383
Total risk-weighted assets	**6,434,242**	**6,406,133**
Solvency ratios (%)		
CET1 Ratio (CET1/RWA)	13.42%	11.71%
Tier 1 Ratio (Tier1/RWA)	13.42%	11.86%
Total Capital Ratio (Total Own Funds/RWA)	16.22%	14.86%

[1] *Total capital requirements multiplied by the inverse minimum mandatory ratio (8%).*

As required by the instructions of the Bank of Italy, the statement of reconciliation of the shareholders' equity and profit (loss) for the year of the Parent Company with the consolidated shareholders' equity and profit (loss) for the year is attached to this report.

(figures in € thousand)	Shareholders' equity	Profit (loss) for the year
Parent Company shareholders' equity and profit (loss)	**774,562**	**22,459**
Book value of equity investments	-431,955	
Shareholders' equity book value of equity investments (pro rata)	402,498	
Higher values attributed (definitive goodwill)	66,142	
Lower values attributed (reversal of goodwill of subsidiary)	-34,000	
PPA of property, plant and equipment (buildings and land) and loans	38,683	
Alignment with the Group accounting standards:		
- recording of buildings and land at deemed cost	5,626	
Group securitisation	-15,567	
Consolidation of company under significant influence at equity	39	
Fair value adjustments to the consolidated financial statements	-273	
Intercompany netting for dividends		-5,676
Pro-rata profit (loss) of subsidiaries		18,548
Consolidated shareholders' equity and profit (loss)	**805,754**	**35,330**
Shareholders' equity and profit (loss) attributable to minority interests	**17,738**	**5,418**

Evolution of the operating context

The growth in the global economy at the beginning of the year was marked by prudent performance in relation to the negative events of 2019, pending the assessment of the economic effects of the definitive ratification by the UK Parliament (22 January 2020) of the EU-UK Withdrawal Agreement, approved subsequently (on 29 January) by the European Parliament, thereby concluding a process that lasted more than three years, and the effects - possibly destructive worldwide - of the coronavirus epidemic that broke out in China, which resulted in a harsh slowdown in international trade and repercussions in many countries. The forecasts of the IMF published in January indicated global growth for 2019 that would amount to around 2.9% and 3.3% for 2020, while Europe was expected to grow slightly on the 2019 levels, by around 1.1%. However, these figures seem no longer reliable, especially those relating to the current year, given the worsening of the situation of expansion of contagion from COVID-19 which is still ongoing, whose duration is difficult to estimate, and which recently led the WHO to declare a state of pandemic.

In an international and domestic macroeconomic scenario already marked by a generalised slowdown in growth, the risks linked to the performance of the global economies in 2019 were thus joined by the effects of the pandemic, which caused a sharp stoppage in the manufacturing sector worldwide, due to the global spread of the pandemic.

In particular, the spread of contagion in Italy has been extremely pervasive and it immediately spread quickly in the regions of the North (Lombardy above all) with a number of daily cases continuing to rise significantly. In the second half of March, the spread of the virus reached almost all countries in the world, though with highly differentiated levels of contagion in the population from country to country. Italy was among the top countries in terms of the number of people infected in absolute value.

In this context, the estimate of expected economic performance becomes more random, but the consensus is unanimous that during 2020 there will be widespread recession. As things stand, the duration and strength of the level of negativity still cannot be determined. In addition to the necessary, urgent emergency healthcare measures, the governments and central banks of the countries involved set out measures that should limit the economic effects. In the United States, the Fed cut benchmark rates twice (0.5% on 03/03 and 1% on 12/03), bringing them to levels near zero. It will also support the prices of government securities, implementing a purchasing programme of at least USD 500 million in March. In addition, to stabilise the credit market, it will make purchases of up to USD 200 million in MBS (Mortgage Backed Securities). The US government set up a plan of more than USD 1000 billion to support the economy, also through direct payments to individuals as well as businesses.

In Europe, the ECB has already revised growth for 2020 downwards, indicating a likely 0.8%, which could be further revised downwards. The ECB launched a quantitative easing programme (PEPP) of € 750 billion for the purchase of securities issued by Member States of the EU, to be carried out by the end of the year, in addition to the € 120 billion in securities already allocated at the beginning of March, and plans to conduct new long-term liquidity auctions (LTRO) at interest rates even below zero and TLTROs to finance SMEs, at negative rates or rates near zero.

Measures on benchmark rates are not currently envisaged. However, if necessary, the Governor has stated that he is willing to implement all necessary measures to support the economy. In Germany and France, the governments have launched significant support plans, with direct and indirect aid to households and businesses. (Germany € 550 billion in total, and France € 45 billion to support businesses). In Italy, on 17 March the government launched the "*Cura Italia*" Decree, which entails a total allocation of almost € 400 billion, organised into targeted measures to support the national healthcare system, businesses and households, both through direct repayments and through subsidies and payment extensions. The measure joins those already existing, including the granting of a moratorium on loans to businesses and on mortgages, defined in concert with the trade associations for the sectors involved, in mid-March.

As regards the banking sector, there is definitely concern over the negative developments of the epidemic and its effects on economic performance. For additional considerations on this specific factor, refer to the section "Significant events", hereinafter.

Outlook on operations

During the two-year period 2020-2021, the Group will operate in accordance with the guidelines of the 2019-2021 Group Strategic Plan, assessing and implementing the operational actions that will be necessary in each situation to mitigate the impacts that the COVID-19 pandemic, currently under way (see the section "Significant events"), may have on company performance, also in light of the measures that the European and national authorities will implement.

Based on strategic continuity, the guidelines of the Plan thus aim to preserve the structural fundamentals, improve the service model, increase and diversify revenues, focusing on more profitable segments (consumer credit - including the segment of salary and pension assignment loans - non-life insurance, asset management, energy, services to businesses and owned securities portfolio) and, lastly, to continue the actions to increase operational efficiency, both by leveraging technological innovation and exploiting the additional business synergies made possible through the recent acquisition of the minority shares of Biverbanca.

At the same time, a course of action will be implemented which entails an organisational and operating break from the past, in order to increase the ability to realise company projects, especially in a view to upgrading the Service Model.

In the area of credit risk, as a result of the Group's NPE Strategy, it complied with the guidelines issued on the matter by the Bank of Italy, while coming closing to market best practices. The objective of further improving asset quality will be pursued tenaciously, also continuing to implement the derisking strategy launched in 2018 and continued in 2019, based on the assignment of non-performing loans, with appropriate modulations.

SIGNIFICANT EVENTS AFTER YEAR END

Significant events

Note that no significant events arose which, pursuant to IAS 10, paragraph 8, required changes to the financial statement figures.

Despite the above, we note, as the event that could cause significant effects from 2020 onwards, the break out and spread of the disease called COVID-19, which was identified for the first time in China in the first few days of 2020.

In the initial months of 2020, that disease spread through Italy and other parts of Europe and the world, to the point that the WHO declared it a pandemic on 11 March 2020.

The need to contain or, at the least, mitigate the spread of the disease led the Italian government, just as in China, to gradually adopt a series of restrictive measures on individuals' freedom of circulation.

Those measures – which include the closing of non-essential commercial and manufacturing businesses and the prohibition against congregating or leaving one's home except for cases of proven need – are bound to have significant negative impacts on the situation and economic outlook of Italy, as well as of all the other countries that are adopting or will adopt similar measures.

Moreover, in March 2020, to mitigate those impacts, the Italian government launched a series of measures of economic support to households and businesses. Likewise, the European Commission and the European Central Bank announced and implemented a series of measures to attenuate the consequences of the pandemic, also stating that they were ready to take all actions necessary to support the economy and handle the difficulties of the Member States of the EU.

With regard to IAS 10, paragraph 21, the COVID-19 phenomenon described above was considered a non-adjusting event after the reporting period, i.e., an event that does not entail an adjustment to these financial statements. It was also deemed that that phenomenon does not raise doubts regarding the going concern assumption.

That being said, some information - primarily qualitative, given the difficulty in drawing up reliable quantitative forecasts - is provided below regarding the effects that the event in question may have on operations during 2020 and, possibly, the subsequent years.

In particular, the areas that were considered to that end, as deemed the most significant, were: the cost of credit, valuation of intangible assets with indefinite useful life and, lastly, the valuation of financial assets.

As regards the cost of credit, it is reasonable to expect that, at least for the entire two-year period 2020-2021, there may be a significant increase in expected losses on performing loans and advances to customers and the related default rates to the status of non-performing loans, with resulting economic impacts in terms of adjustments and losses. Nonetheless, it is important to verify the positive impacts of the significant actions of the decisions of the European and national authorities, and the announcements of even more significant actions if necessary.

Therefore, it is deemed that at present it is not possible to make reliable forecasts on the scope of the total effects, which are also impacted by the evolution of the epidemic situation over the next few weeks and by any additional economic support measures that could be implemented by the political and monetary authorities of Italy and the EU.

For additional information on the Group's exposure to credit risk, including the breakdown by sector and geographical area, refer to Part E of the Notes to the consolidated financial statements.
Regarding the valuation of intangible assets with indefinite useful life, it is deemed that the COVID-19 event will not have significant long-term effects on the profitability of that CGU and, therefore, that its impacts on determining the related recoverable amount have been adequately incorporated in the ranges of variation used to conduct the sensitivity analyses referred to in the specific section of the Notes to the consolidated financial statements. In particular, the dedicated section of the Notes to the consolidated financial statements reports the analyses conducted to define the limits of the key valuation parameters (growth rate and discount rate) beyond which the impairment test would require write-downs to be recorded. Considering the spreads between the limits and valuation parameters used, even in the presence of the noted uncertainties resulting from COVID-19, there are no critical elements that impact the recoverable amount to the extent that impairment must be recognised.
With regard the financial assets held by the Group, which are largely composed of Italian government securities, primarily measured at amortised cost, it is reasonable to forecast that the deterioration in Italian creditworthiness which is currently occurring on the financial markets may have impacts - which could vary due to the extreme volatility that is currently occurring - both on the income statement, as linked to the increase in expected losses, and on the balance sheet, as a result of the fluctuation in valuation reserves referring to securities measured at fair value through other comprehensive income. However, these impacts could be significant influenced by the measures of governments and monetary authorities.
For additional information on the Group's exposure to market risk, including the indication of the VaR of bonds measured at fair value through other comprehensive income, refer to Part E of the Notes to the consolidated financial statements.

Other information

In relation to the tax audit report that the Piedmont Regional Directorate of the Italian Tax Agency served the subsidiary Biverbanca on 2 May 2018, it is confirmed that the Bank availed of the facilitated settlement pursuant to art. 1 of Law Decree no. 119 of 23 October 2018, converted with amendments by Law no. 136 of 17 December 2018, according to the terms and methods indicated in the implementing provisions Prot. no. 17776/2019, issued on 23 January 2019 by the Head of the Italian Tax Agency in agreement with the Head of the Italian Customs and Monopolies Agency.

Note that the proceedings relating to an alleged accounting offence regarding the Parent Company Cassa di Risparmio di Asti S.p.A., relating to the years 2015 and 2016 in relation to the audits conducted in 2017 by the Italian Tax Police are still pending before the Court of Asti. In that regard, the Bank specifies that it is firmly convinced that that assumption is unfounded, given that those financial statements were drawn up in rigorous compliance with the accounting rules, as well as audited by the Independent Auditors. It also confirms that it is certain that it operated

correctly at all levels and continues to operate on a daily basis in fully compliance with the rules and codes of ethics in force at all times. For the purpose of due transparency, in line with the relationship of correctness it has always had with its Shareholders, Customers and contractors, and with complete trust in the judiciary, the Bank has provided disclosure to the public regarding that investigation by way of the press.
The Bank also confirms that, irrespective of the purely accounting-related aspects audited that merely regard time-based accruals, the pending proceedings have no impact on the Bank's assets as of today and, thus, no impact on Shareholders or, more generally, on customers, save for modest effects on the amount of its tax credit.

With regard to the inspection conducted by the Bank of Italy on the Cassa di Risparmio di Asti Group, which concluded in January 2019, it is noted that the report was received in April.
In relation to the findings and observations formulated, the Parent Bank has submitted its considerations, highlighting the numerous actions implemented in the meantime and communicating the plan of actions defined to implement the observations received and resolve the critical issues identified. That plan is in an advanced stage of implementation, and is the subject of periodic reporting to the Supervisory Authority.
Decisions are pending with regard to the sanction proceedings launched by the Supervisory Authority on several of the findings formulated, for which the Bank has formulated its own counterclaims.

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET			
Assets		31/12/2019	31/12/2018
10.	**Cash and cash equivalents**	**67,739**	**64,558**
20.	**Financial assets measured at fair value through profit and loss**	**76,213**	**41,286**
	a) financial assets held for trading	57,792	21,002
	b) financial assets designated at fair value	0	0
	c) other financial assets mandatorily measured at fair value	18,421	20,284
30.	**Financial assets measured at fair value through other comprehensive income**	**1,559,167**	**1,072,546**
40.	**Financial assets measured at amortised cost**	**10,224,644**	**9,645,843**
	a) Loans and advances to banks	554,111	152,533
	b) Loans and advances to customers	9,670,533	9,493,310
50.	**Hedging derivatives**	**0**	**0**
60.	**Change in value of macro-hedged financial assets (+/-)**	**0**	**0**
70.	**Equity investments**	**77**	**0**
80.	**Insurance reserves charged to reinsurers**	**0**	**0**
90.	**Property, plant and equipment**	**211,381**	**169,628**
100.	**Intangible assets**	**89,539**	**91,870**
	of which:		
	- goodwill	66,142	66,142
110.	**Tax assets**	**315,288**	**321,077**
	a) current	43,067	50,985
	b) deferred	272,221	270,092
120.	**Non-current assets and disposal groups classified as held for sale**	**0**	**0**
130.	**Other assets**	**418,569**	**472,098**
	Total assets	**12,962,617**	**11,878,906**

In relation to the introduction of the new accounting standard IFRS 16 on 1 January 2019, the Group applied the option not to restate the comparative data. This means that the specific items of property, plant and equipment and deposits from customers among the balance sheet figures for 2019 and 2018 are not completely comparable.

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET			
	Liabilities and Shareholders' equity	**31/12/2019**	**31/12/2018**
10.	**Financial liabilities measured at amortised cost**	**11,582,742**	**10,500,217**
	a) Deposits from banks	1,648,569	1,530,194
	b) Deposits from customers	8,161,813	6,867,016
	c) Debt securities in issue	1,772,360	2,103,007
20.	**Financial liabilities held for trading**	**17,590**	**20,818**
30.	**Financial liabilities designated at fair value**	**78,882**	**118,345**
40.	**Hedging derivatives**	**126,675**	**75,461**
50.	**Change in value of macro-hedged financial liabilities (+/-)**	**0**	**0**
60.	**Tax liabilities**	**3,088**	**3,238**
	a) current	3,088	3,238
	b) deferred	0	0
70.	**Liabilities associated with assets classified** as held for sale	0	**0**
80.	**Other liabilities**	**245,083**	**257,189**
90.	**Provision for employee severance pay**	**20,386**	**19,671**
100.	**Provisions for risks and charges**	**64,679**	**65,681**
	a) commitments and guarantees given	5,118	5,899
	b) post-retirement benefit obligations	16,601	17,830
	c) other provisions for risks and charges	42,960	41,952
110.	**Technical reserves**	**0**	**0**
120.	**Valuation reserves**	**(19,919)**	**6,427**
121	**of which, relating to discontinued operations**	**0**	**0**
130.	**Redeemable shares**	**0**	**0**
140.	**Equity instruments**	**0**	**0**
150.	**Reserves**	**95,699**	**76,919**
155	**of which interim dividends**	**0**	**0**
160.	**Share premium reserve**	**339,536**	**270,139**
170.	**Share capital**	**363,971**	**308,368**
180.	**Treasury shares (-)**	**(8,863)**	**(6,522)**
190.	**Minority shareholders' equity (+/-)**	**17,738**	**158,476**
200.	**Profit (Loss) for the year (+/-)**	**35,330**	**4,479**
	Total liabilities and shareholders' equity	**12,962,617**	**11,878,906**

In relation to the introduction of the new accounting standard IFRS 16 on 1 January 2019, the Group applied the option not to restate the comparative data. This means that the specific items of property, plant and equipment and deposits from customers among the balance sheet figures for 2019 and 2018 are not completely comparable.

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT			
Items		31/12/2019	31/12/2018
10.	**Interest income and similar revenues**	**295,919**	**261,079**
	of which: interest income calculated using the effective interest rate method*	268,181	242,750
20.	**Interest expense and similar charges**	**(84,953)**	**(84,931)**
30.	**Net interest margin**	**210,966**	**176,148**
40.	**Fees and commission income**	**154,727**	**159,892**
50.	**Fees and commissions expenses**	**(58,050)**	**(34,217)**
60.	**Net fees and commissions**	**96,677**	**125,675**
70.	**Dividends and similar income**	**10,929**	**13,282**
80.	**Net profit (loss) from trading**	**77,556**	**23,328**
90.	**Net profit (loss) from hedging**	**(805)**	**51**
100.	**Gains (losses) on disposal or repurchase of:**	**21,596**	**(11,226)**
	a) financial assets measured at amortised cost	(3,179)	(28,574)
	b) financial assets measured at fair value through other comprehensive income	24,766	17,297
	c) financial liabilities	9	51
110.	**Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss**	**1,889**	**(16,731)**
	a) financial assets and liabilities designated at fair value	2,990	3,461
	b) other financial assets mandatorily measured at fair value	(1,101)	(20,192)
120.	**Net banking income**	**418,808**	**310,527**
130.	**Net losses/recoveries for credit risk relating to:**	**(91,970)**	**(68,437)**
	a) financial assets measured at amortised cost	(93,078)	(65,793)
	b) financial assets measured at fair value through other comprehensive income	1,108	(2,644)
140.	**Profits/losses from contractual changes without derecognition**	**(426)**	**0**
150.	**Net income from financial activities**	**326,412**	**242,090**
160.	**Net premiums**	0	0
170.	**Other net insurance income (expense)**	0	0
180.	**Net income from financial and insurance activities**	**326,412**	**242,090**
190.	**Administrative expenses:**	**(254,378)**	**(268,950)**
	a) personnel expenses	(133,935)	(144,580)
	b) other administrative expenses	(120,443)	(124,370)
200.	**Net provisions for risks and charges**	**(18,459)**	**(4,474)**
	a) commitments and guarantees given	748	80
	b) other net provisions	(19,207)	(4,554)
210.	**Net adjustments to/recoveries on property, plant and equipment**	**(16,538)**	**(9,149)**
220.	**Net adjustments to/recoveries on intangible assets**	**(4,454)**	**(4,345)**
230.	**Other operating expenses/income**	**28,017**	**30,096**
240.	**Operating costs**	**(265,812)**	**(256,822)**
250.	**Gains (losses) on equity investments**	0	(9)
260.	**Net gains (losses) on property, plant and equipment and intangible assets measured at fair value**	0	0
270.	**Impairment of goodwill**	0	0
280.	**Gains (losses) on disposal of investments**	19	1
290.	**Profit (loss) before tax from continuing operations**	**60,619**	**(14,740)**
300.	**Tax expenses (income) for the period from continuing operations**	(19,871)	20,618
310.	**Profit (loss) after tax from continuing operations**	**40,748**	**5,878**
320.	**Profit (Loss) after tax from discontinued operations**	0	0
330.	**Profit (loss) for the year**	**40,748**	**5,878**
340.	**Minority profit (loss) for the period**	**5,418**	**1,399**
350.	**Parent company's profit (loss) for the year**	**35,330**	**4,479**

** The item "interest income calculated using the effective interest rate method" referring to 31 December 2018 was restated for comparative purposes and greater clarity.*

In relation to the introduction of the new accounting standard IFRS 16 on 1 January 2019, the Group applied the option not to restate the comparative data. This means that the items relating to the interest margin, other administrative expenses and adjustments to property, plant and equipment in the income statement figures for 2019 and 2018 are not comparable.

GRUPPO CASSA DI RISPARMIO DI ASTI

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Item	**ITEMS**	**31/12/2019**	**31/12/2018**
10.	**Profit (loss) for the year**	**40,748**	**5,878**
	Other comprehensive income after tax not reclassified to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income	1,229	(2,369)
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(2,133)	2,956
40.	Hedging of equity securities designated at fair value through other comprehensive income	0	0
50.	Property, plant and equipment	0	0
60.	Intangible assets	0	0
70.	Defined benefit plans	(929)	481
80.	Non-current assets and disposal groups classified as held for sale	0	0
90.	Portion of valuation reserves from investments valued at equity method	0	0
	Other comprehensive income after tax reclassified to profit or loss		
100.	Foreign investments hedging	0	0
110.	Foreign exchange differences	0	0
120.	Cash flow hedging	1,352	4,200
130.	Hedging instruments (non-designated items)	0	0
140.	Financial assets (different from equity instruments) at fair value through other comprehensive income	(26,511)	15,241
150.	Non-current assets and disposal groups classified as held for sale	0	0
160.	Part of valuation reserves from investments valued at equity method	0	0
170.	**Total other income after tax**	**(26,992)**	**20,509**
180.	**Other comprehensive income (Item 10+170)**	**13,756**	**26,387**
190.	**Minority consolidated other comprehensive income**	**2,465**	**7,066**
200.	**Parent Company's consolidated other comprehensive income**	**11,291**	**19,321**

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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Balance as at 31/12/2018	Changes in opening balances	Balance as at 01/01/2019	Previous year profit (loss) allocation		Changes during the year								Other comprehensive income for 2019	Total shareholders' equity as at 31/12/2019	Minority shareholders' equity as at 31/12/2019
							Shareholders' equity transactions									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Advanced dividends	Changes in equity instruments	Treasury shares derivatives	Stock options	Changes in equity interests			
SHARE CAPITAL																
a) ordinary shares	370,267		370,267	0			55,603	0					-49,291		363,971	12,608
b) other shares	0		0	0			0	0					0		0	0
SHARE PREMIUM RESERVE	**283,358**		**283,358**	**0**		**0**	**69,397**						**-13,219**		**339,536**	**0**
RESERVES																
a) profit	154,978	0	154,978	2,763		0	0	0	0				-125,000		36,283	-3,542
b) other	0	0	0	0		-1,930	-1,174		0		0	0	62,520		59,416	0
VALUATION RESERVES	**10,327**	**0**	**10,327**			**0**							**0**	**-26,992**	**-19,919**	**3,254**
EQUITY INSTRUMENTS	**0**		**0**							**0**			**0**		**0**	**0**
TREASURY SHARES	**-6,522**		**-6,522**				**0**	**-2,341**							**-8,863**	**0**
PROFIT (LOSS) FOR THE YEAR	**5,878**	**0**	**5,878**	**-2,763**	**-3,115**									**40,748**	**35,330**	**5,418**
GROUP SHAREHOLDERS' EQUITY	**659,810**	**0**	**659,810**	**0**	**-1,972**	**-1,848**	**123,826**	**-2,341**	**0**	**0**	**0**	**0**	**16,988**	**11,291**	**805,754**	
NON-CONTROLLING INTERESTS	**168,476**	**0**	**158,476**	**0**	**-1,143**	**-82**	**0**	**0**	**0**	**0**	**0**	**0**	**-141,978**	**2,465**		**17,738**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Balance as at 31/12/2017	Changes in opening balances	Balance as at 01/01/2018	Previous year profit (loss) allocation		Changes during the year									Group shareholders' equity as at 31/12/2018	Minority Shareholders' Equity as at 31/12/2018
							Shareholders' equity transactions									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Advanced dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests	Other comprehensive income for 2018		
SHARE CAPITAL																
a) ordinary shares	370,247		370,247	0			0	0					20		308,368	61,899
b) other shares	0		0	0			0	0					0		0	0
SHARE PREMIUM RESERVE	283,358		283,358	0		0	0								270,139	13,219
RESERVES																
a) profit	437,939	-302,048	135,891	18,073		1,014	0	0	0				0		76,919	78,059
b) other	0	0	0	0		0	0		0		0	0	0		0	0
VALUATION RESERVES	**-116,982**	**106,800**	**-10,182**			**0**							**0**	**20,509**	**6,427**	**3,900**
EQUITY INSTRUMENTS	**0**		**0**							**0**			**0**		**0**	**0**
TREASURY SHARES	**-5,448**		**-6,448**				**0**	**-1,074**							**-6,522**	**0**
PROFIT (LOSS) FOR THE YEAR	**32,820**	**0**	**32,820**	**-18,073**	**-14,747**									**5,878**	**4,479**	**1,399**
GROUP SHAREHOLDERS' EQUITY	**832,263**	**-179,762**	**652,501**	**0**	**-11,952**	**1,014**	**0**	**-1,074**	**0**	**0**	**0**	**0**	**0**	**19,321**	**659,810**	
NON-CONTROLLING INTERESTS	**169,671**	**-15,486**	**154,185**	**0**	**-2,795**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**20**	**7,066**		**158,476**

Note: the column "Changes in opening balances" indicates the changes made to the closing balances of the previous year to recognise the effects on shareholders' equity as at 1 January 2018 of the first-time adoption of IFRS 9 "Financial Instruments"

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CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW STATEMENT

CASH FLOW STATEMENT	AMOUNT	
Indirect Method	31/12/2019	31/12/2018
A. OPERATING ACTIVITIES		
1. Cash flows from operations	219,808	**9,949**
- profit (loss) for the year (+/-)	40,748	5,878
- capital gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit and loss (-/+)	-14,041	-63,847
- capital gains/losses on hedging activities (-/+)	-32,433	-14,294
- net losses/recoveries for credit risk (+/-)	115,421	123,836
- net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	18,966	13,539
- net provisions for risks and charges and other expenses/income (+/-)	11,212	4,012
- unpaid duties, taxes and tax credits (+/-)	16,912	-30,842
- net losses/recoveries on discontinued operations after tax (+/-)	0	0
- other adjustments (+/-)	63,023	-28,333
2. Cash flows from (used in) financial assets	-1,093,728	**-636,364**
- financial assets held for trading	39,329	10,384
- financial assets designated at fair value	0	0
- other assets mandatorily measured at fair value	1,893	1,478,031
- financial assets measured at fair value through other comprehensive income	-559,655	-198,247
- financial assets measured at amortised cost	-673,244	-1,859,127
- other assets	97,949	-67,405
3. Liquidity generated/absorbed by financial liabilities	894,098	**-253,092**
- financial liabilities measured at amortised cost	1,025,409	-21,495
- financial liabilities held for trading	-62,129	-42,895
- financial liabilities designated at fair value	-36,098	-4,277
- other liabilities	-33,084	-184,425
Net liquidity generated/absorbed by operating activities	20,178	**-879,507**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	1	**167**
- sales of equity investments	0	167
- dividends collected on equity investments	0	0
- sales of property, plant and equipment	1	0
- sales of intangible assets	0	0
- sales of divisions	0	0
2 Cash flow used in:	-136,542	**-11,173**
- purchases of equity investments	-126,181	0
- purchases of property, plant and equipment	-8,238	-8,725
- purchases of intangible assets	-2,123	-2,448
- purchases of divisions	0	0
Net liquidity generated/absorbed by investment activities	-136,541	**-11,006**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	122,659	-1,074
- issue/purchase of equity instruments	0	0
- dividend distribution and other	-3,115	-14,748
Net liquidity generated/absorbed by funding activities	119,544	**-15,822**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	3,181	**-906,335**

RECONCILIATION	AMOUNT	
Item	31/12/2019	31/12/2018
Cash and cash equivalents at the beginning of the year	64,558	970,893
Net liquidity generated/absorbed in the period	3,181	-906,335
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at the end of the year	67,739	64,558

**Section 1.
Statement
of compliance with the
international
accounting standards**

Pursuant to IAS 1 § 16, it is hereby certified that the consolidated financial statements as at 31 December 2019 comply with all the international accounting standards IAS/IFRS applicable, as endorsed by the European Commission and in force as at 31 December 2019, based on the procedure set out in Regulation (EC) no. 1606/2002, including the SIC/IFRIC interpretations.

**Section 2.
General
preparation criteria**

The accounting results in the financial statements were determined by applying the international accounting standards IAS/IFRS, as described above, in addition to referencing that established by the Bank of Italy in Circular no. 262 of 22 December 2005, which regulates bank financial statements, revised by its sixth update of November 2018, as amended.

The consolidated financial statements were drawn up by applying the fundamental principles set out in the reference accounting standards. In particular:

- the accruals principle: the effect of events and operations is recorded when they occur and not when the related collections or payments arise;
- the going concern principle: the statutory accounts were drawn up under the assumption that the Group will be a going concern for a time period of at least 12 months from the date of approval of the consolidated financial statements.

In recognising operating events in the accounting records, the principle of the priority of economic substance over form was applied.
In order to best guide the interpretation and application of the IAS/IFRSs, the following documents were also referred to:

- Framework for the Preparation and Presentation of Financial Statements of the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and possible other documents drawn up by the IASB or IFRIC to supplement the accounting standards issued.

New international accounting standards in force at the reporting date

As required by IAS 8, the new international accounting standards or amendments to standards already in force are shown below, with their related endorsement regulations, whose application became mandatory from 2019 onwards.

- With the intention of improving the accounting treatment of leases, on 13 January 2016, the IASB published the new standard IFRS 16. The standard was endorsed at EU level, through the publication in the Official Journal of the European Union, of Regulation (EU) no. 2017/1986 of 31 October 2017.
  The new accounting standard IFRS 16 – Leases replaced IAS 17, as well as the interpretations IFRIC 4, SIC 15 and SIC 27, starting from 1 January 2019, introducing new rules for the accounting recognition of leases, both for lessors and for lessees. For the details on the first-time adoption of the standard, refer to paragraph 15 – Other information.

- With European Union Regulation no. 498/2018 the amendments to IFRS 9 on prepayment features with negative compensation were endorsed at EU level. The amendments take effect from 1 January 2019.
- Regulation (EU) 2018/1595, which adopts the interpretation IFRIC 23 on “Uncertainty over Income Tax Treatments” was published in the Official Journal L. no. 265 of 24 October 2018. The interpretation specifies how to reflect uncertainty in recording income tax. The changes shall apply, at the latest, from the start date of the first financial year beginning on or after 1 January 2019.
- Commission Regulation (EU) 2019/237 of 8 February 2019, published in the Official Journal L. 39 of 11 February 2019, amends Regulation (EC) no. 1126/2008, which adopts several international accounting standards in compliance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards accounting standard IAS 28.
- Commission Regulation (EU) 2019/402 of 13 March 2019, which adopts “Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)” was published in the Official Journal L. 72 of 14 March 2019. The amendments aim to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period.
- Commission Regulation (EU) 2019/412 of 14 March 2019, which adopts the “Annual Improvements to International Financial Reporting Standards 2015-2017 Cycle”, which entail amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, was published in the Official Journal L. 73 of 15 March 2019.
- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in the Official Journal L. 316 of 6 December 2019, adopts the amendments to References to the IFRS Conceptual Framework. The amendments aim to update existing references in several standards and interpretations to the previous Conceptual Framework with references to the revised Conceptual Framework.
- Commission Regulation (EU) 2019/2104 of 29 November 2019, published in the Official Journal L. 318 of 10 December 2019, amends Regulation (EC) no. 1126/2008, which adopts several international accounting standards in compliance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards accounting standards (IAS) 1 and 8. Specifically, the amendments aim to align the current European framework to the new definition of “material” introduced by IASB in order to facilitate companies in formulating their opinions of materiality. The application is envisaged for financial statements for the first financial year starting on 1 January 2019.

These financial statements are composed of the Consolidated Balance Sheet and Consolidated Income Statement, Statement of Consolidated Comprehensive Income, Statements of Changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement, as well as the Notes to the consolidated financial statements, all drawn up in €/thousand.

Section 3. Consolidation scope methods

Investments in wholly-owned subsidiaries.

Company Name	Headquarters	Registered Office	Type of relationship (1)	Shareholding Relationship		% Voting Rights
				Investing Company	%	
A. Companies						
A.1 Companies consolidated line-by-line						
1. Immobiliare Maristella S.r.l.	Asti	Asti	1	Cassa di Risparmio di Asti S.p.A.	100.00	100.00
2. Pitagora S.p.A.	Turin	Turin	1	Cassa di Risparmio di Asti S.p.A.	70.00	70.00
3. Biverbanca S.p.A.	Biella	Biella	1	Cassa di Risparmio di Asti S.p.A.	100.00	100.00
4. Asti Finance S.r.l.*	Rome	Rome	4	Cassa di Risparmio di Asti S.p.A.	0	0
5. Asti RMBS S.r.l.*	Rome	Rome	4	Cassa di Risparmio di Asti S.p.A.	0	0
6. Asti Group RMBS S.r.l.*	Rome	Rome	4	Cassa di Risparmio di Asti S.p.A.	0	0
7. Annette S.r.l.**	Milan	Milan	4	Cassa di Risparmio di Asti S.p.A.	0	0
8. Asti Group PMI S.r.l.*	Rome	Rome	4	Cassa di Risparmio di Asti S.p.A.	0	0
9. Asti Group RMBS II S.r.l.*	Rome	Rome	4	Cassa di Risparmio di Asti S.p.A.	0	0
10. Manu SPV S.r.l.*	Conegliano	Conegliano	4	Pitagora S.p.A.	0	0
11. Geordie SPV S.r.l.**	Conegliano	Conegliano	4	Pitagora S.p.A.	0	0

**Special purpose vehicle (SPV) for securitisations of loans implemented by the Group.*

***Special purpose vehicle (SPV) for securitisations of loans implemented by the Group, closed during the year.*

Key
(1) Type of relationship:
1. majority of voting rights at ordinary shareholders' meetings
2. dominant influence at ordinary shareholders' meetings
3. agreements with other shareholders
4. other forms of control
5. unified management under art. 26, paragraph 1 of Italian Legislative Decree 87/92
6. unified management under art. 26, paragraph 2 of Italian Legislative Decree 87/92

(2) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential.

Line-by-line consolidation consists in the line-by-line acquisition of the balance sheet and income statement aggregates of the subsidiaries. Following the attribution to minority interests, in separate items, of their portions of shareholders' equity and profit (loss), the equity investment will be eliminated as an offsetting entry to shareholders' equity of the subsidiary. The assets, liabilities, income and expenses recognised between consolidated companies, as well as dividends collected, are also netted.

The scope of consolidation also includes the equity investment over which the Parent Company exercises a significant influence, as the share held indirectly is between 20% and 50%. This company is carried at equity

Company Name	Headquarters	Registered Office	Shareholding Relationship	
			Investing Company	%
Edera S.r.l.	Turin	Turin	Pitagora S.p.A.	35.00

2. Significant assessments and assumptions for determining the scope of consolidation

In drawing up the consolidated financial statements as at 31 December 2019, account was taken of the new standards endorsed through Regulation no. 1254 of the European Commission, IFRS 10, IFRS 11 and IFRS 12, and the amendments to IAS 27 and IAS 28, with mandatory application since 2014.
The new standards and amendments to existing standards aim to provide a single model for consolidated financial statements which envisage the presence of control and *de facto* control as the basis for consolidation of all possible types of entities. To have control over an entity, the investor must have the ability, deriving from a legally understood right or even a *de facto* situation, to significantly impact the type of operating decisions to be taken regarding the entity's relevant activities and be exposed to the variability of the entity's results.
The scope of line-by-line consolidation of the Group includes the special purpose vehicles for securitisations attributable to entities over which the Group holds control, even though it does not have voting rights or equity investments in the share capital.
The scope of consolidation does not include the following subsidiary, as it is irrelevant:

- S.I.G.A. S.r.l. in Liquidazione.

3. Investments in wholly-owned subsidiaries with significant minority interests

Minority interests hold 30% of the share capital of Pitagora S.p.A., which is 19.18%-owned by Bonino S.r.l. and 10.82%-owned by employees of the company and third parties. The Group does not hold equity investments in the special purpose vehicles for securitisations (SPV) and, therefore, those entities are fully attributable to the capital of third parties.

On 23 December 2019, the acquisition by Banca di Asti of the remaining shares of Biverbanca was finalised, thus reaching 100% of the share capital of Biverbanca, through the contribution in kind by Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli of 49,381,884 ordinary shares of Biverbanca, freeing up the share capital increase of Banca di Asti.

3.1 Minority interests, voting rights and dividends distributed to third parties

Company Name	% Minority interests	% Voting Rights (1)	Dividends distributed to third parties €/thousand
A. Companies			
1. Pitagora S.p.A.	30.00	30.00	1,143
2. Asti Finance S.r.l.	100	100	0
3. Asti RMBS S.r.l.	100	100	0
4. Asti Group RMBS S.r.l.	100	100	0
5. Annette S.r.l.	100	100	0
6. Asti Group PMI S.r.l.	100	100	0
7. Manu SPV S.r.l.	100	100	0
8. Geordie SPV S.r.l.	100	100	0

(1) Voting rights in ordinary shareholders' meeting

During the year, dividends were distributed to third parties by Biverbanca for the amount of € 1,972 thousand.

3.2 Equity investments with significant minority interests: accounting information

Figures as at 31/12/2019

Company Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity
A. Companies						
1. Pitagora S.p.A.	318,357	10	272,468	14,352	181,793	60,751

Company Name	Interest margin	Net interest and other banking income	Operating costs	Profit (loss) before tax from continuing operations	Profit (loss) after tax from continuing operations
A. Companies					
1. Pitagora S.p.A.	11,010	57,469	(43,848)	13,321	8,207

Company Name	Profit (loss) from discontinued operations	Profit (loss) for the year (1)	Other income after tax (2)	Total income (3) = (1) + (2)
A. Companies				
1. Pitagora S.p.A.	0	8,207	1	8,208

4. Significant restrictions

With regard to subsidiaries included in the scope of consolidation of the C.R. Asti Group, there are no significant restrictions on the Parent Company's ability to access assets or use them, or to pay off the liabilities of the Group.

5. Other information

The financial statements of the subsidiaries used to draw up the consolidated financial statements all refer to 31 December 2019, as all the subsidiaries close the period at the same closing date as the Parent Company.

Section 4. Events subsequent to the reference date

It is noted that, after the reporting date of the consolidated financial statements (31.12.2019) and before the preparation hereof, there were no significant events that could change the valuations set out in this document. Despite the above, we note, as the event that could cause significant effects from 2020 onwards, the break out and spread of the disease called COVID-19. With regard to IAS 10, paragraph 21, the COVID-19 phenomenon described above was considered a non-adjusting event after the reporting period, i.e., an event that does not entail an adjustment to these financial statements. It was also deemed that that phenomenon does not raise doubts regarding the going concern assumption. For more details, refer to that set out in the Report on Operations – Significant events after year end.

Section 5. Other matters

The preparation of the consolidated financial statements requires the formation of reasonable estimates and assumptions, based on the information available at the time they are drawn up and the adoption of subjective assessments, based on past experience, in order to achieve adequate recognition of operating events.
Having considered the 2019-2021 Strategic Plan, the Group's satisfactory level of capitalisation, and considering that both the Parent Company and the subsidiaries have a consolidated history of profitable business and privileged access to financial resources, the Directors have the reasonable expectation that even in the current context of economic and financial crisis, the Group will continue to operate in the foreseeable future. Therefore, they have prepared the consolidated financial statements 2019 applying the going concern assumption.
By their nature, the estimates and assumptions applied may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the consolidated financial statements may differ, even to a significant extent, as a result of changes in the reasonable subjective estimates, assessments and assessments made.
The main cases where it is necessary for the party drawing up the consolidated financial statements to use discretionary assessments are as follows:

- quantification of impairment losses on loans and, more generally, financial assets;
- determination of the fair value of financial instruments to use in the disclosure in the consolidated financial statements; in particular the use of valuation models to measure the level 3 fair value of financial instruments not listed on active markets and for which there are no other parameters observable on the market that could be used in the valuation techniques;
- the valuation of the recoverable amount of goodwill recorded in the consolidated financial statements;
- quantification of provisions for risks and charges;
- demographic assumptions (linked to the forecast mortality of the population) and financial assumptions (deriving from the possible evolution of the financial markets) used to define provisions for personnel;
- estimates and assumptions on the recoverability of deferred tax assets.

The amount of the effect on future years deriving from the possible change in those valuations is not reported, as it is currently not possible to make such estimate.

The Group applies “domestic tax consolidation”, governed by articles 117-129 of the Consolidated Income Tax Act introduced by Italian Legislative Decree no. 344/2003, as amended. This consists of an optional regime, under which the total net tax income or loss of each investee participating in the tax consolidation is transferred to the parent company, on which a single taxable income or single tax loss that may be carried forward is determined and, as a result, a single tax liability/credit.

In addition to the Parent Company, the option involves the subsidiaries Biverbanca S.p.A., Pitagora S.p.A. and the company Immobiliare Maristella S.r.l.

The criteria adopted for drawing up the consolidated financial statements, in application of the accounting standards IAS/IFRS in force at the date of preparation of these consolidated financial statements, communicated to the Board of Statutory Auditors, are illustrated below.

1 - Financial assets measured at fair value through profit and loss (FVTPL)

Classification criteria: this category includes financial assets other than those classified under financial assets measured at fair value through other comprehensive income and under financial assets measured at amortised cost.
This item includes:

- financial assets held for trading and the positive value of derivatives. These are financial assets (debt securities, equity securities and units of UCITS) held for the purpose of realising cash flows through their sale, and obtaining a profit in the short term. These are financial assets associated with the "Others" business model;
- financial assets designated at fair value, comprised of debt securities and loans, which on initial recognition are irrevocably designated at fair value when that designation is required to eliminate or drastically reduce inconsistency in valuation;
- financial assets mandatorily measured at fair value, represented debt securities, loans or units of UCITS that do not meet the requirements for measurement at amortised cost or fair value through other comprehensive income. These are financial assets with contractual terms that not only require the repayment of principal and payment of interest flows calculated on the amount of principal to be repaid, or which are held under the Hold to collect and sell model.

The accounting standard IFRS 9 does not permit the reclassification of financial assets to other categories, save for cases where the entity changes its business model with regard to the management of such assets. On the occurrence of those events, which are not very frequent, financial assets measured at fair value through profit and loss may be reclassified to one of the other two categories of financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income. The transfer value is represented by the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the first reporting date following the change in the business model. In this case, the effective interest rate of the reclassified financial asset is calculated based on its fair value at the reclassification date and this date is considered as the initial recognition date in assigning it to the various credit risk stages for purposes of impairment.

Recognition criteria: financial assets measured at fair value through profit and loss are initially recognised at the settlement date, if settled with time frames used in market practice (regular way); otherwise at the trade date. In the event of recognition of financial assets at the settlement date, the profits and losses recognised from the trade date to the settlement date are charged to the income statement.

Financial assets measured at fair value through profit and loss are initially recognised at fair value, which generally equals the consideration paid. The related transaction costs or income is posted directly to the income statement.

Measurement criteria and revenue recognition criteria:-subsequent to initial recognition, financial assets measured at fair value through profit and loss are measured at fair value. In the event that the fair value of a financial asset is negative, that financial instrument is recorded as a financial liability. The effects of applying this measurement approach are recorded in the income statement.
For more information on the business models, the methods of determining expected losses and impairment, refer to paragraph 15 – Other information.
The fair value of financial instruments is determined in line with that set out in section "A.4 - Information on fair value".

Derecognition criteria: financial assets are derecognised when the right to receive cash flows no longer exists, or where all the risks and benefits connected with holding those specific assets are substantially transferred.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria: this category includes debt securities and loans that meet both of the following two conditions:

- they are held under a business model that envisages both the collection of cash flows set out by contract and the sale (HTCS);
- the contractual terms and conditions of the financial assets require, at specific dates, the collection of cash flows solely comprised of payment of principal and interest on the amount of principal to be repaid (passing the SPPI test).

This item also includes equity instruments, not held for trading purposes, for which the option to designate at fair value through other comprehensive income was exercised at the time of initial recognition. This option is irrevocable.
The accounting standard IFRS 9 does not permit the reclassification of financial assets to other categories, save for cases where the entity changes its business model with regard to the management of such assets. On the occurrence of those events, which are not very frequent, financial assets measured at fair value through other comprehensive income may be reclassified to one of the other two categories of financial assets measured at amortised cost or financial assets measured at fair value through profit and loss. The transfer value is represented by the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the first reporting date following the change in the business model. If assets are reclassified from this category to the amortised cost category, the cumulative gain (loss) recorded in the valuation reserve is adjusted to the fair value of the financial asset at the reclassification date. In the case of reclassification in the category of fair value through profit and loss, the accrued profit (loss) previously recorded in the valuation reserve is reclassified from shareholders' equity to profit (loss) for the year.
Equity securities for which the option was exercised cannot be reclassified.

Recognition criteria: financial assets measured at fair value through other comprehensive income (FVOCI) are initially recognised at the settlement date, if settled with time frames used in market practice (regular way); otherwise at the trade date. In the event of recognition of financial assets at the settlement date, the profits and losses recognised from the trade date to the settlement date are charged to shareholders' equity.
Financial assets measured at fair value through other comprehensive income are initially recognised at fair value, which generally equals the consideration paid, including transaction costs or income.

Measurement criteria and revenue recognition criteria:–following initial recognition, financial assets measured at fair value through other comprehensive income other than equity securities are recorded using the amortised cost method, and are valued at fair value. The effects of a change in fair value are recognised in a specific shareholders' equity reserve up to the time the financial asset is derecognised. Instead, the effects deriving from the calculation of amortised cost and those relating to impairment are recognised in the income statement.
Equity instruments for which the irrevocable option of classification under financial assets measured at fair value through other comprehensive income was exercised are measured at fair value with impact on a specific shareholders' equity reserve, which must never be transferred to the income statement, even in the event of derecognition due to the sale of the financial asset. For these equity instruments, the only components that continue to be recognised in the income statement are represented by dividends.
The fair value of financial instruments is determined in line with that set out in section "A.4 - Information on fair value".
Debt securities and loans classified under financial assets measured at fair value through other comprehensive income are tested, at the end of each reporting period, for a significant increase in credit risk, recognising the resulting adjustment in the income statement. For financial assets classified in stage 1, the expected loss recognised is that with a time horizon of 12 months. For financial assets classified in stages 2 and 3, the expected loss recognised is that with a time horizon equal to the entire residual life of the financial instrument.
For more information on the business models, the methods of determining expected losses and impairment, refer to paragraph 15 – Other information.

Derecognition criteria: financial assets are derecognised when the right to receive cash flows no longer exists, or where all the risks and benefits connected with holding those specific assets are substantially transferred.

3 - Financial assets measured at amortised cost

Classification criteria: this category includes debt securities and loans that meet both of the following two conditions:

- they are held under a business model that envisages the collection of cash flows set out by contract (Hold to Collect);
- the contractual terms and conditions of the financial assets require, at specific dates, the collection of cash flows solely comprised of payment of principal and interest on the amount of principal to be repaid (passing the SPPI test).

This item comprises loans and advances to banks and loans and advances to customers disbursed directly or acquired from third parties, trade receivables, contangos, repurchase agreements and operating loans connected with the provision of financial services.

IFRS 9 does not permit the reclassification of financial assets to other categories, save for cases where the entity changes its business model with regard to the management of such assets. On the occurrence of those events, which are not very frequent, financial assets measured at amortised cost may be reclassified to one of the other two categories of financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit and loss. The transfer value is represented by the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the first reporting date following the change in the business model. Profits and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised in the income statement in the event of reclassification under Financial assets measured at fair value through profit and loss and in Shareholders' equity, in the specific valuation reserve, in the event of reclassification under Financial assets measured at fair value through other comprehensive income.

Recognition criteria: financial assets measured at amortised cost are recognised only when the Group becomes a party to the loan agreement. This means that the loan must be unconditional and that the Group acquires the right to payment of the contractually agreed amounts.
Loans are initially recognised on the disbursement date or, for debt securities, the settlement date, based on their fair value, which normally equals the amount disbursed or the subscription price, including the transaction costs/income directly attributable or determinable from the origin of the transaction, even if liquidated at a later time. This includes costs which, though having the above characteristics, are repaid by the borrower. In the event of receivables deriving from the sales of goods or the provision of services, the recognition is connected with the moment of sale or completion of the provision of service and, that is, the time in which it is possible to recognise the income and, as a result, the right to receive it arises.

Measurement criteria and revenue recognition criteria:–following initial recognition, the financial assets are measured at amortised cost using the effective interest rate method. The amortised cost is equal to the value originally recognised - decreased by the repayments of principal and value adjustments, and increased by any recoveries - and the amortisation of the difference between the amount disbursed and that repayable on maturity, attributable to directly attributable transaction costs/income. The effects deriving from the calculation of amortised cost and those relating to impairment are recognised in the income statement.
At each reporting date, financial assets measured at amortised cost are tested for a significant increase in credit risk, recognising in the income statement the resulting adjustment pursuant to the rules set out by IFRS 9. For financial assets classified in stage 1, the expected loss recognised is that with a time horizon of 12 months. For financial assets classified in stages 2 and 3, the expected loss recognised is that with a time horizon equal to the entire residual life of the financial instrument.
The amount of value adjustments is equal to the difference between the carrying amount of the assets at the time of valuation and the present value of expected cash flows. In the event of value adjustments, the carrying amount of the asset is decreased by establishing a bad debt provision that adjusts the asset and the amount of that adjustment is recorded in the income statement. Where, in a subsequent period, the amount of that value adjustment decreases, and that decrease is objectively attributable to an event that occurred following the determination of the write-down, such as an improvement in the borrower's creditworthiness, the value adjustment previously recorded is eliminated or reduced by recording a recovery in the income statement. That recovery cannot, in any case, exceed the amortised cost that the receivable would have had in the absence of the previous adjustments.
For more information on the business models, the methods of determining expected losses and impairment, refer to paragraph 15 – Other information.

Derecognition criteria: financial assets are derecognised when the right to receive cash flows no longer exists, or where all the risks and benefits connected with holding those specific assets are substantially transferred, or when the receivable is considered definitely irrecoverable after all the necessary recovery procedures have been completed.
Conversely, where legally the ownership of the receivables has been effectively transferred but the Group substantially retains all the risks and benefits, the receivables continue to be recognised under assets, recording a liability for the consideration received from the purchaser. In particular, the Group includes securitised loans among its loans and advances to customers. As an offsetting entry to those loans, a liability was posted under the item "Deposits from customers", net of the value of the securities issued by the vehicle (SPV) and repurchased by the Group, and net of cash reserves.

4 - Hedging transactions

The Group opted to apply the option set out in IFRS 9 to continue to fully apply the provisions of IAS 39 on hedge accounting.

Type of hedge: risk-hedging transactions are aimed at offsetting any potential losses on a certain element or group of elements that may arise from a specific risk, with the profits made on a different element or group of elements, should that particular risk effectively occur. The possible types of hedges used by the Group are:

- cash flow hedges, the objective of which is to stabilise the flow of interest of floating rate funding, to the extent to which the latter finances fixed rate loans;
- fair value hedges, the objective of which is to hedge the exposure to changes in fair value of an item at the reporting date.

For all types of hedge transactions, in the phase of FTA of IFRS 9, the Group opted to apply, in line with the past, the provisions of IAS 39 (carve-out) on hedge accounting.

Recognition criteria: hedging financial derivatives, like all derivatives, are initially recorded and subsequently measured at fair value.

Measurement criteria: hedging derivatives are measured at fair value.
In cash flow hedges, changes in the fair value of the derivative are booked to shareholders' equity, to the extent that the hedge is effective, and are recognised in the income statement only when, with regard to the hedged item, there is a change in the cash flows to be offset or when the hedge is ineffective. The derivative instrument is designated as a hedging instrument if there is official documentation regarding the connection between the instrument hedged and said hedging instrument, and if it is effective at the moment in which the hedging begins and throughout the life of the same.
The effectiveness of the hedge is documented by assessing the comparison of the changes in cash flows of derivatives attributed to the specific years, and the changes in cash flows of the planned, hedged transactions.
The hedged instrument is recognised at amortised cost.
In the case of fair value hedging, the changes in the fair value of the hedged asset are offset by the changes in the fair value of the hedging instrument. This offsetting is recognised by recording the changes in value in the income statement, for both the item hedged (as regards changes produced by the hedged risk factor) and the hedging instrument. Any differences, which represent the partial ineffectiveness of the hedge, constitute the net economic result.

The effectiveness of cash flow hedges and fair value hedges is assessed at each reporting date: if the tests do not confirm the hedge effectiveness, from that time, the recording of the hedging transactions, in accordance with that shown above, is stopped and the portion of the derivative contract that is no longer a hedge (over hedging) is reclassified under trading instruments. If the interruption of the hedge relationship is due to the sale or extinction of the hedging instrument, the hedged instrument ceases to be hedged and is once again measured accounting to the criteria of the portfolio it is assigned to.
Derivatives which are considered as hedging instruments from an economic viewpoint because they are operationally linked with financial liabilities measured at fair value (Fair Value Option) are classified among trading derivatives; the respective positive and negative differentials or margins accrued until the end of the reporting period are recognised, in accordance with their hedging purpose, as interest income and interest expense, while valuation gains and losses are posted under the income statement, “Net profit (loss) from financial assets and liabilities measured at fair value”.

5 - Equity investments

Classification criteria: the term equity investments means investments in the capital of other companies, generally represented by shares or units, and classified as controlling interests or stakes in associates. The following definitions are used, in particular:

- subsidiary: company over which the parent exercises “dominant control”, i.e. the power to determine the administrative and management decisions and obtain the related benefits;
- associate: company in which the investor holds significant influence but which is not a subsidiary or a joint venture for the investor.
  In order to hold significant influence, direct ownership, or indirect ownership through subsidiaries, of 20% or the majority share of votes that can be exercised in the shareholders’ meeting of the investee must be held.

Other minor equity investments receive the treatment set out in IFRS 9, are classified among Financial assets measured at fair value through profit and loss (FVTPL) or Financial assets measured at fair value through other comprehensive income (FVOCI).

Recognition criteria: equity investments are initially recognised on the settlement date, if traded with the time frames used in market practice (regular way); otherwise at the trade date.
Equity investments are initially recognised at cost.

Measurement criteria and revenue recognition criteria: equity investments in subsidiaries or associates are measured at cost, possibly adjusted due to impairment.

If objective evidence of impairment indicates that there may have been a loss in value of an equity investment, then the recoverable amount of the investment is estimated, taking into consideration the present value of future cash flows that the investment may generate, including the final disposal value of the investment (impairment test).

Where insufficient information is available, the value of shareholders' equity of the company is used as the value in use.
If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement under item 220 "Gains (losses) on equity investments".
Where the reasons for the impairment no longer apply as a result of an event occurring following the recognition of a value adjustment, the related recoveries are posted to the same income statement item, but within the limit of the cost of the equity investment prior to the write-down.
Dividends of investees are recorded during the year in which they are decided, in the income statement, under item 70 "Dividends and similar income".

Derecognition criteria: equity investments are derecognised when the contractual rights to the cash flows deriving from the assets expire, or where the equity investment is sold, substantially transferring all the connected risks and benefits.

6 - Property, plant and equipment

Classification criteria: this item mainly includes land, buildings used in the business and those held for investment, plant, vehicles, furniture, furnishings and equipment of any type, and the rights of use acquired through leases, relating to the use of property, plant and equipment pursuant to IFRS 16.
Assets held for use in supplying goods and services, or for administrative purposes are defined as used in the business, while investment assets include properties held for the purpose of receiving rents, to appreciate the capital invested or for both reasons.

Recognition criteria: property, plant and equipment are initially recognised at the purchase or manufacture cost, including all possible additional charges directly attributable to the purchase and start-up of the asset.
Extraordinary maintenance expenses are included in the carrying amount of the asset or recorded as separate assets, as appropriate, only when it is likely that the associated future economic benefits will flow to the company and the cost can be reliably assessed. Expenses for repairs, maintenance or other works to guarantee the operation of the assets are posted to the income statement in the year they are incurred.

The depreciation process is not carried out on low value operating assets. As a result, their value is posted in the income statement for the year of purchase, when their exclusion is deemed irrelevant or insignificant for the purposes of improving disclosure.

Measurement criteria and revenue recognition criteria: following initial recognition, property, plant and equipment, including properties not used in the

business, are posted at cost, net of the total amount of depreciation and accumulated impairment. Property, plant and equipment are systematically depreciated over their useful lives, on a straight-line basis. Land is not depreciated, whether acquired separately or incorporated into the value of the buildings, since it has an indefinite life. Works of art are not depreciated, as their useful life cannot be estimated and the related value is usually bound to increase over time.
In the case of detached properties for which the Group fully owns the land, but whose value is incorporated in the value of the buildings, by virtue of the application of the component approach, these should be considered as assets that can be separated. In that case, the division of the value of the land and the value of the building is carried out based on a specific appraisal conducted by the competent function.
The depreciation process begins when the asset is available and ready for use, i.e. when it is in the place and in the conditions necessary to be operated. In the first year, depreciation is recognised in proportion to the period of actual use of the asset.
Assets subject to depreciation are adjusted for possible impairment each time events or changes in situations indicate that the carrying amount might not be recoverable. Impairment losses are recognised in amounts equal to the excess of the carrying amount over the recoverable amount. Any adjustments are posted to the income statement.
Where the reasons for impairment cease to exist, a reversal is recognised, which shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior periods.

Derecognition criteria: fixed assets are derecognised from the balance sheet at the time of sale or when they are permanently retired from use and, as a result, no future economic benefits are expected to derive from their sale or use. Capital gains and losses deriving from the disposal or sale of property, plant and equipment are calculated as the difference between the net sale price and the carrying amount of the asset and are recorded in the income statement on the same date in which they are eliminated from the accounts.

7 - Intangible assets

Classification criteria: intangible assets are identifiable, non-monetary assets without physical substance that are held for use over several years. Intangible assets also include goodwill, which represents the positive difference between the cost and the fair value of the assets and liabilities of an acquired company at the purchase date.

Recognition criteria: intangible assets are recorded at cost, adjusted for any related charges only if it is probable that the future economic benefits attributable to the assets will materialise and if the cost of the asset can be reliably determined.

The cost of intangible assets is otherwise posted to the income statement in the reporting period it was incurred.
Goodwill is posted among assets when it results from acquisitions of businesses in accordance with the principles of determination indicated by IFRS 3, when the residual surplus between the overall cost incurred for the transaction and the net fair value of the assets and liabilities acquired comprising companies or divisions represents their future income capacity.
Intangible assets with finite useful life include investments in software, surface rights relating to the land where the Company's Branch no. 13 of Asti is located, those representing customer relationships, comprising the valuation, on the acquisition of the division, of asset management and assets under custody accounts, core deposits and core overdrafts, fixed assets in progress and expenses for the renovation of third party assets.

Measurement criteria and revenue recognition criteria: following initial recognition, intangible assets with finite useful life are recognised at cost, net of the total amount of amortisation and cumulative impairment.
Amortisation is carried out on a straight-line basis, which reflects the long-term use of the asset, based on the estimated useful life.
At each reporting date, it is tested whether the intangible asset can effectively still be used and that the company still intends to use it for the period of time from the reporting date to the date originally planned for the end of its use.
Where the recoverable amount is lower than the carrying amount, the amount of the loss is recognised in the income statement.

The goodwill recognised is not subject to amortisation, but its carrying amount is subject to impairment testing annually or more frequently, when there are signs of impairment. The amount of the impairment loss is determined by the difference between the carrying amount and its recoverable amount, if lower, and is posted to the income statement. The recoverable amount is understood as the higher of the cash generating unit's fair value, less costs to sell, and its value in use. Value in use is the present value of future cash flows expected to arise from the years of operation of the cash generating unit and its disposal at the end of its useful life. The recognition of any subsequent recoveries is not permitted.

Derecognition criteria: intangible assets are derecognised from the balance sheet at the time of sale, or when no future economic benefits are expected. Capital gains and losses deriving from the disposal or sale of intangible assets are calculated as the difference between the net sale price and the carrying amount of the asset.

9 - Current and deferred tax

Income taxes are comprised of the balance of current and deferred taxes. These are recorded as costs on an accruals basis, in line with the method of recording of costs and revenues that generated them in the financial statements.

Current tax

“Current tax assets and liabilities” are recognised at the value payable or recoverable for tax profits (losses), applying the tax rates and tax regulations in force regarding income taxes. Effectively, these are taxes that are expected to be reported on the tax returns.
Current tax that has not yet been fully or partially paid at the reporting date is included under “Current tax liabilities” in the balance sheet. In the event of excess payments that gave rise to a recoverable credit, such credit is recorded under “Current tax assets” in the balance sheet.
The parent company Cassa di Risparmio di Asti S.p.A. and the companies Biverbanca S.p.A., Pitagora S.p.A. and Immobiliare Maristella S.r.l., part of the Cassa di Risparmio di Asti Group, renewed the option to adopt the “Domestic Tax Consolidation” also for 2019. This regime is governed by articles 117-129 of the Consolidated Income Tax Act, introduced into tax law by Italian Legislative Decree 344/2003.
Under that regime, the subsidiaries transfer their taxable income (or tax loss) to the parent company, which determines a single taxable income of the Group, as the algebraic sum of the income and/or losses of the single companies, recording a single tax liability/credit due to/from the Tax Authorities.

Deferred tax

The differences between taxable income and statutory income can be permanent or temporary.
Permanent differences are definitive and are comprised of revenues or costs which are completely or partially exempt or non-deductible pursuant to tax law.
The temporary differences, instead, only trigger a timing difference which results in moving up or deferring the moment of taxation in relation to the period of accrual, resulting in a difference between the carrying amount of an asset or liability in the balance sheet and its value recognised for tax purposes. Those differences break down into “deductible temporary differences” and “taxable temporary differences”.
“Deductible temporary differences” indicate a future reduction in taxable income, which therefore generates “deferred tax assets”, as these differences give rise to a taxable amount in the year in which they are recognised, determining a prepayment of taxes in relation to their economic and statutory accrual. In substance, the temporary differences generate tax assets, as they will result in lower taxes in the future, provided that in the following years enough taxable profits are earned to cover the realisation of the taxes paid in advance.
“Deferred tax assets” are recognised for all deductible temporary differences if it is likely that taxable income will be earned, against which the deductible temporary differences can be used.

The origin of the difference between the higher taxable income than statutory income is mainly due to:

- positive income components taxed in years other than those in which they were recognised;
- negative income components that are tax deductible in years following the year of recognition.

"Taxable temporary differences" indicate a future increase in taxable income and, as a result, generate "deferred tax liabilities", as these differences give rise to a taxable amount in the years following those in which they are posted to the statutory income statement, resulting in a deferral of taxation in relation to its economic and statutory accrual. In substance, the temporary differences generate tax liabilities, as they will result in higher taxes in the future.

"Deferred tax liabilities" are recognised for all taxable temporary differences, with the exception of untaxed reserves charged to capital or for which no distribution to shareholders is planned.

The origin of the difference between the lower taxable income than statutory income is due to:

- positive income components taxable in years following that in which they were recognised;
- negative income components deductible in years prior to that in which they will be posted according to statutory criteria.

Deferred tax assets and liabilities are recorded using the "balance sheet liability method", based on the temporary differences arising between the carrying amount of assets and liabilities in the balance sheet and their value recognised for tax purposes, and are calculated using the tax rates which, based on the laws in force at the reporting date, shall be applied in the year in which the asset will be realised or the liability extinguished.

In the event that different tax rates are to be applied to different income levels, deferred tax assets and liabilities are calculated using the average weighted tax rate for the year to which the consolidated financial statements refer.

Deferred tax assets and liabilities are offset when they are due to the same tax authority and when the right to offsetting is recognised by law.

If the deferred tax assets and liabilities relate to items that have affected the income statement, the offsetting entry is represented by income taxes.

When deferred tax assets and liabilities refer to transactions which directly affected shareholders' equity without impacting the income statement (e.g. actuarial gains/losses on defined-benefit plans), they are posted as an offsetting entry to shareholders' equity, involving the special reserves if required.

"Provisions for risks and charges" include provisions relative to long-term benefits and employee benefits following termination of the employment contract as described by IAS 19, in addition to the provisions for risks and charges described by IAS 37.

10 - Provisions for risks and charges

Pension funds and similar obligations

Pension funds are set up to implement company agreements and qualify as defined benefit plans.
Defined contribution plans are benefit plans following the termination of employment, based on which the company pays contributions fixed on the basis of a contract to an external fund and, as a result, has no legal or implied obligation to pay amounts in addition to the payment of the contribution where the fund has insufficient assets to pay all benefits to employees. The contribution is recorded on an accruals basis among personnel expenses, as a cost relating to employee benefits.
The structure of defined benefit plans differs significantly, even though they are established in the form of an external fund with legal personality, for which the Group guarantees payment of the benefits to the entitled parties, assuming the actuarial risk. Those plans fall within the scope of the sub-item "Pension funds and similar obligations". In this case, the benefits that must be paid in the future were valued by an external actuary using the "projected unit credit method".
The consolidated financial statements include an internal fund that provides benefits exclusively for persons no longer working for Biverbanca. The liabilities relating to that plan are included in the category of defined benefits and are determined based on actuarial assumptions. Actuarial gains and losses are recognised as an offsetting entry to a shareholders' equity reserve.

Provisions for risks and charges against commitments and guarantees given

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

Other provisions

Provisions for risks and charges are liabilities of uncertain amounts or expiry recognised when the following simultaneous conditions occur:

- there is a current obligation at the reporting date of the consolidated financial statements which derives from a past event; said obligation must be of a legal nature (contained within a contract, regulation or other legal provision) or implicit (arises at the moment in which the company generates the expectation by third parties that it will meet its commitments, even if these do not fall under legal obligations);
- a financial disbursement is likely;
- a reliable estimate of the amount of the obligation can be determined.

The allocations for long-term benefits refer to seniority bonuses to be paid to employees on reaching their twenty fifth or thirtieth year of service, and are recognised in the sub-item "Other provisions". Those benefits are accounted for based on an actuarial method set out in IAS 19, highly similar to that described below for post-employment benefits.
The sub-item "Other provisions" also recognises allocations for expected losses for actions filed against the Bank, including clawback actions and other outlays estimated in relation to legal obligations existing at the date of preparation of the consolidated financial statements.
If the deferral over time of the payment of the charge is considerable and, as a result, the discounting effect is significant the provisions are determined by discounting the charges that are assumed will be necessary to pay off the obligation, at a discount rate, before taxes, that reflects the current market valuations of the present value of money and the specific risks connected with the liability.
Following the discounting process, the amount of provisions posted in the consolidated financial statements increases each year to reflect the passing of time. That increase is recognised under "Net provisions for risks and charges".
At each reporting date, provisions are adjusted to reflect the best current estimate. If the reasons for the allocations made no longer apply, the related amount is reversed.

Provision for employee severance pay

The employee severance pay is a type of remuneration of personnel, with payment deferred to after termination of employment.
This accrues in proportion to the duration of the employment, constituting an additional element of personnel expenses.
Because the payment is certain, but not the moment at which it will occur, the provision for employee severance pay, equal to defined benefit pension plans, is classified as a post-employment benefit. As a result, the liability already accrued at the closing date of the consolidated financial statements must be projected to estimate the amount to be paid at the time of termination of employment and then discounted to take account of the time that will pass before the actual payment.
The method used to determine the present value of the liability is the projected unit credit method, also known as the method of accrued benefits in proportion to the work performed or the method of benefits/years of work, which considers each period of service provided by workers to the company as the origin of an additional unit of rights to the benefits, and separately measures each unit to calculate the final obligation.

That method entails the prediction of future disbursements on the basis of statistical historical analysis and the demographic curve, and the financial discounting of such flows according to market interest rates.
The amount recorded as a liability thus equals the present value of the liability at the reporting date, plus the annual interest accrued on the present value of the commitments of the Group at the beginning of the year, calculated using the discount rate for future outlays adopted to estimate the liability at the end of the previous year, and adjusted by the share of actuarial gains/losses. Actuarial gains and losses are posted as an offsetting entry in a shareholders' equity reserve, and are represented in the "Statement of consolidated comprehensive income".
The obligations are assessed annually by an independent actuary.

11 - Financial liabilities measured at amortised cost

Classification criteria: this item includes payables, in the various forms of funding (deposits, current accounts and loans) due to banks, due to customers and debt securities issued.
These include operating payables other than those connected with payment for the supplies of non-financial goods and services, attributable to the item "Other liabilities".
Securities issued include unlisted debt securities issued (including certificates of deposit), net of repurchased securities.
These include securities which matured by the reporting date, but have not yet been redeemed. These exclude the share of own debt securities issued not yet placed with third parties.

Recognition criteria: these are initially recognised upon receipt of the amounts collected or at the time of issuance of debt securities based on the fair value of the liability, which is generally equal to the amount received or the issue price, adjusted by any additional income/expense directly attributable to the individual funding or issuing transaction.
The item includes liabilities for assets sold and not derecognised connected with the securitisation transaction, net of the debt securities issued by the vehicle and repurchased by the Group.

Measurement criteria and revenue recognition criteria: following initial recognition, financial liabilities are measured at amortised cost, using the effective interest rate method. For short-term liabilities, amortised cost is not generally used, given the irrelevance of the effects of applying that criterion.
The cost of interest on debt instruments is classified under "Interest expense and similar charges".

Derecognition criteria: financial liabilities are derecognised when the obligation specified in the contract is fulfilled.
Repurchases of the Bank's own liabilities are considered similar to the settlement of a liability or part thereof. The difference between the carrying amount of the liabilities settled and the amount paid to repurchase them is booked in the income statement.
In the event of repurchase of previously issued securities, the related items under assets and liabilities are netted in the accounts.
For accounting purposes, any subsequent sale of repurchased debt securities issued is considered as a new issue, posted at the new re-placement price, without any effects on the income statement.

12 - Financial liabilities held for trading

Classification criteria: this category includes the negative value of derivative contracts, including operational hedging derivatives linked to financial instruments for which the fair value option was exercised.

Measurement criteria and revenue recognition criteria: all trading liabilities are measured at fair value, determined as specified in section "A.4- Information on fair value", allocating the result of the valuation to the income statement.

Derecognition criteria: financial liabilities held for trading are derecognised when the obligation specified in the contract is fulfilled.

13 - Financial liabilities measured at fair value

Classification criteria: financial liabilities with the characteristics set out in the fair value option are classified in this category.
In particular, based on the FVO, financial liabilities may be measured at fair value through profit and loss in cases of:
- elimination or reduction of inconsistencies in valuation, to ensure a more reliable presentation of information;
- valuation of financial instruments containing embedded derivatives;
- valuation of groups of financial assets or liabilities based on documented risk management or investment strategy.

In line with these indications, this category includes:
- financial liabilities subject to "natural hedging" through derivative instruments;
- bonds issued with embedded derivatives.

Recognition criteria: financial liabilities are initially recognised on the date of issuance for debt securities. Financial liabilities measured at fair value are recorded at fair value on initial recognition, which generally equals the consideration received.

Measurement criteria and revenue recognition criteria: following initial recognition, financial liabilities are aligned with their fair value. Considering that the Group does not have financial liabilities listed on active markets, the determination of the fair value is based on models that discount future cash flows or option valuation models.

Gains and losses realised on redemption and unrealised gains and losses deriving from changes in fair value in relation to the issue price are charged to the income statement for the period in which they arise, under the item "Net profit (loss) from financial assets and liabilities measured at fair value".
The Group opted to designate structured or fixed-rate bonds issued at fair value. Based on the provisions of IFRS 13, the fair value of those liabilities must reflect the creditworthiness of the issuer. Based on the analyses conducted, the Group decided that it could quantify its creditworthiness by referring to the yields recorded on unsecured senior issues of Italian banks with ratings of BBB+, BBB and BBB-, using the specific curve provided by the info-provider Bloomberg (or another equivalent curve, lacking this one).
According to the provisions of IFRS 9:

- changes in fair value that are attributable to changes in creditworthiness must be recognised in the statement of comprehensive income;
- the remaining changes in fair value must be recorded in the income statement.

The cost of interest on debt instruments is classified under interest expense and similar charges.

Derecognition criteria: financial liabilities designated at fair value are derecognised when the obligation specified in the contract is fulfilled.
Repurchases of the Bank's own liabilities are considered similar to the settlement of a liability or part thereof. The difference between the carrying amount of the liabilities and the amount paid to repurchase them is booked in the income statement.
In the event of repurchase of previously issued securities, the related items under assets and liabilities are netted in the accounts.
For accounting purposes, any subsequent sale of repurchased debt securities issued is considered as a new issue, posted at the new re-placement price, without any effects on the income statement.

14 - Foreign currency transactions

Classification criteria: in addition to those explicitly denominated in a currency other than Euro, assets and liabilities in foreign currency include those that envisage financial indexing clauses linked to the Euro exchange rate with a specific currency or specific basket of currencies.
For the purposes of the translation method to be used, assets and liabilities in foreign currency are broken down into monetary and non-monetary items.
Monetary items consist of cash held and assets and liabilities to be received or paid, in fixed or determinable amounts of money. Non-monetary items lack the right to receive or an obligation to deliver a fixed or determinable amount of money.

Recognition criteria: upon initial recognition, foreign currency transactions are recognised in the currency of account using the foreign exchange rates on the date of the transaction.

Measurement criteria and revenue recognition criteria: at each closing date, elements originally denominated in foreign currency are valued as follows:

- monetary items are converted using the exchange rate on the period closing date;
- non-monetary items valued at historical cost are translated using the exchange rate in force on the date of initial recognition;
- non-monetary items measured at fair value are translated at the exchange rate in force at the time the fair value was calculated.

Exchange differences generated on monetary items from the transaction date to the date of the related payment are recorded in the income statement in the year they arise, as well as those that derive from the translation of monetary items at exchange rates different from the initial translation exchange rates, or from translation at the previous closing date.

15 – Other information

IFRS 16 - Leases

The new accounting standard IFRS 16 – Leases replaced IAS 17, as well as the interpretations IFRIC 4, SIC 15 and SIC 27, starting from 1 January 2019, introducing new rules for the accounting recognition of leases, both for lessors and for lessees.
The new IFRS 16 establishes new principles for the recognition, valuation, presentation of and additional disclosure on leases. The objective is to ensure that lessees and lessors provide appropriate information in a manner that accurately represents the transactions, in order to provide elements to assess the effect of the lease on the balance sheet, income statement results and cash flows of the entity. The new standard provides a new definition of lease and introduces an approach based on control (right of use) of an asset to distinguish lease agreements from service agreements, identifying as discriminating factors: the identification of the asset, the right to replace it, the right to substantially obtain all economic benefits originating from the use of the asset and the right to direct the use of the asset underlying the agreement.
According to the new standard, the lessee must recognise a liability based on the present value of future lease payments as an offsetting entry to the recognition of the right-of-use asset pertaining to the lease contract under assets. Following initial recognition, the right of use shall be amortised over the duration of the contract or the useful life of the asset (based on IAS 16) or measured using an alternative criterion – fair value – (IAS 16 or IAS 40). The liability will be gradually decreased due to payment of the lease rentals and interest shall be recognised on such payments, to be posted to the income statement.
With regard to the first-time adoption of IFRS 16, the Group opted to apply the modified retrospective approach - option B - to calculate the lease liability as the present value of future lease payments, and determining the associated right of use based on the value of such liability. Based on the options exercised, there were no impacts on shareholders' equity, as the values of the right of use and the associated liabilities recognised in the accounts match. The standard permits the recognition of the cumulative effect of application of the new standard at the date of first-time adoption, without restating the comparative information. Therefore, the figures in the statutory accounts relating to 2019 will not be comparable to the amounts of the rights of use and the associated liabilities of the previous period.

In calculating the amounts under IFRS 16, as permitted by the standard, contracts concerning low-value assets were excluded, as well as leases with a duration equal to or less than 12 months. For the purpose of identifying low-value assets, the Group set € 5,000 (low value) as the limit under which the new standard shall not apply. The share of VAT on lease payments is not considered as a lease component and, as a result, was treated in line with the accounting rules in force prior to IFRS 16.
As regards the interest rate to be used to discount the liability, the Group uses the interest rate referring to the yield curve for senior bank bonds rated BBB+, BBB and BBB- denominated in Euro. In addition to the fact that it can be easily obtained and is updated daily, that curve appropriately represents the interest rate at which the Group should hypothetically issue any senior bonds on the market. The interest rate is redetermined annually, and the new interest rate is applied to new contracts or expired contracts that are renewed. For contracts in force, the lease payments are discounted at the rate originally applied.
The Group completed the activities relating to the projects launched during 2018 for the purpose of analysing the main changes introduced by the standard. The activities regarding the definition of the scope of application of the new standard, comprising the survey and examination of the contracts entered into as lessee, have been completed. The main impacts are attributable to the right of use for the lease of properties, through rental contracts. The scope of application of the new standard includes property leases as well as automobile leases. The measurement of the right of use and the correlated liabilities was completed, along with the definition of the models for recognising the amounts realised through the implementation of dedicated IT tools.
The effects of the first-time adoption of IFRS 16 on the consolidated financial statements, net of intercompany property leases, consist of the recognition of:
- rights of use of € 80.1 million;
- lease liabilities of € 43.1 million;
- accumulated amortisation of € 7.2 million;
- amortisation of € 7.2 million;
- interest expense of € 0.8 million.

The Group had no situations of sub-lease.

For lessors, the accounting rules for lease agreements set out in IAS 17 are substantially confirmed, differentiated depending on whether they are operating leases or finance leases. For finance leases, the lessor will continue to recognise a receivable for future lease payments in the balance sheet.

Classification criteria for financial assets - IFRS 9

Accounting standard IFRS 9 requires the use of two guidelines for classifying financial assets:

- the business model used by the company, i.e. the operational purposes for which the company intends to hold the financial asset;
- the contractual characteristics of the cash flows generated by financial assets.

The combination of the two elements mentioned above derives from the classification of the financial assets, which occurs at the time the financial assets are generated or acquired, according to the following:

- financial assets measured at amortised cost: assets that pass the SPPI test and fall under the Hold to Collect business model (HTC);
- financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test (for debt securities issued and loans) and fall under the Hold to Collect and Sell business model (HTC&S);
- financial assets measured at fair value through profit and loss (FVTPL): 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 test on the characteristics of contractual cash flows (SPPI test failed).

Business model

With regard to the business model, IFRS 9 identifies three cases in relation to the methods by which cash flows are managed and financial assets are sold:

- hold to collect, which includes financial assets for which the Group's purpose is to hold them to maturity, in order to periodically collect the contractual cash flows represented by the principal and interest amounts;
- hold to collect and sell, whose objective is pursued both by collecting the contractual cash flows and selling the financial assets. Both activities (collection of contractual cash flows and sales) are essential for achieving the business model's objective. Therefore, sales are more frequent and for greater amounts than an HTC business model and are an essential component of the strategies pursued;
- other, a residual category that includes both financial assets held for trading purposes and financial assets managed with a business model other than the previous categories (Hold to Collect and Hold to Collect and Sell), resulting in changes being measured at fair value through profit and loss.

The business model reflects the methods by which financial assets are managed to generate cash flows for the entity's benefit and is defined by top management through the appropriate involvement of business structures.

It is determined by considering the ways in which financial assets are managed and, as a consequence, the extent to which the portfolio’s cash flows derive from the collection of contractual cash flows, from the sale of financial assets, or from both of these events. The assessment is not made using scenarios that, based on the entity's reasonable expectations, are not likely to occur, such as the “worst case” or “stress case” scenarios. For example, if the entity plans to sell a certain portfolio of financial assets only in a “stress case” scenario, this scenario does not affect the assessment of the entity's business model for these assets, if said scenario is not likely to occur based on the entity’s reasonable forecasts.
The business model does not depend on the intentions that management has for an individual financial instrument, but refers to the ways in which groups of financial assets are managed for the purpose of achieving a specific business objective.
Thus, the business model:

- reflects the methods by which financial assets are managed to generate cash flows;
- is defined by top management through the appropriate involvement of business structures;
- must be determined by considering the methods by which financial assets are managed.

In operational terms, the business model is assessed in line with the company organisation, the specialisation of the business functions and the assignment of delegated powers (limits).
When assessing a business model, all relevant factors available at the assessment date are used. These factors include the strategy, risks and their management, remuneration policies, reporting, and the amount of sales. In analysing the business model, it is crucial that the factors evaluated are consistent amongst themselves and, in particular, are consistent with the strategy pursued. With the view to the significant purpose of drawing up the consolidated financial statements, a consolidated business model was identified that represents the methods with which the Group, understood as a single economic entity, intends to realise the cash flows from the financial assets. In that regard, and in relation to the operational purposes for which the financial assets are held, a specific document “C.R. Asti Group – Analysis and determination of the individual and consolidated business models for the purposes of IFRS 9 classification” – approved by the Board of Directors – defines and outlines the elements comprising the business model for financial assets included in the portfolios managed in carrying out operations on business structures for the Cassa di Risparmio di Asti Group.

With specific regard to salary and pension assignment loans, where, at the disbursement date, the Group does not possess information regarding the expected methods of realising the cash flows, it classifies those loans as HTCS with measurement at fair value through other comprehensive income (FVOCI).
Conversely, with regard to the same type of loans, if, at the disbursement date, the Group is aware of the method of realising the cash flows, it makes the following classification:

- the loans that the Group designates from the origin to be held by the Group to realise the cash flows by collecting the interest and principal on maturity will be included in the category HTC and measured at amortised cost;
- the loans that the Group designates from the origin to be sold outside the Group to realise the cash flows through their sale are classified in the "others" business model and measured at fair value through profit and loss.

For Hold to Collect portfolios, the Group has defined eligibility thresholds for sales that do not affect the classification (frequent but not significant, individually and in the aggregate, or infrequent even though they are of a significant amount) and, at the same time, the parameters have been established to identify sales consistent with this business model, when they are attributable to an increase in credit risk.

SPPI and Benchmark tests

The appropriate classification of financial instruments held first requires that the business model intended to be used be analysed, as indicated above, and subsequently the characteristics of the contractual cash flows deriving from the asset be verified. The latter verification is defined through two specific tests:

- the Solely Payment of Principal and Interest – SPPI Test;
- the Benchmark test.

So that a financial asset may be classified at amortised cost or at FVOCI, in addition to the analysis of the business model, it is necessary that the contractual terms of the asset envisage, at specific dates, cash flows that are solely payment of principal and interest on the amount of principal to be repaid (SPPI). That analysis must specifically be conducted for loans and debt securities.
The SPPI test must be conducted on each single financial instrument at the time of recognition. Following initial recognition, and as long as it is recognised, the asset will no longer be subject to new SPPI tests. Where a financial instrument is derecognised from the accounts and a new financial asset is recognised, the SPPI test must be conducted on the new asset.

For the purposes of applying the SPPI test, IFRS 9 provides the following definitions:

- principal: the fair value of the financial assets on initial recognition. That value may change over the life of a financial instrument, for example, as a result of repayments of principal;
- interest: the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

In assessing whether the contractual flows of a financial asset may be defined as SPPI, IFRS 9 refers to the general concept of “basic lending arrangement”, which is independent from the legal form of the asset. Where the contractual clauses introduce the exposure to the risk or volatility of contractual cash flows that is inconsistent with the definition of basic lending arrangement, such as exposure to changes in the prices of shares or commodities, the contractual flows do not meet the definition of SPPI.
In the event that the time value of money is modified (“modified time value of money”) - for example, when the financial asset’s interest rate is periodically reset but the frequency of that reset or the frequency of the payment of coupons does not reflect the tenor of the interest rate (for example, the interest rate resets every month based on a six-month rate) or when the interest rate is reset periodically based on an average of particular short-term or medium/long-term rates - the entity must assess, using both quantitative and qualitative elements, whether the contractual flows still meet the definition of SPPI (benchmark cash flows test). Where the test shows that the (non-discounted) contractual cash flows are “significantly different” from the (also non-discounted) cash flows of a benchmark instrument (i.e. without a modified time value), the contractual cash flows cannot be considered as meeting the definition of SPPI.
In addition, any contractual clauses that could change the frequency or amount of contractual cash flows must be considered in order to assess whether such cash flows meet the SPPI requirements (e.g., prepayment options, possibility to defer the contractually agreed cash flows, instruments with embedded derivatives, subordinated instruments, etc.).
However, as required by IFRS 9, a single element of contractual cash flows does not affect the classification of the financial asset if it has only a minimal effect on the contractual cash flows of the financial asset (in each year and cumulatively). Similarly, if an element of cash flows is not realistic or genuine, i.e., if it affects the instrument’s contractual cash flows only at the occurrence of an extremely rare, highly unusual, and very unlikely event, it does not affect the classification of the financial asset.

In relation to the SPPI test and the Benchmark test, the Group subscribed to the offer of the info-provider Prometeia: on a daily basis, the Group inputs the flows to be sent to the info-provider, which returns the results of the two tests with the same frequency.

Method for determining impairment

Impairment of financial assets
Pursuant to IFRS 9, at each reporting date, financial instruments classified under:

- financial assets measured at fair value through other comprehensive income;
- financial assets measured at amortised cost;
- commitments to disburse funds and guarantees given;

are tested to verify whether there is evidence of an increase in credit risk and to determine any impairment.
The model classifies financial assets into three stages, each of which corresponds to a different level of risk and specific methods for calculating value adjustments.

- Stage 1: assets which are performing in line with expectations, for which the value adjustments correspond to the expected losses related to the occurrence of default in the 12 months following the reporting date;
- Stage 2: exposures whose creditworthiness is concerned by a significant deterioration, but for which the losses cannot yet be observed. Adjustments are calculated considering the loss expected over the lifetime of the exposure;
- Stage 3: includes all non-performing exposures, and must be adjusted using the concept of lifetime loss.

Specifically as regards loans and advances to customers, performing loans are broken down into:

- Stage 1: loans that have not undergone significant impairment since initial recognition;
- Stage 2: credit exposures that have seen a significant increase in credit risk since initial recognition.

Where there is evidence of impairment, the financial assets in question – in line with all the remaining assets pertaining to the same counterparty, if such assets exist - are considered impaired and are included in Stage 3.
In relation to those exposures, represented by financial assets classified – pursuant to the provisions of Circular no. 262/2005 of the Bank of Italy – in the categories of bad loans, unlikely to pay and loans past due for more than ninety days, value adjustments must be recognised equal to the expected losses over their entire residual life.
For financial assets that show no evidence of impairment (performing financial instruments), instead, it must be verified whether there are indicators that show that the credit risk of the individual transaction has increased significantly since initial recognition. The results of this assessment, in terms staging and measurement, are the following:

- where these indicators are found, the financial asset transfers to Stage 2. In this case, the assessment requires that impairment is recognised equal to the expected losses over the entire residual life of the financial instrument, consistent with the provisions of international accounting standards and even if a loss in value has not yet occurred.
- where none are found, the financial asset remains in Stage 1. In this case, the assessment requires that the expected losses over the next twelve months be recognised, consistent with the provisions of international accounting standards and even if a loss in value has not yet occurred.

These adjustments are reviewed at each subsequent reporting date both to periodically check that the continuously updated loss estimates are consistent, as well as to take into account the change in forecast horizon for calculation of expected loss.
As regards the measurement of financial assets and, in particular, the identification of a "significant increase" in credit risk (a necessary and sufficient condition for classification of the asset being assessed in Stage 2), the elements that constitute the main determinants to be taken into consideration by the Group are the following:

- significant increase in the associated Probability of Default during the period from the date the account was opened to the reference date. The PD is determined using the rating system in place at the various recognition dates (account opening date and accounting recognition date);
- delays in payment (i.e. position past due or overdue) that continue for at least 30 consecutive days for all loans with the exception of salary and pension assignment loans, which are moved to Stage 2 following four payments past due;
- forbearance status, i.e. the account is subject to forbearance;
- exposure classified as non-performing by other banks (thus included in "system-wide adjusted non-performing loans");
- qualitative information held by the competent structures (of the sales network or headquarters) which, though not resulting in the situations in the previous points, are deemed symptomatic of a possible worsening in the creditworthiness to levels that do not require classification in default.

The "staging" of securities entails some unique considerations. In fact, unlike loans, for this type of exposure, purchase and sale transactions subsequent to the first purchase (made with reference to the same ISIN) can typically fall under the ordinary activity of position management (with consequent need to identify a methodology to adopt for the identification of sales and reimbursements in order to determine the residual quantities of the individual transactions to which a credit quality/rating is associated that will be compared with that of the reporting date). In this context, using the "first-in-first-out" or "FIFO" methodology (for the transfer to the income statement of the recognised ECL, in the case of sales and reimbursements) contributes to more transparent portfolio management, including from the perspective of front-office operators, allowing, simultaneously, a continuous updating of the assessment of creditworthiness based on new purchases.

Once the assignment of the exposures to the various credit risk stages has been defined, the expected losses (ECL) are calculated, at the level of individual transaction or security tranche, starting from the modelling developed by the Group, based on the parameters of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), to which appropriate adjustments are made, in order to ensure compliance with the specific requirements of IFRS 9.
The PD, LGD, and EAD are defined as follows:

- PD (Probability of Default): likelihood of transferring from a performing status to that of non-performing over a one-year time horizon. In the Cassa di Risparmio di Asti Group, the values of PD derive from the internal rating model, where available, supplemented by external valuations. For salary and pension assignment loans, the PD is determined based on the past-due ranges;
- LGD (Loss Given Default): percentage of loss in the event of default. It is quantified based on past experience of recoveries discounted on accounts transferred to non-performing status;
- EAD (Exposure At Default) or credit equivalent: amount of exposure at the time of default.

In order to comply with the provisions of IFRS 9, specific adjustments to the aforementioned factors were necessary, including in particular:

- adoption of a Point in Time (PIT) PD against the Through the Cycle (TTC) PD used for Basel purposes;
- use of multi-year PDs and, where necessary, LGDs in order to determine the expected loss for the entire residual life of the financial instrument (Stages 2 and 3);

Furthermore, the measurement of financial assets reflects the best estimate of the effects of future conditions, especially in relation to the economic context, on which the forward-looking risk parameters are dependent. Within the scope of IFRS 9, particular importance is taken on by the information on the future macroeconomic scenarios that the Group may be operating in, which influence the situation of borrowers with regard to both the “risk” of migration of exposures to lower quality classes (thus relating to staging) and to the recoverable amount (thus relating to the determination of the expected loss on the exposures).

"Non-performing loans" are on and off-balance sheet loans and advances to borrowers that fall within the "non-performing" category, broken down into:

- bad loans;
- unlikely to pay;
- non-performing past due and/or overdue (long-term non-fulfilment or past-due payments).

In line with that set out in the reference regulations, the valuation of non-performing loans (i.e. of the presumed recoveries and, as a result, of the corresponding losses) takes into consideration the various alternative scenarios that could presumably occur in the near future.

In particular, the following two macro-scenarios have been identified:

- direct management: treatment of the exposure in line with the ordinary management methods, in order to pursue the maximum recovery possible over the medium/long-term, managing the non-performing loan through the Group's operational structures and processes (internal management), or availing of specialised operators, also on a permanent basis;
- assignment: disposal of the loan through assignment to counterparties operating on the market, according to an approach of maximising recovery over a more limited time frame, immediately benefiting from savings in terms of resources (liquidity, capital, workforce).

For the definition of the scenarios to be considered, and the combination of the various scenarios with a specific sub-portfolio and their attribution of the respect probability of occurrence, reference is specifically made to:

- the Group's NPL management strategy, as shown in the various planning documents (NPE Strategy, Strategic Plan, Budget);
- historical analysis of what has occurred in the recent past with regard to NPLs, both referring to the Group and, more generally, in the Italian and European financial systems;
- regulatory provisions, guidelines or simple indications from the various bodies at national and European level;
- assessments of the opportunities to manage single positions or portfolios of homogeneous loans.

The total amount of the presumed recovery is determined at the level of single account, as the average of the corresponding recoverable amounts deriving from the application of the various scenarios, weighted for the correlated probabilities of occurrence.

A) BALANCE SHEET

Sale and repurchase contracts (repurchase agreements, securities lending and contangos): the securities sold and subject to repurchase agreements are classified as committed financial instruments, when the purchaser has the right, by contract or agreement, to resell or recommit the underlying. The counterparty's liability is included in liabilities due to other banks, other deposits or customer deposits.

The securities purchased in relation to a repurchase contract are recorded as loans or advances to other banks or to customers. The difference between the sales price and the purchase price is recorded as interest, on an accruals basis over the life of the transaction, based on the effective rate of return. Securities lent continue to be recognised, while securities borrowed are not recognised, unless they are sold to third parties, and in that case the purchase or sale will be recorded and the profits or losses recognised in the income statement. The repayment obligation must be recorded at fair value as a trading liability.

Netting of financial instruments: financial assets and liabilities may be netted, reporting the net balance, when there is a legal right to carry out such netting, and the intention to settle the transactions for the net amount or sell the assets and settle the liability at the same time.

Accruals and deferrals: accruals and deferrals that involve charges and income pertaining to the period, accrued on assets and liabilities, are recorded as adjustments to the assets and liabilities they refer to, and where they are not attributable to assets and liabilities, are recorded in the balance sheet items "other assets" and "other liabilities".

B) SHAREHOLDERS' EQUITY

Costs to issue shares: the incremental costs attributable to the issue of new shares or options, or referring to the acquisition of a new asset, net of taxes, are included in shareholders' equity as a deduction from amounts received.

Dividends on ordinary shares: dividends on ordinary shares are recorded as a reduction of shareholders' equity in the year in which the Shareholders' Meeting approved their distribution.

Treasury shares: treasury shares acquired are recorded in a separate item of shareholders' equity, with a negative sign (and thus, are not subject to valuation). Where those shares are subsequently resold, the amount received is recognised, up to the book value of the shares, in a separate item. The positive or negative difference between the sale price of the treasury shares and the corresponding book value is respectively applied as an increase or decrease to the item "Share premium reserve".

Valuation reserves: Those reserves include valuation reserves of financial assets measured at fair value through other comprehensive income, cash flow hedging derivatives, valuation reserves for changes in fair value of financial liabilities due to the changes in own creditworthiness, valuation reserves for actuarial gains/losses and revaluation at fair value instead of cost of property, plant and equipment carried out on first-time adoption of the IAS/IFRS.
Those reserves are posted net of deferred taxes.

C) INCOME STATEMENT

Revenues from the sale of goods or provision of services are recognised at the fair value of the consideration received or, in any event, when it is likely that future benefits will be received, and those benefits can be reliable quantified.

Thus, according to that set out in IFRS 15, revenues are recognised, with the exception of revenues from lease contracts, insurance contracts, financial instruments and from non-monetary exchanges between entities in the same branch:

- at a specific time, when the Group fulfils the obligation, transferring the service to the customer;
- over time, as the Group gradually fulfils the obligation to transfer the promised service to the customer.

The transfer of the goods or services to the customer occurs when the customer has control over those assets. In particular:

- interest is recognised on a *pro rata* accruals basis with reference to the contractual interest rate or the effective one in the event of application of the amortised cost.
- interest on arrears, if contractually included, is recognised in the income statement only when it is actually collected;
- dividends are recognised in the income statement at the time their distribution is approved;
- commissions for service income are posted in the period when said services were rendered, on the basis of existing contractual agreements; commissions considered in calculating the amortised cost for the purpose of determining the effective interest rate are recognised under interest income;
- profits and losses deriving from the trading of financial instruments are recognised in the income statement at the time of completion of the sale, on the basis of the difference between the amount paid or received and the book value of the instruments;
- revenues from the sale of non-financial assets are recognised at the time the sale is completed, or when the obligation to pay to the customer is fulfilled.

Administrative costs and expenses are recognised on an accruals basis.

Qualitative information

A.4.3 Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).
IFRS 13 defines the "Fair value hierarchy" based on the degree of observability of the measurement techniques used for valuations, and comprises three different levels:

- Level 1: if the financial instrument is listed on a market deemed "active". For example, stock markets, trading networks organised between market makers and/or MTF;
- Level 2: if the fair value is measured using measurement techniques that use parameters observable on an active market as reference (for the same instrument or a similar instrument), other than the prices of the financial instrument;
- Level 3: if the fair value is calculated based on measurement techniques that use parameters that cannot be observed on an active market as reference.

The Cassa di Risparmio di Asti Group determined the fair value of financial instruments following the criteria set out above.

Level 1

For debt securities and equity securities listed on an active market, the fair value coincides with the prices on that market, which represents the best expression of value. In terms of identifying the active market, the Cassa di Risparmio di Asti Group set up specific rules and procedures to assign prices and verify the reliability of the listed prices acquired.
The Group circumscribes the active market to those cases where a price is available that can be found on an official price list, or, alternatively, is regularly provided by financial counterparties through publication on info-providers or in the specialised press.

Level 2

Where there is no active market, the fair value is determined using estimation methods and measurement models that take account of the risk factors correlated to the instruments and are based on data and parameters that can be observed on active markets.
Those techniques can consider the prices recorded in recent comparable transactions concluded at market conditions (comparable approach), or the values obtained by applying measurement techniques commonly applied and accepted by market operators and, thus, merely by way of example, models based on the discounting of cash flows, models that determine option prices and other techniques (level 2 fair value).
The fair value of the bonds issued by the Group and OTC derivatives are constructed as the present value of certain or uncertain future cash flows taken from the financial

markets, input into specific models developed in specific IT procedures, made available by the consortium providing the IT systems, which was assigned the operational management thereof.
As regards the estimate of uncertain cash flows subordinate to the trend in interest rates, the related forward rates are determined: forward interest rates, rates implicit in current rates, spot rates, rates relating to future periods.
With regard to the measurement of the uncertain cash flows from the optional components included in structured securities, based on the specific type of option, the Black&Scholes, Cox Ross Rubinstein, Montecarlo, Black76 and Kirk methods and the binomial trees model are applied.
For debt securities the fair value is constructed as the present value of future cash flows at current market rates.
For equity securities not listed on an active market, the fair value was determined using, where existing, the price obtained from recent, ordinary market transactions between knowledgeable, willing parties.

Level 3

The fair value is calculated based on measurement techniques that use parameters that cannot be observed on the market as reference.
The Group recognises in this level certain equity securities, included under “Financial assets measured at fair value through other comprehensive income” and certificates of deposit, included under “Debt securities issued”, using the cost method. For the purpose of disclosure, this category also includes the fair value of loans and deposits to/from banks and customers. For salary and pension assignment loans, the fair value is constructed as the present value of cash flows relating to repayments discounted at the average interest rate deriving from the assignments occurring during the year, also considering the pre-payment effects.

Quantitative Information

A.4.5 Fair value hierarchy

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

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	Total 31/12/2019			Total 31/12/2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit and loss	1	25,763	50,449	1	31,808	9,477
a) Financial assets held for trading	1	15,628	42,163	1	21,001	0
b) Financial assets designated at fair value	0	0	0	0	0	0
c) Other financial assets mandatorily measured at fair value	0	10,135	8,286	0	10,807	9,477
2. Financial assets measured at fair value through other comprehensive income	1,119,718	266,082	173,367	457,376	266,081	349,089
3. Hedging derivatives	0	0	0	0	0	0
4. Property, plant and equipment	0	0	0	0	0	0
5. Intangible assets	0	0	0	0	0	0
TOTAL	**1,119,719**	**291,845**	**223,816**	**457,377**	**297,889**	**358,566**
1. Financial liabilities held for trading	0	17,590	0	0	20,818	0
2. Financial liabilities designated at fair value	0	78,882	0	0	118,345	0
3. Hedging derivatives	0	126,675	0	0	75,461	0
TOTAL	**0**	**223,147**	**0**	**0**	**214,624**	**0**

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

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

	Financial assets measured at fair value through profit and 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				
A. OPENING BALANCE	**358,566**	**0**	**0**	**9,477**	**349,089**	**0**	**0**	**0**
2. INCREASES	**43,258**	**42,163**	**0**	**892**	**203**	**0**	**0**	**0**
2.1. Purchases	996	0	0	813	183	0	0	0
2.2. Profits recognised in:	0	0	0	0	0	0	0	0
2.2.1. Income Statement	26	0	0	26	0	0	0	0
of which: capital gains	26	0	0	26	0	0	0	0
2.2.2. Equity	0	X	X	X	0	0	0	0
2.3. Transfers from other levels	0	0	0	0	0	0	0	0
2.4. Other increases	42,236	42,163	0	53	20	0	0	0
3. DECREASES	**178,008**	**0**	**0**	**2,083**	**175,925**	**0**	**0**	**0**
3.1. Sales	127,684	0	0	0	127,684	0	0	0
3.2. Redemptions	714	0	0	714	0	0	0	0
3.3. Losses recognised in:	1,733	0	0	1,338	395	0	0	0
3.3.1. Income Statement	1,338	0	0	1,338	0	0	0	0
of which: capital losses	1,338	0	0	1,338	0	0	0	0
3.3.2. Equity	395	X	X	X	395	0	0	0
3.4. Transfers to other levels	0	0	0	0	0	0	0	0
3.5. Other decreases	47,877	0	0	31	47,846	0	0	0
4. CLOSING BALANCE	**223,816**	**42,163**	**0**	**8,286**	**173,367**	**0**	**0**	**0**

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

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	Total 31/12/2019				Total 31/12/2018			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	10,224,644	2,805,748	0	7,383,929	9,645,843	2,516,340	2,693	7,142,823
2. Property, plant and equipment held for investment purposes	52,894	0	0	76,539	50,202	0	0	67,466
3. Non-current assets held for sale and discontinued operations	0	0	0	0	0	0	0	0
TOTAL	**10,277,538**	**2,805,748**		**7,460,468**	**9,696,045**	**2,516,340**	**2,693**	**7,210,289**
1. Financial liabilities measured at amortised cost	11,582,742	0	1,756,366	9,810,409	10,500,217	0	2,013,671	9,045,196
2. Liabilities associated with non-current assets held for sale and discontinued operations	0	0	0	0	0	0	0	0
TOTAL	**11,582,742**	**0**	1,756,366	**9,810,409**	**10,500,217**	**0**	**2,013,671**	**9,045,196**

SECTION 1– CASH AND CASH EQUIVALENTS - ITEM 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN	Total 2019	Total 2018
a) Cash	67,379	64,558
b) Demand deposits at Central banks	0	0
Total	**67,379**	**64,558**

SECTION 2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS - ITEM 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE	Total 2019			Total 2018		
Items/Balances	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Financial Assets (non-derivatives)						
1. Debt securities	0	30	0	**1**	**51**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	30	0	1	51	0
2. Equity securities	1	0	0	**0**	**0**	**0**
3. Units of UCITS	0	0	0	**0**	**0**	**0**
4. Loans and advances	0	0	42,163	**0**	**0**	**0**
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	42,163	0	0	0
Total (A)	**1**	**30**	**42,163**	**1**	**51**	**0**
B. Derivatives	0	0	0	0	0	0
1. Financial derivatives:	0	**15,598**	0	**0**	**20,950**	**0**
1.1 Trading	0	11,846	0	0	14,458	0
1.2 Linked to fair value option	0	3,752	0	0	6,492	0
1.3 Other	0	0	0	0	0	0
2. Credit derivatives	0	0	0	**0**	**0**	**0**
2.1 Trading	0	0	0	0	0	0
2.2 Linked to fair value option	0	0	0	0	0	0
2.3 Other	0	0	0	0	0	0
Total (B)	**0**	**15,598**	**0**	**0**	**20,950**	**0**
Total (A+B)	**1**	**15,628**	**42,163**	**1**	**21,001**	**0**

The item “Financial trading derivatives - Level 2” includes the fair value measurement of the “operational hedge” derivative contracts, of which € 11,061 thousand relating to securitisation transactions.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/COUNTERPARTY Items/Balances	Total 2019	Total 2018
A. Financial Assets (non-derivatives)		
1. Debt securities	**30**	**52**
a) Central Banks	0	0
b) Public administration	0	1
c) Banks	0	0
d) Other financial companies	30	51
of which: insurance companies	0	0
e) Non-financial companies	0	0
2. Equity securities	**1**	**0**
a) Banks	0	0
b) Other financial companies	0	0
of which: insurance companies	0	0
c) Non-financial companies	1	0
d) Other issuers	0	0
3. Units of UCITS	**0**	**0**
4. Loans and advances	**42,163**	**0**
a) Central Banks	0	0
b) Public administration	77	0
c) Banks	0	0
d) Other financial companies	40	0
of which: insurance companies	40	0
e) Non-financial companies	58	0
f) Households	41,988	0
Total (A)	**42,194**	**52**
B. Derivatives		
a) Central Counterparties	0	0
b) Other	15,598	20,950
Total (B)	**15,598**	**20,950**
Total (A+B)	**57,792**	**21,002**

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN Items/Balances	Total 2019			Total 2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**0**	**0**	**1,241**	**0**	**0**	**3,141**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	1,241	0	0	3,141
2. Equity securities	**0**	**0**	**0**	**0**	**0**	**0**
3. Units of UCITS	**0**	**10,135**	**1,987**	**0**	**10,807**	**2,071**
4. Loans and advances	**0**	**0**	**5,058**	**0**	**0**	**4,265**
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	5,058	0	0	4,265
Total	**0**	**10,135**	**8,286**	**0**	**10,807**	**9,477**

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

The item “Debt securities” consists:

- for € 246 thousand of mezzanine class securities connected with the Maggese securitisation transaction;
- for € 20 thousand of mezzanine class securities connected with the Pop NPLs 2019 securitisation transaction;
- for € 975 thousand of mezzanine class securities connected with the Madeleine securitisation transaction;
- the residual contribution paid to the Voluntary Scheme of the IDPF in favour of Carige during the year was totally written down.

The Units of UCITS consist of:

- an Italian real estate fund for a book value of € 8,273 million;
- three Italian real estate funds for a book value of € 3,849 million.

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY BORROWER/ISSUER	Total 2019	Total 2018
1. Equity securities	**0**	**0**
of which: banks	0	0
of which: other financial companies	0	0
of which: non-financial companies	0	0
2. Debt securities	**1,241**	**3,141**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	1,338
d) Other financial companies	1,241	1,803
of which: insurance companies	0	0
e) Non-financial companies	0	0
3. Units of UCITS	**12,122**	**12,878**
4. Loans and advances	**5,058**	**4,265**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	32	3,558
d) Other financial companies	5,026	707
of which: insurance companies	0	0
e) Non-financial companies	0	0
f) Households	0	0
Total	**18,421**	**20,284**

SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - ITEM 30

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN	Total 2019			Total 2018		
Items/Balances	L1	L2	L3	L1	L2	L3
1. Debt securities	**1,118,970**	**0**	**0**	**456,569**	**0**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	1,118,970	0	0	456,569	0	0
2. Equity securities	**748**	**266,082**	**1,167**	**807**	**266,081**	**1,380**
3. Loans and advances	**0**	**0**	**172,200**	**0**	**0**	**347,709**
Total	**1,119,718**	**266,082**	**173,367**	**457,376**	**266,081**	**349,089**

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

The item “Equity securities” consists of investments in investee companies, and the residual value of the contribution paid to the voluntary scheme of the IDPF for the intervention in favour of Caricesena for roughly € 71 thousand.

The item “Other debt securities” is entirely represented by government securities.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY BORROWER/ISSUER Items/Balances	Total 2019	Total 2018
1. Debt securities	**1,118,970**	**456,569**
a) Central Banks	0	0
b) Public administration	1,118,970	456,569
c) Banks	0	0
d) Other financial companies	0	0
of which: insurance companies	0	0
e) Non-financial companies	0	0
2. Equity securities	**267,997**	**268,268**
a) Banks	225,808	225,914
b) Other issuers:	42,189	42,354
- other financial companies	755	570
of which: insurance companies	0	0
- non-financial companies	41,434	41,784
- other	0	0
3. Loans and advances	**172,200**	**347,709**
a) Central Banks	48	0
b) Public administration	978	928
c) Banks	1	0
d) Other financial companies	834	241
of which: insurance companies	834	207
e) Non-financial companies	1,112	701
f) Households	169,227	345,839
Total	**1,559,167**	**1,072,546**

As at 31 December 2019, all financial assets measured at fair value through other comprehensive income are linked to Italian borrowers/issuers, with the following exceptions:

- € 35 thousand relating to the investee company SWIFT.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND OVERALL VALUE ADJUSTMENTS	Gross value				Overall value adjustments			Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	1,119,804	1,119,804	0	0	-835	0	0	0
Loans and advances	162,768	162,768	2,147	14,764	-711	-373	-6,394	0
Total 2019	**1,282,572**	**1,282,572**	**2,147**	**14,764**	**-1,546**	**-373**	**-6,394**	**0**
Total 2018	**789,467**	**457,520**	**9,053**	**15,492**	**-2,545**	**-196**	**-6,994**	**0**
of which: purchased or originated credit impaired financial assets	X	0	0	0	0	0	0	**0**

** Value to be presented for disclosure purposes*

IMPAIRMENT TEST ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In compliance with IFRS 9, the bonds present in the FVOCI portfolio were tested for impairment with the recognition of a value adjustment of € 835 thousand, entirely connected to instruments classified in stage 1.

It also includes salary and pension assignment loans, included within the hold to collect and sell business model, amounting overall to € 179,679 thousand, of which performing loans of € 165 million. The gross value of these loans was appropriately adjusted by the impairment provision calculated on individual positions.

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN OF LOANS AND ADVANCES TO BANKS	Total 2019						Total 2018					
	Book value			Fair value			Book value			Fair value		
Type of transaction/Amounts	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
A. Loans and advances to Central Banks	**400,715**	**0**	**0**	**0**	**0**	**400,715**	**24,070**	**0**	**0**	**0**	**0**	**24,070**
1. Time deposits	0	0	0	X	X	X	0	0	0	X	X	X
2. Compulsory reserve	400,715	0	0	X	X	X	24,070	0	0	X	X	X
3. Repurchase agreements	0	0	0	X	X	X	0	0	0	X	X	X
4. Other	0	0	0	X	X	X	**0**	0	0	X	X	X
B. Loans and advances to banks	**153,393**	**3**	**0**	**0**	**0**	**153,396**	**128,463**	**0**	**0**	**0**	**0**	**128,463**
1. Loans	153,393	3	0	0	0	153,396	128,463	0	0	0	0	128,463
1.1 Current accounts and demand deposits	13,445	0	0	X	X	X	36,316	0	0	X	X	X
1.2. Time deposits	0	0	0	X	X	X	0	0	0	X	X	X
1.3. Other loans:	139,948	3	0	X	X	X	92,147	0	0	X	X	X
- Reverse repurchase agreements	0	0	0	X	X	X	0	0	0	X	X	X
- Lease loans	0	0	0	X	X	X	0	0	0	X	X	X
- Other	139,948	3	0	X	X	X	92,147	0	0	X	X	X
2. Debt securities	0	0	0	0	0	0	0	0	0	0	0	0
2.1 Structured securities	0	0	0	0	0	0	0	0	0	0	0	0
2.2 Other debt securities	0	0	0	0	0	0	0	0	0	0	0	0
Total	**554,108**	**3**	**0**	**0**	**0**	**554,111**	**152,533**	**0**	**0**	**0**	**0**	**152,533**

Key
FV = Fair value
BV = Book value

The item “Other loans - Other” consists primarily of the guarantee deposit guaranteeing derivative contracts for € 135,553 thousand.

4.2 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS Type of transaction/Amounts	Total 2019						Total 2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	**6,268,615**	**398,873**	**15,909**	**0**	**0**	**6,667,488**	**6,309,427**	**494,009**	**14,793**	**0**	**0**	**6,819,450**
1. Current accounts	561,066	41,815	780	X	X	X	599,692	63,697	2,321	X	X	X
2. Reverse repurchase agreements	0	0	0	X	X	X	0	0	0	X	X	X
3. Mortgages	4,520,759	331,787	13,315	X	X	X	4,595,765	393,091	10,916	X	X	X
4. Credit cards and personal loans, including wage assignment	681,713	14,769	1,025	X	X	X	590,439	15,721	706	X	X	X
5. Lease loans	0	0	0	X	X	X	0	0	0	X	X	X
6. Factoring	0	0	0	X	X	X	0	0	0	X	X	X
7. Other loans	505,077	10,502	789	X	X	X	523,531	21,500	850	X	X	X
2. Debt securities	**3,003,045**	**0**	**0**	**2,805,748**	**0**	**162,330**	**2,689,874**	**0**	**0**	**2,516,340**	**2,693**	**170,840**
2.1. Structured securities	0	0	0	0	0	0	0	0	0	0	0	0
2.2. Other debt securities	3,003,045	0	0	2,805,748	0	162,330	2,689,874	0	0	2,516,340	2,693	170,840
Total	**9,271,660**	**398,873**	**15,909**	**2,805,748**	**0**	**6,829,818**	**8,999,301**	**494,009**	**14,793**	**2,516,340**	**2,693**	**6,990,290**

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

Debt securities primarily consist of:

- € 149,226 thousand from senior class securities connected to the Maggese securitisation transaction with derecognition;
- € 2,833,995 thousand from securities issued by the Italian State;
- € 17,562 thousand from senior class securities connected to the Pop NPLs securitisation transaction with derecognition.

The stock of non-performing loans declined with respect to the end of last year following the derisking transactions carried out to transfer bad loans via the "GACS" scheme and the Small Ticket transfer.

Loans and advances to customers are shown net of third-party funds under administration which amount to € 13,240 thousand.

For details on non-performing assets, please refer to "Part E – Information on risks and relative hedging policies, Section 1 - Credit Risk."

4.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS AND ADVANCES TO CUSTOMERS	Total 2019			Total 2018		
	Stage 1 and 2	Stage 3	Of which: purchased or originated credit impaired assets	Stage 1 and 2	Stage 3	Of which: purchased or originated credit impaired assets
1. Debt securities	**3,003,045**	**0**	**0**	**2,689,874**	**0**	**0**
a) Public administration	2,833,997	0	0	2,516,340	0	0
b) Other financial companies	166,788	0	0	170,841	0	0
of which: insurance companies	0	0	0	0	0	0
c) Non-financial companies	2,260	0	0	2,693	0	0
2. Loans and advances to:	**6,268,615**	**398,873**	**15,909**	**6,309,427**	**494,009**	**14,793**
a) Public administration	49,500	57	0	54,543	0	0
b) Other financial companies	43,153	1,205	0	60,727	2,013	0
of which: insurance companies	5,449	0	0	3,255	0	0
c) Non-financial companies	2,557,588	251,517	11,495	2,711,863	323,241	11,994
d) Households	3,618,374	146,094	4,414	3,482,294	168,755	2,799
Total	**9,271,660**	**398,873**	**15,909**	**8,999,301**	**494,009**	**14,793**

4.4 FINANCIAL ASSETS MEASURED AT AMORTISED COST: GROSS VALUE AND OVERALL VALUE ADJUSTMENTS	Gross value				Overall value adjustments			Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	3,005,021	3,005,019	0	0	-1,976	0	0	0
Loans	6,066,779	635,590	819,320	795,655	-18,692	-44,684	-396,779	-58
Total 2019	**9,071,800**	**3,640,609**	**819,320**	**795,655**	**-20,668**	**-44,684**	**-396,779**	**-58**
Total 2018	**8,300,086**	**3,002,505**	**926,810**	**971,097**	**31,504**	**-42,481**	**-477,088**	**-260**
of which: purchased or originated credit impaired financial assets	X	X	7,356	14,078	X	-377	-5,148	0

** Value to be presented for disclosure purposes*

With reference to non-performing loans, please refer to the detailed disclosure provided below in table A.1.5, Part E of these Notes to the consolidated financial statements.

SECTION 5 – HEDGING DERIVATIVES - ITEM 50

There are no items of this type.

SECTION 6 – CHANGE IN VALUE OF MACRO-HEDGED FINANCIAL ASSETS - ITEM 60

There are no items of this type.

SECTION 7 – EQUITY INVESTMENTS - ITEM 70

7.5 EQUITY INVESTMENTS: ANNUAL CHANGES	Total 2019	Total 2018
A. Opening balance	**0**	**461**
B. Increases	**77**	**0**
B.1 Purchases	77	0
B.2 Write-backs	0	0
B.3 Revaluations	0	0
B.4 Other changes	0	0
C. Decreases	**0**	**461**
C.1 Sales	0	0
C.2 Value adjustments	0	9
C.3 Write-downs	0	0
C.4 Other changes	0	452
D. Closing balance	**77**	**0**
E. Total revaluations	**0**	**0**
F. Total adjustments	**5,938**	**5,938**

In 2019, Pitagora S.p.A. acquired an equity investment in Edera S.r.l. for a value of € 350 thousand, which valued within the scope of consolidation with the equity method assumes a value of € 77 thousand.

SECTION 8 – INSURANCE RESERVES CHARGED TO REINSURERS - ITEM 80

There are no items of this type.

SECTION 9 – PROPERTY, PLANT AND EQUIPMENT - ITEM 90

9.1 PROPERTY, PLANT AND EQUIPMENT USED IN THE BUSINESS: BREAKDOWN OF ASSETS CARRIED AT COST Asset/Amounts	Total 2019	Total 2018
1. Owned assets	**115,590**	**119,426**
a) land	15,255	16,855
b) buildings	83,259	84,427
c) furniture and furnishings	7,170	7,847
d) electronic equipment	5,658	6,420
e) other	4,248	3,877
2. Rights of use acquired with leases	**42,897**	**0**
a) land	0	0
b) buildings	42,006	0
c) furniture and furnishings	0	0
d) electronic equipment	0	0
e) other	891	0
Total	**158,487**	**119,426**
of which: obtained by enforcing guarantees received	0	0

The increase in the item “rights of use acquired with leases” can be attributed to the application of the new accounting standard IFRS 16 starting from the year 2019. The item “other” includes the RoUs referring to the rental of vehicles.

9.2 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: BREAKDOWN OF ASSETS CARRIED AT COST	Total 2019				Total 2018			
	Book value	Fair value			Book value	Fair value		
Asset/Amounts		L1	L2	L3		L1	L2	L3
1. Owned assets	**52,894**	**0**	**0**	**76,539**	**50,202**	**0**	**0**	**67,466**
a) land	22,358	0	0	24,085	19,622	0	0	21,341
b) buildings	30,536	0	0	52,454	30,580	0	0	46,125
2. Rights of use acquired with leases	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) land	0	0	0	0	0	0	0	0
b) buildings	0	0	0	0	0	0	0	0
Total	**52,894**	**0**	**0**	**76,539**	**50,202**	**0**	**0**	**67,466**
of which: obtained by enforcing guarantees received	0	0	0	0	0	0	0	0

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

9.6 PROPERTY, PLANT AND EQUIPMENT USED IN THE BUSINESS: ANNUAL CHANGES	Land	Buildings	Furniture and furnishings	Electronic equipment	Other	Total
A. Gross opening balance	**18,485**	**135,248**	**40,455**	**36,318**	**44,224**	**274,730**
A.1 Total net decreases	1,630	50,820	32,608	29,897	40,349	155,304
A.2 Net opening balance	**16,855**	**84,428**	**7,847**	**6,421**	**3,875**	**119,426**
B. Increases:	**0**	**51,934**	**692**	**1,703**	**3,420**	**57,749**
B.1 Purchases	0	3,014	681	1,703	1,741	7,139
B.2 Capitalised expenditure on improvements	0	0	0	0	0	0
B.3 Recoveries	0	0	0	0	0	0
B.4 Increases in fair value charged to	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
B.5 Positive exchange differences	0	0	0	0	0	0
B.6 Transfer from properties held for investment	0	0	0	0	0	0
B.7 Other changes	0	48,920	11	0	1,679	50,610
C. Decreases:	**1,600**	**11,097**	**1,369**	**2,466**	**2,156**	**18,688**
C.1 Sales	0	0	0	0	0	0
C.2 Depreciation	0	9,611	1,246	2,466	2,001	15,324
C.3 Impairment losses booked to	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.4 Decreases in fair value charged to	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.5 Negative exchange differences	0	0	0	0	0	0
C.6 Transfers to:	1,600	636	0	0	0	2,236
a) property, plant and equipment held for investment	1,600	636	0	0	0	2,236
b) non-current assets held for sale and discontinued operations	0	0	0	0	0	0
C.7 Other changes	0	850	123	0	155	1,128
D. Net closing balance	**15,255**	**125,265**	**7,170**	**5,658**	**5,139**	**158,487**
D.1 Total net decreases	1,630	55,859	33,855	32,299	42,345	165,988
D.2 Gross closing balance	**16,885**	**181,124**	**41,025**	**37,957**	**47,484**	**324,475**
E. Carried at cost	0	0	0	0	0	0

The cost valuation criterion is used for all asset classes.

Items A.1 and D.1 “Total net decreases” include the sum of depreciation plus the impairment losses recognised to align the carrying amount of the assets with their recoverable amount.

Please note that the amount shown in row “B. Increases - B.7 Other changes” includes the opening balance of the right of use deriving from the introduction of IFRS 16.

For additional information, please refer to Part A - Section 15 - Other information in these Notes to the consolidated financial statements.

9.7 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: ANNUAL CHANGES	Total	
	Land	Buildings
A. Opening balance	**19,623**	**30,579**
B. Increases	**2,736**	**16,909**
B.1 Purchases	0	16,903
B.2 Capitalised expenditure on improvements	0	0
B.3 Increases in fair value	0	0
B.4 Writebacks	0	0
B.5 Positive exchange differences	0	0
B.6 Transfer from properties used in the business	2,736	0
B.7 Other changes	0	6
C. Decreases	**0**	**16,953**
C.1 Sales	0	0
C.2 Depreciation	0	1,214
C.3 Decreases in fair value	0	0
C.4 Impairment losses	0	0
C.5 Negative exchange differences	0	0
C.6 Transfers to:	0	0
a) properties used in the business	0	0
b) non-current assets held for sale and discontinued operations	0	0
C.7 Other changes	0	15,739
D. Closing balance	**22,359**	**30,535**
E. Measured at fair value	24,085	52,454

The cost valuation criterion is used for all asset classes.

SECTION 10 – INTANGIBLE ASSETS - ITEM 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE	Total 2019		Total 2018	
Asset/Amounts	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**0**	**66,142**	**0**	**66,142**
A.1.1 attributable to the Group	0	66,142	0	66,142
A.1.2 attributable to minorities	0	0	0	0
A.2 Other intangible assets	**23,397**	**0**	**25,728**	**0**
A.2.1 Assets carried at cost	23,397	0	25,728	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	23,397	0	25,728	0
A.2.2 Assets measured at fair value	0	0	0	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	0	0	0	0
Total	**23,397**	**66,142**	**25,728**	**66,142**

The item “Finite life” includes application software, the surface rights relating to the area where the Parent Company’s Agency no. 13 is built and intangible assets recognised in the financial statements following the acquisition of the subsidiary Biverbanca S.p.A. in 2012.

The item “Indefinite life” includes the definitive recognition of goodwill realised in the acquisition carried out in 2012 by the Parent Company of 60.42% of Biverbanca S.p.A., equal to € 57.25 million, and the recognition of goodwill realised in the acquisition of 65% of the company Pitagora Contro Cessione del Quinto S.p.A. in 2015, equal to € 8.9 million.

A) Impairment test on goodwill of the Biverbanca S.p.A. CGU

On 28 December 2012, Cassa di Risparmio di Asti S.p.A. acquired 60.42% of Biverbanca from Banca Monte dei Paschi di Siena for consideration of € 275.25 million, inclusive of the price adjustment linked to the value of the Biverbanca S.p.A. equity investment in the Bank of Italy.
The acquisition of control over Biverbanca S.p.A. entailed the application of IFRS 3 (Business Combinations), which requires assets acquired and liabilities assumed to be accounted for in the consolidated financial statements at their fair value at the acquisition date, including any identifiable intangible assets not recognised in the financial statements of the acquired company, and the determination of goodwill on a residual basis, as the difference between the cost of the business combination and the net fair value of the assets and liabilities acquired.
Cassa di Risparmio di Asti S.p.A. relied on the possibility established by IFRS 3 to perform a provisional purchase price allocation.
Then, in the 2013 consolidated financial statements of the Cassa di Risparmio di Asti Group, definitive goodwill of € 57.25 million was recognised.

IAS 36 sets out the principles for recognition and reporting of impairment for certain types of assets, including goodwill, illustrating the principles that an entity must follow to make sure that the carrying amount of its assets is not higher than their recoverable amount.
IAS 36 defines recoverable amount as the higher of:

- fair value net of costs to sell - which represents the price at which an asset may be sold in the market;
- value in use - which represents the present value of expected future cash flows that are likely to be received from the continuous use of the asset subject to valuation.

IAS 36 requires the carrying amount of goodwill to be compared with the recoverable amount whenever there is an indication that the asset may have been impaired and in any case at least once a year.
The recoverable amount of goodwill is estimated with reference to the cash-generating unit (CGU), since goodwill by its nature does not generate cash flows independently from an asset.
A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets, which it is possible to recognise separately in management reporting systems.

The goodwill set forth in the consolidated financial statements of the Cassa di Risparmio di Asti Group as at 31 December 2019, amounting to € 57.25 million, recognised following the acquisition of 60.42% of the share capital of Biverbanca in December 2012 and the completion of the purchase price allocation process pursuant to IFRS 3 - Business Combinations, was tested for impairment. In continuity with 31 December 2015, and in line with the internal reporting system, this goodwill is allocated to the CGU corresponding to the equity investment in Biverbanca and it remained unchanged after the acquisition by Banca di Asti of full control over Biverbanca.

In relation to what is established in IAS 36 and the considerations set forth above, the impairment test on the above-mentioned goodwill called for the performance of the following activities, also carried out with the assistance of a major consultancy firm:

- determination of the carrying amount of the CGU;
- determination of the recoverable amount of the CGU and comparison with the carrying amount.

1. Determination of the carrying amount of the CGU

As at 31 December 2019, the carrying amount of the CGU is equal to € 419.9 million and was determined on the basis of the sum of:

- Tangible shareholders' equity (excluding software) of Biverbanca as at 31 December 2019 equal to € 323 million;
- Goodwill equal to € 57.25 million. For the purposes of the impairment test, this goodwill was then grossed up, thus reaching a value of € 95 million As set forth in IAS 36, this step is necessary in order to make the carrying amount consistent with the recoverable amount (both referring to 100% of the CGU).

2. Determination of the recoverable amount of the CGU and comparison with the carrying amount

Fair Value

Pursuant to IFRS 13, fair value represents the price that would be received for the sale of an asset or which would be paid for the transfer of a liability in an orderly transaction between market participants at the valuation date.

In order to determine the recoverable amount of the Biverbanca CGU at the reporting date of 31 December 2019, recourse was made only to the estimate of the value in use, as described in the following section, without proceeding with the calculation of fair value.

Value in Use

The value in use was estimated by applying the excess capital version of the Dividend Discount Model (DDM) method.

The DDM method was developed on the basis of the financial position as at 31 December 2019, the data at the end of the year and the stand-alone 2020-2024 economic/capital projections approved by the Biverbanca Board of Directors on 10 February 2020, prepared on the basis of the same assumptions underlying the

individual contribution of Biverbanca, approved by the Biverbanca Board of Directors on 10 December 2019, to the update of the Group's 2019-2021 Strategic Plan.
The CGU's value in use was determined by discounting future distributable cash flows, based on the following formula:

$$W = \sum_{i=1}^{n} \frac{D_i}{(1+Ke)^i} + \frac{TV}{(1+Ke)^n}$$

where:
W = Value in use
D_i = Potentially distributable dividend in the i-th explicit planning period
Ke = Discounting rate represented by the cost of equity
n = Explicit projection period (expressed in number of years)
TV = Terminal Value at the end of the explicit planning period

The valuation of the calculation parameters was defined as described below.

Dividends potentially distributable in the projection period
The potentially distributable dividend flows were defined on the basis of the above-mentioned economic and financial projections and include the following underlying projections:
- Growth in net loans and advances of 1.5% and simultaneous moderate decrease in direct funding from customers equal to -1.6% (2019-2024 CAGR);
- increase in yearly average indirect deposits of roughly 3.5% (2019-2024 CAGR);
- increase in net interest and other banking income (yearly average 2019-2024 CAGR of 5.9%); the positive performance can primarily be ascribed to the increase in interest margin, due to the expected rise in rates in the last years of the projection (2019-2024 CAGR equal to 7.8%, and commission revenue expected to rise at an average yearly rate of +6.8% in line with the expected growth in indirect funding);
- operating costs estimated to be essentially stable (+0.8% - 2019-2024 CAGR).

In the development of distributable flows, a capital absorption and a Tier 1 ratio of 10.50% and a Total Capital Ratio of 12.50% were considered, in line with the Supervisory provisions and with the result of the most recent SREP for the CRAsti Group.

Cost of equity
The cost of equity, equal to 8.50%, was estimated on the basis of the Capital Asset Pricing Model (CAPM), considering:
- Risk-free investment rate of return estimated at 1.91%, in line with the average annual yield as at 31 December 2019 of BTPs maturing in ten years;
- Beta, correlation factor between the actual return on a share and the total return on the reference market - assumed to be 1.10 - on the basis of the

average coefficient reported on a sample of Italian retail banks (5 years weekly);
- Market risk premium, equal to 6.0%, in line with current valuation practice in the Italian market.

Terminal value
The terminal value was determined by assuming:
- a potentially distributable dividend at the end of the plan horizon;
- a long-term growth rate equal to 1.5%, in line with long-term inflation expectations and with what was determined at 31 December 2018.

Sensitivity analysis
A sensitivity analysis was developed on the values obtained in reaction to changes in the value of:
- the cost of equity (+/- 0.50%);
- the long-term growth rate (+/- 0.50%);
- the expected result at the end of the projection period (+/- 10.00%);
- exclusion of the effects deriving from the introduction of the AIRB models.

The DDM method, developed on the basis of the elements described, leads to the estimate of a recoverable amount on average equal to € 556 million against the carrying amount of the Biverbanca CGU in the consolidated financial statements equal to € 420 million and the equity investment in the separate financial statements equal to € 389 million.

The sensitivity analyses determine an indicative interval between € 480 million and € 633 million.

The limit parameters which, individually considered, lead to a recoverable amount corresponding to the carrying amount are:

	Parameters/amounts used	"Limit" parameters/amounts	
		Consolidated CGU	Individual equity investment
Cost of capital (Ke)	8.50%	11.61%(+311 bps)	12.73% (+424 bps)
Long-term growth rate (g)	1.50%	-7.4%	-13.6%
Net profit in the last projection year	€ 36.3 mln	€ 21.6 mln (-40.9%)	€ 18.4 mln (-49.8%)

Intangible assets with finite useful life

In accordance with IAS 36, considerations were made on the intangible assets with a finite useful life recognised in the financial statements following the acquisition of Biverbanca in order to check for the presence of indicators of impairment.

At 31 December 2019, the book value of those intangibles after annual amortisation is as follows:
- Core deposits linked to current accounts of € 14.9 million;

- Assets under management and Assets under custody of € 3.3 million;
- Biverbanca trademark for € 1.6 million.

Those intangibles are amortised over a period of between 5 and 11 years. Specifically, the core deposits and intangibles linked to Assets under management and custody (which represent roughly 92% of total intangibles) have a residual life of between 11 years for core deposits and 5 years for Assets under management and custody.
The annual amortisation of core deposits is equal to roughly € 1.4 million and of Assets under management and custody to € 0.7 million.

The value of such intangibles is based in particular on the following variables:
- evolution of volumes over time, throughout the remaining useful life;
- profitability (i.e. mark down and commission income);
- direct asset management costs;
- future cash flow discounting rate.

At 31 December 2019, on the basis of the observation of the trend in the above-mentioned variables, it is deemed that there are no reasons to believe that the intangible assets have suffered from additional impairment beyond their annual amortisation.

B) Impairment test on the goodwill of the Pitagora Contro Cessione del Quinto S.p.A. CGU

On 1 October 2015, Cassa di Risparmio di Asti S.p.A. acquired control over the company Pitagora S.p.A.
The acquisition of control entails the application of IFRS 3 (Business Combinations), which requires assets acquired and liabilities assumed to be accounted for in the consolidated financial statements at their fair value at the acquisition date, including any identifiable intangible assets not recognised in the financial statements of the acquired company, and the determination of goodwill on a residual basis, as the difference between the cost of the business combination and the net fair value of the assets and liabilities acquired.
Cassa di Risparmio di Asti S.p.A. relied on the possibility established by IFRS 3 to perform a provisional purchase price allocation.
Therefore, in the Group's consolidated financial statements as at 31 December 2015, provisional goodwill of € 8.895 million was recognised in relation to the Pitagora S.p.A. CGU.
The carrying amount of the Pitagora S.p.A. CGU was equal to € 50.795 million and was determined on the basis of the sum of:
- tangible shareholders' equity of Pitagora as at 30 September 2015 after provisional adjustments, equal to € 41.9 million, which primarily takes into account the revaluation at fair value of the HTM financial assets;
- provisional goodwill of 8.895 million, calculated as the excess of the price paid over the pro rata shareholders' equity post adjustments.

In determining the fair value of the CGU, the consideration used as a reference is equal to € 38.225 million.
In the course of 2016, the activity of valuing the assets, liabilities and contingent liabilities for the determination of definitive goodwill was completed: the activities performed did not bring to light additional fair values such so as to determine goodwill different from that provisionally determined at the time of the acquisition.
For the company Pitagora S.p.A., the goodwill set forth in the consolidated financial statements of the Cassa di Risparmio di Asti Group as at 31 December 2019, amounting to € 8.895 million, recognised following the acquisition of 65% of the share capital in October 2015 and the completion of the purchase price allocation process pursuant to IFRS 3 - Business Combinations, was tested for impairment. In continuity with 31 December 2018, and in line with the internal reporting system, this goodwill is allocated to the CGU corresponding to the equity investment in Pitagora S.p.A.

In relation to what is established in IAS 36 and the considerations set forth above, the impairment test on the above-mentioned goodwill called for the performance of the following activities, also carried out with the assistance of a major consultancy firm:

- Determination of the carrying amount of the CGU;
- Determination of the recoverable amount of the CGU and comparison with the carrying amount.

1. Determination of the carrying amount of the CGU

As at 31 December 2019, the carrying amount of the CGU is equal to € 74.1 million and was determined on the basis of the sum of:

- Shareholders' equity of Pitagora as at 31 December 2019 equal to € 61.4 million;
- Goodwill equal to € 8.9 million. For the purposes of the impairment test, this goodwill was then grossed up, thus reaching a value of € 12.7 million. As set forth in IAS 36, this step is necessary in order to make the carrying amount consistent with the recoverable amount (both referring to 100% of the CGU).

2. Determination of the recoverable amount of the CGU and comparison with the carrying amount

Fair Value
Pursuant to IFRS 13, fair value represents the price that would be received for the sale of an asset or which would be paid for the transfer of a liability in an orderly transaction between market participants at the valuation date.
In order to determine the recoverable amount of the Pitagora S.p.A. CGU at the reporting date of 31 December 2019, recourse was made only to the estimate of the value in use, as described in the following section, without proceeding with the calculation of fair value.

Value in Use
The value in use was estimated by applying the excess capital version of the Dividend Discount Model (DDM) method.

The DDM method was developed on the basis of the financial position as at 31 December 2019, the data at the end of the year, and the 2020-2024 economic/financial projections.
The CGU's value in use was determined by discounting future distributable cash flows, based on the following formula:

$$W = \sum_{i=1}^{n} \frac{D_i}{(1+Ke)^i} + \frac{TV}{(1+Ke)^n}$$

where:
W = Value in use
D_i = Potentially distributable dividend in the i-th explicit planning period
Ke = Discounting rate represented by the cost of equity
n = Explicit projection period (expressed in number of years)
TV = Terminal Value at the end of the explicit planning period

The valuation of the calculation parameters was defined as described below.

Dividends potentially distributable in the projection period
The potentially distributable dividend flows were defined on the basis of the financial position as at 31 December 2019 and the 2020-2024 financial and economic projections. In the development of the distributable flows, a capital absorption equal to a Tier 1 ratio of 6% was considered, in line with the current Supervisory provisions for financial entities like Pitagora.

Cost of equity
The cost of equity, equal to 8.50%, was estimated on the basis of the Capital Asset Pricing Model (CAPM), considering:

- Risk-free investment rate of return estimated at 1.91%, in line with the average monthly yield as at 31 December 2019 of BTPs maturing in ten years;
- Beta, correlation factor between the actual return on a share and the total return on the reference market - assumed to be 1.10 - on the basis of the average coefficient reported on a sample of Italian retail banks (5 years weekly);
- Market risk premium, equal to 6.0%, in line with valuation practice in the Italian market.

Terminal value
The terminal value was determined considering the dividend potentially distributable at the end of the plan horizon and the long-term growth rate, assumed to be equal to 1.5%, basically aligned with what was determined as at 31 December 2018.

Sensitivity analysis
A sensitivity analysis was developed on the values obtained in reaction to changes in the value of:

- the cost of equity (+/- 0.50%);

- the long-term growth rate (+/- 0.50%);
- the expected result at the end of the planning horizon (+/- 10.0%).

The development of the DDM method on the basis of the approach described leads to the estimate of a recoverable amount of € 183 million, against the carrying amount of the Pitagora S.p.A. CGU in the consolidated financial statements equal to € 74 million and the equity investment in the separate financial statements equal to € 55 million (100%). In light of the results obtained, the impairment test was therefore positively passed and the sensitivity analyses performed determined an interval between € 163 million and € 206 million.

The limit parameters which, individually considered, lead to a recoverable amount corresponding to the carrying amount are:

	Parameters/amounts used	"Limit" parameters/amounts	
		Consolidated CGU	Individual equity investment
Cost of capital (Ke)	8.50%	27.1% (+1,865 bps)	49.1% (+4,056 bps)
Long-term growth rate (g)	1.50%	< -50%	< -50%
Net profit in the last projection year	11.5 mln	0.01 mln	-2.0 mln

10.2 INTANGIBLE ASSETS: ANNUAL CHANGES	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 2019
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**66,142**	**0**	**0**	**54,170**	**0**	**120,312**
A.1 Total net decreases	0	0	0	28,442	0	28,442
A.2 Net opening balance	**66,142**	**0**	**0**	**25,728**	**0**	**91,870**
B. Increases	**0**	**0**	**0**	**2,125**	**0**	**2,125**
B.1 Purchases	0	0	0	2,125	0	2,125
B.2 Increases of internally generated intangible assets	X	0	0	0	0	0
B.3 Write-backs	X	0	0	0	0	0
B.4 Increases in fair value	0	0	0	0	0	0
- shareholders' equity	X	0	0	0	0	0
- income statement	X	0	0	0	0	0
B.5 Positive exchange differences	0	0	0	0	0	0
B.6 Other changes	0	0	0	0	0	0
C. Decreases	**0**	**0**	**0**	**4,456**	**0**	**4,456**
C.1 Sales	0	0	0	0	0	0
C.2 Write-downs	0	0	0	4,454	0	4,454
- Amortisation	X	0	0	4,454	0	4,454
- Write-downs	0	0	0	0	0	0
+ shareholders' equity	X	0	0	0	0	0
+ through profit or loss	0	0	0	0	0	0
C.3 Decreases in fair value:	0	0	0	0	0	0
- shareholders' equity	X	0	0	0	0	0
- through profit or loss	X	0	0	0	0	0
C.4 Transfers to non-current assets held for sale	0	0	0	0	0	0
C.5 Negative exchange differences	0	0	0	0	0	0
C.6 Other changes	0	0	0	2	0	2
D. Net closing balance	**66,142**	**0**	**0**	**23,397**	**0**	**89,539**
D.1 Total net value adjustments	0	0	0	31,998	0	31,998
E. Gross closing balance	**66,142**	**0**	**0**	**55,395**	**0**	**121,537**
F. Carried at cost	0	0	0	0	0	0

Key
DEF: finite life
INDEF: indefinite life

The cost valuation criterion is used for all asset classes.
Items A.1 and D.1 “Total net decreases”, do not include other adjustments aside from the sum of amortisation.

SECTION 11 – TAX ASSETS AND LIABILITIES - ITEM 110 (ASSETS) AND ITEM 60 (LIABILITIES)

11.1 Deferred tax assets: breakdown

Deferred tax assets were recognised as there is reasonable certainty of the future presence of taxable income capable of absorbing the recovery of taxes.
The item consists entirely of credits for IRES (rate of 27.5% (1)) and IRAP (rate of 5.57%) presented in the balance sheet offset against deferred tax liabilities.

The breakdown of this item is as follows:

11.1 DEFERRED TAX ASSETS: BREAKDOWN	Total 2019	Total 2018
- With offsetting entry to profit and loss	306,830	310,357
- With offsetting entry to shareholders' equity	28,308	16,360
Total	**335,138**	**326,708**

(1) The IRES rate consists of the combination represented by the new IRES rate of 24.0% and the additional IRES rate of 3.5% borne by credit and financial institutions, provisions in force as of the date of 1 January 2017 pursuant to Italian Law no. 208 of 28 December 2015 (2016 Stability Law).

11.2 Deferred tax liabilities: breakdown

Deferred tax liabilities were recognised including the taxable temporary differences.
The item consists entirely of payables for IRES (rate of 27.5% (1)) and IRAP (rate of 5.57%) presented in the balance sheet offset against deferred tax assets.

The breakdown of this item is as follows:

11.2 DEFERRED TAX LIABILITIES: BREAKDOWN	Total 2019	Total 2018
- With offsetting entry to profit and loss	27,778	30,704
- With offsetting entry to shareholders' equity	35,139	25,920
Total	**62,917**	**56,616**

(1) The IRES rate consists of the combination represented by the new IRES rate of 24.0% and the additional IRES rate of 3.5% borne by credit and financial institutions, provisions in force as of the date of 1 January 2017 pursuant to Italian Law no. 208 of 28 December 2015 (2016 Stability Law).

11.3 Deferred tax assets: annual changes (with offsetting entry to profit and loss)

11.3 DEFERRED TAX ASSETS: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO PROFIT AND LOSS)	Total 2019	Total 2018
1. Opening balance	**310,357**	**169,643**
2. Increases	**16,680**	**198,691**
2.1 Deferred tax assets arising during the year	14,247	71,453
a) relating to previous years	0	331
b) due to change in accounting principles	0	15,632
c) write-backs	0	0
d) other	14,247	55,490
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	2,433	127,238
3. Decreases	20,207	**57,977**
3.1 Deferred tax assets derecognised during the year	20,207	50,808
a) reversals	20,207	49,341
b) write-downs of non-recoverable items	0	0
c) change in accounting principles	0	1,467
d) other	0	0
3.2 Decreases in tax rates	0	0
3.3 Other decreases:	0	7,170
a) changes into tax credits pursuant to Law No. 214/2011	0	7,170
b) other	0	0
4. Closing balance	**306,830**	**310,357**

11.4 Deferred tax assets: changes under law 214/2011

11.4 DEFERRED TAX ASSETS: CHANGES UNDER LAW 214/2011	Total 2019	Total 2018
1. Opening balance	**132,091**	**139,074**
2. Increases	**0**	**194**
3. Decreases	**0**	**7,177**
3.1 Reversals	0	7
3.2 Changes into tax credits	0	7,170
a) arising from loss for the period	0	0
b) arising from tax losses	0	7,170
3.3 Other decreases	0	0
4. Closing balance	**132,091**	**132,091**

11.5 Deferred tax liabilities: annual changes (with offsetting entry to profit and loss)

11.5 DEFERRED TAX LIABILITIES: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO PROFIT AND LOSS)	Total 2019	Total 2018
1. Opening balance	**30,704**	**7,007**
2. Increases	**7,730**	**25,946**
2.1 Deferred tax liabilities for the year	480	0
a) relating to previous years	480	0
b) due to change in accounting principles	0	6,195
c) other	6,045	0
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	1,205	19,751
3. Decreases	**10,656**	**2,249**
3.1 Deferred tax liabilities derecognised during the year	1,004	2,249
a) reversals	277	1,456
b) due to change in accounting principles	0	572
c) other	727	221
3.2 Decreases in tax rates	0	0
3.3 Other decreases	9,652	0
4. Closing balance	**27,778**	**30,704**

11.6 Deferred tax assets: annual changes (with offsetting entry to shareholders' equity)

11.6 DEFERRED TAX ASSETS: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO SHAREHOLDERS' EQUITY)	Total 2019	Total 2018
1. Opening balance	**16,360**	**69,003**
2. Increases	**12,682**	**115,167**
2.1 Deferred tax assets arising during the year	8,622	115,167
a) relating to previous years	0	0
b) due to change in accounting principles	0	113,507
c) other	12,682	1,660
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	0	0
3. Decreases	**734**	**167,810**
3.1 Deferred tax assets derecognised during the year	700	63,043
a) reversals	0	8,773
b) write-downs of non-recoverable items	0	0
c) changes in accounting principles	0	51,960
d) other	700	2,310
3.2 Decreases in tax rates	0	0
3.3 Other decreases	34	104,767
4. Closing balance	**28,308**	**16,360**

11.7 Deferred tax liabilities: annual changes (with offsetting entry to shareholders' equity)

11.7 DEFERRED TAX LIABILITIES: ANNUAL CHANGES (WITH OFFSETTING ENTRY TO SHAREHOLDERS' EQUITY)	Total 2019	Total 2018
1. Opening balance	**25,920**	**27,171**
2. Increases	**12,362**	**1,801**
2.1 Deferred tax liabilities for the year	2,712	1,801
a) relating to previous years	177	0
b) due to change in accounting principles	0	216
c) other	2,535	1,585
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	9,650	0
3. Decreases	**3,143**	**3,052**
3.1 Deferred tax liabilities derecognised during the year	120	384
a) reversals	120	50
b) due to change in accounting principles	0	0
c) other	0	334
3.2 Decreases in tax rates	0	0
3.3 Other decreases	3,023	2,668
4. Closing balance	**35,139**	**25,920**

11.8 Other information

The reconciliation between the theoretical tax charge and the actual tax charge in the financial statements was shown in part C, section 21.2.

Probability test on deferred taxation

IAS 12 requires the recognition of deferred tax liabilities and assets with the following criteria: 1) taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences; 2) deductible temporary differences: a deferred tax asset must be recognised for all deductible temporary differences, if it is likely that taxable income will be realised against which the deductible temporary difference can be used.

The amount of deferred tax assets recognised in the financial statements therefore must be tested every year to verify if there is reasonable certainty of earning future taxable income and therefore the possibility of recovering the deferred tax assets.

With respect to the deferred tax assets recognised amongst the bank's assets, an analysis was performed to verify whether the future profitability forecasts of the Group are such so as to guarantee their reabsorption and thus justify their recognition and maintenance in the financial statements ("probability test"). The calculation made showed a sufficient taxable base capable of absorbing the deferred taxes recognised in the financial statements as at 31 December 2019.

SECTION 12 –NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE - ITEM 120 (ASSETS) AND 70 (LIABILITIES)

There are no items of this type.

SECTION 13 – OTHER ASSETS - ITEM 130

13.1 OTHER ASSETS: BREAKDOWN	Total 2019	Total 2018
- loans to SPV	233,415	247,180
- amounts to be charged to banks	14,307	16,958
- charges relating to payment systems in the course of execution	65,760	62,179
- indirect taxes and duties	25,882	37,798
- residual prepayments	33,356	44,518
- transit items	31	55
- costs for setting up leased premises	3,901	4,390
- receivables for the provision of non-financial services	14,823	28,484
- other amounts to be recovered from customers	18,852	17,523
- residual accrued income	5,322	6,393
- unpaid notes and cheques	896	1,205
- differential for adjustment of owned portfolio	0	0
- other items	2,024	5,415
- adjustments from consolidation of assets (IC elimination), - Adjustments from consolidation of assets - other	0	0
Total	**418,569**	**472,098**

The item “loans to SPV securitisations” includes the Group’s receivables from the special purpose vehicles against securitisation transactions for which the Group itself subscribed all securities issued by the SPVs. The securitised loans are recognised in the assets in the financial statements.

For a more detailed disclosure on securitisation transactions, please refer to the specific section of part E.

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM BANKS	Total 2019				Total 2018			
	Book value	Fair Value			BV	Fair Value		
Type of transaction/Amounts		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**1,459,999**	X	X	X	**1,450,113**	X	X	X
2. Deposits from banks	**188,570**	X	X	X	**80,081**	X	X	X
2.1 Current accounts and demand deposits	58,297	X	X	X	76,148	X	X	X
2.2 Time deposits	0	X	X	X	0	X	X	X
2.3 Loans	127,159	X	X	X	0	X	X	X
2.3.1 Repurchase agreements	127,159	X	X	X	0	X	X	X
2.3.2 Other	0	X	X	X	0	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	0	X	X	X	0	X	X	X
2.5 Lease liabilities	1,612	X	X	X	0	X	X	X
2.6 Other liabilities	1,502	X	X	X	3,933	X	X	X
Total	**1,648,569**	**0**	**0**	**1,648,569**	**1,530,194**	**0**	**0**	**1,530,194**

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

The item “Deposits from central banks” is represented by the credit facility assigned by the ECB to the Group, as part of the Targeted Longer Term Refinancing Operations (TLTRO II – III).

The item “Other liabilities” consists primarily of operating payables connected to financial services.

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM CUSTOMERS	Total 2019				Total 2018			
	Book value	Fair Value			BV	Fair Value		
Type of transaction/Amounts		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	5,748,995	X	X	X	5,457,782	X	X	X
2. Time deposits	710,091	X	X	X	500,771	X	X	X
3. Loans	343,199	X	X	X	285,137	X	X	X
3.1 Repurchase agreements	343,199	X	X	X	285,137	X	X	X
3.2 Other	0	X	X	X	0	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	0	X	X	X	0	X	X	X
5. Lease liabilities	41,457	X	X	X	0	X	X	X
6. Other liabilities	1,318,071	X	X	X	623,326	X	X	X
Total	**8,161,813**	**0**	**0**	**8,161,813**	**6,867,016**	**0**	**0**	**6,867,016**

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

The item "Repurchase agreements" primarily consists of transactions carried out with the counterparty Cassa Compensazione e Garanzia.
The item "Other liabilities" includes € 1,168,368 thousand for payables linked to securitisation transactions.

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEBT SECURITIES ISSUED	Total 2019				Total 2018			
	Book value	Fair Value			BV	Fair Value		
Type of security/Amounts		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	1,772,333	0	1,756,366	0	2,102,790	0	2,013,671	647,769
1.1 structured	0	0	0	0	0	0	0	0
1.2 other	1,772,333	0	1,756,366	0	2,102,790	0	2,013,671	647,769
2. Other securities	27	0	0	27	217	0	0	217
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	27	0	0	27	217	0	0	217
Total	**1,772,360**	**0**	**1,756,366**	**27**	**2,103,007**	**0**	**2,013,671**	**647,986**

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

The fair value of bonds is indicated at the clean price, with the exception of zero coupon bonds.

1.4 Details of subordinated liabilities/securities

The amount included in the item "Debt securities issued" is € 189,319 thousand.
See Section F for the relative details.

1.6 Lease liabilities

As at 31 December 2019, the Group has outstanding liabilities of € 43.1 million, of which € 6.76 million maturing within one year, € 20.5 million maturing between 1 and 5 years and € 15.9 million maturing in more than 5 years. Lease liabilities refer for € 1.6 million to bank counterparties and for € 41.5 million to customer counterparties. They derive from the application as of 1 January 2019 of the new accounting standard IFRS 16 relating to Leases.

	Total 2019
Time band	Lease liabilities
Up to 1 year	6,652
1 to 5 years	20,556
Over 5 years	15,861
Total lease liabilities	**43,069**

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN	Total 2019					Total 2018				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
Type of transaction/Amounts		L1	L2	L3			L1	L2	L3	
A. Balance sheet liabilities										
1. Deposits from banks	0	0	0	0	0	0	0	0	0	0
2. Deposits from customers	0	0	0	0	0	0	0	0	0	0
3. Debt securities	0	0	0	0	0	0	0	0	0	0
3.1 Bonds	0	0	0	0	X	0	0	0	0	X
3.1.1 Structured	0	0	0	0	X	0	0	0	0	X
3.1.2 Other bonds	0	0	0	0	X	0	0	0	0	X
3.2 Other securities	0	0	0	0	X	0	0	0	0	X
3.2.1 Structured	0	0	0	0	X	0	0	0	0	X
3.2.2 Other	0	0	0	0	X	0	0	0	0	X
Total A	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Derivatives										
1. Financial derivatives	0	0	17,590	0	0	0	0	20,818	0	0
1.1 Trading	X	0	17,590	0	X	X	0	20,738	0	X
1.2 Linked to fair value option	X	0	0	0	X	X	0	80	0	X
1.3 Other	X	0	0	0	X	X	0	0	0	X
2. Credit derivatives	X	0	0	0	X	X	0	0	0	X
2.1 Trading	X	0	0	0	X	X	0	0	0	X
2.2 Linked to fair value option	X	0	0	0	X	X	0	0	0	X
2.3 Other	X	0	0	0	X	X	0	0	0	X
Total B	**X**	**0**	**17,590**	**0**	**X**	**X**	**0**	**20,818**	**0**	**X**
Total (A+B)	**X**	**0**	**17,590**	**0**	**X**	**X**	**0**	**20,818**	**0**	**X**

Key:
NV = Nominal or Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value* = Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue.

The item "Financial trading derivatives - Level 2" includes the fair value measurement of the "operational hedge" derivative contracts, of which € 11,061 thousand relating to securitisation transactions.

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE - ITEM 30

3.1 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE: BREAKDOWN	Total 2019					Total 2018				
	NV	Fair value			Fair Value *	NV	Fair value			Fair Value *
Type of transaction/Amounts		L1	L2	L3			L1	L2	L3	
1. Deposits from banks	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Structured	0	0	0	0	X	0	0	0	0	X
1.2 Other	0	0	0	0	X	0	0	0	0	X
of which:										
- commitments to disburse funds	0	X	X	X	X	0	X	X	X	X
- financial guarantees given	0	X	X	X	X	0	X	X	X	X
2. Deposits from customers	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Structured	0	0	0	0	X	0	0	0	0	X
2.2 Other	0	0	0	0	X	0	0	0	0	X
of which:										
- commitments to disburse funds	0	X	X	X	X	0	X	X	X	X
- financial guarantees given	0	X	X	X	X	0	X	X	X	X
3. Debt securities	**75,042**	**0**	**78,882**	**0**	**78,882**	**114,457**	**0**	**118,345**	**0**	**118,345**
3.1 Structured	0	0	0	0	X	0	0	0	0	X
3.2 Other	75,042	0	78,882	0	X	114,457	0	118,345	0	X
Total	**75,042**	**0**	**78,882**	**0**	**78,882**	**114,457**	**0**	**118,345**	**0**	**118,345**

Key:
NV = Nominal or Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value* = Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue.

The classification in "Financial liabilities measured at fair value" of part of the bonds issued was due to the desire to optimise the management of interest rate risk, while also reducing valuation discrepancies between assets and liabilities in relation to the accounting mismatch.

SECTION 4 – HEDGING DERIVATIVES - ITEM 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET	NV 2019	Fair value 2019			NV 2018	Fair value 2018		
		L1	L2	L3		L1	L2	L3
A. Financial derivatives	**793,670**	**0**	**126,675**	**0**	**998,724**	**0**	**75,461**	**0**
1) Fair value	650,000	0	93,266	0	825,000	0	39,831	0
2) Cash flows	143,670	0	33,409	0	173,724	0	35,630	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	**793,670**	**0**	**126,675**	**0**	**998,724**	**0**	**75,461**	**0**

Key:
NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The component of the portfolio in financial instruments consisting of OTC derivatives (Interest Rate Swaps) is intended to hedge interest rate risk on Group asset and liability items when this does not take place through the use of natural hedges. By their very nature, such instruments were impacted by the decline in the rates curve recorded in 2019.

4.2 HEDGING DERIVATIVES: BREAKDOWN BY PORTFOLIOS HEDGED AND BY HEDGING TYPE Transaction/Type of hedge	Fair Value							Cash flow		Foreign investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro-hedge	
	Debt securities and interest rates	Equity securities and stock indices	Currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	0	0	0	0	X	X	X	0	X	X
2. Financial assets measured at amortised cost	93,266	X	0	0	X	X	X	0	X	X
3. Portfolio	X	X	X	X	X	X	0	X	0	X
4. Other transactions	0	0	0	0	0	0	X	0	X	0
Total assets	**93,266**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	0	X	0	0	0	0	X	33,409	X	X
2. Portfolio	X	X	X	X	X	X	0	X	0	X
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**33,409**	**0**	**0**
1. Expected transactions	X	X	X	X	X	X	X	0	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	0	X	0	0

In particular, the value of € 33,409 thousand recognised in the Liability sub-item "1. Financial liabilities" refers to the negative value of derivatives taken out to hedge cash flows (cash flow hedges) the objective of which is to stabilise the flow of interest of

variable rate funding, to the extent to which the latter finances fixed rate loans and advances to customers.
As the latter are recognised at amortised cost in the financial statements, the relative capital gain is not shown in the accounts.

SECTION 5 – CHANGE IN VALUE OF MACRO-HEDGED FINANCIAL LIABILITIES - ITEM 50

There are no items of this type.

SECTION 6 – TAX LIABILITIES - ITEM 60

See Section 11 of the Assets.

SECTION 7 – LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS - ITEM 70

There are no items of this type.

SECTION 8 – OTHER LIABILITIES - ITEM 80

8.1 OTHER LIABILITIES: BREAKDOWN	Total 2019	Total 2018
- imbalance of adjustments on the notes portfolios	73,747	70,928
- credits relating to payment systems in the course of execution	29,455	40,179
- amounts to be credited to banks	7,540	3,939
- operating payables not connected to financial services	30,123	15,343
- amounts to be paid to the tax authorities on behalf of third parties	18,293	14,484
- amounts to be paid to personnel	15,017	9,205
- due to SPV	17,233	11,413
- amounts to be recognised to customers	11,778	28,624
- residual deferred income	31,118	49,481
- amounts to be recognised to various institutions	5,218	5,194
- liabilities connected to the impairment of guarantees given	0	0
- insurance premiums collected in the course of processing and to be paid back to companies	690	814
- other tax liabilities	362	711
- items relating to foreign transactions	0	0
- residual accrued liabilities	21	270
- other items	4,488	6,604
Total	**245,083**	**257,189**

SECTION 9 – PROVISION FOR EMPLOYEE SEVERANCE PAY - ITEM 90

9.1 PROVISION FOR EMPLOYEE SEVERANCE PAY: ANNUAL CHANGES	Total 2019	Total 2018
A. Opening balance	**19,671**	**24,064**
B. Increases	**1,259**	**523**
B.1 Provisions for the year	23	0
B.2 Other changes	1,236	523
C. Decreases	**544**	**4,916**
C.1 Severance payments	446	4,097
C.2 Other changes	98	819
D. Closing balance	**20,386**	**19,671**
Total	**20,386**	**19,671**

9.2 Other information

According to statutory regulations, at 31 December 2019 the provision for employee severance pay amounted to € 17,678 thousand.

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN Items	Total 2019	Total 2018
1. Provisions for credit risk relating to commitments and financial guarantees given	5,118	5,899
2. Provisions on other commitments and other guarantees given	0	0
3. Pensions and other post retirement benefit obligations	16,601	17,830
4. Other provisions for risks and charges	42,960	41,952
4.1 legal and tax disputes	3,211	3,625
4.2 personnel charges	14,031	21,527
4.3 other	25,718	16,800
Total	**64,679**	**65,681**

10.2 PROVISIONS FOR RISKS AND CHARGES: ANNUAL CHANGES	Provisions on other commitments and other guarantees given	Pensions and other post retirement benefit obligations	Other provisions for risks and charges	Total
A. Opening balance	**0**	**17,830**	**41,952**	**59,782**
B. Increases	**0**	**591**	**27,354**	**27,945**
B.1 Provision for the year	0	226	27,177	27,403
B.2 Changes due to the time value of money	0	0	15	15
B.3 Difference due to discount-rate changes	0	0	0	0
B.4 Other changes	0	365	162	527
C. Decreases	**0**	**1,820**	**26,346**	**28,166**
C.1 Use during the year	0	1,820	18,857	20,677
C.2 Difference due to discount-rate changes	0	0	0	0
C.3 Other changes	0	0	7,489	7,489
D. Closing balance	**0**	**16,601**	**42,960**	**59,561**

10.3 PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	Provisions for credit risk relating to commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	734	374	0	1,108
Financial guarantees given	359	393	3,258	4,010
Total	**1,093**	**767**	**3,258**	**5,118**

10.5 DEFINED BENEFIT COMPANY PENSION PLANS

1. Description of funds and related risks

The pension fund pursuant to table 10.1 of € 16,601 was established against commitments made by Biverbanca S.p.A. with respect to retired personnel receiving periodic benefits by way of supplementary pensions, as direct recipient of the lifetime annuity or the survivor of the former employee.
The fund is fully funded by Biverbanca S.p.A. and is invested indistinctly in the company's assets.
To determine the consistency of the fund, the actuary considered a range of parameters:

- regulatory parameters, or regulations and their interpretations which could derive from general provisions of law and regulatory documents of the fund itself;
- demographic parameters, deriving from tables built on general samples developed by various institutions;
- economic parameters regarding figures with a direct economic connotation;
- financial parameters, which are the most significant in the determination of the reserves.

As concerns demographic parameters, the probabilities inferred from the mortality tables prepared by ISTAT referring to the year 2017 were used as an assumption for the elimination from the group of fund beneficiaries in the case of death.
As an economic parameter, reference was made to the "Macroeconomic projections for the euro area by experts from the Eurosystem in December 2018" (source: European Central Bank) and the relative breakdown by country where the price growth forecasts are set at 0.7% for 2020, 1.1% for 2021 and 1.3% for 2022. Starting from 2023, the rate of 1.8%, slightly lower than the target established by the ECB of 2% per year, was assumed as the reference value.

As a financial parameter, for the discounting of outflows, the rate of 0.61% was used, which is the average rate determined on the basis of the Euro Composite AA rate curve and deriving from the application of the individual annual rates to the estimated payment flows, roughly 66 basis points lower than that used at 31 December 2018.

Lastly, a sensitivity analysis was conducted in order to quantify the effect that would be generated on the determination of the average present value by changes in the discount rate, as this is a variable naturally characterised by a certain degree of volatility. In the case of a change of +/- 50 basis points in that rate with respect to that used (0.61%), there would be, respectively, a decline/increase in the mathematical reserve of roughly € 600 thousand.

The "Fondo Pensione Integrativo per il Personale della Cassa di Risparmio di Asti" ("Supplementary Pension Fund for Personnel of Cassa di Risparmio di Asti", hereafter the "CRAsti Supplementary Fund") established in 1969 is a fund with its own legal personality, full capital autonomy pursuant to art. 12 of the Italian Civil Code and autonomous asset management. If the assets of the Supplementary Pension Fund are not at least equal to the amount of the mathematical reserves of the pensioners, according to the technical financial statement results, Cassa di Risparmio di Asti S.p.A. needs to rebalance them either by increasing its contribution rate or by making an extraordinary contribution payment.

Although regulations in force require the inclusion of the Supplementary Pension Fund under company pension funds, since Cassa di Risparmio di Asti S.p.A. has no full or partial access to the assets of the Pension Fund or the possibility to unilaterally reduce its contribution, the Bank does not believe that the conditions laid out in paragraph 59 of IAS 19 are satisfied and therefore it did not recognise the assets of the CRAsti Supplementary Pension Fund amongst its own, or recognise the positive surplus.

2. Changes in net defined benefit liabilities (assets) and reimbursement rights during the year

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS DURING THE YEAR	2019	2018
	EXTERNAL PLAN Supplementary Pension Fund	EXTERNAL PLAN Supplementary Pension Fund
Opening balance	**98,711**	**97,586**
Financial expenses	4,276	3,416
Social security cost for service	0	800
Indemnities paid	-3,273	-3,635
Actuarial gains	810	-425
Plan participant contributions	908	169
Other changes	0	800
Closing balance	**100,982**	**98,711**

3. Information on Fair value of plan assets

ASSETS AND LIABILITIES RECOGNISED	EXTERNAL PLAN
	2019
	Supplementary Pension Fund
Present value of defined benefit obligations	100,982
Fair value of the plan	100,222
Supplementary Pension Fund status	-760
Assets recognised	0
Liabilities recognised	0

With respect to the Supplementary Pension Fund, the fair value of the plan consists of the assets net of the provisions for risks recognised.

4. Key actuarial assumptions used

ACTUARIAL ASSUMPTIONS	EXTERNAL PLAN 2019 Supplementary Pension Fund
Discount rate	3.50%
Expected rates of return	3.50%
Rate of wage increase	1.40%
Annual inflation rate	1.50%
Annual nominal GDP growth rate	1.50%

5. Information on amount, timing and uncertainty of cash flows

A sensitivity analysis was performed of the obligation, as required by IAS 19, relating to pension funds with respect to the actuarial assumptions deemed most significant, intended to show how much the financial statement liability would change in response to possible fluctuations in each actuarial assumption. The table below shows the change in amounts in the pension funds, in the case of a decrease and increase in the technical rate by 100 basis points compared to the parameters actually used.

TECHNICAL RATE 2.50%			
ASSETS	**2019**	**LIABILITIES**	**2019**
		Average actuarial valuation of total expenses:	
Net assets	102,222	- immediate expenses	57,788
Contributions	7,142	- latent expenses	69,352
Total assets	**109,364**	**Total liabilities**	**127,140**
Technical deficit	**17,776**		

TECHNICAL RATE 4.50%			
ASSETS	**2019**	**LIABILITIES**	**2019**
		Average actuarial valuation of total expenses:	
Net assets	102,222	- immediate expenses	47,606
Contributions	6,541	- latent expenses	46,564
Total assets	**108,763**	**Total liabilities**	**94,170**
		Technical surplus	**14,593**

10.6 PROVISIONS FOR RISKS AND CHARGES - OTHER PROVISIONS

The item 2.3 "Other provisions for risks and charges - other" in table 10.1 "Provisions for risks and charges: breakdown" includes the following provisions:

10.6 PROVISIONS FOR RISKS AND CHARGES: OTHER PROVISIONS	Total 2019	Total 2018
1. Provision for risks on claw-backs	0	796
2. Provision for tax dispute	30	30
3. Provision for commission and expense interest adjustments	0	0
4. Provision for bond and default	0	0
5. Other provisions for risks and charges	25,688	15,974
Total	**25,718**	**16,800**

SECTION 11 – TECHNICAL RESERVES - ITEM 110

There are no items of this type.

SECTION 12 – REDEEMABLE SHARES - ITEM 130

There are no items of this type.

SECTION 13 – GROUP EQUITY - ITEMS 120, 130, 140, 150, 160, 170 AND 180.

13.1 "SHARE CAPITAL" AND "TREASURY SHARES": BREAKDOWN

As at 31 December 2019 the share capital of the Parent Bank amounted to € 363,971 thousand, broken down into 70,537,048 ordinary shares with a nominal value of € 5.16.

As at 31 December 2019, the Parent Company held 681,699 treasury shares in the portfolio, recognised in the financial statements at the cost of € 13.00116 each, equal to a total of € 8,863 thousand.

13.2 SHARE CAPITAL - PARENT COMPANY'S NUMBER OF SHARES: ANNUAL CHANGES Item/Type	Ordinary	Other
A. Shares outstanding as at the beginning of the year	**59,761,186**	**0**
- fully paid	59,761,186	0
- not fully paid	0	0
A.1 Treasury shares (-)	-480,098	0
A.2 Shares outstanding: opening balance	**59,281,088**	**0**
B. Increases	**10,775,862**	**0**
B.1 New issues	10,775,862	0
- for payment:	10,775,862	0
- business combinations	0	0
- bonds converted	0	0
- warrants exercised	0	0
- other	10,775,862	0
-free of charge:	0	0
- to employees	0	0
- to Directors	0	0
- other	0	0
B.2 Sale of treasury shares	0	0
B.3 Other changes	0	0
C. Decreases	**201,601**	**0**
C.1 Cancellation	0	0
C.2 Purchase of treasury shares	201,601	0
C.3 Business transactions	0	0
C.4 Other changes	0	0
D. Shares outstanding: closing balance	**68,855,349**	**0**
D.1 Treasury shares (+)	681,699	0
D.2 Total shares as at the end of the year	70,537,048	0
- fully paid	70,537,048	0
- not fully paid	0	0

13.3 SHARE CAPITAL: OTHER INFORMATION

The share capital of the Parent Bank consists of 70,537,048 shares broken down as follows:

- Other shareholders 28,317,347 shares (40.13%) nominal value € 146,118 thousand;
- Fondazione Cassa di Risparmio di Asti 22,427,913 shares (31.80%) nominal value € 115,728 thousand;
- Fondazione Cassa di Risparmio di Biella 9,103,033 shares (12.91%) nominal value € 46,972 thousand;
- Banca Popolare di Milano S.p.A. 7,047,884 shares (9.99%) nominal value € 36,367 thousand;
- Fondazione Cassa di Risparmio di Vercelli 2,959,172 shares (4.20%) nominal value € 15,269 thousand;
- Treasury shares 681,699 (0.97%) nominal value € 3,517 thousand.

13.4 RETAINED EARNINGS: OTHER INFORMATION

Items/Balances	Total 2019
Legal and statutory reserves	279,822
- legal reserve	28,484
- ordinary reserve	101,040
- extraordinary reserve	152,808
- treasury share dividend reserve	0
- expenses for share capital increase	-2,510
Treasury shares reserve	8,863
Other reserves	-192,986
- consolidation reserve	72,319
- allocation to retained earnings of the provision for general banking risks (at 31/12/2005)	20,429
- reserves recognised in the transition to IAS/IFRS (FTA)	11,628
- reserves recognised in the transition to IAS/IFRS (2018 FTA)	-300,354
- reserves recognised in the transition to IAS/IFRS (recalculation of profit for the year 2005)	479
- reserves recognised in the transition to IAS/IFRS (modification of 2008 tax rates)	172
- allocation to retained earnings of depreciation of real estate recognised at "deemed cost"	2,341
Total	**95,699**

SECTION 14 – MINORITY SHAREHOLDERS' EQUITY - ITEM 190

14.1 MINORITY SHAREHOLDERS' EQUITY: BREAKDOWN Items/Balances	Total 2019
1) Share capital	12,608
2) Share Premium Reserve	0
3) Reserves	-3,542
4) (Treasury shares)	0
5) Valuation reserves	3,254
6) Equity instruments	0
7) Minority profit (loss)	5,418
Total	**17,738**

DETAILS OF ITEM 190 "MINORITY INTERESTS" Company Name	Total 2019	Total 2018
Equity investments with significant minority interests		
1) Biverbanca	0	141,988
2) Pitagora Contro Cessione del Quinto S.p.A.	17,635	16,418
Other equity investments	103	70
Total	**17,738**	**158,476**

OTHER INFORMATION

1. COMMITMENTS AND GUARANTEES GIVEN	Nominal value on commitments and guarantees given			Total	Total
	Stage 1	Stage 2	Stage 3	2019	2018
1. Commitments to disburse funds	**1,376,052**	**49,092**	**19,808**	**1,444,952**	**1,567,281**
a) Central Banks	0	0	0	0	0
b) Public administration	212,421	150	0	212,571	293,684
c) Banks	0	0	0	0	300
d) Other financial companies	34,202	0	0	34,202	35,902
e) Non-financial companies	951,629	39,350	18,800	1,009,779	1,044,472
f) Households	177,800	9,592	1,008	188,400	192,923
2. Financial guarantees given	**64,644**	**1,278**	**3,067**	**68,989**	**189,181**
a) Central Banks	0	0	0	0	0
b) Public administration	229	0	0	229	667
c) Banks	20,219	0	0	20,219	210
d) Other financial companies	384	0	0	384	1,896
e) Non-financial companies	15,563	508	1,154	17,225	126,017
f) Households	28,249	770	1,913	30,932	60,391

2. OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN	Nominal value	
	Total 2019	Total 2018
Other guarantees issued	**127,303**	**0**
of which: non-performing credit exposures	4,191	0
a) Central Banks	0	0
b) Public administration	609	0
c) Banks	0	0
d) Other financial companies	1,270	0
e) Non-financial companies	114,857	0
f) Households	10,567	0
Other commitments	**0**	**0**
of which: non-performing credit exposures	0	0
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	0
d) Other financial companies	0	0
e) Non-financial companies	0	0
f) Households	0	0

3. ASSETS PLEDGED AS COLLATERAL OF LIABILITIES AND COMMITMENTS Portfolios	Amount 2019	Amount 2018
1. Financial assets measured at fair value through profit and loss	0	0
2. Financial assets measured at fair value through other comprehensive income	449,664	124,877
3. Financial assets measured at amortised cost	1,094,156	1,008,605
4. Property, plant and equipment	0	0
of which: property, plant and equipment considered inventory	0	0

5. ASSET MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES Type of services	Amount 2019	Amount 2018
1. Trading on behalf of customers	**0**	**0**
a) purchases	0	0
1. settled	0	0
2. unsettled	0	0
b) sales	0	0
1. settled	0	0
2. unsettled	0	0
2. Individual portfolio management	**1,408,925**	**1,247,307**
a) individual	1,408,925	1,247,307
b) collective	0	0
3. Custody and administration of securities	**21,704,860**	**34,491,175**
a) third party securities in deposit: relating to depositary bank activities (excluding asset management)	0	0
1. securities issued by the bank drafting the financial statements	0	0
2. other securities	0	0
b) third party securities held on deposit (excluding segregated accounts): other	8,521,820	14,753,901
1. securities issued by the bank drafting the financial statements	2,136,437	2,486,966
2. other securities	6,385,383	12,266,935
c) third party securities deposited with third parties	8,516,476	14,702,534
d) own securities deposited with third parties	4,666,564	5,034,740
4. Other transactions	**73,070**	**70,447**

SECTION 1 – INTEREST INCOME/EXPENSE AND SIMILAR REVENUES/CHARGES - ITEMS 10 AND 20

1.1 INTEREST INCOME AND SIMILAR REVENUES: BREAKDOWN Item/Type	Debt securities	Loans	Other transactions	Total 2019	Total 2018
1. Financial assets measured at fair value through profit and loss	752	201	3,253	4,206	6,500
1.1 Financial assets held for trading	302	201	3,253	3,756	6,440
1.2 Financial assets designated at fair value	0	0	0	0	0
1.3 Other financial assets mandatorily measured at fair value	450	0	0	450	60
2. Financial assets measured at fair value through other comprehensive income	8,049	20,069	X	28,118	9,764
3. Financial assets measured at amortised cost	34,849	221,690	X	256,539	238,934
3.1 Loans and advances to banks	0	66	X	66	211
3.2 Loans and advances to customers	34,849	221,624	X	256,473	238,723
4. Hedging derivatives	X	X	0	0	0
5. Other assets	X	X	333	333	0
6. Financial liabilities	X	X	X	6,723	5,881
Total	**43,650**	**241,960**	**3,586**	**295,919**	**261,079**
of which: interest income from impaired financial assets	0	10,169	0	10,169	2,057
of which: interest income on finance lease	0	0	0	0	0

In item "6. Interest income on financial liabilities" € 5,803 thousand refers to the benefit deriving from the application of the negative borrowing rate of 0.40% on the part of the total credit facility assigned by the Eurosystem to the Cassa di Risparmio di Asti Group as part of the "TLTRO-II" transaction.

1.2 Interest income and similar revenues: other information

Under loans and advances to customers "Loans", € 61,989 thousand is recognised for interest income on securitised mortgages and € 1,005 thousand for interest on the cash reserves of such securitisations.

The item "Financial assets held for trading - Other transactions" consists entirely of spreads on derivative contracts connected with the fair value option.

1.2.1 Interest income from financial assets denominated in foreign currency

Interest income and similar revenues accrued on assets in foreign currency derive from loans and advances to ordinary customers for a total of € 271 thousand and loans and advances to credit institutions of roughly € 39 thousand, for a total of € 310 thousand.

1.3 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN Item/Type	Payables	Securities	Other transactions	Total 2019	Total 2018
1. Financial liabilities measured at amortised cost	(19,419)	(35,320)	X	(54,739)	(56,850)
1.1 Deposits from central banks	0	X	X	0	0
1.2 Deposits from banks	(911)	X	X	(911)	(370)
1.3 Deposits from customers	(18,508)	X	X	(18,508)	(14,406)
1.4 Debt securities issued	X	(35,320)	X	(35,320)	(42,074)
2. Financial liabilities held for trading	0	0	0	0	0
3. Financial liabilities designated at fair value	0	(3,314)	(136)	(3,450)	(3,578)
4. Other liabilities and funds	X	X	(2,288)	(2,288)	(1,041)
5. Hedging derivatives	X	X	(24,476)	(24,476)	(23,462)
6. Financial assets	X	X	X	0	0
Total	**(19,419)**	**(38,634)**	**(26,900)**	**(84,953)**	**(84,931)**
of which: interest expense relating to lease liabilities	**(785)**	0	**0**	**(785)**	**0**

The item “Deposits from customers - Payables” includes € 2,741 thousand referring to interest generated by the securitisation and € 1,052 thousand for interest expense for repurchase agreements.

1.4 Interest expense and similar charges: other information

The item “Debt securities issued” includes interest on subordinated loans for € 6,133 thousand.

1.4.1 Interest expense on liabilities denominated in foreign currency

Interest expense and similar charges on liabilities denominated in foreign currency relates to interest expense on payables to credit institutions for roughly € 539 thousand and interest expense to customers for € 35 thousand for a total of roughly € 574 thousand.

1.5 SPREADS ON HEDGING TRANSACTIONS Items	Total 2019	Total 2018
A. Positive spreads on hedging transactions:	0	0
B. Negative spreads on hedging transactions:	(24,476)	(23,462)
C. Net spread (A-B)	**(24,476)**	**(23,462)**

SECTION 2 – FEES AND COMMISSION INCOME/EXPENSE - Items 40 and 50

2.1 FEE AND COMMISSION INCOME: BREAKDOWN Services/Amounts	Total 2019	Total 2018
a) guarantees given	2,331	2,484
b) credit derivatives	0	0
c) management, brokerage and advisory services:	60,391	67,712
1. trading in financial instruments	45	45
2. currency trading	630	597
3. individual portfolio management	14,189	12,382
3.1 individual	14,189	12,382
3.2 collective	0	0
4. securities custody and administration	905	939
5. custodian bank	0	0
6. placement of securities	16,594	16,632
7. reception and transmissions of orders	1,798	1,916
8. advisory services	0	0
8.1 related to investments	0	0
8.2 related to financial structure	0	0
9. distribution of third party services	26,230	35,201
9.1 asset management	0	0
9.1.1 individual	0	0
9.1.2 collective	0	0
9.2 insurance products	21,637	30,447
9.3 other products	4,593	4,754
d) collection and payment services	20,722	20,082
e) securitisation servicing	2,329	2,272
f) factoring services	3	0
g) tax collection services	0	0
h) management of multilateral trading facilities	0	0
i) management of current accounts	24,016	24,299
j) other services	44,935	43,043
Total	**154,727**	**159,892**

Item “j) other services” includes € 13,241 thousand relating to commissions for the provision of sums.

2.2 FEE AND COMMISSION EXPENSE: BREAKDOWN Services/Amounts	Total 2019	Total 2018
a) guarantees received	(249)	(295)
b) credit derivatives	0	0
c) management and brokerage services:	(2,665)	(1,797)
1. trading in financial instruments	(1,778)	(834)
2. currency trading	0	0
3. portfolio management:	(32)	(108)
3.1 own portfolio	0	0
3.2 third party portfolios	(32)	(108)
4. custody and administration of securities	(855)	(855)
5. financial instruments placement	0	0
6. off-site distribution of financial instruments, products and services	0	0
d) collection and payment services	(3,815)	(2,907)
e) other services	(51,321)	(29,218)
Total	**(58,050)**	**(34,217)**

Fee and commission expense for guarantees received relates entirely to payments in favour of the Ministry of Economy and Finance for granting the State guarantee pursuant to art. 8 of Italian Decree Law no. 201/2011.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME - Item 70

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN	Total 2019		Total 2018	
Items/Income	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	0	0	0	0
B. Other financial assets mandatorily measured at fair value	0	158	0	0
C. Financial assets measured at fair value through other comprehensive income	10,771	0	12,982	300
D. Equity investments	0	0	0	0
Total	**10,771**	**158**	**12,982**	**300**

ANALYSIS OF ITEM 70 - DIVIDENDS AND SIMILAR INCOME	Total 2019	Total 2018
A. Financial assets held for trading	0	0
B. Other financial assets mandatorily measured at fair value:	158	300
- Similar income	158	300
C. Financial assets measured at fair value through other comprehensive income	10,771	12,982
- Bank of Italy	10,200	10,200
- Cedacri S.p.A.	556	2,776
- Biverbroker S.p.A.	3	6
- Cassa di Risparmio di Bolzano S.p.A.	12	0
D. Equity investments	0	0
Total	**10,929**	**13,282**

SECTION 4 – NET PROFIT (LOSS) FROM TRADING - ITEM 80

4.1 NET PROFIT (LOSS) FROM TRADING: BREAKDOWN Transactions/Income	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	20,158	83,596	(1,771)	(10,630)	91,353
1.1 Debt securities	0	9,543	0	(16)	9,527
1.2 Equity securities	0	0	0	(4)	(4)
1.3 Units of UCITS	0	0	0	(1)	(1)
1.4 Loans and advances	20,158	74,053	(1,771)	(10,609)	81,831
1.5 Other	0	0	0	0	0
2. Financial liabilities held for trading	0	0	0	0	0
2.1 Debt securities	0	0	0	0	0
2.2 Deposits	0	0	0	0	0
2.3 Other	0	0	0	0	0
Financial assets and liabilities: exchange differences	X	X	X	X	194
3. Derivatives	24,338	13,656	(27,770)	(24,227)	(13,991)
3.1 Financial derivatives:	24,338	13,656	(27,770)	(24,227)	(13,991)
- On debt securities and interest rates	24,338	11,723	(27,770)	(15,066)	(6,775)
- On equity securities and stock indices	0	1,848	0	(4,027)	(2,179)
- On currencies and gold	X	X	X	X	12
- Other	0	85	0	(5,134)	(5,049)
3.2 Credit derivatives	0	0	0	0	0
of which: natural hedges related to fair value option	X	X	X	X	0
Total	**44,496**	**97,252**	**(29,541)**	**(34,857)**	**77,556**

SECTION 5 – NET PROFIT (LOSS) FROM HEDGING - ITEM 90

5.1 NET PROFIT (LOSS) FROM HEDGING: BREAKDOWN Income/Amounts	Total 2019	Total 2018
A. Gains on:		
A.1 Fair value hedging derivatives	3,248	4,206
A.2 Hedged financial assets (fair value)	82,057	36,147
A.3 Hedged financial liabilities (fair value)	0	0
A.4 Cash-flow hedging derivatives	0	0
A.5 Assets and liabilities denominated in foreign currency	0	0
Total gains on hedging activities (A)	**85,305**	**40,353**
B. Losses on:		
B.1 Fair value hedging derivatives	(82,926)	(35,238)
B.2 Hedged financial assets (fair value)	(3,184)	(5,064)
B.3 Hedged financial liabilities (fair value)	0	0
B.4 Cash-flow hedging derivatives	0	0
B.5 Assets and liabilities denominated in foreign currency	0	0
Total losses on hedging activities (B)	**(86,110)**	**(40,302)**
C. Net profit from hedging activities (A - B)	**(805)**	**51**
of which: results of hedges on net positions	0	0

SECTION 6 – GAINS/(LOSSES) ON DISPOSAL/REPURCHASE - ITEM 100

6.1 GAINS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN	Total 2019			Total 2018		
Items/Income	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	20,427	(23,606)	(3,179)	2,450	(31,024)	(28,574)
1.1 Loans and advances to banks	0	0	0	0	0	0
1.2 Loans and advances to customers	20,427	(23,606)	(3,179)	2,450	(31,024)	(28,574)
2. Financial assets measured at fair value through other comprehensive income	44,563	(19,827)	24,766	18,678	(1,381)	17,297
2.1 Debt securities	44,593	0	44,593	18,678	(61)	18,617
2.2 Loans	0	(19,827)	(19,827)	0	(1,320)	(1,320)
Total assets (A)	**65,020**	**(43,433)**	**21,587**	**21,128**	**(32,405)**	**(11,277)**
B. Financial liabilities measured at amortised cost						
1. Deposits from banks	0	0	0	0	0	0
2. Deposits from customers	451	(1,033)	(582)	402	(1,282)	(880)
3. Debt securities issued	747	(156)	591	1,046	(115)	931
Total liabilities (B)	**1,198**	**(1,189)**	**9**	**1,448**	**(1,397)**	**51**

The item profit on “Loans and advances to customers” includes primarily profit from the disposal of government securities, with the exception of € 363 thousand for the non-recourse transfer of loans.

The item losses on “Loans and advances to customers” includes losses originating from transfers of NPLs as part of the segment derisking strategy for € 22,378 thousand and € 1,229 thousand for the non-recourse transfer of loans.

The item losses on “Financial assets measured at fair value through other comprehensive income” includes losses for the non-recourse transfer of loans.

SECTION 7 – NET PROFIT (LOSS) FROM FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS - ITEM 110

7.1 NET CHANGES IN FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS: BREAKDOWN OF ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE Transactions/Income	Capital gains (A)	Realised profits (B)	Capital losses (C)	Realised losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0
1.2 Loans	0	0	0	0	0
2. Financial liabilities	**1,951**	**1,039**	**0**	**0**	**2,990**
2.1 Debt securities issued	1,951	1,039	0	0	2,990
2.2 Deposits from banks	0	0	0	0	0
2.3 Deposits from customers	0	0	0	0	0
3. Financial assets and liabilities denominated in foreign currency: exchange differences	X	X	X	X	**0**
Total	**1,951**	**1,039**	**0**	**0**	**2,990**

There were no write-downs or trading losses on assets linked to the credit impairment of the borrower/issuer.

7.2 NET CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS: BREAKDOWN OF OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE Transactions/Income	Capital gains (A)	Realised profits (B)	Capital losses (C)	Realised losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	**405**	**0**	**(1,506)**	**0**	**(1,101)**
1.1 Debt securities	27	0	(5)	0	22
1.2 Equity securities	0	0	(1,338)	0	(1,338)
1.3 Units of UCITS	378	0	(163)	0	215
1.4 Loans	0	0	0	0	0
2. Financial assets denominated in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**0**
Total	**405**	**0**	**(1,506)**	**0**	**(1,101)**

SECTION 8 – NET LOSSES/RECOVERIES FOR CREDIT RISK - ITEM 130

8.1 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN	Value adjustments (1)			Recoveries (2)		Total 2019	Total 2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
Transactions/Income		Write-offs	Other				
A. Loans and advances to banks	0	0	0	0	0	0	0
- Loans	0	0	0	0	0	0	0
- Debt securities	0	0	0	0	0	0	0
of which: purchased or originated credit impaired	0	0	0	0	0	0	0
B. Loans and advances to customers	(5,057)	(5,533)	(120,592)	11,754	26,350	(93,078)	(65,793)
- Loans	(5,049)	(5,533)	(120,592)	8,560	26,350	(96,264)	(60,827)
- Debt securities	(8)	0	0	3,194	0	3,186	(4,966)
of which: purchased or originated credit impaired	(3)	0	(2,504)	124	1191	(1,192)	(285)
Total	**(5,057)**	**(5,533)**	**(120,592)**	**11,754**	**26,350**	**(93,078)**	**(65,793)**

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN	Value adjustments (1)			Recoveries (2)		Total 2019	Total 2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
Transactions/Income		Write-offs	Other				
A. Debt securities	(125)	0	0	242	0	117	(820)
B. Loans	(206)	(313)	(1,607)	910	2,207	991	(1,824)
- from customers	(206)	(313)	(1,607)	910	2,207	991	(1,824)
- from banks	0	0	0	0	0	0	0
of which: purchased or originated financial assets	0	0	0	0	0	0	0
Total	**(206)**	**(438)**	**(1,607)**	**1,152**	**2,207**	**1,108**	**(2,644)**

The item recoveries on loans relating to loans and advances to customers includes € 12,888 thousand in recoveries from collection.

SECTION 9 – PROFITS/LOSSES FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITION - ITEM 140

The item includes the adjustment made to the carrying amounts of loans and advances to customers which underwent modifications to the contractual cash flows without giving rise to derecognition, pursuant to par. 5.4.3 and Appendix A of IFRS 9. As at 31 December 2019, this item amounted to roughly € 426 thousand.

SECTION 10 – NET PREMIUMS - Item 160

There are no items of this type.

SECTION 11 – OTHER NET INSURANCE INCOME/EXPENSE - Item 170

There are no items of this type.

SECTION 12 – ADMINISTRATIVE EXPENSES - Item 190

12.1 PERSONNEL EXPENSES Type of expense/Sectors	Total 2019	Total 2018
1) Employees	**(131,071)**	**(141,862)**
a) wages and salaries	(92,304)	(88,854)
b) social security charges	(24,379)	(24,087)
c) severance pay	(5,206)	(5,266)
d) social security expenses	0	0
e) provision for employee severance pay	(23)	0
f) provision for pension fund and similar obligations:	(226)	(228)
- defined contribution	0	0
- defined benefit*	(226)	(228)
g) contributions to external pension fund:	(3,463)	(3,082)
- defined contribution	(2,764)	(2,320)
- defined benefit	(699)	(762)
h) costs related to share-based payments	0	0
i) other employee benefits	(5,470)	(20,345)
2) Other staff	(595)	(332)
3) Directors and Statutory Auditors	(2,269)	(2,386)
4) Retired personnel	0	0
Total	**(133,935)**	**(144,580)**

*This item represents the allocation to the defined benefit pension fund of the subsidiary Biverbanca S.p.A. in favour of personnel retired as at 31.12.1997. Following the revision of IAS 19, this item includes only the interest cost component of the mathematical reserve, while actuarial gains/losses are recognised in the statement of comprehensive income and therefore have an impact on shareholders' equity. In the current year, the actuarial losses no longer recognised in profit and loss amounted to € 366 thousand, while in 2018 actuarial gains of € 275 thousand were recognised.

12.2 AVERAGE NUMBER OF EMPLOYEES PER CATEGORY	Total 2019	Total 2018
1) Employees	1,872	1,923
a) executives	31	29
b) middle managers	559	577
c) remaining staff	1,282	1,317
2) Other staff	0	0
Total	**1,872**	**1,923**

12.3 DEFINED BENEFIT COMPANY PENSION PLANS: COSTS AND REVENUES		
Costs and revenues		**(1,162)**
Costs relating to employee severance pay		(1,055)
of which: costs for provisions	(22)	
Costs for contributions to the Supplementary Pension Fund for Cassa di Risparmio di Asti personnel		(699)

	EXTERNAL PLANS	
	2019	2019
	Employee severance pay	Supplementary Pension Fund
Costs recognised	**(1,055)**	**(699)**
Social security cost relating to service	0	0
Financial income from discounting	0	0
Financial expenses from discounting shown in other comprehensive income	(747)	0
Financial expenses recognised in profit and loss	(308)	0
Expected return on Fund assets	0	0
Contributions paid pursuant to art. 28 of the Articles of Association of the Supplementary Pension Fund for Cassa di Risparmio di Asti personnel	0	(699)

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN	Total 2019	Total 2018
Expenses for data processing and archiving	(24,263)	(21,691)
Rent payable on real estate and rental of moveable assets	(1,325)	(9,109)
Expenses for the maintenance of real estate and moveable assets	(3,966)	(4,844)
Legal expenses	(8,183)	(6,428)
Building management expenses	(4,481)	(4,527)
Phone, data transmission and postal expenses	(4,474)	(4,022)
Advertising and promotional expenses	(3,847)	(4,084)
Expenses for commercial information, records, appraisals	(5,148)	(5,088)
Costs for the provision of services regarding personnel	(923)	(903)
Securitisation costs	(6,192)	(8,140)
Expenses for transportation of valuables	(2,791)	(2,884)
Other professional and advisory expenses	(5,226)	(4,729)
Expenses for office materials	(811)	(851)
Membership fees	(10,891)	(12,014)
Electronic banking	(1,774)	(1,342)
Travel and transportation expenses	(1,255)	(1,649)
Machine rental expenses	(1,741)	(1,051)
Expenses for the acquisition of treasury services	(31)	(17)
Customer insurance	(6)	(1)
Other expenses	(4,874)	(3,272)
INDIRECT TAXES AND DUTIES		
Stamp duties	(23,982)	(23,016)
Substitute tax	(2,084)	(2,570)
IMU/ ICI tax	(1,343)	(1,389)
Municipal solid waste disposal fee	(245)	(343)
Advertising tax	(158)	(179)
Registration tax	(268)	(78)
Other duties and taxes	(161)	(149)
Total	**(120,443)**	**(124,370)**

SECTION 13 – NET PROVISIONS FOR RISKS AND CHARGES - ITEM 200

13.1 NET PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES GIVEN: BREAKDOWN	Total 2019	Total 2018
Commitments to disburse funds and financial guarantees given stage 1-2	969	786
Commitments to disburse funds and financial guarantees given stage 3	(221)	(706)
Total	**748**	**80**

13.3 OTHER NET PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN	Total 2019	Total 2018
Provisions and reallocations to provisions for risks due to claw-backs	(773)	551
Provisions and reallocations to provisions for personnel expenses	(619)	(339)
Provisions and reallocations for other disputes	(446)	387
Other provisions and reallocations to provisions for risks and charges	(17,369)	(5,153)
Total	**(19,207)**	**(4,554)**

The item provisions and reallocations to provisions for risks for claw-backs includes, with reference to the Group's commercial banks, provisions relating to complaints, disputes or requests for compensation equal to roughly € 1.4 million, connected to past activities of reporting customers interested in purchasing diamonds.

The item "other provisions and reallocations to own provisions for risks and charges" is primarily linked to the subsidiary Pitagora and relates to:

- potential future expenses referring to reimbursements of price spreads between the discount rate and the rate applied to customers due to loan transferee companies following early termination for € 3,292 thousand;
- potential future expenses relating to collection expenses charged by INPS, equal to € 1,328 thousand;
- potential future expenses for complaints in relation to compensation to customers following early terminations taking place prior to the Bank of Italy guidelines of 4 December 2019 for € 1,122 thousand;
- potential future expenses for compensation to be provided to customers in the case of future early terminations for € 10,167 thousand.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY, PLANT AND EQUIPMENT - ITEM 210

14.1 NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN Asset/Income	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment				
1. Used in the business	(15,324)	0	0	(15,324)
- Owned	(8,135)	0	0	(8,135)
- Rights of use acquired with leases	(7,189)	0	0	(7,189)
2. Held for investment purposes	(1,214)	0	0	(1,214)
- Owned	(1,214)	0	0	(1,214)
- Rights of use acquired with leases	0	0	0	0
3. Inventory	X	0	0	0
Total	**(16,538)**	**0**	**0**	**(16,538)**

SECTION 15 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - ITEM 220

15.1 NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS: BREAKDOWN Asset/Income	Amortisation (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a + b - c)
A. Intangible assets				
A.1 Owned	(4,454)	0	0	(4,454)
- Generated internally by the company	0	0	0	0
- Other	(4,454)	0	0	(4,454)
A.2 Rights of use acquired with leases	0	0	0	0
Total	**(4,454)**	**0**	**0**	**(4,454)**

SECTION 16 – OTHER OPERATING EXPENSES/INCOME - ITEM 230

16.1-16.2 OTHER OPERATING EXPENSES/INCOME: BREAKDOWN	Total 2019	Total 2018
Other operating income	**32,199**	**35,326**
Tax recovery	25,062	25,885
Charges to third parties for costs on deposits and c/a	759	805
Rent and fee income	1,006	937
Other income from contingent assets	3,437	3,553
Recoveries of other expenses	1,935	4,146
Other operating expenses	**(4,182)**	**(5,230)**
Amortisation on improvements on third party assets	(921)	(951)
Other expenses and contingent liabilities	(3,261)	(4,279)
Total other operating expenses/income	**28,017**	**30,096**

SECTION 17 – GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 250

17.1 GAINS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN Income/Sectors	Total 2019	Total 2018
1) Jointly owned companies		
A. Income	0	0
1. Revaluations	0	0
2. Gains on disposal	0	0
3. Recoveries	0	0
4. Other income	0	0
B. Charges	0	(9)
1. Write-downs	0	0
2. Impairment losses	0	(9)
3. Losses on disposal	0	0
4. Other charges	0	0
Net profit (loss)	**0**	**(9)**
2) Companies subject to significant influence		
A. Income	0	0
1. Revaluations	0	0
2. Gains on disposal	0	0
3. Recoveries	0	0
4. Other income	0	0
B. Charges	0	0
1. Write-downs	0	0
2. Impairment losses	0	0
3. Losses on disposal	0	0
4. Other charges	0	0
Net profit (loss)	**0**	**0**
Total	**0**	**(9)**

SECTION 18 – NET GAINS (LOSSES) ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - ITEM 260

There are no items of this type.

SECTION 19 – IMPAIRMENT OF GOODWILL - ITEM 270

There are no items of this type.

SECTION 20 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 280

20.1 GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS: BREAKDOWN Income/Sectors	Total 2019	Total 2018
A. Property	19	0
- Gains on disposal	19	0
- Losses on disposal	0	0
B. Other assets	0	1
- Gains on disposal	0	1
- Losses on disposal	0	0
Net profit (loss)	**19**	**1**

SECTION 21 –TAX EXPENSES (INCOME) FOR THE PERIOD FROM CONTINUING OPERATIONS - ITEM 300

21.1 TAX EXPENSE (RECOVERY) ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN Income/Sectors	Total 2019	Total 2018
1. Current tax (-)	(17,893)	(3,550)
2. Changes of current tax of previous years (+/-)	279	0
3. Decreases in current tax for the year (+)	9,973	8,589
3.bis Decreases in current tax for the year due tax credit pursuant to L. 214/2011 (+)	0	0
4. Changes in deferred tax assets (+/-)	(12,123)	12,913
5. Changes in deferred tax liabilities (+/-)	(107)	2,666
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(19,871)**	20,618

21.2 RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX CHARGE Items/Balances	Total 2019
Profit before tax (item 250)	60,619
THEORETICAL TAXES (IRES 27.5% - IRAP 5.57%)	**(20,047)**
DEFINITIVE TAX INCREASES	**(12,520)**
- non-deductible costs and expenses	(9,647)
- non-deductible write-downs	(137)
- higher tax base and effective IRAP rate	(320)
- IMU tax and other non-deductible costs and taxes	(2,416)
DEFINITIVE TAX DECREASES	**12,696**
- FTA IFRS 9 in income statement	573
- exempt share of dividends and pex	1,868
- Aid to economic growth (ACE)	1,535
- other decreases	8,720
INCOME TAXES IN INCOME STATEMENT	**(19,871)**

SECTION 22 –PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - ITEM 320

There are no items of this type.

SECTION 23 –MINORITY PROFIT (LOSS) FOR THE PERIOD - ITEM 340

23.1 DETAILS OF ITEM 340 MINORITY PROFIT (LOSS) Company Name	Total 2019	Total 2018
Equity investments with significant minority interests		
1. Biverbanca S.p.A.	0	1,777
2. Pitagora Contro Cessione del Quinto S.p.A.	5,418	(378)
Other equity investments	0	0
Total	**5,418**	**1,399**

SECTION 24 – OTHER INFORMATION

There are no items of this type.

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of diluted ordinary shares

As there are no preference shares or financial instruments which could entail the issue of shares, there are no dilutive effects on the share capital.

25.2 Other information

The consolidated earnings per share, calculated by dividing the net profit by the 70,537,048 ordinary shares outstanding, are € 0.58.

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME Items		Total 2019	Total 2018
10.	**Profit (loss) for the year**	**40,748**	**5,878**
	Other comprehensive income after tax not reclassified to profit or loss	**(1,833)**	**1,068**
20.	Equity instruments designated at fair value through other comprehensive income:	1,231	(1,435)
	a) change in fair value	(97)	(1,435)
	b) transfers to other components of shareholders' equity	1,328	0
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	(3,187)	4,418
	a) change in fair value	(3,187)	4,418
	b) transfers to other components of shareholders' equity	0	0
40.	Hedging of equity securities designated at fair value through other comprehensive income:	0	0
	a) change in fair value (hedged instrument)	0	0
	b) change in fair value (hedging instrument)	0	0
50.	Property, plant and equipment	0	0
60.	Intangible assets	0	0
70.	Defined benefit plans	(1,358)	699
80.	Non-current assets and disposal groups classified as held for sale	0	0
90.	Portion of valuation reserves from investments valued at equity method	0	0
100.	Income tax relating to other income without reversal to income statement	1,481	(2,614)
	Other income with reversal to income statement	**(25,159)**	**19,441**
110.	Foreign investments hedging:	0	0
	a) changes in fair value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
120.	Exchange rate differences:	0	0
	a) changes in value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
130.	Cash flow hedging:	2,019	6,276
	a) changes in fair value	2,019	0
	b) reversal to income statement	0	0
	c) other changes	0	6,276
	of which: result of net positions	0	0
140.	Hedging instruments (non-designated items):	0	0
	a) changes in value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
150.	Financial assets (different from equity instruments) at fair value through other comprehensive income:	(39,609)	22,759
	a) changes in fair value	(28,267)	21,957
	b) reversal to income statement	(8,771)	670

	- impairment losses	(117)	819
	- realised gains/losses	(8,654)	(150)
	c) other changes	(2,571)	132
160.	Non-current assets held for sale and discontinued operations:	0	0
	a) changes in fair value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
170.	Part of valuation reserves from investments valued at equity method:	0	0
	a) changes in fair value	0	0
	b) reversal to income statement	0	0
	- impairment losses	0	0
	- realised gains/losses	0	0
	c) other changes	0	0
180.	Income tax relating to other income with reversal to income statement	12,431	(9,594)
190.	**Total other income**	**(26,992)**	**20,509**
200.	**Other comprehensive income (Item 10+190)**	**13,756**	**26,387**
210.	Minority consolidated other comprehensive income	2,465	7,066
220.	**Parent Company's consolidated other comprehensive income**	**11,291**	**19,321**

SECTION 1 - RISKS OF THE ACCOUNTING CONSOLIDATED PERIMETER

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, WRITE-DOWNS, CHANGES, DISTRIBUTION BY BUSINESS ACTIVITY

A.1.1 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (BOOK VALUES) Portfolios/quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	123,275	233,459	42,142	164,584	9,661,184	10,224,644
2. Financial assets measured at fair value through other comprehensive income	2,148	5,090	1,132	1,773	1,281,027	1,291,170
3. Financial assets designated at fair value	0	0	0	0	0	0
4. Other financial assets mandatorily measured at fair value	0	0	0	0	6,299	6,299
5. Financial assets held for sale	0	0	0	0	0	0
Total 2019	**125,423**	**238,549**	**43,274**	**166,357**	**10,948,510**	**11,522,113**
Total 2018	**154,052**	**271,652**	**76,804**	**211,933**	**9,743,086**	**10,457,527**

** Value to be presented for disclosure purposes*

A.1.2 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)	Non-performing				Performing			
Portfolios/quality	Gross exposure	Overall value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	795,655	396,779	398,876	58	9,891,120	65,352	9,825,768	10,224,644
2. Financial assets measured at fair value through other comprehensive income	14,764	6,394	8,370	0	1,284,719	1,919	1,282,800	1,291,170
3. Financial assets designated at fair value	0	0	0	0	X	X	0	0
4. Other financial assets mandatorily measured at fair value	0	0	0	0	X	X	6,299	6,299
5. Financial assets held for sale	0	0	0	0	0	0	0	0
Total 2019	**810,419**	**403,173**	**407,246**	**58**	**11,175,839**	**67,271**	**11,114,867**	**11,522,113**
Total 2018	**986,590**	**484,082**	**502,508**	**260**	**10,022,349**	**74,736**	**9,955,019**	**10,457,527**

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	7	295	57,497
2. Hedging derivatives	0	0	0
Total 2019	**7**	**295**	**57,497**
Total 2018	**0**	**76**	**20,926**

SECTION 2 - RISKS OF THE PRUDENTIAL CONSOLIDATED PERIMETER

RISK MANAGEMENT POLICIES

In observance of the Prudential Supervision Regulations and the strategies established in the various planning documents, the Cassa di Risparmio di Asti Group considers the process of continuously refining and reinforcing the overall Internal Control System and the verification of current and outlook capital adequacy to be strategic in nature.
In continuity with previous years, also in 2019, the Group continued its activities for the evolution of its Internal Control System with a view to obtaining positive results in terms of greater effectiveness and integration of the oversight mechanisms in response to the risks identified.
The evolution of the Group's internal regulatory structure, aiming for the continuous strengthening of the oversight mechanisms adopted, continued in the course of 2019 and entailed the drafting or updating of a series of documents regarding various types of risk.
As part of continuous monitoring activities, the responsible Functions performed a careful assessment of all risks to which the Group is (or could be) exposed, identifying as relevant credit, counterparty, market, operational and IT, concentration, interest rate and liquidity risk, as well as risks deriving from securitisation transactions and strategic, country, reputational, residual and excessive financial leverage risks.
Following this activity, according to the internal capital adequacy assessment process, in April 2019 the Parent Company prepared the ICAAP/ILAAP Report referring to 31 December 2018 for the overall scope of the Group, subsequently sending it to the Supervisory Body.
According to what emerged, the overall capital available to the Group was adequate to handle current and outlook total internal capital (estimated at 31 December 2019 on the basis of the assumptions contained in the company planning documents), or the quantification of unexpected losses calculated according to the standard methodology on first and second pillar risks.
The above-mentioned internal process requires an initial risk mapping, with the schematic identification of sources of origin, to be followed, for each type of risk, by a detailed analysis of the following aspects, when applicable:

- the sources of risk to be assessed;
- the structures responsible for management;
- the measurement/valuation and management instruments and methodologies;
- risk measurement and the determination of the relative internal capital.

In compliance with the provisions laid out by the Bank of Italy with Circular no. 285 of 17 December 2013, please note that the information pursuant to the "Basel 3 Pillar 3 - PUBLIC DISCLOSURE" relating to capital adequacy, risk exposure and the general characteristics of the systems responsible for the identification, measurement and management of those risks, was published on the website "*www.bancadiasti.it*" of Cassa di Risparmio di Asti S.p.A.

The subsequent sections explain in detail the different nature of the risks and the company structures responsible for managing them.

QUALITATIVE INFORMATION

1. General aspects

Considering its nature as a local commercial bank, the Group's credit policy is oriented towards supporting the disbursement of loans and advances to retail customers, SMEs and small and mid-corporate businesses operating in the reference geographical market; substantially to the retail market consisting of parties with which it is possible to personalise the relationship.
The company's lending strategy therefore remains to work with counterparties whose strategic decisions and decisive economic and financial factors it can be familiar with, placing the protection of credit risk above an increase in volumes.
The subsidiaries Biverbanca and Pitagora made it possible to further improve overall lending activities, with the possibility to achieve greater returns on loans, greater diversification and granularity of the loan portfolio, to expand the market and the area of operations with a view to increasing and diversifying sources of revenue and development also thanks to a company specialised in salary and pension assignment loans.

2. Credit risk management policies

2.1. Organisational aspects

At Group level, the Credit Policies Committee supports the Parent Company's General Manager, in line with the strategic decisions made by the Board of Directors, in defining and coordinating the credit policy guidelines of the individual Companies and the Group overall and optimising the risk/return profile of the loan portfolio.
Within the Group Banks, credit risk management is assigned, to a different extent depending on the mission and activities assigned by the "Internal Regulation", to the following Organisational Units:

- Credit Committee: guides and optimises the Bank's credit policy, within the scope of the strategies established by the Board of Directors;
- Credit Department: supervises and coordinates the overall activity of the Bank in assuming and managing credit risk. Operationally, the Credit Director relies on the Credit Lines Office, the Private Parties Lending Office, the Loans under Observation Department (centralised within the Parent Company) and the Loan Operational Management Office, each within the scope of its own responsibilities;
- Non-Performing Loans Department: optimises the management of non-performing loans (NPE) in line with the objectives of NPE Ratio reduction, debt collection and active management of the NPE portfolio and supervises the non-performing loan classification and measurement processes. The operating units within this Department are represented by the Portfolio &

Collection Management Office, the Anomalous Loans Management Office and the Bad Loans Management Office;

- Sales Network: handles the systematic acquisition of quantitative and qualitative information on the customers managed, in order to favour adequate assessments of creditworthiness or identify their subsequent deterioration, promptly reporting this to the Credit Lines Office, the Loans under Observation Department and the Non-Performing Loans Department;
- Disputes Function: handles the legal and administrative management of bad loans and loans involved in disputes;
- Compliance Function: prevents the risk of non-compliance with external and internal regulations;
- Finance Function: ensures, within the strategies defined by the Board of Directors in the "Group financial investment policies" and the limits established in the "Regulation of delegated powers on financial transactions", as well as the operational guidelines of the General Manager, the effective management of the owned portfolio of the Bank in terms of the risk/return;
- Risk Management Function: oversees the functions of assessing and controlling overall risks and represents the structure responsible for carrying out the total internal capital determination process in line with the directives approved by the Board of Directors. It oversees the proper rating of customers, indicates to the General Management, the Internal Audit Department, the Risks and ALM Committee and the Credit Department trends in anomalous positions and the loan portfolio on a statistical basis, as well as the riskiness of loans also in terms of technical forms, socioeconomic categories of creditors and geographical areas; in addition, it verifies the proper execution of loan portfolio performance monitoring, through controls conducted on a large-scale and sample basis.

The process of disbursing and managing loans is governed, first of all, by the "Regulation of delegated powers", further outlined in the "Regulation of delegated powers on credit transactions". In particular, the latter defines the breakdown and extent of delegations on lending between the delegated parties of the head office and the delegated parties of the Sales Network: credit facilities are classified in 6 risk categories on the basis of the type of transaction, subsequently aggregated into 4 risk classes. There are also quantitative rating limits (at the level of the amount of appropriately aggregated transactions) pre-established by the Regulation itself which identifies, for the delegated parties of the Branch Network, a further breakdown into 4 categories with different levels of delegated powers. The category is attributed by the General Manager or by the Credit Director on the basis of the capabilities of the person holding that role.
Within the more specific concentration risk, the Group pays significant attention to the overall exposure to different customer segments and the process of defining groups of connected customers and lending to and managing such groups.
To oversee the group lending and management process, the "Regulation of delegated powers on credit transactions" introduces, for that situation, greater rigour in the

decision-making and operational capabilities of the delegated parties through specific articles.
As regards the creditworthiness of the issuers of securities held in the Group portfolio, the minimum rating requirements are set forth in the "Regulation of delegated powers on financial transactions" and constantly monitored by the Parent Company's Credit and Financial Risk Office.

2.2. Credit risk management, measurement and control

The credit facility screening procedure is broken down into two macro-classes of activity:

- acquiring documentation;
- acquiring information and data;
- processing and putting together available information with different levels of detail depending on the type of transaction concerned.

For loans to businesses, the qualitative information from the sales network is integrated by Infocamere reports, sector studies provided by specialised institutions, websites and specialised press (IlSole24Ore and sector journals).
The quantitative analysis aims to provide a snapshot of the customer from the economic, financial and capital perspective, and relies on a broad range of tools, including:

- IT tools for the reclassification of financial statement data and income documentation;
- national and consortium databases as well as position sheets for the analysis of ratios;
- Central Credit Register of the Bank of Italy and Associates for the analysis of trends of relationships with other institutions;
- information provided by the customer and real estate mortgage records to compile records on owned real estate;
- Interbank register of bad cheques and payment cards database, protests database, databases of chamber of commerce and property registry adverse entries to verify the presence or otherwise of adverse events.

Basic instruments used to support the analysis of creditworthiness are the AIRB rating and the internal C.R.S. scoring system for residual counterparties not included within the scope of AIRB models.

In collaboration with the outsourcer Cedacri and with some consortium banks, the Group has undertaken a project for the development of an AIRB (Advanced Internal Rating Based) Pooled Rating system with a view to refining the system for measuring credit risk and making company credit measurement and governance processes more robust.
This project resulted in the adoption, for management purposes, of the AIRB rating in the Corporate, Retail Businesses and Private segments. The AIRB rating, when

applicable, involves a Rating Attribution process which aims to integrate qualitative information which, by its nature, cannot be autonomously drawn from the model.

All of this constitutes the prerequisite for a better analysis of loan portfolio trends (evolution of risk and resulting determination of adjustments on performing loans) and the use of the rating system as an operating tool in terms of delegations and pricing.
For loans to private parties supported by a repayment plan and not intended directly or indirectly for business activities (mortgage loans, takeovers of builders' loans and discharging takeovers of loans to private parties, consumer credit, unsecured loans to private consumers, salary assignment loans) and for credit cards, the Group also relies on the support of credit scoring techniques, through the CRIF analysis, as well as the investigation tools commonly employed for other credit facilities (Central Credit Register of the Bank of Italy and Associates, Protests Control - database provided by Infocamere and Adverse Events - database provided by Infocamere and Ribes) and the internal rating system.
Aside from the granting phase, an additional fundamental moment in the process of managing credit risk is represented, at least for the types concerned, by the renewal of credit facilities, governed by the Regulation on the matter.
Credit facilities subject to revocation must ordinarily be renewed at least every 12 months and each delegated party is responsible for deciding on the basis of the powers established for granting ordinary credit lines.
In derogation of ordinary methods, for credit facilities subject to revocation which meet certain conditions, "automatic renewal" is envisaged, based on the customer rating, with subsequent confirmation by the party to which the commercial relationship is assigned.
In addition, the Credit Director is assigned the power to order the extraordinary review of credit facilities granted to customers, irrespective of renewal frequency. In this case, the decision on the review is under the responsibility of the Delegated bodies and the Head Office Delegated parties.
For the measurement of credit risk, the Group relies, for reporting purposes, on the SDB Matrix procedure, while for trend analyses it uses the CCM - Credit Capital Manager procedure. Both procedures have been made available by the IT outsourcer Cedacri S.p.A.
With respect to Pillar I, the Group adopts the standard method and, as concerns Credit Risk Mitigation techniques, the simplified method.
Within the ICAAP process, the Group periodically performs stress test procedures on the credit risk measurement. This activity, carried out in a centralised manner by the Parent Company, aims to determine the internal capital required to handle any losses deriving from deterioration, such as increases in default rates (measured as the ratio between bad loan flows during the period and performing loans at the beginning of the year) and a consistent reduction in the value of guarantees.
Furthermore, also within the scope of the Pillar II supervisory review process, the Group quantifies the internal capital required to cover concentration risk for each

borrower and geo-sectorial, on the basis of the current situation as well as following the application of stress scenarios.
Lastly, an effective credit risk management process cannot but include continuous and careful control activities, at overall portfolio as well as individual customer level.
To guarantee respect for the delegation limits described above, the Group has put operating blocks into place which, through the "Autonomies Controls" procedure, prevent the entry of credit facilities if the delegation set forth in the specific internal regulation is surpassed.
Two levels of monitoring are in place to oversee credit quality performance.
As set forth in the "Internal Regulation", a first level control is enacted by the Local Network parties, handling the systematic acquisition of information - both quantitative and qualitative - on the customers managed, in order to favour adequate credit rating assessments and constant monitoring of rating changes, and promptly reporting to the Credit Lines Office and the Loans under Observation Office of the Parent Company any information potentially symptomatic of a deterioration in the credit rating.
This action is reinforced by periodic systematic controls (daily, weekly and monthly) performed at centralised level through the Loans under Observation Office and with the use of the CQM (Credit Quality Management) procedure. This IT tool is used to log information relating to the customer and the assessments performed by the managers responsible for analysing positions potentially at risk or already classified as unlikely to pay.
The application also provides adequate functions for checking the work performed by employees, making the process directly monitorable by the responsible functions.
The Risk Control Function, on the basis of a dedicated regulation adopted following the issue of update XV of Bank of Italy Circular no. 263 of 27 December 2006 (now Bank of Italy Circular no. 285), is responsible for verifying the proper execution of performance monitoring on individual positions, particularly those which are non-performing, and assessing the consistency of classifications, the consistency of provisions and the adequacy of debt collection processes.
Additional performance control monitoring at loan portfolio level is carried out through periodic reporting generated by the Credit and Financial Risk Office.

In particular, the following are periodically carried out:

- analysis of temporal trends in the credit rating of each borrower customer, relying on the results obtained through the internal rating system;
- quarterly analyses of the loan portfolio with an indication of the distribution and performance of credit risk according to the various methods for aggregating the variables subject to analysis, such as customer segmentation, the geographical area of residence of the borrower and the area of economic activity;
- weekly, monthly and quarterly performance controls of the stock and flows of non-performing loans (bad loans, unlikely to pay and non-performing past due and/or overdue) with the generation of specific reports to the Top Management and the Sales Network.

2.3. Measurement methods for expected losses

With reference to performing loans, the Group performs an overall assessment on the basis of information and historical series of known data. These loans were included in groups of financial assets with analogous characteristics in terms of credit risk, customer segments and sectors of economic activity, and were valued on a collective basis.
Performing assets are classified in two stages:

- stage 1: assets which are performing in line with expectations, for which the value adjustments correspond to the expected losses related to the occurrence of default in the 12 months following the reporting date;
- stage 2: exposures whose credit rating is concerned by a significant deterioration, but for which the losses cannot yet be observed. The adjustments are calculated by considering the expected loss over the entire lifetime of the exposure, i.e. the estimate of the present value of losses (weighted for the respective probabilities of occurrence) that are verified in the period between the valuation date and the date of expiry of the instrument. Therefore, the case in which financial assets are past due by more than 30 days represents a significant increase in credit risk.

IFRS 9 makes it possible to evaluate each individual credit exposure by making recourse to multiple scenarios and associating a likelihood of occurrence with each of them. The valuation scenarios adopted by the Group, from a forward-looking perspective, also took into account the NPE Strategy approved at Group level.
The competent offices responsible for non-performing loans then analysed each individual item and assigned to each, considering existing guarantees, both personal and collateral, and their presumed evolution, a value adjustment equal to the presumed potential loss in the case of the "internal management" scenario. Valuations concerning transfer scenarios have been provided by an external appraiser.
For non-performing past due loans, unlikely to pay loans and bad loans of lower amounts, for the "internal management" scenario, the potential loss is attributed on a lump-sum basis in light of a statistical calculation methodology based on which the valuation of presumed losses, and the corresponding recovery values, is performed through the individual attribution of the estimated loss, distinguishing between exposures backed by guarantees and other exposures.

2.4. Credit risk mitigation techniques

To mitigate credit risk, during the credit facility granting process, a particular focus is devoted to any guarantees to be requested, the effectiveness of which is checked periodically.
The general principle, correlated with credit risk management, establishes that the analysis of the economic and financial capacity of the loan applicant, as well as the analysis of the financial structure of the transaction, must be accompanied by the valuation of any guarantees (personal and collateral) backing the loan.
In order to evaluate the "weight" of the mortgage security with respect to the guaranteed loan, the following are considered:

- the market value resulting from the appraisal to calculate the maximum LTV (mortgage amount/value of real estate offered as guarantee) differentiated depending on whether the mortgage is on residential real estate or on commercial real estate;
- the present value and the type of titles pledged, to determine the percentage of actual coverage of the credit facility.

Real estate collateral allows for a mitigation of the capital absorption of credit risk when the conditions established by Supervisory Provisions are met.

In deciding on the application, the correlation between the borrower's repayment capacity and the cash flows generated by the real estate used as guarantee is verified, on the basis of the shared criteria laid out in the "Operating Rules for respect for the Prudential Supervision Regulations for Banks on exposures secured by mortgages on real estate".

Alongside this oversight mechanism, the above-mentioned document establishes the guidelines and actions to ensure adequate surveillance and the periodic review of the property subject to the guarantee. These activities are also performed through the "Collateral" procedure provided by the IT outsourcer Cedacri in order to help manage the real estate acquired as guarantee.

In evaluating the guarantee each structure, within its own delegation scope, takes into account the market value of the title pledged and analyses its type, which is a decisive factor for evaluating its risk.
In the analysis of personal guarantees, the financial capacity of the guarantor is evaluated on a priority basis, relying on a series of investigation tools such as: real estate records, mortgage and property registry records, adverse event databases, analysis of indebtedness to the system through the Central Credit Register, internal databases for evaluating portfolios of financial investments.
During the periodic credit facility review, the financial situation of the guarantors is updated by verifying the changes taking place in the real estate and financial assets (relying on the investigation tools outlined above) and the debt position (with the consultation of internal databases and the Central Credit Register).

As regards the amount of the guarantee with respect to the guaranteed position, the "Regulation of delegated powers on credit transactions" establishes that guarantees (omnibus and/or specific) acquired to back credit facilities must be provided on an ordinary basis for an amount of no less than 130% of the guaranteed facilities, to cover any expenses correlated with the principal obligation.

3. Non-performing credit exposures

3.1 Management strategies and policies

The “Group Policies on the classification and valuation of loans and advances to ordinary customers” are intended, in compliance with what is set forth in legal and supervisory regulations, to:

- define the criteria and guidelines for the proper classification of loans;
- define the criteria, standards and techniques for determining provisions on loans and advances to customers;
- define specific control activities relating to loan classification and valuation.

The International Accounting Standards lay out a series of risk elements the occurrence of which entails the classification of the loan as non-performing, such as significant financial difficulties of the borrower or the violation of contractual agreements, such as a breach or non-payment of interest or principal.
The Supervisory Instructions identify the elements characterising each classification category, and in particular:

- the category of bad loans includes all on-balance sheet exposures to parties in a state of insolvency, even if not declared by a court, or in substantially equivalent situations, irrespective of any loss forecasts formulated by the company. Therefore, this is irrespective of the existence of any guarantees (collateral or personal) backing the loans;
- the category of unlikely to pay includes all on-balance sheet and “off-balance sheet” exposures to borrowers for which the full satisfaction of credit obligations, including principal and interest, is deemed unlikely without recourse to specific actions such as in particular the enforcement of guarantees.
  The inclusion of a position in “unlikely to pay loans” is carried out on the basis of a judgement concerning the unlikeliness of a borrower to meet its credit obligations in full. The classification of loans in the category of “unlikely to pay” is therefore the result of a specific assessment, accompanied by suitable internal documentation, intended to confirm the fulfilment of the relative requirements. This assessment is performed irrespective of the presence of any explicit symptoms of difficulty, such as failure to repay the loan or the failure to pay instalments, if there are other elements implying a situation of high likelihood of the borrower’s risk of breach.
  In order to identify situations of “unlikely to pay”, the following are symptoms of the unlikelihood of the borrower to be capable of fully meeting its obligations, especially if they take place simultaneously:
    - the presence of bad loans identified in the Central Credit Register;
    - the presence of protests, foreclosures, mortgage by order of the court or other adverse enforcement actions by other lenders;
    - the request for negotiations from the banking sector regarding renegotiations or moratoria;
    - the presence of overdue amounts or past-due debts of significant amounts;

    - the classification of the borrower in the last Rating Class of performing loans or in the category of past-due and overdue loans;
- the category of non-performing past-due and/or overdue loans includes exposures to customers other than those classified as bad loans or as unlikely to pay which have been past due or overdue for more than 90 consecutive days and have the characteristics specified below.
  A position is included in the category of "non-performing past-due and/or overdue exposures", in compliance with what is established by Supervisory regulations, by making reference to the individual borrower and by applying the following rules:
    - presence of loans past due or overdue by more than 90 days (if the same customer has multiple past-due and/or overdue exposures, the greatest delay is considered);
    - in order to determine the amount of the past-due and/or overdue exposure, past-due positions and overdrafts existing on some credit lines may be offset with the available margins existing on other credit lines granted to the same borrower;
    - surpassing the significant reporting threshold of 5% for at least one of the following situations:
        - average of past-due and/or overdue amounts on the entire exposure reported daily in the previous quarter;
        - past-due and/or overdue amount on the entire exposure at the reference date of the report.

Bad loans are managed by the Disputes Function, which assesses the actions to be taken to collect the debt. With respect to the names of borrowers with bad loans or which had bad loans in the past (even if paid off), the exercise of the decision-making powers granted to the delegated parties of the Sales Networks is suspended.

The return to performing status of non-performing exposures takes place with the borrower's recovery of conditions of full solvency, in particular:

- following the elimination of the entire exposure or the repayment of the past-due debt;
- with the restoration, also on the basis of updated credit ratings, of the conditions necessary to re-activate the relationship;
- thanks to the regularisation of the risk position.

Loans are evaluated by the competent organisational structures on the basis of internal regulations and with the application of the valuation criteria and standards set forth in the "Group Policies on the classification and valuation of loans and advances to ordinary customers".
The proposals for provisions for losses are submitted by the Managers of the competent Organisational Units, authorised by the General Manager of the competent Bank and subject to the assessment of the relative Board of Directors on a quarterly basis for confirmation or possibly modification.

3.2 Write-offs

The extinction of a bad loan may take place through the full collection of the debt or when one of the following takes place:

- partial collection of the debt, with the write-off of the remainder, as part of a settlement agreement with the principal borrower or with other obligors;
- write-down of the residual loan once the possible judicial or out-of-court recovery actions deemed appropriate have been carried out, based on an assessment of convenience, with respect to all obligors;
- closure of bankruptcy proceedings in the absence of other possibilities for recovery through actions against any co-obligors;
- total write-off of loans of small amounts for which starting or continuing legal actions is not considered cost effective.

Thus also the removal of the classification of "unlikely to pay loan" may take place, inter alia, when the debt is partially collected, with the write-off of the remainder, as part of a settlement agreement with the principal borrower or with other obligors.

3.3 Acquired or originated impaired financial assets

According to IFRS 9, in certain cases, a financial asset is deemed impaired on initial recognition since it has very high credit risk and, if purchased, it is acquired with significant discounts (with respect to the initial disbursement value). If the financial assets in question, on the basis of the application of classification drivers, are classified under assets measured at amortised cost or at fair value through other comprehensive income, they are qualified as "Purchased or Originated Credit Impaired Assets" (POCI) and subject to specific treatment. In particular, as of the date of initial recognition and for their entire lifetime, they are accounted for with value adjustments equal to their lifetime Expected Credit Loss (ECL). POCI financial assets are initially recognised in stage 3, without prejudice to the possibility of being subsequently transferred to performing loans, stage 2, with the recognition of the expected loss again equal to the lifetime ECL. This qualification is also applied for reporting purposes.

4. Commercial renegotiation financial assets and forborne exposures

The individual credit line subject to "forbearance" must be identified within performing loans as a "forborne exposure" if, without being eligible for classification as non-performing, the following conditions are simultaneously met:

- the borrower is in a situation of financial difficulty or it is likely that such situation of difficulty may take place without the "forbearance" measure;
- the "forbearance" measure results in at least one of the following situations:
    - modifications of the terms and/or conditions of the original contract, in favour of the borrower, such so as to provide it with sufficient capacity to regularly service the debt;
    - total or partial refinancing of a pre-existing debt.

The forborne performing classification remains in place until the joint fulfilment of the conditions set forth in the "Policies on the classification and valuation of loans and advances to ordinary customers" is verified.
If a forborne performing loan is coming from forborne non-performing status and is subject to another "forbearance" measure or has a delay exceeding 30 consecutive days, it must be classified in the most appropriate category of non-performing loans (unlikely to pay or bad loans).
The individual forborne credit line must be reported within its respective category of non-performing loans as a "forborne non-performing exposure" if the following conditions are simultaneously met:

- the borrower is classified as non-performing (bad loans, unlikely to pay or non-performing past-due/overdue);
- the "forbearance" measure results in at least one of the following situations:
    - modifications of the terms and/or conditions of the original contract, in favour of the borrower, such so as to provide it with sufficient capacity to regularly service the debt;
    - total or partial refinancing of a pre-existing debt.

The classification of "forborne non-performing exposure" is removed when the Customer is reclassified to performing (with the transfer of the line from forborne non-performing to forborne performing) when the following conditions are simultaneously met:

- following the forbearance measure, there is no past-due debt;
- following an adequate and circumstantiated analysis of the borrower's overall financial position, there is a positive assessment concerning the capacity to fully meet the obligation subject to the forbearance measure and the elimination of the conditions for the maintenance of its classification within non-performing loans;
- at least one year has passed ("observation period") since the classification in forborne non-performing loans.

After its reclassification to "performing loans", the forborne line relating to a loan previously classified as forborne non-performing is governed according to what is set forth for forborne performing exposures.

BAD LOANS - BREAKDOWN BY EXPOSURE	31/12/2019				31/12/2018			
Exposure	Amount	No. Posit.	% of tot. No.	% of tot. Amt	Amount	No. Posit.	% of tot. No.	% of tot. Amt
up to € 10 thousand	6,027	2,708	57.03%	1.53%	5,373	1,337	26.53%	1.10%
from € 10 to € 50 thousand	27,412	1,138	23.97%	6.94%	54,464	2,066	40.99%	11.15%
from € 50 to € 250 thousand	73,028	672	14.15%	18.49%	132,805	1,327	26.33%	27.19%
from € 250 to € 500 thousand	43,791	127	2.67%	11.09%	66,611	191	3.79%	13.64%
from € 500 to € 2,500 thousand	68,378	75	1.58%	17.31%	85,208	91	1.81%	17.44%
more than € 2,500 thousand	176,410	28	0.59%	44.66%	144,043	28	0.56%	29.49%
Total	**395,046**	**4,748**	**100.00%**	**100.00%**	**488,504**	**5,040**	**100.00%**	**100.00%**

BAD LOANS - BREAKDOWN BY AGEING	31/12/2019				31/12/2018			
Net	Amount	No. posit.	% of tot. No.	% of tot. Amt	Amount	No. posit.	% of tot. No.	% of tot. Amt
Arising in 2019	107,256	1,067	22.47%	27.15%				
arising in 2018	39,373	899	18.93%	9.97%	63,190	864	17.14%	12.94%
arising in 2017	15,855	248	5.22%	4.01%	24,164	275	5.46%	4.95%
arising in 2016	97,829	427	8.99%	24.76%	115,150	463	9.19%	23.57%
arising in 2015	27,714	327	6.89%	7.02%	50,445	566	11.23%	10.33%
arising in 2014	26,497	280	5.90%	6.71%	53,925	515	10.22%	11.04%
arising in 2013	26,188	195	4.11%	6.63%	49,118	378	7.50%	10.05%
arising in 2012	9,527	201	4.23%	2.41%	25,325	351	6.96%	5.18%
arising in 2011	6,338	210	4.42%	1.60%	17,172	304	6.03%	3.52%
arising in 2010	3,393	204	4.30%	0.86%	16,618	327	6.49%	3.40%
arising in 2009	35,076	690	14.53%	8.88%	73,397	997	19.78%	15.03%
Total	**395,046**	**4,748**	**100.00%**	**100.00%**	**488,504**	**5,040**	**100.00%**	**100.00%**

The tables above do not include interest on arrears considered entirely non-recoverable for € 41,190 thousand.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, WRITE-DOWNS, CHANGES, DISTRIBUTION BY BUSINESS ACTIVITY

A.1.1 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF FINANCIAL ASSETS BY PAST DUE RANGES (BOOK VALUE) Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days
1. Financial assets measured at amortised cost	44,229	0	0	29,460	25,638	65,257	3,773	9,280	385,823
2. Financial assets measured at fair value through other comprehensive income	0	0	0	528	1,185	60	1,098	1,553	5,719
Total 2019	**44,229**	**0**	**0**	**29,988**	**26,823**	**65,317**	**4,871**	**10,833**	**391,542**
Total 2018	**54,072**	**0**	**0**	**40,550**	**42,644**	**74,718**	**13,465**	**6,299**	**482,744**

A.1.2 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN: CHANGES IN OVERALL VALUE ADJUSTMENTS AND TOTAL PROVISIONS Type/risk stages	Overall value adjustments									
	Assets included in stage 1					Assets included in stage 2				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Opening balance	**29,515**	**2,608**	**0**	**0**	**32,123**	**42,481**	**132**	**0**	**0**	**42,613**
Increases from purchased or originated credit impaired financial assets	18,291	1,010	0	0	19,301	15,487	0	0	0	15,487
Derecognitions other than write-offs	-9,295	-5	0	0	-9,300	-2,361	0	0	0	-2,361
Net losses/recoveries for credit risk	-17,687	-1,973	0	0	-19,660	-10,911	179	0	0	-10,732
Contractual changes without derecognition	0	0	0	0	0	0	0	0	0	0
Changes in estimation method	0	0	0	0	0	0	0	0	0	0
Write-offs not directly recorded in the income statement	-129	0	0	0	-129	-9	0	0	0	-9
Other changes	-30	-32	0	0	-62	0	0	0	0	0
Closing balance	**20,665**	**1,608**	**0**	**0**	**22,273**	**44,687**	**311**	**0**	**0**	**44,998**
Recoveries from collections of financial assets subject to write-off	0	0	0	0	0	0	0	0	0	0
Write-offs directly recorded in the income statement	512	0	0	0	512	64	0	0	0	64

(Continued)

PART E
INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

1.1 CREDIT RISK

Overall value adjustments						Total provisions for commitments to disburse funds and financial guarantees given			Total
Assets included in stage 3									
Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Of which: purchased or originated credit impaired financial assets	Stage 1	Stage 2	Stage 3	
477,088	**6,994**	**0**	**484,082**	**0**	**4,216**	**1,056**	**1,784**	**3,060**	**564,718**
1,599	0	0	1,599	0	466	649	455	0	37,491
-1,160	-4	0	-1,164	0	0	-1,017	-1,765	-3,602	-19,209
-40,679	-325	0	-41,004	0	466	405	293	3,800	-66,898
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
-40,069	-271	0	-40,340	0	0	0	0	0	-40,478
0	0	0	0	0	0	0	0	0	-62
396,779	**6,394**	**0**	**403,173**	**0**	**5,148**	**1,093**	**767**	**3,258**	**475,562**
0	0	0	0	0	0	0	0	0	0
4,830	0	0	4,830	0	0	0	0	0	5,406

A.1.3 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN: TRANSFERS BETWEEN THE DIFFERENT CREDIT RISK STAGES (GROSS AND NOMINAL VALUES)	Gross exposure/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
Portfolios/risk stages	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	1,958,150	281,076	50,232	23,484	34,592	990
2. Financial assets measured at fair value through other comprehensive income	1,621	0	204	0	7,660	0
3. Financial assets held for sale	0	0	0	0	0	0
4. Commitments to disburse funds and financial guarantees given	31,462	15,590	934	6,431	1,834	159
Total 2019	**1,991,233**	**296,666**	**51,370**	**29,915**	**44,086**	**1,149**
Total 2018	**495,137**	**286,718**	**167,281**	**10,781**	**129,771**	**2,204**

A.1.4 PRUDENTIAL CONSOLIDATION - BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET AMOUNTS Type of exposure/amounts	Gross exposure		Overall value adjustments and total provisions	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	16	X	2	14	0
- of which: forborne exposures	0	X	0	0	0
b) Unlikely to pay	5	X	1	4	0
- of which: forborne exposures	0	X	0	0	0
c) Non-performing past due exposures	1	X	0	1	0
- of which: forborne exposures	0	X	0	0	0
d) Performing past due exposures	X	58	38	20	0
- of which: forborne exposures	X	0	0	0	0
e) Other performing exposures	X	554,025	11	554,014	0
- of which: forborne exposures	X	0	0	0	0
Total (A)	**22**	**554,083**	**52**	**554,053**	**0**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	0	X	0	0	0
b) Performing	X	35,511	0	35,511	0
Total (B)	**0**	**35,511**	**0**	**35,511**	**0**
Total (A+B)	**22**	**589,594**	**52**	**589,564**	**0**

* *Value to be presented for disclosure purposes*

1.1 CREDIT RISK

A.1.5 PRUDENTIAL CONSOLIDATION - BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS Type of exposure/amounts	Gross exposure		Overall value adjustments and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	395,031	X	269,622	125,409	58
- of which: forborne exposures	26,193	X	14,882	11,311	0
b) Unlikely to pay	362,272	X	123,727	238,545	0
- of which: forborne exposures	151,691	X	49,240	102,451	0
c) Non-performing past due exposures	53,094	X	9,821	43,273	0
- of which: forborne exposures	20,865	X	3,225	17,640	0
d) Performing past due exposures	X	175,598	9,231	166,367	0
- of which: forborne exposures	X	38,981	3,026	35,955	0
e) Other performing exposures	X	10,494,518	57,998	10,436,520	0
- of which: forborne exposures	X	221,602	12,924	208,678	0
Total (A)	**810,397**	**10,670,116**	**470,399**	**11,010,114**	**58**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	27,066	X	3,257	23,809	0
b) Performing	X	1,934,266	1,859	1,932,407	0
Total (B)	**27,066**	**1,934,266**	**5,116**	**1,956,216**	**0**
Total (A+B)	**837,463**	**12,604,382**	**475,515**	**12,966,330**	**58**

** Value to be presented for disclosure purposes*

The table includes loans already written down in previous years for € 187 thousand.

A.1.6 PRUDENTIAL CONSOLIDATION - BALANCE SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS NON-PERFORMING LOANS Source/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Gross exposure, opening balance	**0**	**0**	**0**
- of which: transferred but not derecognised	0	0	0
B. Increases	**16**	**5**	**1**
B.1 transfers from performing loans	16	5	1
B.2 transfers from purchased or originated credit impaired financial assets	0	0	0
B.3 transfers from other categories of non-performing exposures	0	0	0
B.4 contractual changes without derecognition	0	0	0
B.5 other increases	0	0	0
C. Decreases	**0**	**0**	**0**
C.1 transfers to performing loans	0	0	0
C.2 write-offs	0	0	0
C.3 collections	0	0	0
C.4 amount realised upon disposal of positions	0	0	0
C.5 losses on disposal	0	0	0
C.6 transfers to other categories of non-performing exposures	0	0	0
C.7 contractual changes without derecognition	0	0	0
C.8 other decreases	0	0	0
D. Gross exposure, closing balance	**16**	**5**	**1**
- of which: transferred but not derecognised	0	0	0

A.1.7 PRUDENTIAL CONSOLIDATION - BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS NON-PERFORMING LOANS Source/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Gross exposure, opening balance	**488,508**	**406,331**	**91,751**
- of which: transferred but not derecognised	36,093	13,279	14,857
B. Increases	**123,171**	**215,030**	**100,028**
B.1 transfers from performing loans	2,162	47,565	92,491
B.2 transfers from purchased or originated credit impaired financial assets	0	27	1,104
B.3 transfers from other categories of non-performing exposures	120,544	90,097	406
B.4 contractual changes without derecognition	0	0	0
B.5 other increases	465	77,341	6,027
C. Decreases	**216,648**	**259,089**	**138,685**
C.1 transfers to performing loans	209	26,137	39,179
C.2 write-offs	185,982	0	0
C.3 collections	29,347	111,974	8,991
C.4 amount realised upon disposal of positions	0	0	0
C.5 losses on disposal	0	0	0
C.6 transfers to other categories of non-performing exposures	161	120,546	90,333
C.7 contractual changes without derecognition	0	7	0
C.8 other decreases	949	425	182
D. Gross exposure, closing balance	**395,031**	**362,272**	**53,094**
- of which: transferred but not derecognised	36,209	32,699	11,483

A.1.7BIS PRUDENTIAL CONSOLIDATION - BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY Type/Quality	Forborne: non-performing	Forborne: performing
A. Gross exposure, opening balance	**163,413**	**175,626**
- of which: transferred but not derecognised	9,660	32,973
B. Increases	**95,827**	**172,337**
B.1 transfers from performing loans not forborne	1,129	95,706
B.2 transfers from performing loans forborne	19,791	X
B.3 transfers from non-performing loans forborne	X	21,186
B.4 transfers from non-performing loans not forborne	46,310	1,533
B.5 other increases	28,597	53,912
C. Decreases	**60,491**	**87,380**
C.1 transfers to performing loans not forborne	X	19,648
C.2 transfers to performing loans forborne	21,186	X
C.3 transfers to non-performing loans forborne	X	19,791
C.4 write-offs	977	X
C.5 collections	38,328	47,941
C.6 amount realised upon disposal of positions	0	0
C.7 losses on disposal	0	0
C.8 other decreases	0	0
D. Gross exposure, closing balance	**198,749**	**260,583**
- of which: transferred but not derecognised	13,666	60,354

A.1.8 PRUDENTIAL CONSOLIDATION - BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO BANKS: CHANGES IN OVERALL VALUE ADJUSTMENTS	Bad loans		Unlikely to pay		Non-performing past due exposures	
Source/Categories	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of overall adjustments	**0**	**0**	**0**	**0**	**0**	**0**
- of which: transferred but not derecognised	0	0	0	0	0	0
B. Increases	**2**	**0**	**1**	**0**	**0**	**0**
B.1 value adjustments purchased or originated credit impaired assets	0	X	0	X	0	X
B.2 other value adjustments	2	0	1	0	0	0
B.3 losses on disposal	0	0	0	0	0	0
B.4 transfers from other categories of non-performing exposures	0	0	0	0	0	0
B.5 contractual changes without derecognition	0	0	0	0	0	0
B.6 other increases	0	0	0	0	0	0
C. Decreases	**0**	**0**	**0**	**0**	**0**	**0**
C.1 write-backs from valuation	0	0	0	0	0	0
C.2 write-backs from collection	0	0	0	0	0	0
C.3 gains on disposal	0	0	0	0	0	0
C.4 write-offs	0	0	0	0	0	0
C.5 transfers to other categories of non-performing exposures	0	0	0	0	0	0
C.6 contractual changes without derecognition	0	0	0	0	0	0
C.7 other decreases	0	0	0	0		0
D. Closing balance of overall adjustments	**2**	**0**	**1**	**0**	**0**	**0**
- of which: transferred but not derecognised	0	0	0	0	0	0

1.1 CREDIT RISK

A.1.9 PRUDENTIAL CONSOLIDATION - BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN OVERALL VALUE ADJUSTMENTS	Bad loans		Unlikely to pay		Non-performing past due exposures	
Source/Categories	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of overall adjustments	**334,456**	**7,179**	**134,679**	**37,421**	**14,947**	**3,724**
- of which: transferred but not derecognised	11,974	375	3,041	1,580	2,257	347
B. Increases	**141,416**	**9,562**	**46,438**	**21,899**	**12,012**	**2,539**
B.1 value adjustments purchased or originated credit impaired assets	0	X	1	X	3	X
B.2 other value adjustments	77,397	5,323	36,151	20,295	9,053	2,539
B.3 losses on disposal	22,378	0	0	0	0	0
B.4 transfers from other categories of non-performing exposures	41,592	4,239	10,153	1,604	56	0
B.5 contractual changes without derecognition	0	0	0	0	0	0
B.6 other increases	49	0	133	0	2,900	0
C. Decreases	**206,250**	**1,859**	**57,390**	**10,080**	**17,138**	**3,038**
C.1 write-backs from valuation	8,560	740	14,478	5,226	2,081	1,211
C.2 write-backs from collection	7,094	142	5,241	694	553	144
C.3 gains on disposal	0	0	0	0	0	0
C.4 write-offs	185,982	977	3,027	0	546	0
C.5 transfers to other categories of non-performing exposures	77	0	34,059	4,160	13,828	1,683
C.6 contractual changes without derecognition	0	0	0	0	0	0
C.7 other decreases	4,537	0	585	0	130	0
D. Closing balance of overall adjustments	**269,622**	**14,882**	**123,727**	**49,240**	**9,821**	**3,225**
- of which: transferred but not derecognised	16,481	411	6,968	2,297	2,088	712

A.2 CLASSIFICATION OF EXPOSURES BY EXTERNAL AND INTERNAL RATINGS

A.2.1 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BY EXTERNAL RATING CLASS (GROSS VALUES)	External rating classes						No rating	Total
Exposures	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	**53,374**	**76,139**	**2,735,889**	**0**	**0**	**0**	**7,821,234**	**10,686,636**
- Stage 1	53,374	76,139	2,735,889	0	0	0	6,206,259	9,071,661
- Stage 2	0	0	0	0	0	0	819,320	819,320
- Stage 3	0	0	0	0	0	0	795,655	795,655
B. Financial assets measured at fair value through other comprehensive income	**14,038**	**24,239**	**1,120,287**	**0**	**0**	**0**	**140,919**	**1,299,483**
- Stage 1	14,038	24,230	1,120,287	0	0	0	124,017	1,282,572
- Stage 2	0	9	0	0	0	0	2,138	2,147
- Stage 3	0	0	0	0	0	0	14,764	14,764
C. Financial assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Stage 1	0	0	0	0	0	0	0	**0**
- Stage 2	0	0	0	0	0	0	0	**0**
- Stage 3	0	0	0	0	0	0	0	**0**
Total (A+B+C)	**67,412**	**100,378**	**3,856,176**	**0**	**0**	**0**	**7,962,153**	**11,986,119**
of which: purchased or originated credit impaired financial assets	0	0	0	0	0	0	21,434	21,434
D. Commitments to disburse funds and financial guarantees given	**1,710**	**2,707**	**0**	**0**	**0**	**0**	**1,509,524**	**1,513,941**
- Stage 1	1,710	2,671	0	0	0	0	1,435,729	1,440,110
- Stage 2	0	36	0	0	0	0	50,920	50,956
- Stage 3	0	0	0	0	0	0	22,875	22,875
Total (D)	**1,710**	**2,707**	**0**	**0**	**0**	**0**	**1,509,524**	**1,513,941**
Total (A+B+C+D)	**69,122**	**103,085**	**3,856,176**	**0**	**0**	**0**	**9,471,677**	**13,500,060**

Credit rating class	ECAI
	Moody's
1	from Aaa to Aa3
2	from A1 to A3
3	from Baa1 to Baa3
4	from Ba1 to Ba3
5	from B1 to B3
6	Caa1 and lower

A.2.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BY INTERNAL RATING CLASS (GROSS VALUES)	Internal rating classes					
Exposures	class 1	class 2	class 3	class 4	class 5	class 6
A. Financial assets measured at amortised cost	**260,788**	**554,439**	**886,149**	**1,146,648**	**1,705,391**	**1,003,444**
- Stage 1	260,301	554,246	883,180	1,138,100	1,641,847	879,955
- Stage 2	487	193	2,969	8,548	63,544	123,489
- Stage 3	0	0	0	0	0	0
B. Financial assets measured at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
- Stage 1	0	0	0	0	0	0
- Stage 2	0	0	0	0	0	0
- Stage 3	0	0	0	0	0	0
C. Financial assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**
- Stage 1	0	0	0	0	0	0
- Stage 2	0	0	0	0	0	0
- Stage 3	0	0	0	0	0	0
Total (A+B+C)	**260,788**	**554,439**	**886,149**	**1,146,648**	**1,705,391**	**1,003,444**
of which: purchased or originated credit impaired financial assets	0	0	0	215	371	1,772
D. Commitments to disburse funds and financial guarantees given	**283,687**	**234,310**	**198,027**	**432,778**	**149,443**	**86,444**
- Stage 1	283,537	234,300	197,890	432,768	142,108	78,577
- Stage 2	150	10	137	10	7,335	7,867
- Stage 3	0	0	0	0	0	0
Total (D)	**283,687**	**234,310**	**198,027**	**432,778**	**149,443**	**86,444**
Total (A+B+C+D)	**544,475**	**788,749**	**1,084,176**	**1,579,426**	**1,854,834**	**1,089,888**

(Continued)

1.1 CREDIT RISK

Internal rating classes						Total
class 7	class 8	class 9	class 10	class 11	no rating	
455,073	**627,092**	**196,246**	**181,421**	**643,174**	**3,026,771**	**10,686,636**
316,866	496,432	21,777	6,147	0	2,872,810	9,071,661
138,207	130,660	174,469	175,274	0	1,480	819,320
0	0	0	0	643,174	152,481	795,655
0	**0**	**0**	**0**	**0**	**1,299,483**	**1,299,483**
0	0	0	0	0	1,282,572	1,282,572
0	0	0	0	0	2,147	2,147
0	0	0	0	0	14,764	14,764
0	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
455,073	**627,092**	**196,246**	**181,421**	**643,174**	**4,326,254**	**11,986,119**
257	4,231	270	240	14,078	0	21,434
27,540	**14,827**	**10,752**	**10,596**	**18,162**	**47,375**	**1,513,941**
21,239	4,704	3,242	1,513	0	40,232	1,440,110
6,301	10,123	7,510	9,083	0	2,430	50,956
0	0	0	0	18,162	4,713	22,875
27,540	**14,827**	**10,752**	**10,596**	**18,162**	**47,375**	**1,513,941**
482,613	**641,919**	**206,998**	**192,017**	**661,336**	**4,373,629**	**13,500,060**

A.3 BREAKDOWN OF SECURED EXPOSURES BY TYPE OF COLLATERAL

A.3.1 PRUDENTIAL CONSOLIDATION - SECURED BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
			Property - mortgages	Property - finance leases	Securities	Other collateral	CLN	Central Counterparties
1. Secured balance sheet credit exposures:	**117**	**69**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 totally secured	117	69	0	0	0	0	0	0
- of which non-performing	23	19	0	0	0	0	0	0
1.2 partially secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0
2. Secured off-balance sheet credit exposures:	0	0	0	0	0	0	0	0
2.1 totally secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0
2.2 partially secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0

(Continued)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature loans				
	Other derivatives							
	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	
1. Secured balance sheet credit exposures:	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 totally secured	0	0	0	0	0	0	0	**0**
- of which non-performing	0	0	0	0	0	0	0	**0**
1.2 partially secured	0	0	0	0	0	0	0	**0**
- of which non-performing	0	0	0	0	0	0	0	**0**
2. Secured off-balance sheet credit exposures:	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 totally secured	0	0	0	0	0	0	0	**0**
- of which non-performing	0	0	0	0	0	0	0	**0**
2.2 partially secured	0	0	0	0	0	0	0	**0**
- of which non-performing	0	0	0	0	0	0	0	**0**

A.3.2 PRUDENTIAL CONSOLIDATION - SECURED BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
			Property - mortgages	Property - finance leases	Securities	Other collateral	CLN	Central Counterparties
1. Secured balance sheet credit exposures:	6,331,550	5,939,824	3,884,773	0	112,126	58,517	0	0
1.1 totally secured	5,671,851	5,382,590	3,810,735	0	87,127	53,018	0	0
- of which non-performing	562,500	323,399	264,006	0	1,069	1,331	0	0
1.2 partially secured	659,699	557,234	74,038	0	24,999	5,499	0	0
- of which non-performing	155,178	58,759	30,321	0	869	102	0	0
2. Secured off-balance sheet credit exposures:	562,904	559,890	5,838	0	14,521	13,166	0	0
2.1 totally secured	465,210	462,482	5,486	0	8,854	11,017	0	0
- of which non-performing	15,054	13,268	106	0	30	607	0	0
2.2 partially secured	97,694	97,408	352	0	5,667	2,149	0	0
- of which non-performing	362	277	0	0	10	15	0	0

(Continued)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature loans				
	Other derivatives							
	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	
1. Secured balance sheet credit exposures:	0	0	0	215,503	17,335	81	1,017,011	5,305,346
1.1 totally secured	0	0	0	158,862	10,318	0	710,304	4,830,364
- of which non-performing	0	0	0	8,930	1,403	0	32,960	309,699
1.2 partially secured	0	0	0	56,641	7,017	81	306,707	474,982
- of which non-performing	0	0	0	3,312	1,225	0	15,049	50,878
2. Secured off-balance sheet credit exposures:	0	0	0	3,909	25,134	0	470,501	533,069
2.1 totally secured	0	0	0	2,969	20,702	0	412,964	461,992
- of which non-performing	0	0	0	94	1,168	0	10,923	12,928
2.2 partially secured	0	0	0	940	4,432	0	57,537	71,077
- of which non-performing	0	0	0	12	0	0	143	180

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS BY BUSINESS SEGMENT Exposures/Counterparties	Public administration		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures						
A.1 Bad loans	191	96	129	97	0	0
- of which: forborne exposures	0	0	0	0	0	0
A.2 Unlikely to pay	2	1	1,078	2,523	0	9
- of which: forborne exposures	0	0	831	717	0	0
A.3 Non-performing past due exposures	49	22	0	0	0	0
- of which: forborne exposures	0	0	0	0	0	0
A.4 Performing exposures	4,003,337	4,086	217,110	689	1,990	127
- of which: forborne exposures	0	0	120	4	0	0
Total (A)	**4,003,579**	**4,205**	**218,317**	**3,309**	**1,990**	**136**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	0	0	0	0	0	0
B.2 Performing exposures	213,396	5	375,863	140	0	0
Total (B)	**213,396**	**5**	**375,863**	**140**	**0**	**0**
Total (A+B) 2019	**4,216,975**	**4,210**	**594,180**	**3,449**	**1,990**	**136**
Total (A+B) 2018	**3,322,699**	**7,317**	**277,749**	**2,219**	**207**	**0**

(Continued)

Exposures/Counterparties	Non-financial companies		Households	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures				
A.1 Bad loans	80,105	179,209	44,984	90,220
- of which: forborne exposures	9,331	13,251	1,980	1,631
A.2 Unlikely to pay	156,187	85,170	81,278	36,033
- of which: forborne exposures	72,582	36,278	29,038	12,245
A.3 Non-performing past due exposures	15,660	3,929	27,564	5,870
- of which: forborne exposures	6,162	1,260	11,478	1,965
A.4 Performing exposures	2,560,583	35,401	3,821,857	27,053
- of which: forborne exposures	152,230	10,252	92,283	5,694
Total (A)	**2,812,535**	**303,709**	**3,975,683**	**159,176**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	21,191	2,791	2,618	466
B.2 Performing exposures	1,116,976	1,299	226,172	415
Total (B)	**1,138,167**	**4,090**	**228,790**	**881**
Total (A+B) 2019	**3,950,702**	**307,799**	**4,204,473**	**160,057**
Total (A+B) 2018	**4,491,880**	**373,428**	**4,255,553**	**181,807**

B.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURES TO CUSTOMERS BY GEOGRAPHIC AREA	Italy		Other European countries		America		Asia		Rest of the world	
Exposures/Geographic areas	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures										
A.1 Bad loans	125,289	269,345	118	272	2	5	0	0	0	0
A.2 Unlikely to pay	237,071	122,926	1,474	801	0	0	0	0	0	0
A.3 Non-performing past due exposures	42,784	9,751	489	70	0	0	0	0	0	0
A.4 Performing exposures	10,585,816	66,856	16,346	365	46	0	384	8	295	0
Total (A)	**10,990,960**	**468,878**	**18,427**	**1,508**	**48**	**5**	**384**	**8**	**295**	**0**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	23,809	3,257	0	0	0	0	0	0	0	0
B.2 Performing exposures	1,929,927	1,858	1,461	0	1,005	0	10	0	4	1
Total (B)	**1,953,736**	**5,115**	**1,461**	**0**	**1,005**	**0**	**10**	**0**	**4**	**1**
Total (A+B) 2019	**12,944,696**	**473,993**	**19,888**	**1,508**	**1,053**	**5**	**394**	**8**	**299**	**1**
Total (A+B) 2018	**12,144,848**	**561,258**	**201,172**	**3,501**	**1,135**	**5**	**415**	**5**	**518**	**2**

B.2 PRUDENTIAL CONSOLIDATION - DISTRIBUTION DETAIL REFERRED TO ITALY	North West Italy		North East Italy		Central Italy		South Italy and Islands	
Exposures/Geographic areas	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures								
A.1 Bad loans	109,794	236,459	797	1,883	13,431	28,711	1,267	2,292
A.2 Unlikely to pay	227,655	118,686	2,745	1,354	2,083	592	4,588	2,294
A.3 Non-performing past due exposures	40,002	9,203	368	54	1,400	311	1,014	183
A.4 Performing exposures	5,973,059	60,851	159,425	686	4,278,490	4,363	174,842	956
Total (A)	**6,350,510**	**425,199**	**163,335**	**3,977**	**4,295,404**	**33,977**	**181,711**	**5,725**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	23,555	3,198	0	0	137	59	117	0
B.2 Performing exposures	1,872,620	1,776	26,684	21	26,864	58	3,759	3
Total (B)	**1,896,175**	**4,974**	**26,684**	**21**	**27,001**	**117**	**3,876**	**3**
Total (A+B) 2019	**8,246,685**	**430,173**	**190,019**	**3,998**	**4,322,405**	**34,094**	**185,587**	**5,728**
Total (A+B) 2018	**8,525,296**	**520,037**	**203,184**	**4,558**	**3,226,784**	**29,687**	**189,584**	**6,976**

B.3 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHIC AREA Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures										
A.1 Bad loans	14	2	0	0	0	0	0	0	0	0
A.2 Unlikely to pay	4	1	0	0	0	0	0	0	0	0
A.3 Non-performing past due exposures	1	0	0	0	0	0	0	0	0	0
A.4 Performing exposures	457,469	49	91,734	0	3,979	0	75	0	777	0
Total (A)	**457,488**	**52**	**91,734**	**0**	**3,979**	**0**	**75**	**0**	**777**	**0**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	0	0	0	0	0	0	0	0	0	0
B.2 Performing exposures	32,676	0	2,835	0	0	0	0	0	0	0
Total (B)	**32,676**	**0**	**2,835**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total (A+B) 2019	**490,164**	**52**	**94,569**	**0**	**3,979**	**0**	**75**	**0**	**777**	**0**
Total (A+B) 2018	**123,052**	**0**	**59,175**	**0**	**3,294**	**0**	**506**	**0**	**3,144**	**0**

B.3 PRUDENTIAL CONSOLIDATION - DISTRIBUTION DETAIL REFERRED TO ITALY Exposures/Geographic areas	North West Italy		North East Italy		Central Italy		South Italy and Islands	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures								
A.1 Bad loans	0	0	0	0	0	0	14	2
A.2 Unlikely to pay	0	0	0	0	0	0	4	1
A.3 Non-performing past due exposures	0	0	0	0	0	0	1	0
A.4 Performing exposures	42,373	2	6	0	415,043	35	47	12
Total (A)	**42,373**	**2**	**6**	**0**	**415,043**	**35**	**66**	**15**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	0	0	0	0	0	0	0	0
B.2 Performing exposures	32,571	0	0	0	105	0	0	0
Total (B)	**32,571**	**0**	**0**	**0**	**105**	**0**	**0**	**0**
Total (A+B) 2019	**74,944**	**2**	**6**	**0**	**415,148**	**35**	**66**	**15**
Total (A+B) 2018	**78,429**	**0**	**4**	**0**	**44,621**	**0**	**0**	**0**

B.4 LARGE EXPOSURES	2019 - Cassa di Risparmio di Asti S.p.A. Group Consolidation
Number of positions	6
Amount (nominal value)	5,859,057
Amount (weighted value)	439,254

The large risks reported to the Bank of Italy consist of:

- exposures to the Italian State relating to the nominal value of € 4,476,738 in securities held in the portfolio and DTA, with an overall weighting of € 185,188;
- exposures to credit institutions, financial institutions and SGRs for a nominal amount of € 448,887, with an overall weighting of € 29,066;
- exposure to the Bank of Italy for a nominal amount of € 625,715 and with an overall weighting of € 225,000;
- exposure to Cassa Compensazione e Garanzia for a nominal amount of € 307,717 and with a weighting of zero.

C. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

QUALITATIVE AND QUANTITATIVE INFORMATION

Cassa di Risparmio di Asti S.p.A. (originator) has carried out six securitisation transactions on its own behalf: the first three were carried out with the same special purpose vehicle named Asti Finance S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 08569601001, registered in the List of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011, at no. 33061.3, established pursuant to Italian Law 130/99; of these transactions, the first was closed early on 27 September 2017. The fourth transaction (also closed early in April 2014) was carried out with the special purpose vehicle Asti P.M.I. S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 11663011002, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35012.4; the fifth transaction, with the special purpose vehicle Asti RMBS S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 12063261007, registered in the list of special purpose securitisation vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35045.4; lastly, the sixth transaction (closed early in October 2016) was with the special purpose vehicle Asti PM.I. S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 11663011002, registered in the list of special purpose securitisation vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35012.4 (hereinafter, all referred to as “SPV”).

Along with Biverbanca S.p.A., Cassa di Risparmio di Asti S.p.A. also performed three multi-originator securitisation transactions: the first in 2015 (seventh transaction), with the special purpose vehicle named Asti Group RMBS S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 1337083003 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35187.4. The second multi-originator securitisation transaction (eighth transaction) was concluded in March 2017, with the special purpose vehicle named Asti Group PMI S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 14109461005 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 335330.0. The third multi-originator securitisation transaction (ninth transaction) was concluded in June 2019, with the special purpose vehicle named Asti Group RMBS II S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 152897710 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35584.2.

The second multi-originator transaction (self-securitisation), for which the two Group Banks subscribed all liabilities issued at the time of issue, is not described in this part. For a description of that transaction, please refer to section 1.4 - “Liquidity risk”.

For all securitisations, specific servicing agreements have been entered into between the Group companies and the SPVs, in which the companies (servicers) were engaged to perform, in the name and on behalf of the SPVs, the activity of administration and collection of loans transferred, as well as manage any debt collection procedures.

As the results/benefits of the above-mentioned securitisation transactions were not fully transferred to the loan transferee (SPV), the company, in compliance with IAS 9, has recognised amongst its assets 100% of the securitised loans, likewise recording a financial liability for the consideration, when received, net of notes repurchased as well as cash reserves. Income from the transferred assets and the expenses of the financial liability net of interest relating to repurchased notes are recognised in the income statement. Therefore, as concerns the monitoring and assessment of the risks connected to securitisations, please refer to the analyses performed in Part E of the Notes to the consolidated financial statements relating to Credit Risk.

For the purposes of the application of the accounting standards endorsed with Regulation no. 1254 by the European Commission, IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28, applicable on a compulsory basis as of 1 January 2014, the SPVs were included in the scope of line-by-line consolidation of the Group starting from the year 2014.
From the organisational perspective, the Credit Department is responsible for managing administrative/accounting activities relating to securitisation transactions and the periodic production of all reporting required by the servicing agreements.
The servicing activities are subject to controls by the Internal Audit Function - Bank Internal Auditing Office, the results of which are submitted to the Board of Directors which reviews them during special meetings with the participation of the Board of Statutory Auditors.

In the course of 2018, Cassa di Risparmio di Asti S.p.A. finalised along with Biverbanca S.p.A., pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer of a portfolio of bad loans to the special purpose vehicle Maggese S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 07/06/2017, at no. 35475.3.

In the course of 2019, Cassa di Risparmio di Asti S.p.A. also finalised along with Biverbanca S.p.A., pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer of a portfolio of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., with registered office in Conegliano (TV), Via Vittorio Alfieri no. 1, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35670.9.
As the transaction entailed the transfer to third parties of all risks and benefits linked to the transferred loan portfolio ("derisking"), the NPLs were derecognised pursuant to IFRS 9, and the bad loans underlying the securitisation were also derecognised from the Group's assets (asset item 40 "Loans and advances to customers").

The company Pitagora Finanziamenti Contro Cessione del Quinto S.p.A. has carried out seven securitisation transactions on salary and pension assignment loans.
The first transaction was concluded with the special purpose vehicle Madeleine SPV S.r.l., with registered office in Conegliano Veneto (TV), via Vittorio Alfieri 1, registered in the Treviso-Belluno Register of Companies at no. 04559650264, registered in the list of special purpose securitisation vehicles established at the Bank of Italy at no. 35070.2.
The second transaction (closed in February 2017) was concluded with the special purpose vehicle Frida SPV S.r.l. with registered office in Milan, via Fara Gustavo no. 26, registered in the Milan Register of Companies at no. 08566680966, registered in the list of special purpose securitisation vehicles established at the Bank of Italy at no. 35147.8.
The third transaction was concluded with the special purpose vehicle Annette S.r.l., with registered office in Milan, via A. Pestalozza 12/14, registered in the Milan Register of Companies at no. 09262480966, registered in the list of special purpose vehicles established at the Bank of Italy at no. 35232.8.
The fourth transaction was concluded with the special purpose vehicle *Lake Securitisation* S.r.l., with registered office in Conegliano Veneto (TV), via Vittorio Alfieri 1, registered in the Treviso-Belluno Register of Companies at no. 04830970267, registered in the list of special purpose securitisation vehicles established at the Bank of Italy at no. 35297.1.
The fifth transaction was concluded with the special purpose vehicle Manu SPV S.r.l., with registered office in Conegliano Veneto (TV), via Vittorio Alfieri 1, 31015, registered in the Treviso-Belluno Register of Companies at no. 04909010268,

registered in the list of special purpose vehicles established at the Bank of Italy at no. 35438.1.
The sixth transaction was concluded with the special purpose vehicle Geordie SPV S.r.l., with registered office in Conegliano Veneto (TV), via Vittorio Alfieri 1, 31015, registered in the Treviso-Belluno Register of Companies at no. 04956000261, registered in the list of special purpose vehicles established at the Bank of Italy at no. 35476.1.
The seventh transaction was concluded with the special purpose vehicle Petilia Finance SPV S.r.l., with registered office in Milan (MI), via Vittoria Betteloni 2, 20131, registered in the Milan Monza Brianza Lodi Register of Companies at no. 11024420967, registered in the list of special purpose vehicles established at the Bank of Italy at no. 35671.7.

As part of the transactions described above, the Company performs servicing activities on the loans transferred to the SPVs, collecting on their behalf the loan repayment instalments, managing past-due recovery activities and requests for compensation from Insurance Companies following loss events. The collections received on the transferred loans are transferred daily to the SPVs, in their respective current accounts.

Details on the transactions carried out by the Group are provided below.

INFORMATION RELATING TO THE SECOND SECURITISATION TRANSACTION

On 22 May 2008, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out the second traditional securitisation transaction through the non-recourse transfer to the SPV of real estate mortgages and residential mortgages for a total of € 513,122 thousand, all belonging to the “performing” category. The loans were transferred at their carrying amount. On the same date, the servicing agreement was entered into between Cassa di Risparmio di Asti S.p.A. and the SPV.
Notes totalling € 513,100 thousand were issued against the transferred loans. On the notes issued by the SPV, a repayment plan has been established which began in November 2009, determined on the basis of the availability of sums collected on the loans.
The aim of the securitisation transaction is to diversify the sources of funds and funding pools (institutional rather than retail) and create matching between assets and liabilities, balancing average funding and lending times.
The senior notes, issued and originally repurchased by Cassa di Risparmio di Asti S.p.A., were transferred in part to institutional investors; the remainder, which remained owned, which was periodically used as collateral in financing transactions with the European Central Bank, providing Cassa di Risparmio di Asti S.p.A. with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial requirements, was transferred in 2014.

Type of Note	Rating as at 31/12/2019 S&P/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2019	Residual value as at 31/12/2019
Class A	AA/Aa3	6M Euribor + 0.60%	23/05/2008	27/05/2050	479,750	435,466	44,284
Class B	no rating	6M Euribor + 2.00% (*)	23/05/2008	27/05/2050	33,350	0	33,350
Total					**513,100**	**435,466**	**77,634**

(*) The excess spread is also paid to class B as an additional coupon.

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 33,350 thousand.

In the second securitisation, Cassa di Risparmio di Asti S.p.A. disbursed a loan with limited enforceability, of € 12,878 thousand, crediting to the SPV the amount of € 12,828 thousand for the cash reserve and € 50 thousand for the provision for operating expenses.
The SPV pays the excess spread to Cassa di Risparmio di Asti S.p.A. on a half-yearly basis, as additional remuneration on the class B note (junior note); this is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.
As at 31 December 2019, Cassa di Risparmio di Asti S.p.A. essentially retains the credit risk connected to the securitised loans, which the Bank continues to value by recognising in dedicated provisions the estimated loss in value, aside from the residual counterparty risk relating to the repurchased notes, the cash reserve and the provision for expenses disbursed to the vehicle, which as at 31 December 2019 amount to:

- notes repurchased (accounting balance) € 33,350 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 12,828 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand.

In order to guarantee to noteholders the regularity of coupon flows, indexed to different parameters than the loans, 3 derivative contracts (“amortising” interest rate swaps) were entered into with a maximum maturity of 2042; the swaps were entered into between Cassa di Risparmio di Asti S.p.A. and Citibank N.A. The swap agreements substantially mirror those which Citibank N.A. entered into with the SPV. The flows of the swaps entered into are calculated taking into account three types of cash flows present on the loans: the transferred loan portfolio indeed consists of fixed and variable rate real estate mortgages and residential mortgages and, in turn, the variable rate mortgages call for two repricings at different dates.
On a half-yearly basis, the SPV pays interest accrued on the loans, net of the spread, to Citibank N.A. and receives the 6M Euribor (against the swap entered into); Citibank N.A. in turn pays the amount received from the SPV to Cassa di Risparmio di Asti

S.p.A. and receives the 6M Euribor; the offsetting swaps enable the SPV to collect the 6M Euribor, which is the calculation basis for the coupon on the notes. The nominal value of the swaps reduces in proportion with reductions in the securitised loans. The specular nature of the 3 swap agreements became necessary as Cassa di Risparmio di Asti S.p.A. does not have a public rating; Citibank N.A. has a long-term rating from Moody's of A1.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 79,089 thousand.
The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount, gross of the repurchased notes and the cash reserve.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	1,309	interest expense on notes issued	753
other revenues	21	interest expense on derivative contract	463
		servicing fee expense	74
		other interest expense	383
		other expenses	87
		losses on loans	1,205
Total	**1,330**	**Total**	**2,965**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 5,697 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 1,473 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 589 thousand, was fully allocated against a reduction in interest expense on the notes issued.
The valuations of derivative contracts entered into by the SPV with Citibank N.A. resulted in the recognition in the Bank income statement of € 218 thousand in capital gains, while the derivative contracts entered into between Citibank N.A. and Cassa di Risparmio di Asti S.p.A. resulted in the recognition of € 218 thousand in capital losses, as well as interest income of € 463 thousand.

INFORMATION RELATING TO THE THIRD SECURITISATION TRANSACTION

On 16 November 2010, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out the third securitisation transaction through the non-recourse transfer to the SPV Asti Finance S.r.l. of real estate mortgages and residential mortgages for a total of € 473,449 thousand, all belonging to the "performing" category. The loans were transferred at their carrying amount. Also in this third transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as servicer.

Against the mortgages transferred, notes were issued for € 473,400 thousand, originally entirely repurchased by Cassa di Risparmio di Asti S.p.A. The amount was settled on 17/11/2010 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.
The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.
The third securitisation was originally a "self-securitisation": the relative senior notes issued and not transferred to institutional investors but directly repurchased by Cassa di Risparmio di Asti S.p.A., were used as collateral in financing transactions with the European Central Bank, providing the Bank with a liquidity reserve available for short-term ordinary operations as well as to handle temporary unexpected financial requirements and were transferred in the month of November 2014.

Type of Note	Rating as at 31/12/2019 S&P/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2019	Residual value as at 31/12/2019
Class A	AA/Aa3	3M Euribor + 0.60%	17/11/2010	27/5/2052	427,000	330,664	96,336
Class B	no rating	3M Euribor + 2.00% (*)	17/11/2010	27/5/2052	46,400	0	46,400
Total					**473,400**	**330,664**	**142,736**

(*) The excess spread is also paid to class B as an additional coupon.

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 46,400 thousand.

Like in the second transaction, also the third securitisation, Cassa di Risparmio di Asti S.p.A. disbursed a loan with limited enforceability, of € 18,986 thousand, crediting to the SPV the amount of € 18,936 thousand for the cash reserve and € 50 thousand for the provision for operating expenses.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

The SPV pays the excess spread to Cassa di Risparmio di Asti S.p.A. on a quarterly basis, as additional remuneration on the class B note (junior note); this is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs, interest expense relating to the bond loans paid during the same period and any other priority outlay in the payment waterfall.

As at 31 December 2019, Cassa di Risparmio di Asti S.p.A. essentially retains the credit risk connected to the securitised loans, which the Bank continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserve and the provision for expenses disbursed to the vehicle and the excess spread to be collected, which as at 31 December 2019 amount to:

- notes repurchased (accounting balance) € 46,400 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 12,703 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand;
- receivable from the SPV for excess spread accrued € 8,499 thousand.

As for the second securitisation transaction, in order to guarantee to noteholders the regularity of coupon flows, indexed to different parameters than the loans, 3 derivative contracts ("amortising" interest rate swaps) were entered into with a maximum maturity of 2052; the swaps were entered into between Banca di Asti and the company BancaIMI. The swap agreements substantially mirror those which BancaIMI entered into with the SPV. The flows of the swaps entered into are calculated taking into account three types of cash flows present on the loans: the transferred loan portfolio indeed consists of fixed and variable rate real estate mortgages and residential mortgages and, in turn, the variable rate mortgages call for two repricings at different dates.

On a quarterly basis, the SPV pays interest accrued on the loans, net of the spread, to BancaIMI and receives the 3M Euribor (against the swap entered into); BancaIMI in turn pays the amount received from the SPV to Cassa di Risparmio di Asti S.p.A. and receives the 3M Euribor; the offsetting swaps enable the SPV to collect the 3M Euribor, which is the calculation basis for the coupon on the notes. The nominal value of the swaps reduces in proportion with reductions in the securitised loans. The specular nature of the 3 swap agreements became necessary as Cassa di Risparmio di Asti S.p.A. does not have a public rating; Banca IMI has a long-term rating from S&P of BBB, from Moody's of A3 and from Fitch of BBB.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 135,840 thousand.

The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount. The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	2,470	interest expense on notes issued	1,003
other revenues	11	interest expense on derivative contract	624
		servicing fee expense	131
		other interest expense	352
		other expenses	109
		losses on loans	1,470
Total	**2,481**	**Total**	**3,689**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 6,657 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 1,466 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 779 thousand, was fully allocated against a reduction in interest expense on the notes issued.
The valuations of derivative contracts entered into by the SPV with BancaIMI resulted in the recognition in the Bank income statement of € 1,029 thousand in capital gains, while the derivative contracts entered into between BancaIMI and Cassa di Risparmio di Asti S.p.A. resulted in the recognition of € 1,029 thousand in capital losses, as well as interest income of € 624 thousand.

INFORMATION RELATING TO THE FIFTH SECURITISATION TRANSACTION

On 20 November 2012, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out its fifth securitisation transaction on its own behalf, with the special purpose vehicle Asti RMBS S.r.l., with registered office in Rome, via Eleonora Duse no. 53, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35045.4. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, for a total of € 498,929 thousand, all belonging to the "performing" category. The loans were transferred at their carrying amount. Also in this transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as servicer.

Against the mortgages transferred, notes were issued for € 498,900 thousand, entirely repurchased by Cassa di Risparmio di Asti S.p.A. The amount was settled on 21/12/2012 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.
The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.
The fifth securitisation was originally a "self-securitisation": the relative notes issued and not transferred to institutional investors but directly repurchased by Cassa di Risparmio di Asti S.p.A., were used as collateral in financing transactions with the

European Central Bank, providing the Bank with a liquidity reserve available for short-term ordinary operations as well as to handle temporary unexpected financial requirements, and were transferred in the month of February 2014.

Type of Note	Rating as at 31/12/2019 S&P/Fitch	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2019	Residual value as at 31/12/2019
Class A	AA/AA	3M Euribor + 1.25% (*)	21/12/2012	27/12/2060	411,000	261,597	149,403
Class B	no rating	3M Euribor + 1.50% (**)	21/12/2012	27/12/2060	87,900	0	87,900
Total					**498,900**	**261,597**	**237,303**

(*) Cap equal to 5%

(**) The excess spread is also paid to class B as an additional coupon (additional remuneration).

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 87,900 thousand.

Like in the other transactions, also the fifth securitisation, Cassa di Risparmio di Asti S.p.A. disbursed a loan with limited enforceability of € 15,050 thousand, crediting to the SPV the amount of € 15,000 thousand for the cash reserve and € 50 thousand for the provision for operating expenses.
The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.
The Prospectus calls for a gradual reduction in the amount of the Cash Reserve: at each interest payment date, it will be reduced by the larger amount of 3.65% of the outstanding notional amount of Class A and € 7 million; when at the interest payment date Class A will have been repaid in full, the Cash Reserve Amount will be reduced to zero; at each calculation date, the Cash Reserve Amount will be part of the Issuer Available Funds.
For this securitisation transaction, there is no rate hedging through swap transactions.
The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.
The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to Banca di Asti, based on available financial resources, when the notes are repaid; at 31 December 2019, it amounts to € 28,424 thousand.

As at 31 December 2019, Cassa di Risparmio di Asti S.p.A. essentially retains the credit risk connected to the securitised loans, which the Bank continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected, which as at 31 December 2019 amount to:

- notes repurchased (accounting balance) € 87,900 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 15,000 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand;
- receivable from the SPV for excess spread accrued € 28,424 thousand.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 250,888 thousand.
The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	4,962	interest expense on notes issued	2,293
		servicing fee expense	251
		other interest expense	153
		other expenses	146
		losses on loans	327
Total	**4,962**	**Total**	**3,170**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 7,727 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 806 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 1,016 thousand, was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE FIRST MULTI-ORIGINATOR SECURITISATION TRANSACTION

On 11 August 2015, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. carried out the first multi-originator securitisation transaction, with the special purpose vehicle Asti Group RMBS S.r.l., with registered office in Rome, via Eleonora Duse no. 53, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35187.4. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, fixed, variable and option, for a total of € 553,466 thousand (of which € 286,060 thousand of Cassa di Risparmio di Asti S.p.A. and € 267,406 thousand of Biverbanca S.p.A.), all belonging to the "performing" category. The loans were transferred at their carrying amount. In this transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as master servicer and Biverbanca S.p.A. as sub servicer.

Against the loans transferred, notes totalling € 553,400 thousand were issued, repurchased in full by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. The amount was settled on 12/08/2015 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.
The seventh securitisation (first multi-originator) was originally a "self-securitisation" transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, were used as collateral in refinancing transactions with the European Central Bank, providing the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets. In the course of 2017, the senior class was sold to institutional investors.

Type of Note issued	Rating as at 31/12/2019 Fitch/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2019	Residual value as at 31/12/2019
Class A	AA/Aa3	3M Euribor + 0.90% (*)	12/8/2015	31/12/2074	456,600	328,598	128,002
Class B	no rating	3M Euribor + 1.00%	12/8/2015	31/12/2074	96,800	0	96,800
Total					**553,400**	**328,598**	**224,802**

(*) Floor equal to 0% and Cap 5%

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 50,000 thousand and by Biverbanca to € 46,800 thousand.

Like in the other transactions, a loan with limited enforceability was disbursed for € 15,000 thousand (€ 7,779 thousand by Cassa di Risparmio di Asti S.p.A. and € 7,271 thousand by Biverbanca S.p.A.), crediting the amount of € 15,000 thousand to the SPV for the cash reserve, broken down as follows: € 7,753 thousand for Cassa di Risparmio di Asti S.p.A. and € 7,247 thousand for Biverbanca S.p.A. and € 50 thousand for the provision for operating expenses, broken down as follows: € 26 thousand for Cassa di Risparmio di Asti S.p.A. and € 24 thousand for Biverbanca S.p.A.
The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.
The Prospectus calls for a gradual reduction in the amount of the Cash Reserve: at each interest payment date, it will be reduced by the larger amount of 3.25% of the residual debt of the Class A note and € 6,849 thousand; when at the interest payment date Class A will have been repaid in full, the Cash Reserve will be reduced to zero.
For this securitisation transaction, there is no rate hedging through swap transactions.
The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in

order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.
The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 31/12/2019, it amounts to € 23,987 thousand for Cassa di Risparmio di Asti S.p.A. and € 14,575 thousand for Biverbanca S.p.A.
As at 31/12/2019, the Group essentially retains the credit risk connected to the securitised loans, which the Group continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.
The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 271,232 thousand.
The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	7,820	interest expense on notes issued	1,685
		servicing fee expense	285
		other expenses	256
Total	**7,820**	**Total**	**2,226**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 2,819 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 814 thousand for Biverbanca S.p.A.
The receivables for interest on arrears on bad loans amount to € 162 thousand for Cassa di Risparmio S.p.A. and € 34 thousand for Biverbanca S.p.A., and were written off in full.
Interest income on repurchased notes, amounting to € 332 thousand for Cassa di Risparmio di Asti S.p.A. and € 311 thousand for Biverbanca S.p.A., was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE THIRD MULTI-ORIGINATOR SECURITISATION TRANSACTION

In June 2019, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. carried out the third multi-originator securitisation transaction with the special purpose vehicle Asti Group RMBS II S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 152897710 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35584.2. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, fixed, variable and option, for a total of € 988,009 thousand (of which € 862,439 thousand of Cassa di Risparmio di Asti S.p.A. and € 125,570 thousand of Biverbanca S.p.A.), all belonging to the “performing” category. The loans were transferred at their carrying amount.

Against the loans transferred, notes totalling € 988,008 thousand were issued, repurchased in full by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. Ownership of the notes was obtained on 28/06/2019 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The third multi-originator securitisation was originally a “self-securitisation” transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, were initially used as collateral in refinancing transactions with the European Central Bank, providing the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets. In the course of 2019, the senior class was sold to institutional investors.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

Type of Note	Rating as at 31/12/2019 Moody’s/ DBRS	Rate	Date of issue	Expected maturity date	Total issue value	Total amount repaid as at 31/12/2019	Total residual value as at 31/12/2019	Notes repurchased and owned by Banca C.R.Asti as at 31/12/2019 (nominal value)	Notes repurchased and owned by Biverbanca as at 31/12/2019 (nominal value)
Class A	Aa3/AAL	3M Euribor + 0.90% (*)	28/06/2019	29/12/2072	825,000	54,972	770,028	0	0
Class B	NR/BBBH	3M Euribor + 2.00% (**)	28/06/2019	29/12/2072	64,300	0	64,300	56,127	8,173
Class C	no rating	3M Euribor + 3.00%	28/06/2019	29/12/2072	98,708	0	98,708	86,169	12,539
Total					**988,008**	**54,972**	**933,036**	**142,296**	**20,712**

(*) Floor equal to 0% and Cap 2.5% up to the Interest Payment Date of June 2021, 3.5% after June 2021
(**) Floor equal to 0% and Cap 3.5% up to the Interest Payment Date of June 2021, 4.5% after June 2021

Like in the other transactions, also in the ninth securitisation, a loan with limited enforceability was disbursed for € 17,850 thousand (€ 15,581 thousand by Cassa di Risparmio di Asti S.p.A. and € 2,269 thousand by Biverbanca S.p.A.), crediting the amount of € 17,806 thousand to the SPV for the cash reserve, broken down as follows: € 15,538 thousand for Banca di Asti and € 2,269 thousand for Biverbanca and € 50 thousand for the provision for operating expenses, broken down as follows: € 44 thousand for C.R.Asti and € 6 thousand for Biverbanca.
The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

The Prospectus calls for a gradual reduction in the amount of the Cash Reserve: at each interest payment date, it will be reduced by the larger amount of 2% of the residual debt of the rated note and € 8,893 thousand; when at the interest payment date Class A will have been repaid in full, the Cash Reserve will be reduced to zero.

For this securitisation transaction, there is no rate hedging through swap transactions.

The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.

The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 31/12/2019, it amounts to € 7,043 thousand for Cassa di Risparmio di Asti S.p.A. and € 1,091 thousand for Biverbanca S.p.A.

As at 31/12/2019, the Bank essentially retains the credit risk connected to the securitised loans, which the Bank continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 813,143 thousand for Cassa di Risparmio di Asti S.p.A. and € 118,163 thousand for Biverbanca S.p.A.

The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	13,465	interest expense on notes issued	4,553
		servicing fee expense	558
		other expenses	221
Total	**13,465**	**Total**	**5,332**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 4,194 thousand in overall value adjustments on the principal.

Interest income on repurchased notes, amounting to € 3,610 thousand, was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE MAGGESE PROJECT TRANSACTION

On 16 July 2018, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. finalised, pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer for valuable consideration and en bloc of a portfolio of bad loans to the special purpose vehicle Maggese S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 07/06/2017, in force as of 30 June 2017, at no. 35475.3.

In particular, 5,313 loans originated by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. were transferred to the SPV, with a gross book value of € 694,546 thousand at the transfer date. Against the acquisition of the above-mentioned loans, on 26 July 2018 Maggese S.r.l. issued the following classes of notes pursuant to and in accordance with art. 5 of Italian Law 130/1999:

Type of Note	Rating as at 31/12/2019 Moody's/DBRS/ Scope	Rate	Date of issue	Expected maturity date	Total amount issued	Pool Factor	Total amount repaid as at 31/12/2019	Total residual amount as at 31/12/2019
Class A	Baa3/BBB/BBB	6M Euribor + 0.5% (*)	26/07/2018	25/07/2037	170,809	0.8736397	21,583	149,226
Class B	no rating	6M Euribor + 6% (*)	26/07/2018	25/07/2037	24,401	1.0000000	0	24,401
Class C	no rating	Variable	26/07/2018	25/07/2037	11,420	1.0000000	0	11,420
Total					**206,630**		**21,583**	**185,047**

(*) Floor 0% and Cap on Euribor equal to: 0.50 until July 2019; 0.75 from January 2020 to July 2021; 1 from January 2022 to July 2023; 1.25 from January 2024 to July 2025; 1.50 from January 2026 to July 2027; 2 from January 2028 to July 2029; 2.50 from January 2030 to July 2030; 3 until January 2031.

The residual amount of the notes repurchased and still on the possession of Cassa di Risparmio di Asti as at 31/12/2019 is equal to € 123,548 thousand and Biverbanca equal to € 27,471 thousand.

The structure benefits from a cash reserve equal to 4% of the class A notes (at the moment of the closing equal to € 6,832 thousand), which will begin to be repaid in July 2020. This reserve was funded by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. through a subordinated loan bearing interest at a fixed rate of 1%; the interest collected in the course of 2019 amounted to roughly € 53 thousand.

INFORMATION RELATING TO THE POP NPLS 2019 S.R.L. TRANSACTION

On 10 December 2019, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A., along with another ten banks (defined as "Transferors") finalised, pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer for valuable consideration and en bloc of a portfolio of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., with registered office in Conegliano (TV), Via Vittorio Alfieri no. 1, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35670.9.

In particular, a portfolio of credit positions originated by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. was transferred to the SPV, with a gross book value of € 62,490 thousand at the transfer date. The table below shows, for each transferring Bank, the carrying amounts at the transfer date and the transfer price which, to meet the requirements laid out in art. 4 of Italian Law Decree 18 of 14/02/2016 and Decree of the Ministry of Economy and Finance of 03/08/2016 (GACS Decree) for the purpose of eligibility for the state guarantee of the above-mentioned decree, must be lower than the aggregate gross book values (GBV) less value adjustments at the transfer date and inclusive of collections attributable to the SPV received by the transferring banks between 1 January 2019 and the transfer date.

Transferring Bank	Gross book value at the transfer date	Value adjustments at the transfer date	Net book value at the transfer date	Transfer consideration
Cassa di Risparmio di Asti S.p.A.	55,231	30,025	25,206	14,879
Biverbanca S.p.A.	7,259	4,232	3,027	2,513
Total	**62,490**	**34,257**	**28,233**	**17,392**

Against the acquisition of the above-mentioned loans, on 23 December 2019 POP NPLs 2019 S.r.l. issued the following classes of notes pursuant to and in accordance with art. 5 of Italian Law 130/1999:

Type of Note	Rating as at 31/12/2018 DBRS/Scope	Return	Payment date	Notes subscribed by C.R.Asti	Notes subscribed by Biverbanca	Total
Class A senior notes	BBB/BBB	6M Euribor + 0.30% (*)	February 2045	14,543	2,456	16,999
Class B mezzanine notes	CCC/CCC	6M Euribor + 9.50%	February 2045	2,100	357	2,457
Class J Junior notes	Not rated	6M Euribor + 12.00%	February 2045	420	71	491
Total				**17,063**	**2,884**	**19,947**

** Cap equal to the Euribor*

The notes were subscribed in full by the Transferring Banks and, also on 23 December 2019, 94.61% of the nominal value of the Mezzanine Notes and 94.61% of the nominal value of the Junior Notes was transferred to JP Morgan Securities plc. Following the above-mentioned transfer, aiming for the derecognition of the loans by Cassa di Risparmio di Asti and Biverbanca and to obtain the GACS on the senior class, with a payment guarantee by the State for interest and principal, the position of the Banks to the securitisation is as follows:

Type of Note	Notes held by C.R.Asti	Notes held by Biverbanca	Total
Class A senior notes	14,543	2,456	16,999
Class B mezzanine notes	105	18	123
Class J junior notes	21	4	25
Total	**14,669**	**2,477**	**17,146**

As the requirements were met for the derecognition of the NPLs pursuant to IFRS 9, the bad loans underlying the securitisation were derecognised from the assets of the Bank (asset item 40 “Loans and advances to customers”). The transaction thus structured indeed led to the transfer to third parties of all risks and benefits linked to the transferred loan portfolio.

The derecognition of the loans resulted in the recognition of a net loss from disposal of € 10,812 thousand, accounted for in Income Statement item 100 a) “Gains (losses) on disposal or repurchase of financial assets measured at amortised cost”.

As part of this transaction, on 16 December 2019, the SPV entered into two cap agreements with J.P. Morgan AC on rates to hedge interest rate risk relating to the notes.

The structure also benefits from a cash reserve equal to 4.70% of the total nominal value of the senior notes (€ 8,085 thousand), intended to manage the risk of any misalignments between the funds deriving from collections and the sums due against senior costs of the transaction and interest on the senior notes. This reserve was funded at the time of the issue of the notes, by a limited recourse loan disbursed by the transferors, amounting to around € 680 thousand for Cassa di Risparmio di Asti S.p.A.

On 8 January 2020, a petition was submitted to the MEF to obtain the "GACS" in favour of the senior noteholders.

INFORMATION RELATING TO THE MADELEINE TRANSACTION

In May 2013, the company Pitagora S.p.A. completed a self-securitisation of salary and pension assignment loans, with transfers on a quarterly basis from 2013 to 31 December 2014 for a total of € 197.7 million in loans. The loan transfers took place through the payment of an acquisition price "at par".
To fund the acquisition of the loans transferred by the company, the SPV issued "asset backed" (partially paid) notes in an amount equal to the value of the loans transferred plus the Cash Reserve and the Prepayment Reserve, broken down into two classes on the basis of the tranching assigned by Moody's when it assigned the private rating:

- 82% "Senior" Notes (Class A Asset Backed);
- 18% "Junior" Notes (Class B Asset Backed).

At the time of the issue of the notes, Pitagora signed the Master Repurchase Agreement (hereinafter the "REPO") with Duomo funding plc, the Banca Intesa Sanpaolo Group, for the € 125 million loan for the acquisition of the senior notes.

In the course of 2013 and 2014, in relation to the transaction, the company entered into the following agreements:

- "Class A Notes Purchase and Additional Agreement", for the sale, in several tranches, to Goldman Sachs of 94.25% of the senior notes, previously used to back the REPO. The company maintained, again in compliance with legal provisions, a net economic interest to the extent of 5.75% of the nominal value of the senior notes tranche. The senior notes, held by Pitagora in compliance with the "retention rule", remained to back the REPO previously entered into.
- "Class B Notes Purchase Agreement" with the Luxembourg-based vehicle Hermes Trade Receivables s.ar.l. (through the intervention and guarantee of the Christofferson Robb &C. investment fund) for the sale of 94.93% of the junior notes. The company maintained, in compliance with legal provisions, a net economic interest to the extent of 5.07% of the nominal value of the junior notes tranche.
- "Restructuring Transaction" intended to issue two subordinate classes of Notes: Fixed rate and rated mezzanine (for an amount equal to 8.5% of the total notes) and new variable rate unrated junior notes, to replace the original junior class (for an amount equal to 9.5% of the total notes). The company maintained, also in line with the "retention rule" set forth for the transaction, in compliance with the provisions pursuant to art. 122 bis of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 ("Capital Requirements Directive I" – CRD I), as amended by Directive 2009/111/EC of the European Parliament and of the Council of 16 September

2009 (“Capital Requirements Directive II” – CRD II), the net economic interest on all classes of notes, according to the vertical slice method.

In 2014, the company requested and obtained the transformation of the rating from private to public from the company Moody’s, which on 11 March 2014 confirmed the A3 rating and the maintenance of the tranching assigned previously. On 17 July 2014, the company obtained a second public rating issued by the rating agency DBRS for the class A (senior) notes, which confirmed the tranching noted above, as assigned by Moody’s, and recognised a rating of A-.
In the course of 2019, the REPO loan was paid off, in line with the full repayment of the senior notes, held in the portfolio by Pitagora and provided as a guarantee.
The most recent available update of the rating places the mezzanine notes at A3 (Moody’s) and A (high) (DBRS).

INFORMATION RELATING TO THE LAKE 2 TRANSACTION

On 11 May 2017, the company Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle *Lake Securitisation* Srl, as part of a multi-originator securitisation transaction structured by Banca Progetto, pursuant to Italian Law 130, with no note tranching. The size of the transaction is between € 50 and € 100 million per year in terms of price, with a 24-month ramp-up period. The transfer agreement underlying the transaction calls for different transfer prices depending on product type.
The company has no obligation to retain the notes issued by the vehicle established pursuant to Italian Law 130, considering the fact that the transaction cannot be considered a securitisation pursuant to Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 - Capital Requirements Regulation (CRR), since the requirements established therein are not met.

INFORMATION RELATING TO THE PETILIA TRANSACTION

On 19 December 2019, the company Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle PETILIA SPV Srl, as part of a new securitisation transaction with derecognition pursuant to Italian Law 130, structured by Banca Popolare Puglia e Basilicata, with no notes tranching.
The total maximum value of the notes that may be issued is € 270 million, with a 24-month ramp-up period. The notes have a “partly paid” structure and were subscribed in full by Banca Popolare di Puglia e Basilicata.
The company has no obligation to retain the notes issued by the vehicle established pursuant to Italian Law 130, considering the fact that the transaction cannot be considered a securitisation pursuant to Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 -

Capital Requirements Regulation (CRR), since the requirements established therein are not met.
The transfers of loans were carried out by paying a purchase price according to a transfer rate differentiated by product type (spread + 5Y IRS).

Like for the other securitisations, Pitagora, as Servicer, took on the role of managing the collection and recovery of loans transferred in the name and on behalf of the SPV. This activity enables Pitagora to maintain direct relations with its customers, transferring principal and interest collections to accounts opened in the name of Petilia SPV Srl at the collection custodian bank.

C.1 Prudential consolidation - exposures arising from major own securitisation transactions broken down by type of securitised assets and exposures

Quality of underlying assets/Exposures	Balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	value adjustments	Book value	value adjustments	Book value	value adjustments
A. Fully derecognised	**26,906**	**29,946**	**1,849**	**0**	**14,068**	**0**
- 2019 GACS securitisation	26,906	29,946	0	0	0	0
- salary and pension assignment loans	0	0	1,849	0	14,068	0
B. Partially derecognised	**0**	**0**	**0**	**0**	**0**	**0**
C. Not derecognised	**1,742,931**	**27,351**	**10,892**	**0**	**12,274**	**0**
- performing mortgage loans	1,593,356	8,787	0	0	0	0
- non-performing mortgage loans	36,846	18,565	0	0	0	0
- salary and pension assignment loans	112,729	0	10,892	0	12,274	0

(Continued)

Financial guarantees given						Credit facilities					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0

C.3 Prudential consolidation - Stakes in special purpose securitisation vehicles

Securitisation name/Special purpose vehicle name	Registered Office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Asti Finance S.r.l.	Rome	Yes	214,842	0	35,214	112,473	0	79,750
Asti RMBS S.r.l.	Rome	Yes	250,740	0	10,843	119,427	0	87,900
Asti GROUP RMBS S.r.l.	Rome	Yes	271,033	0	11,404	128,002	0	96,800
Asti GROUP PMI S.r.l. (*)	Rome	Yes	1,115,406	0	119,587	700,000	0	485,339
Asti GROUP RMBS II S.r.l.	Rome	Yes	930,067	0	843,276	770,028	64,300	98,708
Maggese S.r.l.	Rome	No	165,714	0	22,373	149,226	1,221	572
POP NPLs S.r.l.	Conegliano	No	59,485	0	216	16,999	123	25
Madeleine Spv S.r.l.	Milan	No	15,669	0	3,012	0	2,303	17,522
Annette S.r.l.	Milan	Yes	0	0	0	0	0	0
Geordie S.r.l.	Conegliano	Yes	0	0	0	0	0	0
Manu S.r.l.	Conegliano	Yes	135,066	0	4,035	115,154	11,127	12,538
Dyret SPV S.r.l.	Milan	No	344,247	0	7,792	288,735	33,968	29,449
Petilia Finance S.r.l.	Milan	No	73,607	0	2,620	97,235	0	0

The item “Liabilities” includes the notes issued.
(*) Self-securitisation transaction.
(**) Group self-securitisation transaction.

C.4 Prudential consolidation - Non-consolidated special purpose securitisation vehicles

Maggese S.r.l.

Following the securitisation transaction on bad loans transferred to the special purpose vehicle Maggese S.r.l., Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. hold the entire senior tranche issued by the SPV, backed by the Italian State GACS guarantee, with a total value of € 170,809 thousand as at 31 December 2019.

The details of the senior tranche are provided below:

Note	Listing Market	Rate/ Spread	Rating as at 31/12/2019 Moody's/ DBRS	Final repayment date	Total amount issued	Residual amount of notes repurchased and still owned as at 31/12/2019	Subscriber
Senior	Unlisted	6M Euribor + 0.5%	Baa3/BBB	July 2037	139,738	122,081	Cassa di Risparmio di Asti S.p.A.
Senior	Unlisted	6M Euribor + 0.5%	Baa3/BBB	July 2037	31,071	27,145	Biverbanca S.p.A.
Total					**170,809**	**149,226**	

At the issue date, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. disbursed, for € 5,589 thousand and € 1,243 thousand, respectively, a limited recourse loan in favour of the SPV for a total of € 6,832 thousand (corresponding to the target cash reset amount at the issue date). This loan was disbursed to allow for the constitution of the required cash reserve. As of the disbursement date interest will accrue on the amount of the loan, or the lower principal sum still due over time following the partial repayments, at an annual rate of 1% calculated on an ACT/360 basis.

The maximum exposure to risk of loss at the date of these financial statements for Cassa di Risparmio di Asti S.p.A. is therefore equal to € 127,670 thousand and for Biverbanca S.p.A. it is equal to € 28,388 thousand, equal to the sum of the book value of the senior tranche held and the residual debt connected to the above-mentioned limited recourse loan.

In light of how the securitisation is structured, the events or circumstances that could expose the Bank to a loss are indeed neutralised by the presence of the Italian State "GACS" guarantee backing the entire senior tranche exposure.

POP NPLS 2019 S.r.l.

Following the securitisation of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., the Transferring Banks subscribed pro rata the senior tranche issued by the SPV, for a total value of € 173,000 thousand as at 31 December 2019 and for which a request was submitted to the Ministry of Economy and Finance on 8 January 2020 for admission to the state guarantee scheme on the issued liabilities (GACS).

The details of the senior tranche held by Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. are provided below:

Note	Listing Market	Rate/ Spread	Rating as at 31/12/2019 DBRS/Scope	Final repayment date	Nominal value issued	Residual value at year end	Subscriber
Senior	Unlisted	6M Euribor + 0.30%	BBB	February 2045	14,543	14,543	Cassa di Risparmio di Asti S.p.A.
Senior	Unlisted	6M Euribor + 0.30%	BBB	February 2045	2,456	2,456	Biverbanca S.p.A.
Total					**16,999**	**16,999**	

On 20 December 2018, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. disbursed a limited recourse loan, for € 680 thousand and € 115 thousand, respectively, in favour of the SPV, in order to allow for the establishment of the required cash reserve. This reserve is equal to 4.7% of the total nominal value of the senior notes (€ 8,085 thousand) and is intended to guarantee the risk of any misalignments between the funds deriving from collections and the sums due against senior costs of the transaction and interest on the senior notes.

C.5 Prudential consolidation - Servicer activities - own securitisations: collections of securitised loans and repayments of notes issued by the special purpose securitisation vehicle

Servicer	Special purpose vehicle	Securitised assets (period-end figure)		Loan collections during the year	
		Non-performing	Performing	Non-performing	Performing
YES	Madeleine SPV S.r.l.	1,101	14,816	233	11,282
YES	Dyret SPV S.r.l.	680	29,556	324	7,713
YES	Petilia Finance S.r.l.	143	72,929	4	531

(Continued)

Servicer	Special purpose vehicle	Percentage of notes repaid (period-end figure)					
		Senior		Mezzanine		Junior	
		Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
YES	Madeleine SPV S.r.l.	0	0	0	84%	0	0
YES	Dyret SPV S.r.l.	0	0	0	0	0	0
YES	Petilia Finance S.r.l.	0	0	0	0	0	0

D. DISPOSALS

A. Financial assets sold and not fully derecognised

QUALITATIVE INFORMATION

For a description of the transactions contained in tables D.1 and D.2 below, please refer to the footnotes of the tables themselves.

QUANTITATIVE INFORMATION

D.1 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS SOLD AND FULLY RECOGNISED AND ASSOCIATED FINANCIAL LIABILITIES: BOOK VALUES	Financial assets sold and fully recognised				Associated financial liabilities		
	Book value	of which: subject to securitisation transactions	of which: subject to contracts of sale with repurchase obligation	of which non-performing	Book value	of which: subject to securitisation transactions	of which: subject to contracts of sale with repurchase obligation
A. Financial assets held for trading	**53**	**53**	**0**	**X**	**0**	**0**	**0**
1. Debt securities	0	0	0	X	0	0	0
2. Equity securities	0	0	0	X	0	0	0
3. Loans	53	53	0	X	0	0	0
4. Derivatives	0	0	0	X	0	0	0
B. Other financial assets mandatorily measured at fair value	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Debt securities	0	0	0	0	0	0	0
2. Equity securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets designated at fair value	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Debt securities	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
D. Financial assets measured at fair value through other comprehensive income	**99,400**	**99,391**	**0**	**0**	**-15,355**	**0**	**-15,355**
1. Debt securities	0	0	0	0	-15,355	0	-15,355
2. Equity securities	0	0	0	X	0	0	0
3. Loans	99,400	99,391	0	0	0	0	0
E. Financial assets measured at amortised cost	**2,168,769**	**1,691,714**	**477,050**	**0**	**-882,471**	**-427,457**	**-455,014**
1. Debt securities	477,055	0	477,050	0	-455,014	0	-455,014
2. Loans	1,691,714	1,691,714	0	0	-427,457	-427,457	0
Total 2019	**2,268,222**	**1,791,158**	**477,050**	**0**	**-897,826**	**-427,457**	**-470,369**
Total 2018	**1,075,642**	**820,546**	**255,096**	**0**	**-329,684**	**0**	**-285,138**

D.3 PRUDENTIAL CONSOLIDATION - SALES TRANSACTIONS RELATING TO LIABILITIES WITH REPAYMENT EXCLUSIVELY BASED ON ASSETS SOLD AND NOT FULLY DERECOGNISED: FAIR VALUE	Fully recognised	Partially recognised	Total	
			2019	2018
A. Financial assets held for trading	**53**	**0**	**53**	**0**
1. Debt securities	0	0	0	0
2. Equity securities	0	0	0	0
3. Loans	53	0	53	0
4. Derivatives	0	0	0	0
B. Other financial assets mandatorily measured at fair value	**0**	**0**	**0**	**0**
1. Debt securities	0	0	0	0
2. Equity securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets designated at fair value	**0**	**0**	**0**	**0**
1. Debt securities	0	0	0	0
2. Loans	0	0	0	0
D. Financial assets measured at fair value through other comprehensive income	**99,400**	**0**	**99,400**	**0**
1. Debt securities	0	0	0	0
2. Equity securities	0	0	0	0
3. Loans	99,400	0	99,400	0
E. Financial assets measured at amortised cost (fair value)	**1,691,714**	0	**1,691,714**	**0**
1. Debt securities	0	0	0	0
2. Loans	1,691,714	0	1,691,714	820,546
Total financial assets	**1,791,167**	**0**	**1,791,167**	**820,546**
Total associated financial liabilities	**-427,457**	**0**	**X**	**X**
Net value 2019	**1,363,710**	**0**	**1,363,710**	**X**
Net value 2018	**556,097**	**0**	**X**	**556,097**

B. Financial assets sold and fully derecognised with recognition of "continuing involvement"

There are no items of this type.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

The Credit Rating System through which each Customer is assigned a score representative of their creditworthiness constitutes a valid management tool supporting both the Sales Network and the Central structures in lending decisions, renewals and management.
Furthermore, as noted previously, a project has been launched to transition the current credit risk measurement system towards an AIRB method.

1.2.1 INTEREST RATE AND PRICE RISK – REGULATORY TRADING BOOK

QUALITATIVE INFORMATION

A. General aspects

"Market risks" identifies risks connected to the effects on income flows and on the economic value of the Group of unexpected changes in the level of interest and exchange rates, equity and commodities prices, as well as the relative expected volatility. For a financial intermediary, market risks represent a central component of the broader economic risk, or the risk linked to the possibility that the profit generated will differ from shareholder and management expectations.
As part of the strategies approved by the Board of Directors, the General Management of the Parent Company, supported by the Risks and ALM Committee, plays a key role in the management and control of market risks.
The General Manager of each Group Company is responsible for operating within the limits established in the "Regulation of delegated powers on financial transactions", with the right of sub-delegation, including partially, to the various competent players, possibly after consulting with the Risks and ALM Committee.
The Risks and ALM Committee analyses the Group's capital and financial structure, proposing management policies, taking into account the evolution of the financial markets, with respect for the restrictions imposed by the Supervisory Body and the operating limits established by the Board of Directors for the management of interest rate, price and exchange rate risk.
The Parent Company's Integrated Treasury Office manages interest rate and exchange rate risk according to defined strategies within the scope of the delegations received. Interest rate risk is centralised within the Integrated Treasury Office through a transfer pricing system between the Integrated Treasury itself and all other Group business areas.
The internal transfer rates system is revised on an annual basis when the budget is drafted. In the guidelines for drafting the 2020 budget, the criteria for formulating internal transfer prices were kept unchanged and include the adoption of several corrective measures applied for dealing with demand items, so as to handle anomalies deriving from the current market situation characterised by negative short/medium-term rates. The criteria were deemed consistent in considering the component linked to liquidity risk generated by the individual business units, and as a result capable of making costs concerning risk assumption within the units consistent with the exposure to liquidity risk that is generated for the Group overall as well as with company policies.
The Parent Company's Credit and Financial Risk Office checks for respect for the risk limits and operating powers on financial transactions by means of systematic monitoring on the Group's exposure to market, interest rate and exchange rate risks, while also monitoring the effectiveness of the procedures adopted for measuring and monitoring risks, reporting and proposing improvements.

According to the strategies adopted by the Group, in setting up and managing its own portfolio, pure trading activity and as a result the trading portfolio, is residual in nature.

B. Management procedures and measurement methods for interest rate risk and price risk

Exposure to market risks characterises, although to different extents and in different manners, both the portfolio of financial assets managed for trading purposes and the banking book.
The regulatory trading book consists of positions in financial instruments and commodities held for trading purposes or to hedge risk inherent in other elements in the same portfolio. The instruments must lack any clause limiting their negotiability or, alternatively, must be eligible for hedging.
The positions held for trading purposes are those intentionally meant for subsequent sale in the short term and/or acquired in order to benefit, in the short term, from differences between the purchase and sale price or other changes in prices or interest rates. Positions refer to positions in and of themselves as well as positions deriving from services to customers or to support trading (market making).
With reference to the methodologies for measuring market risks for the regulatory trading book, please refer to what will be described regarding the Shift Sensitivity Analysis and VaR in the section on “General aspects, management procedures and measurement methods for interest rate risk and price risk in the banking book”.
The Group measures market risk in order to determine the capital requirement by applying the standardised method.

QUANTITATIVE INFORMATION

1. REGULATORY TRADING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF BALANCE SHEET FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES: EURO Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**0**	**0**	**30**	**0**	**0**	**1**	**0**	**0**
1.1 Debt securities	0	0	30	0	0	1	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	30	0	0	1	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Balance sheet liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Repurchase agreements	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**324,750**	**281,500**	**2,785**	**85,864**	**416,475**	**102,668**	**0**
3.1 With underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security								
- Options								
+ Long positions	0	271	399	774	2,819	8,186	1,396	0
+ Short positions	0	405	396	768	2,714	8,289	1,272	0
- Other derivatives								
+ Long positions	0	313,125	280,517	1,243	331	0	0	0
+ Short positions	0	10,949	188	0	80,000	400,000	100,000	0

1. REGULATORY TRADING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF BALANCE SHEET FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES: OTHER CURRENCIES Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Balance sheet liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Repurchase agreements	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	8	0	0	0	0	0	0
+ Short positions	0	2,805	445	890	0	0	0	0

3. Regulatory trading book: internal models and other sensitivity analysis methods

Given the low amounts and as these are positions that are basically offset, it was not deemed appropriate to proceed with further sensitivity analyses.

1.2.2 INTEREST RATE AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for interest rate risk and price risk

Interest rate risk, understood as the potential decline in the economic value of items as a result of changes in the level of market rates, derives from the mismatching of maturities and/or repricing between assets and liabilities in the banking book.
The banking book includes:

- assets and liabilities generated by treasury operations and therefore interbank deposits given and received, repurchase agreements, bonds held in the bank-owned portfolio, derivative contracts hedging interest rate risk (IRS, OIS and FRA), etc.;
- assets and liabilities generated by operations with ordinary customers; in this case, the risk is strictly linked to the Group's commercial funding and lending policies, and is allocated to the Treasury through an internal transfer rates system.

Price risk is related to the typical volatility in the value of financial instruments such as equity securities, UCITS and derivative contracts on such instruments.
As regards the structures responsible for the management and control of interest rate and price risk, please refer to the section above "General aspects" dealing with interest rate risk and price risk - Regulatory trading book.
The Group's strategic objective is to limit its exposure to interest rate risk, in line with what is laid out in the Risk Appetite Framework, to a level deemed balanced and compatible with its capital and financial stability.
The strategies concerning interest rate risk management, set forth in the "Group Policies on interest rate risk and hedge accounting", call for recourse to natural hedges any time the financial structure of the assets and liabilities so permits, and their integration, when necessary, by entering into derivative contracts.
Management and strategic decisions are aimed at minimising the volatility of overall economic value as market rate structures change, as can be seen in the limits set on shift sensitivity in the "Regulation of delegated powers on financial transactions" in force within each Group Bank.
In this regard, the "Group financial investment policies" allow for, if applicable, a component in OTC derivatives (IRS, OIS, FRA, etc.) primarily intended to hedge interest rate risk on Group asset and liability items.
The overall mismatching profile is defined through operational management of the ALM, supported by an internal sensitivity model that allows for the definition of the risk profile overall as well as for each individual time bucket, through the assignment of all Group positions (or, if desired, part of them), to the relative repricing time bands.
To measure the financial risks generated by the banking book, the Group relies on two methodologies:

- historical simulation VaR, for investments in financial instruments held in the bank-owned portfolio FVOCI;
- Shift Sensitivity Analysis on the entire banking book.

The potential change in value of the items included in the banking book due to adverse changes in the level of rates is quantified through an internal gap analysis and shift sensitivity model (the techniques used are those commonly named duration gap), simulating a parallel and uniform shift in the rate curve of 100 basis points. In compliance with the limits established by the Boards of Directors of the Group Banks, the value at risk is defined within 12 months and beyond 12 months.
The report representing the output of the processing described above is brought to the attention of the Risks and ALM Committee by the Credit and Financial Risk Office on a monthly basis during each meeting, in order to facilitate the determination of the strategies to be followed in relation to market rate fluctuation outlooks.
Within the ICAAP process set forth in the "Prudential Supervision Regulations for Banks", in order to determine internal capital against interest rate risk on the banking book, the Group relies on the methodology suggested by the Supervisory Authority in Annex C of Title III - Chapter 1 of Circular no. 285. The main differences with the gap analysis and shift sensitivity model used for management purposes regard the inclusion of assets and liabilities within 14 time bands, the breakdown of current account overdrafts and demand savings deposits up to 5 years, the recognition of bad loans in the pertinent residual life brackets on the basis of cash flow recovery forecasts, the positioning of the compulsory reserve in the "up to 1 month" bracket and the application of the weighting specified by regulations.
The stress test procedures require the performance of a sensitivity analysis based on assumptions of a parallel and uniform change and on changes in the slope of the market rate curve.

B. Fair value hedging

The adoption of the Fair Value Option and the Fair Value Hedge has the objective of eliminating or reducing valuation inconsistencies deriving from changes in the fair value of funding and lending instruments caused by interest rate curve fluctuations, in cases in which the application of the ordinary accounting rules established for the applicable category does not allow for a more reliable representation of information in the financial statements.
The hedge is linked only to interest rate risk.
The "Group Policies on interest rate risk and hedge accounting" define the model of responsibilities and processes for the management and control of interest rate risk and the relative accounting treatment (hedge accounting), consistent with the nature of the Group and its degree of complexity, in compliance with Supervisory regulations and internal regulations.
As set forth by IFRS 9, the Group has currently decided to opt out, with the resulting maintenance of the rules relating to hedge accounting governed by IAS 39, therefore without applying the new General Hedge principle (possible until the IASB is able to provide a consolidated and shared regulatory framework on macro hedges).
The types of derivatives used consist of "over the counter" interest rate swap (IRS) contracts. The precisely identified assets and liabilities hedged include bonds acquired or issued by the Group Banks and fixed rate loans.

C. Cash flow hedging

Cash flow hedge is the accounting model for the hedging of exposure to the variability of flows associated with assets or liabilities or highly likely future transactions depending on a specific risk. The risk hedged, in this case, is interest rate risk, consisting of the possibility that future changes in the level of market rates may negatively influence company results.

Keeping in mind that a derivative used for risk management on a net basis may be considered indistinctly as a Fair Value Hedge or a Cash Flow Hedge instrument (an IRS, which pays fixed and receives variable, may be considered a hedge of a fixed rate asset or a variable rate liability), the Group adopts the Cash Flow Hedge methodology for the accounting treatment of OTC derivatives (interest rate swaps) entered into for the hedging of net positions.

The objective pursued by the hedge is to stabilise the interest flow from variable rate deposits to the extent that the latter finances fixed rate loans.

As also noted previously, the Group has developed a specific internal policy that defines the roles and duties of the company figures involved.

QUANTITATIVE INFORMATION

1. BANKING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES: EURO Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**2,970,974**	**2,162,922**	**1,374,642**	**273,515**	**1,058,582**	**1,987,175**	**1,828,538**	**0**
1.1 Debt securities	**0**	**717,232**	**545,870**	**120,584**	**89,124**	**1,309,141**	**1,341,303**	**0**
- with early repayment option	0	0	0	989	1,271	0	0	0
- other	0	717,232	545,870	119,595	87,853	1,309,141	1,341,303	0
1.2 Loans and advances to banks	**146,218**	**400,942**	**1**	**3**	**23**	**27**	**2**	**0**
1.3 Loans and advances to customers	**2,824,756**	**1,044,748**	**828,771**	**152,928**	**969,435**	**678,007**	**487,233**	**0**
- c/a	582,099	0	0	515	7,505	13,078	1	0
- other loans	2,242,657	1,044,748	828,771	152,413	961,930	664,929	487,232	0
- with early repayment option	2,071,537	420,722	776,142	78,567	465,172	438,879	485,512	0
- other	171,120	624,026	52,629	73,846	496,758	226,050	1,720	0
2. Balance sheet liabilities	**5,935,899**	**1,311,615**	**1,305,687**	**665,056**	**1,939,173**	**477,254**	**4,104**	**0**
2.1 Deposits from customers	**5,738,173**	**483,052**	**1,229,177**	**170,554**	**427,710**	**62,251**	**4,073**	**0**
- c/a	5,626,419	137,846	53,530	161,781	357,396	0	0	0
- other liabilities	111,754	345,206	1,175,647	8,773	70,314	62,251	4,073	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	111,754	345,206	1,175,647	8,773	70,314	62,251	4,073	0
2.2 Deposits from banks	**58,797**	**127,162**	**8**	**450,168**	**1,011,169**	**121**	**31**	**0**
- c/a	37,703	0	0	0	0	0	0	0
- other liabilities	21,094	127,162	8	450,168	1,011,169	121	31	0
2.3 Debt securities	**138,929**	**701,401**	**76,502**	**44,334**	**500,294**	**414,882**	**0**	**0**
- with early repayment option	0	0	43,121	0	0	141,685	0	0
- other	138,929	701,401	33,381	44,334	500,294	273,197	0	0
2.4 Other liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	0	1,354	1,095	0	81	242	0	0
+ Short positions	0	723	730	0	54	156	0	0
- Other								
+ Long positions	0	92	365	0	27	70	0	0
+ Short positions	0	539	0	0	0	16	0	0
3.2 Without underlying security								
- Options								
+ Long positions	0	25,624	2,359	2,865	24,995	22,797	13,807	0
+ Short positions	0	57,390	17,171	1,082	3,925	11,479	1,399	0
- Other derivatives								
+ Long positions	0	1,161,175	161,087	7,443	4,116	17,217	11,252	0
+ Short positions	0	337,774	153,089	17,246	79,063	410,132	326,969	0
4. Other off-balance sheet transactions								
+ Long positions	111,560	0	0	0	0	0	0	0
+ Short positions	111,560	0	0	0	0	0	0	0

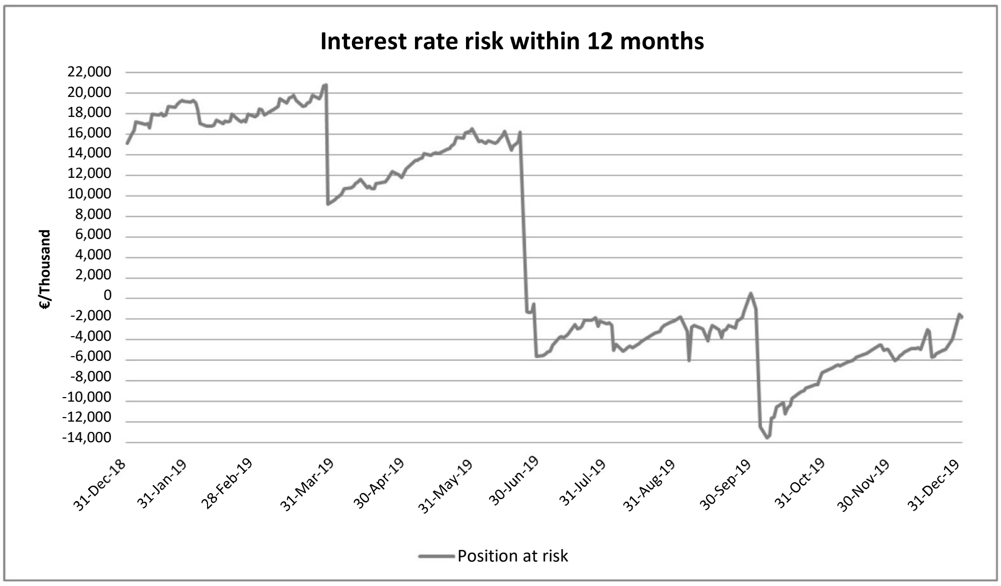
1.2 MARKET RISK

1. BANKING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES: OTHER CURRENCIES Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**9,425**	**8,321**	**547**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Loans and advances to banks	**8,110**	0	0	0	0	0	0	0
1.3 Loans and advances to customers	**1,315**	**8,321**	**547**	**0**	**0**	**0**	**0**	**0**
- c/a	1,315	0	0	0	0	0	0	0
- other loans	0	8,321	547	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	8,321	547	0	0	0	0	0
2. Balance sheet liabilities	**21,916**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Deposits from customers	**21,886**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- c/a	21,886	0	0	0	0	0	0	0
- other liabilities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.2 Deposits from banks	**30**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- c/a	30	0	0	0	0	0	0	0
- other liabilities	0	0	0	0	0	0	0	0
2.3 Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
2.4 Other liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	38,551	15,687	5,839	0	0	0	0
+ Short positions	0	62,168	29,149	6,782	0	0	0	0
4. Other off-balance sheet transactions								
+ Long positions	0	281	0	0	0	0	0	0
+ Short positions	0	281	0	0	0	0	0	0

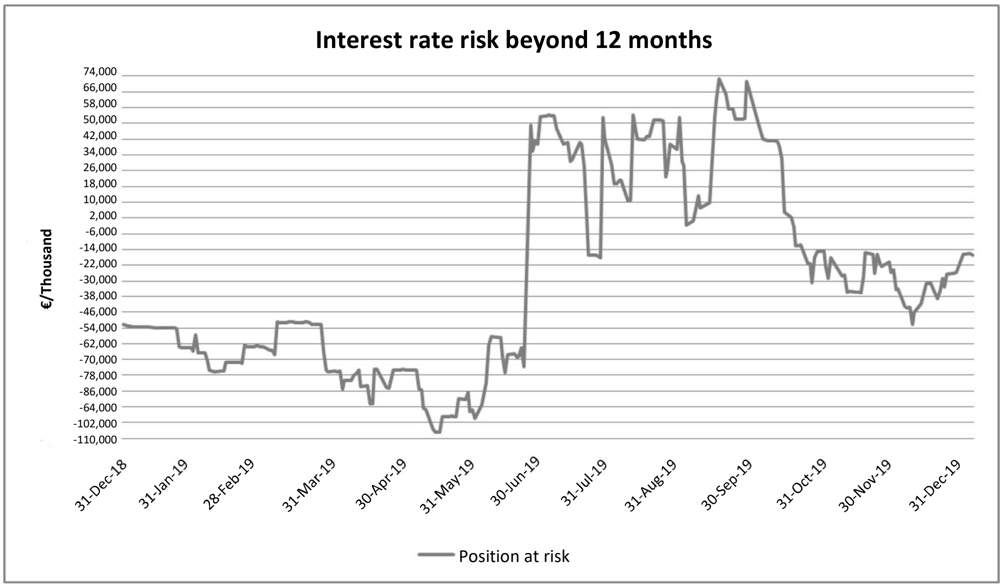
2. Banking book: internal models and other sensitivity analysis methods

SENSITIVITY ANALYSIS METHODOLOGIES

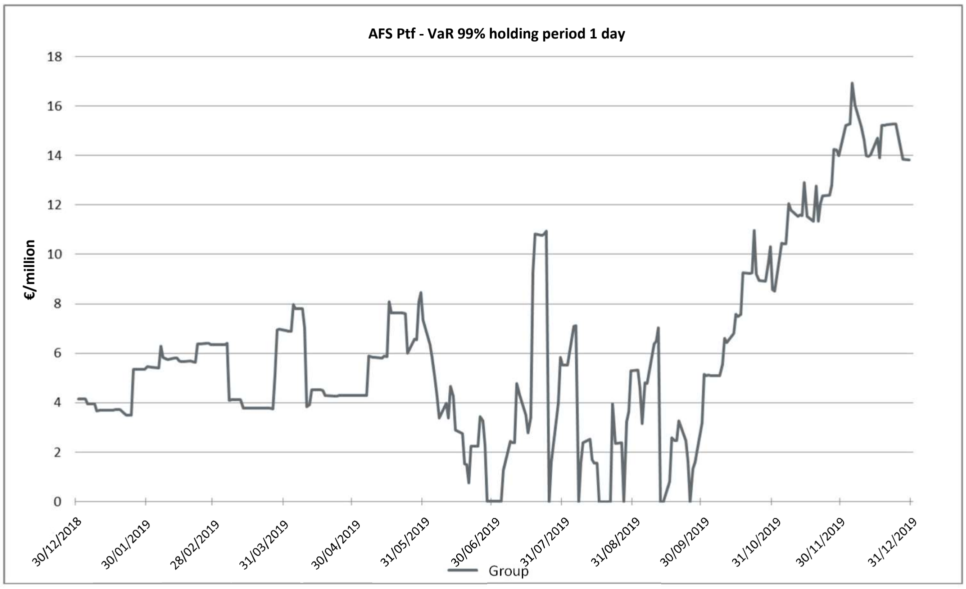
The Gap Analysis and Shift Sensitivity model, which as noted previously uses duration gap techniques, calls for the treatment of only principal flows according to the most documented practice in the market.
The value at risk within 12 months at Group level, measured through the Shift Sensitivity Analysis and based on an assumption of a parallel rate shock equal to 100 basis points, was equal to € -1.7 million as at 31 December 2019; in the course of 2019, there was an average value of € 5.2 million, with a minimum value of € -13.5 million and a maximum value of € 20.8 million.



The value at risk beyond 12 months amounted to € -17 million as at 31 December 2019; in the course of 2019, there was an average value of € -29.1 million, with a minimum value of € -107 million and a maximum value of € 72.4 million.



At the end of the year 2019, the historical simulation VaR calculated on the bank-owned portfolio in the held to collect and sell category amounted to € 13.8 million; in the course of the year the average value was € 6.1 million, the minimum value was 0 and the maximum value was € 17 million.



The control on other limits set forth in the "Regulation of delegated powers on financial transactions" of the Group Banks is performed by the Risk Control Function with the support of the platform provided by the IT outsourcer Myrios.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for foreign exchange risk

The Group is exposed to foreign exchange risk as a result of its trading activities in the currency markets and its investment and fundraising activities with instruments denominated in currencies other than the euro.
The Parent Company’s Integrated Treasury Office is responsible for the management of foreign exchange risk.
The monitoring of the foreign exchange position, determined as the sum of the absolute values of the net positions of the individual currencies, is performed daily by the Parent Company’s Credit and Financial Risk Office, which verifies respect for the limit set by the Board of Directors and periodically provides the required disclosure to the Risks and ALM Committee.
In monitoring activities, the Group relies on the Forex module of the Obj-Fin Procedure.
In observance of the limits established by the “Regulation of delegated powers on financial transactions”, the global intraday and overnight position is monitored, as defined previously, as well as the daily stop loss on the open position.

B. Hedging of foreign exchange risk

Hedging of foreign exchange risk, under the responsibility of the Parent Company’s Integrated Treasury Office, tends towards minimising currency exposure by entering into agreements with credit counterparties intended to hedge the positions at risk.

QUANTITATIVE INFORMATION

1. BREAKDOWN BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES	Currencies					
Items	Japanese Yen	Swiss Franc	US Dollar	Great Britain Pound	Australian dollar	Other currencies
A. Financial assets	**250**	**1,037**	**17,183**	**2,381**	**3,638**	**655**
A.1 Debt securities	0	0	0	0	0	0
A.2 Equity securities	0	0	0	0	0	0
A.3 Loans and advances to banks	223	983	7,087	2,376	3,638	655
A.4 Loans and advances to customers	27	54	10,096	5	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**139**	**847**	**1,308**	**593**	**108**	**313**
C. Financial liabilities	**111**	**2,753**	**15,821**	**2,958**	**6,553**	**570**
C.1 Deposits from banks	111	679	1,872	1,060	2,928	232
C.2 Deposits from customers	0	2,074	13,949	1,898	3,625	338
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	0	2	269	1	0	0
E. Financial derivatives	0	0	0	0	0	0
- Options	0	0	0	0	0	0
+ Long positions	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0
- Other derivatives	0	0	0	0	0	0
+ Long positions	25,686	921	74,459	2,398	3,448	580
+ Short positions	25,961	32	76,454	2,424	644	953
Total assets	**26,075**	**2,805**	**92,950**	**5,372**	**7,194**	**1,548**
Total liabilities	**26,072**	**2,787**	**92,544**	**5,383**	**7,197**	**1,523**
Difference (+/-)	**3**	**18**	**406**	**-11**	**(3)**	**25**

2. Internal models and other sensitivity analysis methods

Considering the low amounts in question, it was not deemed appropriate to proceed with additional sensitivity analyses.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 TRADING DERIVATIVES

A. Financial derivatives

A.1 FINANCIAL TRADING DERIVATIVES: END OF PERIOD NOTIONAL AMOUNTS	Total 2019				Total 2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
Underlying assets/ Types of derivatives		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**0**	**0**	**1,068,972**	**0**	**0**	**0**	**1,243,682**	**0**
a) Options	0	0	5,907	0	0	0	6,843	0
b) Swaps	0	0	1,063,065	0	0	0	1,236,839	0
c) Forwards	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
2. Equity securities and stock indices	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	0	0	0	0	0	0
c) Forwards	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
3. Currencies and gold	**0**	**0**	**105,918**	**0**	**0**	**0**	**134,195**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	50,395	0	0	0	63,518	0
c) Forwards	0	0	55,523	0	0	0	70,677	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
4. Commodities	**0**	**0**	0	**0**	**0**	**0**	**0**	**0**
5. Other	**0**	**0**	0	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**1,174,890**	**0**	**0**	**0**	**1,377,877**	**0**

1.3 DERIVATIVES AND HEDGING POLICIES

A.2 FINANCIAL TRADING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT	Total 2019				Total 2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
Types of derivatives		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	0	0	2	0	0	0	12	0
b) Interest rate swaps	0	0	14,854	0	0	0	19,584	0
c) Cross currency swaps	0	0	367	0	0	0	234	0
d) Equity swaps	0	0	0	0	0	0	0	0
e) Forwards	0	0	375	0	0	0	1,120	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**15,598**	**0**	**0**	**0**	**20,950**	**0**
2. Negative fair value								
a) Options	0	0	2	0	0	0	12	0
b) Interest rate swaps	0	0	16,864	0	0	0	19,491	0
c) Cross currency swaps	0	0	333	0	0	0	996	0
d) Equity swaps	0	0	0	0	0	0	0	0
e) Forwards	0	0	391	0	0	0	319	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**17,590**	**0**	**0**	**0**	**20,818**	**0**

1.3 DERIVATIVES AND HEDGING POLICIES

A.3 OTC FINANCIAL TRADING DERIVATIVES - NOTIONAL AMOUNTS, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY Underlying assets	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Debt securities and interest rates				
- notional amount	X	1,065,278	300	3,394
- positive fair value	X	14,824	0	33
- negative fair value	X	16,864	0	2
2) Equity securities and stock indices				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Gold and currencies				
- notional amount	X	53,828	0	52,090
- positive fair value	X	380	0	362
- negative fair value	X	357	0	367
4) Commodities				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts covered by netting agreements				
1) Debt securities and interest rates				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
2) Equity securities and stock indices				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Gold and currencies				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
4) Commodities				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

A.4 OTC FINANCIAL DERIVATIVES – RESIDUAL LIFE: NOTIONAL AMOUNTS Underlying/Residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	410,886	101,190	556,896	1,068,972
A.2 Financial derivatives on equity securities and stock indices	0	0	0	0
A.3 Financial derivatives on currencies and gold	105,918	0	0	105,918
A.4 Financial derivatives on commodities	0	0	0	0
A.5 Other financial derivatives	0	0	0	0
Total 2019	**516,804**	**101,190**	**556,896**	**1,174,890**
Total 2018	**614,508**	**64,235**	**699,134**	**1,377,877**

B. Credit derivatives

There are no items of this type.

1.3.2 HEDGES

QUALITATIVE INFORMATION

A. Fair value hedging

The adoption of the Fair Value Option and the Fair Value Hedge has the objective of eliminating or reducing valuation inconsistencies deriving from changes in the fair value of funding and lending instruments caused by interest rate curve fluctuations, in cases in which the application of the ordinary accounting rules established for the applicable category does not allow for a more reliable representation of information in the financial statements. The hedge is linked only to interest rate risk.

The “Group Policies on interest rate risk and hedge accounting” define the model of responsibilities and processes for the management and control of interest rate risk and the relative accounting treatment (hedge accounting), consistent with the nature of the Group and its degree of complexity, in compliance with Supervisory regulations and internal regulations.

As set forth by IFRS 9, the Group has currently decided to opt out, with the resulting maintenance of the rules relating to hedge accounting governed by IAS 39, therefore without applying the new General Hedge principle (possible until the IASB is able to provide a consolidated and shared regulatory framework on macro hedges).

B. Cash flow hedging

There are no items of this type.

C. Hedging of foreign investments

There are no items of this type.

D. Hedging instruments

The types of derivatives used are represented by “over the counter” interest rate swap (IRS) contracts.

E. Hedged items

The precisely identified assets and liabilities hedged include bonds acquired or issued by the Group banks.

QUANTITATIVE INFORMATION

A. Financial hedging derivatives

A.1 FINANCIAL HEDGING DERIVATIVES: END OF PERIOD NOTIONAL AMOUNTS	Total 2019				Total 2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
Underlying assets/ Types of		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**0**	**0**	**793,670**	**0**	**0**	**0**	**998,724**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	793,670	0	0	0	998,724	0
c) Forwards	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
2. Equity securities and stock indices	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	0	0	0	0	0	0
c) Forwards	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
3. Currencies and gold	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	0	0	0	0	0	0
c) Forwards	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
4. Commodities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
5. Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**793,670**	**0**	**0**	**0**	**998,724**	**0**

1.3 DERIVATIVES AND HEDGING POLICIES

A.2 FINANCIAL HEDGING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT	Positive and negative fair value								Change in value used to calculate the ineffectiveness of the hedge	
	Total 2019				Total 2018					
	Over the counter			Organised markets	Over the counter			Organised markets		
		Without central counterparties				Without central counterparties				
Types of derivatives	Central Counterparties	With netting agreements	Without netting agreements		Central Counterparties	With netting agreements	Without netting agreements		Total 2019	Total 2018
Positive fair value										
a) Options	0	0	0	0	0	0	0	0	0	0
b) Interest rate swaps	0	0	0	0	0	0	0	0	0	0
c) Cross currency swaps	0	0	0	0	0	0	0	0	0	0
d) Equity swaps	0	0	0	0	0	0	0	0	0	0
e) Forwards	0	0	0	0	0	0	0	0	0	0
f) Futures	0	0	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Negative fair value										
a) Options	0	0	0	0	0	0	0	0	0	0
b) Interest rate swaps	0	0	126,675	0	0	0	75,461	0	0	0
c) Cross currency swaps	0	0	0	0	0	0	0	0	0	0
d) Equity swaps	0	0	0	0	0	0	0	0	0	0
e) Forwards	0	0	0	0	0	0	0	0	0	0
f) Futures	0	0	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**126,675**	**0**	**0**	**0**	**75,461**	**0**	**0**	**0**

1.3 DERIVATIVES AND HEDGING POLICIES

A.3 OTC FINANCIAL HEDGING DERIVATIVES - NOTIONAL AMOUNTS, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTY Underlying assets	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Debt securities and interest rates				
- notional amount	X	793,670	0	0
- positive fair value	X	0	0	0
- negative fair value	X	126,675	0	0
2) Equity securities and stock indices				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Gold and currencies				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
4) Commodities				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
2) Equity securities and stock indices				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Gold and currencies				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
4) Commodities				
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0

1.3 DERIVATIVES AND HEDGING POLICIES

A.4 OTC FINANCIAL HEDGING DERIVATIVES – RESIDUAL LIFE: NOTIONAL AMOUNTS Underlying/Residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	17,071	62,320	714,279	793,670
A.2 Financial derivatives on equity securities and stock indices	0	0	0	0
A.3 Financial derivatives on currencies and gold	0	0	0	0
A.4 Financial derivatives on commodities	0	0	0	0
A.5 Other financial derivatives	0	0	0	0
Total 2019	**17,071**	**62,320**	**714,279**	**793,670**
Total 2018	**30,054**	**66,838**	**901,832**	**998,724**

B. Credit hedging derivatives

There are no items of this type.

C. Non-derivative hedging instruments

There are no items of this type.

D. Hedged instruments

There are no items of this type.

E. Effects of hedging transactions on shareholders' equity

There are no items of this type.

1.3.3 OTHER INFORMATION ON DERIVATIVES (TRADING AND HEDGING)

There are no items of this type.

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for liquidity risk

Liquidity risk is the risk that the Group may not be capable of meeting its obligations at their maturity. Liquidity risk includes the possibility that the Group Companies may be unable to maintain their payment commitments due to their incapacity to obtain new funds (funding liquidity risk) and/or the incapacity to liquidate their assets in the market (market liquidity risk) due to the existence of limits on disinvestment. Liquidity risk also includes the risk of dealing with payment commitments at non-market costs or incurring a high cost of funding and/or incurring capital losses due to the disinvestment of the assets.

Liquidity risk derives from transactions carried out with customers, Treasury operations and all other transactions required to guarantee the proper functioning of the structure overall which generate liquidity requirements.

Within the strategies and operating limits established by the Board of Directors, as well as the management guidelines of the General Manager, the Parent Company's Integrated Treasury Office is responsible for ensuring effective and active liquidity management.

The General Management supervises and guides investment activities and ensures the effectiveness of the control oversight mechanisms in compliance with the strategies and restrictions approved by the Board of Directors, taking into account the opinions of the Risks and ALM Committee and the Group Financial Investment Policies Committee.

The Finance Function selects and manages financial investments on the basis of the delegated powers in compliance with the guidelines of its General Management and Group regulations, and develops proposals concerning the financial investment strategies and guidelines to be subjected to the analysis of the Group Financial Investment Policies Committee.

Furthermore, the Finance Function is responsible for supervising overall Group financial management, ensuring the maintenance of adequate liquidity conditions, the optimisation of the risk/return ratio of owned financial resources and the management of exposure to liquidity risk at global level.

The Risks and ALM Committee oversees the Group liquidity position and proposes suitable operating guidelines to optimise it.

The "Regulation on financial transactions" attributes management of the Group funding policy to the Parent Company's Finance Function, with different levels of delegation and within the approved credit lines.

During the year, alongside retail funding which represents its main form of financing, the Group made recourse to the "interbank" market using different channels: refinancing at the European Central Bank, the government security repurchase agreement segment in the MTS market, repurchase transactions with institutional counterparties and, to a marginal extent, the e-Mid market.

The use of the main wholesale procurement channels was possible thanks to the availability of eligible notes, including those deriving from the securitisation of loans.

At the same time, in line with what is established in the "Group financial investment policies", the Group has pursued the strategy of investing excess liquidity primarily in government securities issued by the Italian State, traded in an active market and with the requirements established to be used to back refinancing transactions (eligible securities), so as to guarantee itself the possibility of their possible disinvestment within a brief period of time or, alternatively, access to Eurosystem sources of funds.
The inflows deriving from the liquidation of interest expense accrued on variable rate bonds are partially stabilised through recourse to the cash flow hedge accounting technique, a more detailed description of which is provided in point C of Section 2 – Market risks, paragraph 2.2.
The Parent Company's Credit and Financial Risk Office performs systematic controls over the liquidity position and the breakdown of the bank-owned portfolio, providing adequate disclosure to the General Management and the Risks and ALM Committee.
The proper management and adequate monitoring of company liquidity also involves processes, instruments and methodologies that embrace distinct areas represented by operating liquidity, structural liquidity and strategic liquidity.

Aware of this, the Group has adopted specific "Group Liquidity Policies" with a view to establishing principles and guidelines for the efficient and effective management of its liquidity, in order to respect Supervisory and internal regulations. The Policy calls for the definition of liquidity risk tolerance thresholds and a system of operational risk indicators in order to monitor the evolution of liquidity risk over time, as well as promptly identify the emergence of vulnerabilities in this area.

As concerns the framework of company liquidity, the regulatory ratios established by Basel 3 recorded values equal to 231.39% and 167.32%, respectively, for the Liquidity Coverage Ratio and the Net Stable Funding Ratio (this last ratio is valued on the basis of an operational recalculation of the reporting database) at Group level as at 31 December 2019. These values are therefore significantly higher than the minimums set forth by regulations (not yet fully implemented as regards the NSFR).

The level and evolution over time of values correlated with the thresholds and indicators are constantly monitored by the Risk Control Function and brought to the attention of the Risks and ALM Committee which is responsible for overseeing their evolution over time.

As part of its dynamic management of operating liquidity, the Group has an internal procedure which, through a web interface, allows for the channelling of incoming and outgoing forecast flows from the Network and the Offices involved in the process, providing the Integrated Treasury Office with a crucial support tool for the accurate and punctual management of the daily level of liquidity, as well as the Compass procedure provided by the outsourcer Cedacri S.p.A. Furthermore, the management indicators include one which measures the available intraday liquidity.
The net financial position (structural liquidity) surveillance system is enacted through the processing by the Credit and Financial Risk Office of a Liquidity Report structured on the model of a maturity ladder, in order to evaluate the balance of expected cash

flows within a 12-month timeframe. According to that model, assets and liabilities are mapped within each individual time band on the basis of the relative date of maturity, understood as the date of the individual cash flows set forth in the contract, or of possible liquidation. The trend of the gaps accumulated on the various time bands allows for the monitoring of the current and outlook liquidity situation.

Alongside this verification, reports are also developed which contemplate stress scenarios; these analyses illustrate the evolution of the liquidity position following the occurrence of events of tension and crisis at specific or systemic level.

Strategic liquidity management constitutes an integral part of the three-year development plans prepared with the participation of all management functions.
The constraint of balanced growth in loan and deposit volumes to safeguard the Group's financial position, considered a strategic objective, continues to be adequately addressed in the guidelines relating to the Group's 2019-2021 Strategic Plan and in the 2020 Budgets of the individual Group Companies.
The effective achievement of the pre-established targets is periodically verified by the Parent Company's Planning and Management Control Office through dedicated reports brought to the attention of the Top Management.

Alongside the liquidity position surveillance tools described above, as also laid out in the liquidity policy, the Group adopts risk mitigation tools, including the emergency plan (Contingency Funding and Recovery Plan). The CFRP establishes the strategies for counteracting liquidity deficits in emergency situations, and identifies the policies to be enacted in stress scenarios, indicating the responsibilities and the procedures to be followed.

The Group, aware of the central role of company liquidity management, is constantly committed in that regard with a view to further developing and refining the instruments currently used and, more generally, the entire company process of governing and managing liquidity risk, in line with the orientations seen internationally and with the provisions on the matter of liquidity dictated by prudential regulations.

B. QUANTITATIVE INFORMATION

See tables below

1. BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES: Currency: EURO Items/time	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
A. Cash assets	**871,719**	**7,584**	**21,269**	**65,080**	**817,080**	**270,888**	**866,966**	**2,258,682**	**6,301,771**	**406,941**
A.1 Government securities	0	0	0	0	319,063	8,825	437,459	80,000	2,945,000	0
A.2 Other debt securities	3	0	0	35	1	0	1,105	1,250	169,170	30
A.3 Units of UCITS	12,122	0	0	0	0	0	0	0	0	0
A.4 Loans	859,594	7,584	21,269	65,045	498,016	262,063	428,402	2,177,432	3,187,601	406,911
- Banks	146,222	0	0	0	87	1	1	6	4	400,715
- Customers	713,372	7,584	21,269	65,045	497,929	262,062	428,401	2,177,426	3,187,597	6,196
B. Cash liabilities	**6,189,640**	**1,412**	**7,584**	**221,988**	**538,376**	**1,322,284**	**722,621**	**2,503,730**	**539,553**	**0**
B.1 Deposits and current accounts	6,149,967	751	1,043	58,695	80,588	53,985	163,103	355,760	0	0
- Banks	422,755	0	0	0	0	0	0	0	0	0
- Customers	5,727,212	751	1,043	58,695	80,588	53,985	163,103	355,760	0	0
B.2 Debt securities	176	661	1,542	26,802	127,358	92,643	100,194	1,066,317	472,926	0
B.3 Other liabilities	39,497	0	4,999	136,491	330,430	1,175,656	459,324	1,081,653	66,627	0
C. Off-balance sheet transactions										
C.1 Financial derivatives with equity swap										
- Long positions	0	4,381	1,664	6,357	21,684	15,498	4,906	96	135	0
- Short positions	0	6,467	1,373	6,100	21,671	15,194	4,903	0	17	0
C.2 Financial derivatives without equity swaps										
- Long positions	75	0	0	95	1,133	1,831	825	33,670	0	0
- Short positions	42,204	0	2	2,059	14,064	28,139	8,567	0	0	0
C.3 Deposits and loans receivable										
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to disburse funds										
- Long positions	4	0	0	0	27,614	10	1,028	9,359	73,546	0
- Short positions	111,560	0	0	0	0	0	0	0	0	0
C.5 Financial guarantees given	19	0	0	16	30	42	0	325	2	0
C.6 Financial guarantees received	0	0	0	0	0	0	0	0	0	0
C.7 Physically settled cred. derivatives										
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.8 Cash settled cred. derivatives										
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0

1. BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES: Currency: OTHER CURRENCIES Items/time	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
A. Cash assets	**9,417**	**0**	**2,120**	**5,302**	**935**	**556**	**0**	**0**	**0**	**0**
A.1 Government securities	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securities	0	0	0	0	0	0	0	0	0	0
A.3 Units of UCITS	0	0	0	0	0	0	0	0	0	0
A.4 Loans	9,417	0	2,120	5,302	935	556	0	0	0	0
- Banks	8,110	0	0	0	0	0	0	0	0	0
- Customers	1,307		2,120	5,302	935	556	0	0	0	0
B. Cash liabilities	**21,916**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	21,916	0	0	0	0	0	0	0	0	0
- Banks	30	0	0	0	0	0	0	0	0	0
- Customers	21,886	0	0	0	0	0	0	0	0	0
B.2 Debt securities	0	0	0	0	0	0	0	0	0	0
B.3 Other liabilities	0	0	0	0	0	0	0	0	0	0
C. Off-balance sheet transactions										
C.1 Financial derivatives with equity swap										
- Long positions	0	6,917	1,478	6,111	21,732	15,242	4,949	0	0	0
- Short positions	0	5,341	1,768	6,372	21,732	15,242	4,949	0	0	0
C.2 Financial derivatives without equity swaps										
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.3 Deposits and loans receivable										
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to disburse funds										
- Long positions	0	281	0	0	0	0	0	0	0	0
- Short positions	0	281	0	0	0	0	0	0	0	0
C.5 Financial guarantees given	0	0	0	0	0	0	0	0	0	0
C.6 Financial guarantees received	0	0	0	0	0	0	0	0	0	0
C.7 Physically settled cred. derivatives										
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0
C.8 Cash settled cred. derivatives										
- Long positions	0	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0	0

INFORMATION RELATING TO THE SECOND MULTI-ORIGINATOR SECURITISATION TRANSACTION

On 15 March 2017, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. carried out the second multi-originator securitisation transaction, with the special purpose vehicle Asti Group PMI S.r.l., with registered office in Rome, via Eleonora Duse no. 53, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 33533.0.

The transaction has a revolving structure, which entails the issue by the SPV of notes with defined amounts and maturities against a portfolio of assets with variable amounts and maturities. This structure includes two distinct periods: the revolving period, during which the subscribers of notes receive a series of cash flows by way of interest, while the principal repayments attributable to them are used by the vehicle to acquire new loans with analogous characteristics, in order to maintain a constant level of assets to support investors, and the amortisation period, during which the loan interest flows continue to be used for the payment of interest on the bonds and operating expenses; the principal attributable to investors is used to repay the notes.

The transaction took place through the non-recourse transfer to the SPV of variable, fixed, option and bullet commercial, unsecured and mortgage loans and loans with “greater guarantee” mortgage, belonging to the “performing” and unsubsidised category, held by sole proprietorships, companies or natural persons with professional activity or natural persons connected to companies, for an initial total of € 1,185,339 thousand (of which € 856,772 thousand of Cassa di Risparmio di Asti S.p.A. and € 328,567 thousand of Biverbanca S.p.A.). The loans were transferred at their carrying amount. In this transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as master servicer and Biverbanca S.p.A. as sub servicer.

Against the mortgages transferred, notes were issued for € 1,185,339 thousand, entirely repurchased by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. The amount was settled on 15/03/2017 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

The second multi-originator securitisation is a “self-securitisation” transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, are financial instruments usable as collateral in refinancing transactions with the European Central Bank and provide the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets.

Type of Note	Rating as at 31/12/2019 Moody's/DBRS	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2019	Residual value as at 31/12/2019
Class A	A2/AH	3M Euribor + 0.75%	15/03/2017	31/10/2082	700,000	0	700,000
Class B	no rating	3M Euribor + 1.50%	15/03/2017	31/10/2082	485,339	0	485,339
Total					**1,185,339**	**0**	**1,185,339**

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 856,772 thousand and by Biverbanca S.p.A. to € 328,567 thousand.

Like the other transactions, also in the eighth securitisation, a loan with limited enforceability was disbursed for € 31,850 thousand (€ 23,027 thousand by Cassa di Risparmio di Asti S.p.A. and € 8,823 thousand by Biverbanca S.p.A.), crediting the following amounts to the SPV:

- € 14,000 thousand for the Cash Reserve, broken down as follows: € 10,122 thousand for Cassa di Risparmio di Asti S.p.A. and € 3,878 thousand for Biverbanca S.p.A.;
- € 17,800 thousand for the cash reserve called the Set-off Reserve, broken down as follows: € 12,869 thousand for Cassa di Risparmio di Asti S.p.A. and € 4,931 thousand for Biverbanca S.p.A.;
- € 50 thousand for the provision for operating expenses, broken down as follows: € 36 thousand for Cassa di Risparmio di Asti S.p.A. and € 14 thousand for Biverbanca S.p.A.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

For this securitisation transaction, there is no rate hedging through swap transactions.

The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.

The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 31 December 2019, it amounts to € 32,244 thousand for Cassa di Risparmio di Asti S.p.A. and € 12,550 thousand for Biverbanca S.p.A. In the course of 2019, the SPV began to pay the additional remuneration, amounting to € 6,775 thousand for Cassa di Risparmio di Asti S.p.A. and € 2,603 thousand for Biverbanca S.p.A.

As at 31 December 2019, the Group Banks essentially retain the credit risk connected to the securitised loans, which the Group Banks continue to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 840,486 thousand for Cassa di Risparmio di Asti S.p.A. and € 278,388 thousand for Biverbanca S.p.A.

The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	28,870	interest expense on notes issued	8,586
		servicing fee expense	1,151
		other expenses	759
		losses on loans	34
Total	**28,870**	**Total**	**10,530**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 14,876 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 3,591 thousand for Biverbanca S.p.A.

Interest income on repurchased notes, amounting to € 12,974 thousand for Cassa di Risparmio di Asti S.p.A. and € 4,981 thousand for Biverbanca S.p.A., was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE ANNETTE SECURITISATION TRANSACTION

On 3 December 2015, the subsidiary Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle Annette SPV Srl, as part of a new securitisation transaction with derecognition, for a total maximum value of roughly € 525 million, with a 36-month ramp-up period. The transfer agreement underlying the transaction calls for different transfer prices depending on product type.
To finance the acquisition of the loans transferred by Pitagora, the SPV issued "asset backed" (partially paid) notes broken down into two classes:

- 84% "Senior" Notes (Class A Asset Backed);
- 16% "Junior" Notes (Class B Asset Backed).

At the issue date, the notes were 90% subscribed by the Parent Company Cassa di Risparmio di Asti S.p.A. and 10% by the company Pitagora S.p.A. In July 2017, an additional 5% was transferred on both classes of notes, again to the Parent Company Cassa di Risparmio di Asti S.p.A. The company maintained in compliance with the

provisions pursuant to art. 122 bis of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 ("Capital Requirements Directive I" – CRD I), as amended by Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 ("Capital Requirements Directive II" – CRD II), a net economic interest on all classes of notes, according to the vertical slice method, to the extent of 5.01% on senior notes and 5.00% on junior notes.
In July 2017, a public rating was requested for the senior notes from the companies Moody's and DBRS. They confirmed the tranching of the notes and attributed the ratings of Aa2 and A, respectively.
In November 2019, the unwinding was carried out, leading to the closure of the securitisation transaction. In this context, the company participated in the repurchase of loans for their subsequent non-recourse transfer.

INFORMATION RELATING TO THE MANU SECURITISATION TRANSACTION

On 26 February 2018, the subsidiary Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle Manu SPV S.r.l., as part of a new securitisation transaction without derecognition, for a total maximum value of € 253 million, with a 24-month ramp-up period.
To finance the acquisition of the loans transferred by Pitagora, the SPV issued "asset backed" (partially paid) notes broken down into three classes:

- 83.17% "Senior" Notes (Class A Asset Backed);
- 7.92% "Mezzanine" Notes (Class B Asset Backed);
- 8.91% "Junior" Notes (Class J Asset Backed).

At the issue date, the Senior notes were entirely subscribed by Duomo Funding PLC, while the Mezzanine and Junior notes were entirely subscribed by Pitagora S.p.A.
Like for the other securitisations, Pitagora, as Servicer, took on the role of managing the collection and recovery of loans transferred in the name and on behalf of the SPV. This activity enables Pitagora to maintain direct relations with its customers, transferring principal and interest collections to accounts opened in the name of Manu SPV S.r.l. at the collection custodian bank.

INFORMATION RELATING TO THE GEORDIE SECURITISATION TRANSACTION

On 20 July 2018, the subsidiary Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle Geordie SPV Srl, as part of a new securitisation transaction with derecognition, for a total maximum value of € 670 million, with a 36-month ramp-up period.
To finance the acquisition of the loans transferred by Pitagora, the SPV issued "asset backed" (partially paid) notes broken down into two classes:

- 82.00% "Senior" Notes (Class A Asset Backed);
- 18.00% "Junior" Notes (Class B Asset Backed).

At the issue date, the notes were 95% subscribed by the Parent Company Cassa di Risparmio di Asti S.p.A. and the remaining 5% by the company which maintained in compliance with the provisions pursuant to art. 122 bis of Directive 2006/48/EC of

the European Parliament and of the Council of 14 June 2006 ("Capital Requirements Directive I" – CRD I), as amended by Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 ("Capital Requirements Directive II" – CRD II), a net economic interest on all classes of notes, according to the vertical slice method.
In December 2018, the securitisation transaction was restructured and the senior and junior securities were replaced by a single asset backed security in the same amount. At the same time, the company transferred 5% to the Parent Company Cassa di Risparmio di Asti.
In 2019, the unwinding was carried out, leading to the closure of the securitisation transaction. In this context, the company participated in the repurchase of loans for their subsequent non-recourse transfer.

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for operational risk

Operational risk is defined as the risk of suffering from losses deriving from inadequacies, malfunctioning or gaps in internal processes, human resources or systems, or due to external events. This risk encompasses "legal risk" (risk resulting from infringements or from failure to comply with laws or regulations, or poor transparency as regards the legal rights and duties of the counterparties to a transaction) and "conduct risk" (risk of losses due to the inappropriate offer of financial services and the related legal costs, including cases of conduct that are intentionally inadequate or negligent). This risk also includes, inter alia, exposure to fines, financial sanctions or penalties deriving from measures taken by the Supervisory Authority, or private settlements.

The Internal Control System constitutes a fundamental element of the overall Group Company governance system, which has as its primary objective that of guaranteeing that company operations are inspired by principles of sound and prudent management and that they are aligned with approved strategies, the policies adopted and the risk appetite.

In recent years, consistent with the guidelines contained in the Strategic Plan and in the other planning documents, the Group has developed various activities to mitigate operational risk, which have made it possible to a) increase the effectiveness and degree of coverage of first-level controls to mitigate operational risks, introducing a system for monitoring them, b) define an organisational model for operational risk control.

Over the years, also through specific organisational projects, the Internal Control System was gradually implemented to integrate within it the principles introduced with the 11th update of Bank of Italy Circular 285/2013 and, more specifically, with a view to developing, formalising within Group Policies and fully implementing an integrated methodology for the assessment of operational, compliance and reputational risks; this assessment is performed in terms of Potential Risk (i.e., assuming the absence of controls) and in terms of Residual Risk (i.e., taking into account existing controls and their concrete functioning).

In 2019, with a view to increasing integration, activities continued in order to improve the IT platform through which the Control Functions share the databases useful for integrated risk and control management and the relative verifications.

The organisational model adopted provides for active and systematic interaction between the Parent Company's Operational Risk, IT Risk and Data Quality Office (which performs centralised functions for the entire Group scope) and the Organisational Units of the Sales Network and the central structure of the Group Companies, in particular through the periodic performance of Risk Self Assessment activities; this interaction is intended to update the Risk and Control Map, continuously refine existing controls, ensure their greater effectiveness and, in general, improve the efficiency of company processes.

The Parent Company's Operational Risk, IT Risk and Data Quality Office also periodically performs monitoring on specific areas as well as verifications on the

accurate and precise performance by Group Bank Organisational Units of the first-level controls established; this takes place through dedicated questionnaires which the structures are called upon to complete directly with the use of suitable IT tools. The information obtained in this manner contributes, within the assessment methodology, to the proper determination of Residual Risk values.
The activity aimed at strengthening remote controls works in close connection with what was described above. In order to identify anomalous phenomena or potential areas of risk, the Internal Audit Function has set up an IT system which extracts data from company archives, processes them and aggregates them by individual party or reference relationship and assigns a risk assessment on a quantitative scale through the attribution of a score. The intent is to focus attention on anomaly indicators and intervene with corrective measures before the situation of potential risk can be aggravated and give rise to operational losses.
In parallel, on a half-yearly basis, the Parent Company's Operational Risk, IT Risk and Data Quality Office surveys and analyses the data of operational losses incurred, which are used as input for an internal database structured on the basis of the DIPO (Italian Database of Operational Losses) layout.
The duties of identifying and reporting losses are assigned to the Managers of the central structure organisational structures which, based on their responsibilities and organisational roles, have the information required to populate the database; the Parent Company's Operational Risk, IT Risk and Data Quality Office analyses the evidence collected, classifies it and checks for its correspondence with the accounting results.
The final output of this activity consists of the periodic compilation of a matrix in which the gross and net actual losses identified during the period under examination are classified on the basis of the relative type of generating event, the original time period and the company process in which they emerged.

An additional operational risk mitigation tool is represented by the Business Continuity Plan, launched by the Parent Company in 2007 and which was updated in 2019 in line with the provisions of regulations in force on the matter.
Business continuity refers to the set of all initiatives aimed at reducing, to a level deemed acceptable, the damages ensuing from any accidents and catastrophes that may directly or indirectly strike the company.
The management of Business Continuity is broken down into two phases: the first consists of carrying out the Business Impact Analysis (B.I.A.) in line with the methodology proposed by AbiLab, the objective of which is to identify the level of criticality of processes with a view to business continuity; the second phase regards drafting the Business Continuity Plan.

The Disaster Recovery Plan is an integral part of the Business Continuity Plan, and establishes the technical and organisational measures aiming to handle events which could lead to the unavailability of data processing centres, in order to allow for the functioning of significant IT procedures at alternative sites.
Further operational risk mitigation is performed by the Group Companies through insurance coverage taken out from major Insurance Companies.
The policies taken out provide adequate coverage in terms of third-party liability and with respect to service providers, as well as on damages to infrastructure that is owned, under lease or in use, in addition to the information technologies of Group Companies.

QUANTITATIVE INFORMATION

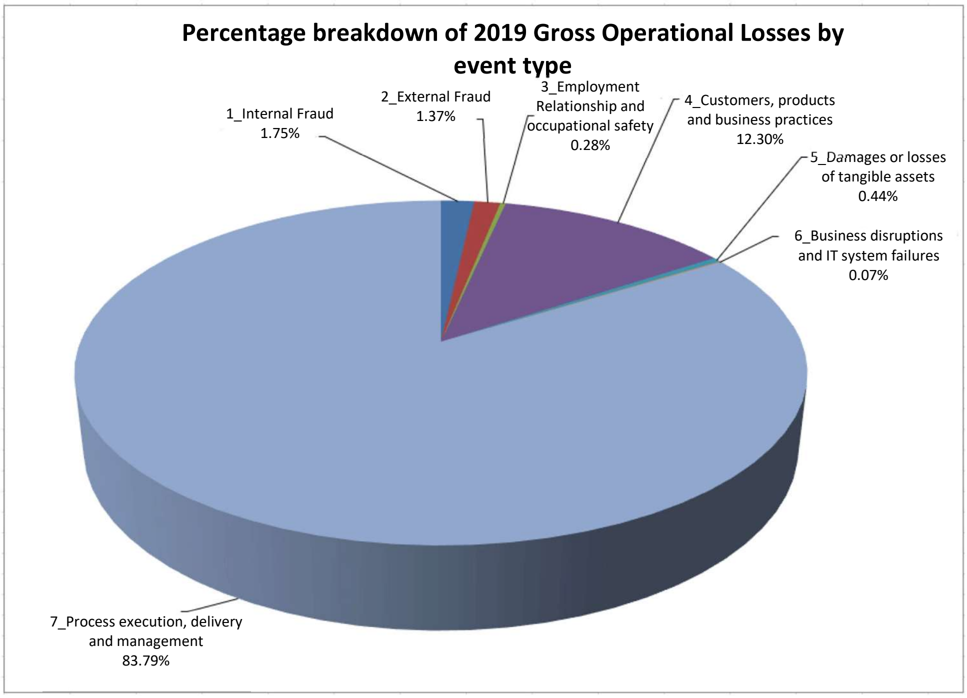
With respect to the sources in which operational risk arises, the percentage breakdown of the losses suffered by the Group Banks is described below by type of event, according to the Supervisory Authority classification:

- internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the Bank;
- external fraud: losses due to fraud, embezzlement or violation of laws by subjects external to the Bank;
- employment relationship and occupational safety: losses arising from actions in breach of employment, occupational health and safety laws or agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal treatment;
- customers, products and professional practices: losses arising from fulfilment of professional obligations to customers or from the nature or characteristics of the product or service provided;
- damage resulting from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- interruption of operations and malfunctioning of systems: losses due to business disruption or system failures and disruptions;
- process execution, delivery and management: losses arising from operational and process management shortfalls, as well from transactions with business counterparties, vendors and suppliers.

The analysis was performed with reference to events that entailed losses in gross amounts of at least € 1,000.
As of 2015, in order to generate a more precise and timely report, the analysis took into consideration not only operational losses that caused cash outflows during the year, but also estimated losses and provisions, in addition to recovery estimates.
The collection of Operational losses in Pitagora is performed on the basis of the methodology adopted by the Group Banks, obviously keeping in mind the specific nature of the Company's business model and its organisational structure.
Based on the allotment of the losses suffered in 2019 to the different event types, the weight of the item "Process execution, delivery and management" was significant and linked to outlays and provisions recognised in Pitagora relating to the principles of the new Bank of Italy guidelines issued in December 2019 regarding the early repayment

of loans; the item “Customers, products and business practices” contains the sums paid or set aside in provisions in relation to the placement of diamonds with Group Bank customers. The impact of prudential provisions, linked especially to the Company Pitagora, has a significant weight on the total.

The chart below summarises the breakdown of gross operational losses of the Group Companies in 2019.



The number of customers who had purchased diamonds is limited, as placement quickly ended at the first signs of critical issues emerging in the reference market and the Group Banks expressed their willingness to accept the requests of unsatisfied customers, as a demonstration of their good faith and desire to preserve a relationship founded on mutual trust.
Overall, the historical trend of operational risk remains limited and activities are constantly carried out to perfect the organisational and control oversight mechanisms, in order to further limit such risks, both current and potential.

Prevention and Protection Department

As concerns the management and improvement actions carried out by the respective "Prevention and Protection Departments", please note that, in synergy with the competent company functions, the following were carried out:

- continuing with the review and update of the Risk Assessment Documents (DVR), also by updating some specific Risk Assessments; the newly constructed operating units were checked and analysed in terms of workplace safety before they were opened to the public, as were the branches in the restructuring phase. For these branches, a new risk assessment document was prepared in addition to new fire evacuation maps;
- holding the meetings pursuant to art. 35 of Italian Legislative Decree 81/08 as amended, for the formalisation of updated DVRs and the development of dialogue on the activities performed between the safety figures (Employers and their Delegates, Heads of the Prevention and Protection Departments, company physicians and Workers' Safety Representatives);
- performing inspections at agencies and branches in collaboration with the company physicians and the Workers' Safety Representatives;
- updating the Workers' Safety Representative training, according to the provisions of art. 37 of Italian Legislative Decree 81/08 as amended;
- developing fruitful relationships with all suppliers for the normalisation of safety and contribution compliance documentation linked to contracts (Single Document for the Assessment of Interference Risks (DUVRI), Single Social Security Contribution Compliance Document (DURC), etc.);
- enacting the annual monitoring plan, maintaining and improving environmental well-being in the workplace (Radon testing, checking of grounding systems, integration of equipment, affixing safety and privacy signage, etc.);
- renewing and managing maintenance agreements relating to properties in use for extinguishers, heating and air conditioning systems, alarm systems, lifts and emergency exits;
- continuing with post-robbery support activities for employees who are victims of robberies, with the support of the company physicians and psychologists from the University of Turin's Labour Psychology Department;
- continuing, according to the various quality standards, with continuous improvement activities on Fire Prevention, Training-Information, Accidents, Health Supervision, Risk Assessment and regulatory updates;
- providing training and information initiatives pursuant to art. 37 of Italian Legislative Decree 81/2008 as amended in order to give workers the necessary health and safety instructions, for the identification of risks and knowledge of risk limitation measures.

Italian Legislative Decree no. 231/2001

Regulations on the administrative liability of legal entities

In the Group Banks and Financial Companies, the functions of the Supervisory Body established pursuant to Italian Legislative Decree 231/2001 have been assigned to the Board of Statutory Auditors, in compliance with the provisions of art. 6 of Italian Legislative Decree 231/2001 as well as the Prudential Supervision Regulations of the Bank of Italy (Circular 285/2013 - Title IV - Chapter 3).

In the course of 2019, these Supervisory Bodies continued their detailed analysis and the verification, by examining the periodic reports that the Heads of the various Company Functions are required to send pursuant to the Regulation on information flows, of the organisational oversight mechanisms for the prevention of offences relating to the areas falling within the scope of interest of the regulation. Specific controls were also put into place concerning certain risk areas, as well as follow-up controls on the results of audits from the previous year. In performing these activities, the "231/2001 Risk-offence mapping", an integral part of the Organisational Model - Special Part, has been particularly useful as it makes it possible to contextualise the Protocols defined by the Bank within company operations, in order to have overall tracking available of the risks of offences that impact the business organisation. No critical issues worthy of note emerged from the overall activities performed.

IT risks and Italian Legislative Decree no. 196 of 30 June 2003

In the course of 2019, the main activities required to incorporate the new provisions on personal data processing set forth in EU Regulation 2016/679 in force as of 25 May 2018 and Italian Legislative Decree 196/2003 as amended were completed. Specifically, the adaptation of internal regulations, the implementation of the Processing Register and personnel training continued.
Personal data is processed in compliance with reference regulations, with a particular focus on the new principles of "privacy by design" and "privacy by default" and the instructions issued by the Privacy Authority over time. In compliance with the measure of the Privacy Authority of 27/11/2008 as amended, precise oversight is maintained of "System Administrators" and with reference to Resolution of the Privacy Authority of 12 May 2011 and subsequent implementing provisions ("Privacy Authority II"), the monitoring of inquiries carried out by Group Bank personnel continued.

A. QUALITATIVE INFORMATION

The Group periodically evaluates the adequacy of its capital, understood as the aggregate consisting of share capital and reserves as well as total Own Funds, to support current and future activities, and compares the latter with prudential requirements, constantly monitoring surpluses.

B. QUANTITATIVE INFORMATION

The Group's shareholders' equity, inclusive of profit for the year, amounted to € 823,492 as at 31 December 2019. The shareholders' equity values relating to Other companies refer to the special purpose securitisation vehicles.
The Group's total Own Funds, which under the previous regulations constituted Regulatory Capital, amounted to € 1,043,567 thousand.

B.1 CONSOLIDATED SHAREHOLDERS' EQUITY: BREAKDOWN BY BUSINESS AREAS Items of shareholders' equity	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	376,499	0	80	0	376,579
2. Share premium reserve	339,536	0	0	0	339,536
3. Reserves	92,134	0	23	0	92,157
4. Equity instruments	0	0	0	0	0
5. (Treasury shares)	-8,863	0	0	0	-8,863
6. Valuation reserves:	-16,665	0	0	0	-16,665
- Equity securities designated at fair value through other comprehensive income	29,836	0	0	0	29,836
- Hedges of equity securities designated at fair value through other comprehensive income	0	0	0	0	0
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	-8,893	0	0	0	-8,893
- Property, plant and equipment	0	0	0	0	0
- Intangible assets	0	0	0	0	0
- Hedges of foreign investments	0	0	0	0	0
- Cash flow hedges	-21,575	0	0	0	-21,575
- Hedging instruments [elements not designated]	0	0	0	0	0
- Exchange differences	0	0	0	0	0
- Non-current assets held for sale and discontinued operations	0	0	0	0	0
- Financial liabilities designated at fair value through profit and loss (changes in own credit rating)	824	0	0	0	824
- Actuarial gains (losses) on defined benefit pension plans	-16,857	0	0	0	-16,857
- Share of valuation reserves of equity investments carried at equity	0	0	0	0	0
- Special revaluation laws	0	0	0	0	0
7. Group and Minority profit (Loss) for the year (+/-)	40,748	0	0	0	40,748
Shareholders' equity	**823,389**	0	**103**	0	**823,492**

PART F
INFORMATION
ON CONSOLIDATED
SHAREHOLDERS' EQUITY

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

B.2 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN	Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
Asset/amounts	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	0	19,738	0	0	0	0	0	0	0	19,738
2. Equity securities	30,046	210	0	0	0	0	0	0	30,046	210
3. Loans	10,845	0	0	0	0	0	0	0	10,845	0
Total 2018	**40,891**	**19,948**	**0**	**0**	**0**	**0**	**0**	**0**	**40,891**	**19,948**

The breakdown of item 1. Debt securities is provided below, relating to securities of European Union countries.

	Total 2019	Issuer European Country
		Italy
Positive reserve	0	0
of which debt securities of EU countries	0	0
of which other debt securities	0	0
Negative reserve	**19,738**	0
of which debt securities of EU countries	19,738	19,738
of which other debt securities	0	0

B.3 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: ANNUAL CHANGES	Debt securities	Equity securities	Loans
1. Opening balance	**-3,074**	**28,607**	**20,692**
2. Increases	**3,954**	**1,351**	**0**
2.1 Fair value increases	0	5	0
2.2 Losses for credit risk	84	X	0
2.3 Reversal to income statement of negative reserves from disposals	3,870	X	0
2.4 Transfers to other components of shareholders' equity (equity securities)	0	1,346	0
2.5 Other changes	0	0	0
3. Decreases	**20,618**	**121**	**9,847**
3.1 Fair value decreases	20,295	103	9,847
3.2 Recoveries for credit risk	162	0	0
3.3 Reversal to income statement from positive reserves: realised	161	0	0
3.4 Transfers to other components of shareholders' equity (equity securities)	0	18	0
3.5 Other changes	0	0	0
4. Closing balance	**-19,738**	**29,837**	**10,845**

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

B.4 VALUATION RESERVES FOR DEFINED BENEFIT PLANS: ANNUAL CHANGES Actuarial gains (losses)	Provision for employee severance pay	Company pension fund	Non-compete agreement
1. Opening balance	**-4,327**	**-11,383**	**-218**
2. Increases	**316**	**100**	**10**
2.1 Actuarial gains	0	0	0
2.2 Other changes	316	100	10
3. Decreases	**959**	**365**	**31**
3.1 Actuarial losses	959	365	31
3.2 Other changes	0	0	0
4. Closing balance	**-4,970**	**-11,648**	**-239**

2.1 Own Funds

A. QUALITATIVE INFORMATION

As set forth in the 6th update of Circular 262 "Bank financial statements: layouts and rules for preparation", please refer to the disclosure on Own Funds and capital adequacy contained in the Group's Pillar 3 Public Disclosure. In any event, a summary qualitative and quantitative description of the Group's Own Funds is provided below.

Own Funds were calculated on the basis of the provisions, applicable as of 1 January 2014, set forth in Regulation no. 575/2013/EU (CRR), relating to prudential requirements for credit institutions, and in Directive 2013/36/EU (CRD IV), on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
In order to implement the application of these EU regulations, in December 2013 the Bank of Italy issued Circular 285 "Prudential supervision regulations for banks" and Circular 286 "Instructions for preparing prudential supervision reports". Circular 285 also establishes the methods for exercising the national discretion attributed by the EU regulations to the national authorities.

The positive elements constituting Own Funds are fully available to the Group.

Starting from 1 January 2018, IFRS 9 "Classification, measurement and impairment of financial instruments" was adopted; the Group decided to rely on the opportunity to apply the transitional adjustment relating to IFRS 9 set forth in article 473 bis of the CRR according to the "static approach". This approach consists of the possibility of sterilising, in a progressively decreasing manner for a 5-year transitional period (from 2018 to 2022), the impact on Own Funds and on capital ratios which the first-time adoption (FTA) of the standard had in terms of higher adjustments on loans.

Own Funds consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.

1. Common equity Tier 1 (CET1)

Common Equity Tier 1 includes capital paid, share premiums and reserves and the extent of profit for the year not subject to distribution.
The aggregate is valued by deducting the limit on the buy-back of treasury shares authorised by the Bank of Italy and applying the deductions relating to intangible assets net of the related deferred tax liabilities; deferred tax assets based on future profitability which do not derive from temporary differences are also deducted.
The prudential filters referring to the regulatory adjustments of the carrying amounts of the valuation reserve generated by cash flow hedges and the result of changes in own credit rating on fair value option liabilities, as well as supervisory value adjustments on exposures in the financial statements measured at fair value (prudent valuation) are also applied to Common Equity Tier 1.
In December 2019, the completion of the acquisition by the Parent Company Banca di Asti of the remaining stakes in the subsidiary Biverbanca, due to the share capital

increase through contribution in kind thereof by the C.R. Biella and C.R. Vercelli Foundations, made a positive contribution of € 123.8 million.
According to what is set forth in the above-mentioned transitional regime referring to the introduction of IFRS 9, Common Equity Tier 1 incorporates the positive component deriving from 85% of the increase in adjustments for expected losses on performing and non-performing loans, taking place during the first-time adoption of the standard.

Minority interests are also computed to the extent permitted by regulations.

Please note that the Group has not issued innovative capital instruments.

2. Additional Tier 1 (AT1) capital

The Group has no Additional Tier 1 capital.

3. Tier 2 (TIER2 - T2) capital

Tier 2 capital is represented by eligible instruments issued by the subsidiary Pitagora, as well as hybrid equity instruments, considered net of the buy-back limit authorised by the Bank of Italy.

This last type of instrument refers to subordinated bonds eligible for calculation, with repayment in a single instalment at the maturity date, placed in 2015.

On 19 June 2019, the Bank of Italy, following the conclusion of the periodic supervisory review and evaluation process (SREP), notified the Parent Company with a final measure of its decision on the basis of which it was established that the Cassa di Risparmio di Asti Group must hold, in addition to the minimum regulatory requirements (4.5% for CET1, 6% for Tier 1 and 8% for total Own Funds) additional capital proportionate to its risk exposure. The Supervisory Authority determined an expectation for the continuous maintenance of the following capital levels at consolidated level, inclusive of the additional requirements determined following the SREP, a Target component against higher risk exposure in stress conditions and the capital conservation buffer for 2019 equal to 2.5%; 9.5% for the CET1 Ratio, 11% for the TIER1 Ratio and 13% for the Total Capital Ratio.
The consolidated capitalisation indicators as at 31 December 2019: CET1 Ratio and TIER1 Ratio of 13.42% and Total Capital Ratio of 16.22% are significantly higher than the requirements specified above.

Instruments eligible for calculation in Tier 2 (TIER2-T2) capital:

Subject to transitional provisions (grandfathering)	Issuer	ID Code	Amount calculated in own funds (€/thousand)	Nominal value of the issue (€/thousand)	Date of issue	Maturity date
No	Banca C.R. Asti SpA	IT0005117111	78,181	80,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117129	63,584	65,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117137	24,235	25,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117376	18,950	20,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005222093	1,239	30,000	09/12/2016	09/12/2026

(Continued)

Currency of issue	Interest rate	Contractual provision of repayment plan with periodic amortisation (Yes/No)	Initial date of amortisation	Characteristics of the amortisation plan	Any additional early repayment clauses set forth in the contract (Yes/No)	Book value (€/thousand)
EUR	Fixed deferred gross half-yearly interest on the nominal value at the gross annual rate of 4.00% The bonds pay a gross half-yearly coupon payable on 29 June and 29 December of each year.	No			No	78,105
EUR	Fixed deferred gross half-yearly interest on the nominal value at the gross annual rate of 3.00% The bonds pay a gross half-yearly coupon payable on 29 June and 29 December of each year.	No			No	63,579
EUR	Variable deferred gross half-yearly interest equal to the 6M Euribor plus a spread of 230 basis points. The bonds pay a gross half-yearly coupon payable on 29 June and 29 December of each year.	No			No	24,187
EUR	Variable deferred gross half-yearly interest equal to the 6M Euribor plus a spread of 250 basis points. The bonds pay a gross half-yearly coupon payable on 29 June and 29 December of each year.	No			No	18,934
EUR	Fixed deferred gross half-yearly interest on the nominal value at the gross annual rate of 4.00% The bonds pay a gross half-yearly coupon payable on 9 June and 9 December of each year.	No			No	1,232

B. QUANTITATIVE INFORMATION

	Total 2019	Total 2018
A. Common Equity Tier 1 (CET1) before application of prudential filters	807,946	704,571
of which CET1 instruments subject to transitional provisions	0	0
B. CET1 prudential filters (+/-)	20,157	20,085
C. CET1 gross of items to be deducted and transitional regime effects (A+/-B)	**828,103**	**724,656**
D. Items to be deducted from CET1	173,105	141,528
E. Transitional regime – Impact on CET1 (+/-), including minority interests subject to transitional provisions	208,471	167,324
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**863,469**	**750,452**
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	0	9,409
of which AT1 instruments subject to transitional provisions	0	0
H. Items to be deducted from AT1	0	0
I. Transitional regime – Impact on AT1 (+/-), including instruments issued by subsidiaries which are included in AT1 due to transitional provisions	0	0
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**0**	**9,409**
M. Tier 2 (T2) gross of items to be deducted and transitional regime effects	188,001	199,916
of which T2 instruments subject to transitional provisions	0	0
N. Items to be deducted from T2	7,903	**7,903**
O. Transitional regime – Impact on T2 (+/-), including instruments issued by subsidiaries which are included in T2 due to transitional provisions	0	0
P. Total Tier 2 (T2) (M - N +/- O)	**180,098**	**192,013**
Q. Total own funds (F + L + P)	**1,043,567**	**951,874**

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

The Group periodically evaluates the adequacy of Own Funds to support current and future activities, applying the rules relating to capital absorption to the volumes of activities set forth in the annual budgets and the strategic plan.
In particular, the Group periodically drafts the ICAAP report, whereby it determines its capital adequacy against the risks identified.

B. QUANTITATIVE INFORMATION

Categories / Values	Non weighted assets		Weighted amounts/requirements	
	2019	2018	2019	2018
A. RISK ASSETS				
A.1 Credit and counterparty risk	**13,502,697**	**12,256,864**	**5,697,843**	**5,718,046**
1. Standardised approach	13,502,697	12,256,864	5,694,170	5,713,798
2. IRB approach	0	0	0	0
2.1 Basic	0	0	0	0
2.2 Advanced	0	0	0	0
3. Securitisations	0	0	3,673	4,248
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**455,827**	**457,444**
B.2 Credit valuation adjustment risk			**3,031**	**4,020**
B.3 Settlement risk				**0**
B.4 Market risks			**310**	**530**
1. Standardised approach			310	530
2. IRB approach				0
3. Concentration risk				0
B.5 Operational risk			**55,571**	**50,497**
1. Basic approach			55,571	50,497
2. Standardised approach			0	0
3. Advanced approach			0	0
B.6 Other calculation elements			**0**	**0**
B.7 Total capital requirements			**514,739**	**512,491**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**6,434,242**	**6,406,133**
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			**13.42%**	**11.71%**
C.3 Tier 1 capital/Risk-weighted assets (Total capital ratio)			**13.42%**	**11.86%**
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			**16.22%**	**14.86%**

PART G - BUSINESS COMBINATIONS

There are no items of this type.

PART H – RELATED-PARTY TRANSACTIONS

In compliance with the international accounting standard IAS 24, in addition to the disclosure on related-party transactions, the information relating to the compensation received during the year by directors, statutory auditors and executives.

1. Information on compensation of key management personnel

	3,911
a) short-term benefits for employees and directors	3,468
b) post-employment benefits	118
c) other long-term benefits	40
d) termination indemnities	-
e) share-based payments	-
f) other compensation	285

Item f) refers to the compensation of the Board of Statutory Auditors.

2. Information on related-party transactions

In implementation of CONSOB Regulation no. 17221 of 12 March 2010 and Title V, Chapter 5 of the New Regulations for the Prudential Supervision of Banks (Bank of Italy Circular no. 263 of 27 December 2006), the Board of Directors approved the "Regulations for Related Party and Associated Party Transactions".

Related parties are as follows:

- all parties that directly or indirectly, even through Subsidiaries, trust companies or third parties:
  a. control the Group, are controlled by it, or are controlled by the same party/ies that control the Group;
  b. hold an equity investment in the Group that makes it possible for them to exercise a Significant Influence;
  c. exercise control over the Bank together with other parties.
- the Associated Companies of the Group;
- the Joint Ventures the Group is a party to;
- Key Management Personnel of the Group and of Fondazione Cassa di Risparmio di Asti, or:
  a) the members of the Board of Directors
  b) the members of the Board of Statutory Auditors
  c) the General Manager
  d) the Deputy General Manager of the Bank and the Manager Responsible for preparing the financial reports (if appointed)
  e) the members of the Board of Directors of Fondazione Cassa di Risparmio di Asti
  f) the members of the Board of Statutory Auditors of Fondazione Cassa di Risparmio di Asti.

g) the General Manager of Fondazione Cassa di Risparmio di Asti

- the Close Family Members of one of the parties set out in point a) (if applicable) or d);
- the entities in which one of the parties set out in point d) or e) exercises Control, Joint Control or Significant Influence or directly or indirectly holds a significant stake, in any event of no less than 20% of the voting rights;
- collective or individual, Italian or foreign supplementary pension funds set up for employees of the Bank or of any other entity correlated thereto, in the amount in which those funds were established or promoted by the Bank or in the event that the Bank may influence their decision-making processes (which include the "Fondo Pensione Integrativo" (Supplementary Pension Fund) for the Personnel of Cassa di Risparmio di Asti S.p.A. and the "Fondo Pensione Complementare" (Supplementary Pension Fund) for the Personnel of Cassa di Risparmio di Asti S.p.A.).

Related-Party Transactions in 2019 are shown below:

	ASSETS	LIABILITIES	SHARES	UNSECURED LOANS	CREDIT LINE MARGINS	INTEREST INCOME AND FEE AND COMMISSION INCOME	INTEREST EXPENSE AND FEE AND COMMISSION EXPENSE	DIVIDENDS	OTHER INCOME	OTHER ADMINISTRATIVE EXPENSES
Fondazione Cassa di Risparmio di Asti (a)	0	8,721	115,728	0	0	0	60	0	86	0
Subsidiaries (a)	647	0	0	0	3	0	0	0	0	0
Companies exercising Significant Influence (a)	796	6,504	98,608	0	0	22	2,002	0	0	0
Officers (d)	762	4,907	235	1	63	9	44	0	0	767
Other Related Parties (e, f)	24,450	11,544	179	7,519	10,897	1,220	473	0	23	800
Pension Plans (g)	0	14,773	785	0	0	0	123	0	0	0
TOTAL	**26,655**	**46,449**	**215,535**	**7,520**	**10,963**	**1,251**	**2,702**	**0**	**109**	**1,567**

In general, the Group's transactions with its Related Parties and Associated Parties are carried out in compliance with the criteria of substantive and procedural correctness, at equivalent conditions to those applied to operations concluded with independent third parties. Transactions between the Group and other Related Parties and Associated Parties are attributable to normal operations and are implemented at market conditions, equivalent to that implemented with unrelated counterparties with the same creditworthiness and, in any event, based on assessments of mutual cost-effectiveness, in compliance with existing regulations.

PART I – SHARE-BASED PAYMENT AGREEMENTS

There are no share-based payment agreements.

PART L – SEGMENT REPORTING

In compliance with that set out in accounting standard IFRS 8, segment reporting refers to the organisational and management structure of the Group, based on the internal reporting system used by the company management to monitor the performance of results and make operational decisions regarding the allocation of resources.
The Group Banks perform lending, asset management and the offering of third party insurance products. For this reason, the organisational structure of the Cassa di Risparmio di Asti S.p.A. Group, as, in general, that of commercial banks, is not organised into segments or divisions. Instead, Pitagora S.p.A., as the intermediary specialising in salary and pension assignment loans, has certain particular management and operational characteristics that make it appropriate to conduct the monitoring of results.

Thus, the segments subject to reporting have been identified, summarised below:

- Commercial Banking: activities relating to both retail and corporate customers of the Group Banks, regarding lending, i.e. products and services relating to loans, deposits, financial, banking and payment services, financial and insurance products, asset management and credit and debit cards;
- Investment Banking: activities relating to the own securities portfolio and the interbank market of Group Banks;
- Corporate Centre: activities of governance and business support to the operation of Group Banks;
- Specialised Banking: activities performed by the intermediary specialising in the segment of salary and pension assignment loans, Pitagora S.p.A.

The segment income statement and balance sheet figures correspond to their respective financial statement items.
The balance sheet and income statement figures for Pitagora, a company that joined the Group on 1 October 2015, following the acquisition by the Parent Company of 65% of the share capital, also include the figures referring to the self-securitisation of the Group.
The criteria used to determine the amounts are as follows:

- interest margin: direct attribution of the single income items;
- non-interest margin: direct allocation of single fee and commission items;
- operating costs: direct attribution, or attribution through criteria of allocation to the single organisational units;
- provisions and adjustments: direct attribution or attribution through allocation criteria.

DISTRIBUTION BY OPERATING SEGMENT - BALANCE SHEET FIGURES

SEGMENT RESULTS - BALANCE SHEET FIGURES - ASSETS	2019	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
ASSETS					
Financial assets	1,415,062	0	1,414,515	0	547
Financial assets measured at amortised cost	10,444,962	6,322,214	3,570,594	928	551,226
- Loans and advances to banks	*554,111*	*-4*	*551,827*	*50*	*2,238*
- Loans and advances to customers	*6,890,068*	*6,322,218*	*17,984*	*878*	*548,988*
- Other assets measured at amortised cost	*3,000,783*	*0*	*3,000,783*	*0*	*0*
Hedging derivatives	0	0	0	0	0
Equity investments	77	0	0	0	77

SEGMENT RESULTS - BALANCE SHEET FIGURES - LIABILITIES	2019	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
LIABILITIES					
Deposits from banks	1,648,569	575	2,021,032	-382,297	9,259
Financial liabilities held for trading	17,590	0	17,590	0	0
Direct funding	10,013,055	8,706,670	1,168,497	20,337	117,551
- Deposits from customers	*8,161,813*	*6,855,427*	*1,168,497*	*20,337*	*117,551*
- Debt securities in issue	*1,772,360*	*1,772,360*	*0*	*0*	*0*
- Financial liabilities measured at fair value	*78,882*	*78,882*	*0*	*0*	*0*
Hedging derivatives	126,675	33,409	93,266	0	0

SEGMENT RESULTS - BALANCE SHEET FIGURES - ASSETS	2018	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
ASSETS					
Financial assets	760,302	0	760,017	0	285
Financial assets measured at amortised cost	9,999,373	6,158,676	3,248,007	1,687	591,002
- Loans and advances to banks	*152,533*	*0*	*150,341*	*50*	*2,142*
- Loans and advances to customers	*7,159,657*	*6,158,676*	*410,483*	*1,637*	*588,860*
- Other assets measured at amortised cost	*2,687,183*	*0*	*2,687,183*	*0*	*0*
Hedging derivatives	0	0	0	0	0
Equity investments	0	0	0	0	0

SEGMENT RESULTS - BALANCE SHEET FIGURES - LIABILITIES	2018	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
LIABILITIES					
Deposits from banks	1,530,194	0	1,509,015	0	21,179
Financial liabilities held for trading	20,818	80	20,738	0	0
Direct funding	9,088,368	8,514,075	506,075	68	68,149
- Deposits from customers	*6,867,016*	*6,292,723*	*506,075*	*68*	*68,149*
- Debt securities issued	*2,103,007*	*2,103,007*	*0*	*0*	*0*
- Financial liabilities measured at fair value	*118,345*	*118,345*	*0*	*0*	*0*
Hedging derivatives	75,461	35,630	39,831	0	0

DISTRIBUTION BY OPERATING SEGMENT - INCOME STATEMENT FIGURES

	SEGMENT RESULTS - INCOME STATEMENT FIGURES	2019	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net interest and other banking income (1)	327,291	148,871	105,130	3,480	69,811
-	Operating costs (2)	-248,232	-139,656	-4,960	-79,073	-24,543
=	Gross operating profit	79,059	9,214	100,170	-75,594	45,268
+/-	Net provisions for risks and charges	-18,459	-1,317	-15	-222	-16,905
+/-	Gains/(losses) on equity investments	0	0	0	0	0
+/-	Gains/(losses) on disposal of investments	19	0	0	19	0
=	**Profit/(loss) before tax from continuing operations**	**60,619**	**7,897**	**100,155**	**-75,797**	**28,363**

	SEGMENT RESULTS - INCOME STATEMENT FIGURES	2018	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net interest and other banking income (1)	245,815	171,309	41,802	3,814	28,890
-	Operating costs (2)	-256,073	-126,334	-2,831	-102,741	-24,167
=	Gross operating profit	-10,258	44,976	38,971	-98,927	4,723
+/-	Net provisions for risks and charges	-4,474	1,044	-9	-117	-5,392
+/-	Gains/(losses) on equity investments	-9	0	0	-9	0
+/-	Gains/(losses) on disposal of investments	1	0	0	1	0
=	**Profit/(loss) before tax from continuing operations**	**-14,740**	**46,020**	**38,962**	**-99,044**	**-669**

(1) Includes the reclassified income statement items 10 - 20 - 40 - 50 - 70 - 80 - 90 - 100 - 110 - 130 - 230
(2) Includes the reclassified income statement items 190 - 210 - 220

	CHANGES DURING 2019 COMPARED WITH 2018	2019/ 2018	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net interest and other banking income (1)	81,476	-22,438	63,328	-334	40,921
-	Operating costs (2)	7,841	-13,322	-2,129	23,668	-376
=	Gross operating profit	89,316	-35,761	61,199	23,334	40,545
+/-	Net provisions for risks and charges	-13,986	-2,361	-6	-106	-11,513
+/-	Gains/(losses) on equity investments	9	0	0	9	0
+/-	Gains/(losses) on disposal of investments	18	0	0	18	0
=	**Profit/(loss) before tax from continuing operations**	**75,359**	**-38,122**	**61,193**	**23,256**	**29,032**

PART M – DISCLOSURE ON LEASES

SECTION 1 – LESSEE

QUALITATIVE INFORMATION

The scope of IFRS 16 of the Cassa di Risparmio di Asti Group includes lease agreements on real estate units, mainly for commercial activity (branches), which represent 97% of the rights of use (of which il 4% due to banks) and rental contracts for the fleet of company cars and office machinery, which represent the remaining 3%.

Short-term or low value lease agreements are recorded in accordance with that set out in the accounting standard IFRS 16.

QUANTITATIVE INFORMATION

Please refer to Parts B and C of these Notes to the consolidated financial statements.

SECTION 2 – LESSOR

QUALITATIVE INFORMATION

The Cassa di Risparmio di Asti Group only has operating leases in force which mainly regard commercial leases of owned properties.

QUANTITATIVE INFORMATION

1. **Balance sheet and income statement information**
   Please refer to Parts B and C of these Notes to the consolidated financial statements.

2. **Finance leases**
   There are no items of this type.

3. Operating leases

3.1 Classification by time band of payments to be received

	Total 2019
Time band	Lease payments to be received
Up to 1 year	1,559,373
1 to 2 years	1,503,841
2 to 3 years	1,392,541
3 to 4 years	1,199,063
4 to 5 years	1,010,187
Over 5 years	5,268,691
Total lease payments to be received	**11,933,696**

3.2 Other information

There is no additional information to report.

PUBLICATION OF FEES FOR AUDITING AND FOR SERVICES OTHER THAN AUDITING

In compliance with the provisions issued as part of the reform of the Consolidated Finance Act - (Law no. 262 of 28.12.2005, as amended), the fees paid (net of expenses, VAT and CONSOB contribution) for auditing and control pursuant to articles 14 and 16 of Italian Legislative Decree 39/2010 and for other services provided during 2018 are summarised below.

Type of services	Description of the service	Provider of the service	Recipient of the service	Fees (€/ thousand)
Auditing	Separate financial statements, half-yearly financial statements, accounting control	PwC S.p.A.	C.R.Asti Group	6
Auditing	Separate and consolidated financial statements, half-yearly financial statements, accounting control	Deloitte & Touche S.p.A.	C.R.Asti Group	330
Other services	Other certifications	Deloitte & Touche S.p.A.	C.R.Asti Group	20
Other services	Activities relating to securitisation transactions	Deloitte & Touche S.p.A.	C.R.Asti Group	31
Total				**387**

Disclosure on public grants pursuant to art. 1, paragraph 125 of Law no. 124 of 4 August 2018 ("Annual Law on the Market and Competition")

The provisions of art. 1, paragraph 125 of Law no. 124 of 4 August 2017, called the "Annual Law on the Market and Competition" introduced new disclosure obligations for companies regarding subsidies, grants, paid assignments and, in any event, economic benefits of any type received from the public administration and equivalent entities.

The purpose of the new regulatory provisions is to guarantee greater transparency in the financial reporting system between public entities and private companies.

The disclosure obligation introduced requires the provision, from 31 December 2018 onwards, in the notes to the financial statements and in any notes to the consolidated financial statements, of disclosure of public grants received from the public administration and the other parties indicated in art. 1 of that Law. Failure to comply with the publication obligation would result in the amounts being returned to the disbursing party within three months from the publication of the financial statements.

In order to avoid the accumulation of irrelevant information, the publication obligation shall not apply where the amount of public grants received is less than € 10 thousand.

Taking account of the purpose of the regulation and the approaches that have arisen, the disclosure shall not include fees for services of the company in carrying out business, tax subsidies accessible to all companies or disbursements to customers subsidised loans, as these regard the disbursement of the funds of others.

The table below shows the amounts collected during 2019 by the Group by way of subsidies, grants, paid assignments and, in any event, economic benefits of any type.

Receiving party	Disbursing party	Amounts collected (€/thousand)	Reason
Cassa di Risparmio di Asti Group	Fondo Banche Assicurazioni	460	Grants for personnel training
Total			

GRUPPO CASSA DI RISPARMIO DI ASTI

ANNEXES

Reconciliation between the reclassified financial statements and the statutory accounts

The tables of reconciliation between the reclassified financial statements set out in the Report on Operations and the mandatory financial statements established by the Bank of Italy with Circular no. 262 of 22 December 2005, as amended, are provided below.

RECONCILIATION BETWEEN THE RECLASSIFIED BALANCE SHEET AND THE STATUTORY BALANCE SHEET:

Reclassified balance sheet items - Assets	Statutory balance sheet items - Assets	31.12.2019	31.12.2018
Cash and cash equivalents		67,739	64,558
	Item 10. Cash and cash equivalents	*67,739*	*64,558*
Financial assets (other than loans)		1,415,062	760,302
	Item 20 - Financial assets measured at fair value through profit and loss	*76,213*	*41,286*
	- Item 20 a) (partial) - Financial assets held for trading	*-42,163*	*0*
	- Item 20 c) (partial) - Financial assets mandatorily measured at fair value	*-6,002*	*-5,821*
	Item 30 - Financial assets measured at fair value through other comprehensive income	*1,559,167*	*1,072,546*
	- Item 30 c) (partial) - Financial assets measured at fair value through other comprehensive income	*-172,153*	*-347,709*
Financial assets measured at amortised cost		10,444,962	9,999,373
	Item 40 a) - Loans and advances to banks	*554,111*	*152,533*
	Item 40 b) - Loans and advances to customers	*9,670,533*	*9,493,310*
	+ Item 20 a) (partial) - Financial assets held for trading	*42,163*	*0*
	+ Item 20 c) (partial) - Financial assets mandatorily measured at fair value	*6,002*	*5,821*
	+ Item 30 c) (partial) - Financial assets measured at fair value through other comprehensive income	*172,153*	*347,709*
	- Item 40 b) (partial) - Loans and advances to customers	*-3,000,783*	*-2,687,183*
	Item 40 b) (partial) - Loans and advances to customers - other financial assets measured at amortised cost	*3,000,783*	*2,687,183*
Hedging derivatives		0	0
	Item 80 - Hedging derivatives	*0*	*0*
Equity investments		77	0
	Item 70 - Equity investments	*77*	*0*
Property, plant and equipment and intangible assets		300,920	261,498
	Item 80 - Property, plant and equipment	*211,381*	*169,628*
	Item 90 - Intangible assets	*89,539*	*91,870*
Tax assets		315,288	321,077
	Item 100 - Tax assets	*315,288*	*321,077*
Other assets		418,569	472,098
	Item 120 - Other assets	*418,569*	*472,098*
Total assets		**12,962,617**	**11,878,906**

Reclassified balance sheet items - Liabilities	Statutory balance sheet items - Liabilities	31.12.2019	31.12.2018
Deposits from banks		1,648,569	1,530,194
	Item 10 a) - Deposits from banks	*1,648,569*	*1,530,194*
Financial liabilities held for trading		17,590	20,818
	Item 20 - Financial liabilities held for trading	*17,590*	*20,818*
Direct funding		10,013,055	9,088,368
	Item 10 b) - Deposits from customers	*8,161,813*	*6,867,016*
	Item 10 c) - Debt securities issued	*1,772,360*	*2,103,007*
	Item 30 - Liabilities designated at fair value	*78,882*	*118,345*
Hedging derivatives		126,675	75,461
	Item 40 - Hedging derivatives	*126,675*	*75,461*
Tax liabilities		3,088	3,238
	Item 60 -Tax liabilities	*3,088*	*3,238*
Other liabilities		245,083	257,189
	Item 80 - Other liabilities	*245,083*	*257,189*
Provisions for risks and charges		85,065	85,352
	Item 90 - Provision for employee severance pay	*20,386*	*19,671*
	Item 100 - Provisions for risks and charges	*64,679*	*65,681*
Shareholders' equity		823,492	818,286
	Item 120 - Valuation reserves	*-19,919*	*6,427*
	Item 150 - Reserves	*95,699*	*76,919*
	Item 160 - Share premium reserve	*339,536*	*270,139*
	Item 170 - Share capital	*363,971*	*308,368*
	Item 180 - Treasury shares	*-8,863*	*-6,522*
	Item 190 - Minority interests	*17,738*	*158,476*
	Item 200 - Profit (Loss) for the year (+/-)	*35,330*	*4,479*
Total liabilities and shareholders' equity		**12,962,617**	**11,878,906**

RECONCILIATION BETWEEN THE RECLASSIFIED INCOME STATEMENT AND THE STATUTORY INCOME STATEMENT

Reclassified income statement items	Statutory income statement items	31/12/2019	31/12/2018
	Item 10 - Interest income and similar revenues	***294,543***	***259,562***
	Item 10 - Interest income and similar revenues	*295,919*	*261,079*
	+ Item 130 (partial) - Interest income calculated using the effective interest rate method - IAS 39	*0*	*0*
	+ Item 80 (partial) - Net profit (loss) from trading	*-1,376*	*-1,517*
	Item 20 - Interest expense and similar charges	***-84,953***	***-84,931***
	Item 20 - Interest expense and similar charges	*-84,953*	*-84,931*
	+ Item 40 (partial) - Fee and commission income T-LTRO2	*1,760*	*2,645*
	+ Item 50 (partial) - Fee and commission expense T-LTRO2	*-1,760*	*-2,645*
Interest margin		**209,590**	**174,631**
Net fee and commission income		**95,609**	**125,524**
	Item 40 - Fee and commission income	***151,899***	***157,096***
	Item 40 - Fee and commission income	*154,727*	*159,892*
	- Item 40 (partial) - Securitisation servicing	*-2,788*	*-2,339*
	- Item 40 (partial) - Fee and commission income T-LTRO2	*-1,760*	*-2,645*
	+ Item 230 (partial) - Other operating income (fast-track facility fee income)	*1,720*	*2,188*
	Item 50 - Fee and commission expense	***-56,290***	***-31,572***
	Item 50 - Fee and commission expense	*-58,050*	*-34,217*
	- Item 50 (partial) - Fee and commission expense T-LTRO2	*1,760*	*2,645*
Net profit (loss) from trading, from hedging, from other financial assets and liabilities measured at fair value through profit and loss, gains (losses) on disposal/repurchase of financial assets and liabilities, and net adjustments/recoveries for credit risk on financial assets		**125,964**	**25,320**
	Item 80 - Net profit (loss) from trading	***78,932***	***24,845***
	Item 80 - Net profit (loss) from trading	*77,556*	*23,328*
	- Item 80 (partial) - Net profit (loss) from trading	*1,376*	*1,517*
	Item 90 - Net profit (loss) from hedging	***-805***	***51***
	Item 100 - Gains (losses) on disposal or repurchase of:	*44,840*	*19,799*
	Item 100 a) - Gains (losses) on disposal or repurchase of financial assets measured at amortised cost	***20,065***	***2,451***
	Item 100 a) (partial) - Profit on bonds: AC	*20,065*	*2,451*
	Item 100 b) financial assets measured at fair value through other comprehensive income	***24,766***	***17,297***
	Item 100 b) financial assets measured at fair value through other comprehensive income	*24,766*	*17,297*
	Item 100 c) financial liabilities	***9***	***51***
	Item 130 - Net losses/recoveries for credit risk	*1,108*	*-2,644*
	Item 130 b) financial assets measured at fair value through other comprehensive income	***1,108***	***-2,644***
	Item 110 - Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss	*1,889*	*-16,731*
	Item 110 a) financial assets and liabilities designated at fair value	***2,990***	***3,461***
	Item 110 b) other financial assets mandatorily measured at fair value	***-1,101***	***-20,192***
Dividends and similar income		**10,929**	**13,282**
	Item 70 - Dividends and similar income	*10,929*	*13,282*
Other operating expenses/income		**1,947**	**3,876**
	Item 230 - Other operating expenses/income	*28,017*	*30,096*
	- Item 230 (partial) - Other operating expenses (amortisation of expenses on leasehold assets)	*920*	*949*
	- Item 230 (partial) - Other operating income (recoveries of expenses)	*-25,340*	*-25,048*
	- Item 230 (partial) - Other operating expenses (maintenance of civil buildings)	*70*	*67*
	- Item 230 (partial) - Other operating income (fast-track facility fee income)	*-1,720*	*-2,188*
	- Item 230 (partial) - Other operating income		*0*
	- Item 200 a) commitments and guarantees given	*0*	*0*

Gross interest and other banking income		**444,039**	**342,633**
Gains (losses) on disposal of financial assets measured at amortised cost		**-23,244**	**-31,025**
	Item 100 a) - Gains (losses) on disposal or repurchase of financial assets measured at amortised cost	*-3,179*	*-28,574*
	Item 100 a) (partial) - Profit on bonds: AC	*-20,065*	*-2,451*
	+ Item 100 a) (partial) - gains (losses) on disposal or repurchase of loans - IAS 39	*0*	
Net adjustments for credit risk on financial assets measured at amortised cost		**-93,078**	**-65,793**
	Item 130 a) financial assets measured at amortised cost	*-93,078*	*-65,793*
Profits/losses from contractual changes without derecognition		**-426**	**0**
	Item 140 - profits/losses from contractual changes without derecognition	*-426*	*0*
Net interest and other banking income		**327,291**	**245,815**
Operating costs		**-248,232**	**-256,073**
Personnel expenses		**-131,627**	**-142,149**
	Item 190 a) - Personnel expenses	*-133,935*	*-144,580*
	+ Item 190 b) (partial) - Other administrative expenses (directors and statutory auditors)	*2,308*	*2,431*
Other administrative expenses		**-94,693**	**-99,481**
	Item 190 b) - Other administrative expenses	*-120,443*	*-124,370*
	+ Item 200 (partial) - Other operating income (recoveries of expenses)	*25,340*	*25,048*
	+ Item 200 (partial) - Other operating expenses (maintenance of civil buildings)	*-70*	*-67*
	- Item 160 b) (partial) - Other administrative expenses (directors and statutory auditors)	*-2,308*	*-2,431*
	+ Item 40 (partial) - Securitisation servicing	*2,788*	*2,339*
Net adjustments to property, plant and equipment/intangible assets		**-21,912**	**-14,443**
	Item 210 - Net adjustments to/recoveries on property, plant and equipment	*-16,538*	*-9,149*
	Item 220 - Net adjustments to/recoveries on intangible assets	*-4,454*	*-4,345*
	+ Item 200 (partial) - Other operating expenses (amortisation of expenses on leasehold assets)	*-920*	*-949*
Gross operating profit (loss)		**79,059**	**-10,258**
Net provisions for risks and charges		**-18,459**	**-4,474**
	Item 200 - Net provisions for risks and charges	*-18,459*	*-4,474*
Other non-recurring income/charges		**19**	**-8**
	Item 250 - Gains (losses) on equity investments	*0*	*-9*
	Item 280 - Gains (losses) on disposal of investments	*19*	*1*
Profit before tax from continuing operations		**60,619**	**-14,740**
Taxes		**-19,871**	**20,618**
	Item 300 - Tax expense (recovery) on income from continuing operations	*-19,871*	*20,618*
Profit from continuing operations		**40,748**	**5,878**
Profit after tax from discontinued operations			
	Item 320 - Profit (loss) after tax from discontinued operations	*0*	*0*
Profit for the year	***Item 330 - Profit (Loss) for the year***	**40,748**	**5,878**

Country-by-country reporting

Country-by-country reporting (CRD IV) as at 31 December 2019
CASSA DI RISPARMIO DI ASTI GROUP

In order to increase the confidence of citizens in the European Union in the financial sector, art. 89 of the CRD IV (Directive 2013/36/EU) introduces obligations to publish information regarding the bank's activities, and specifically, the profits made, the taxes paid and any government grants received, broken down by country in which the bank operates.

Those obligations should be considered an important element of banks' social responsibility to the public.

The information may be published as an attachment to the financial statements or on the company website.

The following disclosure must be published annually:

a) Names of the companies based in the country and nature of their business
b) Turnover [(1)]
c) Number of full-time equivalent employees [(2)]
d) Profit or loss before tax
e) Tax on profit or loss
f) Government grants received

Notes

(1) The term "turnover" refers to the total net interest and other banking income as recorded in item 120 of the income statements of bank financial statements (see Circular 262/2005 of the Bank of Italy).

(2) The term "Number of full-time equivalent employees" refers to the ratio between the total number of hours worked by all employees, excluding overtime, and the total annual number of hours contractually required of full-time employees.

Country of establishment: Italy

Name of company and nature of business

As at 31 December 2019 the “Cassa di Risparmio di Asti Banking Group” was composed as follows:

- Cassa di Risparmio di Asti S.p.A. or, in short, Banca di Asti (Parent Company), with registered offices in Piazza Libertà 23 – 14100 – Asti (AT);
- Cassa di Risparmio di Biella e Vercelli S.p.A. or, in short, Biver Banca S.p.A., with registered office in Via Carso 15 – 13900 – Biella (BI);
- Pitagora S.p.A., with registered office in Corso Marconi 10 – 10125, Turin;
- Immobiliare Maristella S.r.l., with registered office in Piazza Libertà 23 – 14100 – Asti (AT) (operating asset);

The Cassa di Risparmio di Asti Group’s business is conducted exclusively in Italy.
The Group Banks mainly conduct banking activities of funding and lending, as well as the provision and intermediation of payment services, insurance services (both life and non-life businesses, based agreements with leading insurance companies) and health insurance (through a service for households, operating as part of medical and healthcare benefits).
The offer is traditionally targeted to individual investors and SMEs (artisans, retail and wholesale companies, agricultural and industrial companies), without excluding large leading companies operating on their reference markets, supported by a geographical network comprised of 241 branches, of which 211 in Piedmont, 24 in Lombardy, 4 in Valle d’Aosta, 1 in Liguria and 1 branch for the Veneto region, as well as the option for customers to access the services that can be used through e-banking and the POS and ATM networks. Pitagora S.p.A. grants salary and pension assignment loans and has 78 branches throughout the country.

Turnover

As at 31 December 2019, the turnover amounted to € 418,808 thousand, all earned in Italy.

Number of full-time equivalent employees

As at 31 December 2019, there were 1,835 full time equivalent employees, of which 1,087 working for the Parent Company, 566 for Biver Banca S.p.A. and 182 for Pitagora S.p.A.

Profit before tax

As at 31 December 2019 the profit (loss) before tax from continuing operations amounted to € 60,619 thousand. There are no components regarding discontinued operations.

Income taxes

As at 31 December 2019 the item "income tax for the year" showed a negative balance of € 19,871 thousand.

Government grants received from Fondo Banche Assicurazioni

During 2019, the Group received grants for carrying out personnel training for a total of € 460 thousand.

In this regard, note that, in compliance with the provisions set out for preparing the disclosure in question, this category of contributions excludes transactions conducted with central banks for the purpose of financial stability and transactions performed with the objective of facilitating the transmission mechanism of monetary policy.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa di Risparmio di Asti S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa di Risparmio di Asti Group (the "Group"), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Cassa di Risparmio di Asti S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Classification of performing loans and advances to customers measured at amortised cost	
Description of the key audit matter	As highlighted in the notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets, at December 31, 2019 the net performing financial assets, measured at amortised cost, due from customers of the Group amount to Euro 9.272 million, including Euro 6.269 million of performing loans and advances to customers (stage 1 and stage 2). As indicated in the paragraph entitled "1.1 Credit risk" qualitative information of the "Section 2 – Risks of the prudential consolidated perimeter" of Part E – Information on risks and relative hedging policies of the notes to the consolidated financial statements as at December 31, 2019, as part of its policies for managing loans and advances to customers, the Group refers to sector regulations, supplemented by different processes and analysis tools based on homogeneous risk categories. Given the materiality of performing loans and advances to customers measured at amortised cost in the consolidated financial statements, the structure and the complexity of the classification process of these loans, we considered that the classification of performing loans and advances to customers measured at amortised cost was a key audit matter for the Group's consolidated financial statements.
Audit procedures performed	The main procedures carried out as part of our audit work have included, among the others, the following: • understanding of the internal regulations and processes set up by the Group in relation to the classification and credit quality monitoring of loans and advances to customers measured at amortised cost to ensure their classification in accordance with the applicable regulatory framework; • checking the implementation and operating effectiveness of the relevant controls identified in relation to the processes above; • checking, on a sample basis, the classification of performing loans and advances to customers measured at amortised cost in accordance with the applicable regulatory framework; • checking the accuracy and the completeness of the disclosures provided in the financial statements in accordance with the regulatory framework and the applicable accounting standards.

Classification and measurement of non-performing loans and advances to customers measured at amortised cost	
Description of the key audit matter	As highlighted in the report on operations in the paragraph entitled "Credit quality" and in the notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet - Assets and Part E – Information on risks and relative hedging policies, at December 31, 2019 the gross non-performing loans and advances to customers measured at amortised cost of the Group amount to Euro 796 million, the connected specific write-

downs amount to Euro 397 million and the related net exposure amounts to Euro 399 million.

In addition, the paragraph entitled “Credit quality” of the report on operations and the “Section 1 – Risks of the accounting consolidated perimeter” quantitative information and the “Section 2 – Risks of the prudential consolidated perimeter” qualitative information pertaining respectively to “Credit quality” and “Credit risk” of Part E – Information on risks and relative hedging policies of the notes to the consolidated financial statements show a coverage ratio of 49,9% related to non-performing loans and advances to customers measured at amortised cost at December, 31 2019.
In particular, the above mentioned non-performing exposures, classified according to the International Financial Reporting Standard IFRS 9 "Financial instruments" in the so-called “Stage 3”, include net bad loans for Euro 123 million with a coverage ratio of 68,2%, net unlikely to pay loans for Euro 234 million with a coverage ratio of 34,4% and net impaired past-due loans for Euro 42 million with a coverage ratio of 18,7%.

The notes to the consolidated financial statements - Part A - Accounting Policies show:

- the classification rules of non-performing loans and advances to customers measured at amortised cost adopted by the Group, according with the applicable banking regulations and in compliance with the accounting standards;

- the procedures used in determining the recoverable amount of the above loans, based on valuation criteria that consider the various alternative scenarios according with the methodologies based on the Group's credit policies for each category in which non-performing loans and advances to customers are classified.

Given the materiality of non-performing loans and advances to customers measured at amortised cost recorded in the consolidated financial statements, the complexity of the estimation processes adopted by the Group, which have involved a detailed classification of such loans in homogeneous credit quality categories, as well as the relevance of the discretionary components inherent in the estimated nature of recoverable amount, we considered that the classification and measurement of non-performing loans and advances to customers measured at amortised cost were a key audit matter for the Group's consolidated financial statements.

Audit procedures performed

The main procedures carried out as part of our audit work have included, among the others, the following:

- obtaining an understanding of the rules and the managing processes set up by the Group in relation to the classification and recoverable amount estimation of non-performing loans and advances to customers measured at amortised cost in accordance with the regulatory framework and the applicable accounting standards;

- checking the implementation and operating effectiveness of the relevant controls identified in relation to the above processes;

- drawing qualitative and trend analysis of non-performing loans and advances to customers by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest;

- checking on a sample of credit files, selected also on the basis of the matters of interest emerging from the analysis referred to in the previous point, the relevant classification and determination of the recoverable amount of non-performing loans and advances to customers measured at amortised cost in accordance with the regulatory framework and applicable accounting standards, also by obtaining and examining written confirmations by the lawyers appointed for their collection;

- checking the completeness and the compliance of the financial statements disclosures provided by the Group in accordance with the regulatory framework and the applicable accounting standards.

Impairment test on goodwill

Description of the key audit matter

As highlighted in the notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets – "Section 10 – Intangible assets – Item 100", the Assets' item n. 100. "Intangible assets" of the Group's consolidated financial statements at December 31, 2019 includes a goodwill of Euro 66 million, which has been allocated to two cash generating units (CGUs) identified with the Group's companies, Cassa di Risparmio di Biella e Vercelli S.p.A. and Pitagora Finanziamenti Contro Cessione del Quinto S.p.A..

According with the accounting standard IAS 36 "*Impairment of assets*", goodwill is not amortised but subjected to an impairment test at least annually, or more frequently when there are impairment highlights, by comparing the carrying amount with the relevant recoverable amount of the CGUs.

The Directors of the Bank have subjected the recoverable amount of the goodwill to the *impairment test* through the value in use determining, by the adoption of a model based on economic and financial projections developed considering parameters, assumptions and hypotheses that are subject to a significant degree of professional judgment, as well as being influenced by external events and factors.

In Part B –Information on the consolidated balance sheet – Assets of the notes to the consolidated financial statements, there are provided the disclosures requested by the applicable international accounting standards, as well as the main methodological choices made by the Directors of the Bank.
In particular, disclosures are provided in relation to the carrying amount and the determining method of the value in use estimated by applying the *Excess Capital* version of the *Dividend Discount Method.*

Given the materiality of the goodwill recorded in the consolidated financial statements, the complexity and the subjectivity of the estimates relating to the value in use of the CGUs and the key variables of the impairment model

	adopted, we considered that the impairment test of goodwill was a key audit matter for the Group's consolidated financial statements.
Audit procedures performed	The main procedures carried out as part of our audit work have included, among the others, the following: • obtaining an understanding of the process, the methods and assumptions adopted by the Bank in relation to the carrying out the impairment test; • critical and reasonableness analysis of the main parameters and the main assumptions adopted in determining the economic-financial projections and understanding the main elements underlying their elaboration by obtaining information from the Bank; • reviewing the sensitivity analyses of the outcomes performed by the Bank based on the changes in the key input data used in the model adopting; • checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and the applicable accounting standards.

Other aspects

The consolidated financial statements of the Group for the year ended December 31, 2018 have been audited by another auditor that on April 15, 2019 issued an unmodified opinion on those financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company Cassa di Risparmio di Asti S.p.A. or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

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

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Deloitte.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa di Risparmio di Asti S.p.A. has appointed us on April 30, 2019, as auditors of the Bank for the years from December 31, 2019 to December 31, 2027.
We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 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 Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa di Risparmio di Asti S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Cassa di Risparmio di Asti Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements of Cassa di Risparmio di Asti Group as at December 31, 2019, and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cassa di Risparmio di Asti Group as at December 31, 2019, and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa di Risparmio di Asti S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 14, 2020