GRUPPO CASSA DI RISPARMIO DI ASTI

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CONTENTS

CONTENTS

GRUPPO CASSA DI RISPARMIO DI ASTI

REPORT ON OPERATIONS

GRUPPO CASSA DI
RISPARMIO DI ASTI

KEY CONSOLIDATED OPERATING DATA

KEY CONSOLIDATED OPERATING DATA

Amounts are shown in €/thousand

MAIN BALANCE SHEET DATA	31/12/2018	31/12/2017	CHANGES	
			Absolute	1%
NET LOANS TO CUSTOMERS	7,159,657	7,178,642	-18,985	-0.26%
DIRECT FUNDING (1)	9,088,368	8,733,893	354,475	4.06%
INDIRECT FUNDING	6,007,679	6,225,682	-218,003	-3.50%
TOTAL BALANCE SHEET ASSETS	11,878,906	11,603,672	275,234	2.37%
TOTAL OWN FUNDS	945,898	1,082,164	-136,266	-12.59%

MAIN INCOME STATEMENT DATA	31/12/2018	31/12/2017	CHANGES	
			Absolute	1%
NET INTEREST AND OTHER BANKING INCOME	245,815	292,062	-46,247	-15.83%
OPERATING COSTS	-256,073	-240,269	-15,804	6.58%
NET PROFIT	5,878	32,820	-26,942	-82.09%

OTHER DATA AND INFORMATION	31/12/2018	31/12/2017	CHANGES	
			Absolute	%
EMPLOYEES	1,877	1,928	-51	-2.65%
BANK BRANCHES	241	245	-4	-1.63%
NON-BANKING BRANCHES	78	77	1	1.30%
NUMBER OF CUSTOMERS	466,485	463,677	2,808	0.61%

INDICATORS

PROFITABILITY INDICATORS	31/12/2018	31/12/2017
OPERATING COST INCOME (2)	67.05%	61.60%
ROE	0.74%	3.47%

RISK INDICATORS	31/12/2018	31/12/2017
NET BAD LOANS/NET LOANS TO CUSTOMERS	2.15%	6.32%
COVERAGE RATIO FOR BAD LOANS (3)	68.12%	55.51%
COVERAGE RATIO FOR TOTAL NON-PERFORMING LOANS	48.79%	45.90%
TEXAS RATIO	80.93%	89.84%
FINANCIAL LEVERAGE (4)	16.23	12.67

CAPITAL RATIOS	31/12/2018	31/12/2017
CET 1 RATIO (CET1/RWA)	11.71	12.14
TOTAL CAPITAL RATIO (TOTAL OWN FUNDS/RWA)	14.86	14.83

(1) The figure is influenced by the trend of funding from institutional counterparties, net of which direct funding would be € 8,784 thousand.
(2) Cost Income is calculated by excluding the contributions and the charges relating to the banking systems and the extraordinary costs related to the activation of the Solidarity Fund; the figure for 2017 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 2017 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)	31/12/2018	31/12/2017	CHANGES	
			Absolute	%
ASSETS				
Cash and cash equivalents	64,558	970,893	-906,335	-93.35
Financial assets	760,302	1,973,674	-1,213,372	-61.48
Financial assets measured at amortised cost	9,999,373	7,705,577	2,293,796	29.77
- of which loans to banks	*152,533*	*239,489*	*-86,936*	*-36.31*
- of which loans to customers	*7,159,657*	*7,178,647*	*-18,983*	*-0.26*
- of which other financial assets measured at amortised cost	*2,687,183*	*287,446*	*3,399,737*	*n.s.*
Equity investments	0	461	-461	-100.00
Property, plant and equipment and intangible assets	261,498	263,817	-2,319	-0.88
Tax assets	321,077	252,725	68,352	27.05
Other assets	472,098	436,525	35,573	8.15
TOTAL ASSETS	**11,878,906**	**11,603,672**	**275,234**	**2.37**
LIABILITIES AND SHAREHOLDERS’ EQUITY				
Deposits from banks	1,530,194	1,468,168	62,026	4.22
Financial liabilities held for trading	20,818	26,020	-5,202	-19.99
Direct funding	9,088,368	8,733,893	354,475	4.06
- of which deposits from customers	*6,867,016*	*5,981,503*	*883,313*	*14.80*
- of which debt securities issued	*2,103,007*	*2,626,553*	*-333,330*	*-19.93*
- of which financial assets measured at fair value	*118,345*	*125,833*	*-7,488*	*-5.95*
Hedging derivatives	75,461	66,167	9,294	14.05
Tax liabilities	3,238	3,935	-697	-17.71
Other liabilities	257,189	220,293	36,896	16.75
Provisions for risks and charges	85,352	83,262	2,090	2.51
Shareholders’ equity	659,810	832,263	-172,453	-20.72
Non-controlling interests	158,476	169,671	-11,195	-6.60
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,878,906**	**11,603,672**	**275,234**	**2.37**

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)	31/12/2018	31/12/2017	CHANGES	
			Absolute	%
INTEREST MARGIN BEFORE ADJUSTMENTS	174,930	196,309	-21,379	-10.89
Gains/Losses on disposal of financial assets measured at amortised cost	-30,786	-729	-30,057	n.s.
Net adjustments for credit risk on financial assets measured at amortised cost	-65,802	-70,191	4,389	-6.25
INTEREST MARGIN	78,342	125,389	-47,047	-37.52
Net fee and commission income	125,524	96,030	29,494	30.72
of which Commercial banking	*121,787*	*105,244*	*16,543*	*15.72*
of which Pitagora	*3,737*	*-9,214*	*12,951*	*-140.56*
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)	25,091	44,307	-19,216	-43.37
of which Commercial banking	*12,265*	*5,514*	*6,751*	*122.45*
of which Pitagora	*12,826*	*38,793*	*-25,967*	*-66.94*
Dividends and similar income	12,982	16,555	-3,573	-21.58
Other operating expenses/income	3,876	9,781	-5,905	-60.37
NET INTEREST AND OTHER BANKING INCOME	245,815	292,062	-46,247	-15.83
Operating Costs:	-256,073	-240,269	-15,804	6.58
Personnel expenses	-142,149	-134,693	-7,456	5.54
of which personnel expenses	*-126,069*	*-130,369*	*4,300*	*-3.30*
of which allocations to the Solidarity Fund	*-16,080*	*-4,324*	*-11,756*	*271.88*
Other administrative expenses	-99,481	-90,605	-8,876	9.80
of which other administrative expenses	*-89,599*	*-84,412*	*-5,187*	*6.14*
of which contributions to the National Resolution Fund, S.R.F. and D.G.S.	*-9,882*	*-6,193*	*-3,689*	*59.57*
Net value adjustments to property, plant and equipment/intangible assets	-14,443	-14,971	528	-3.53
GROSS OPERATING PROFIT (LOSS)	-10,258	51,793	-62,051	-119.81
Net provisions for risks and charges	-4,474	-13,393	8,919	-66.59
Gains (losses) on equity investments	-9	-17	8	-47.06
Other non-recurring income/charges	1	0	1	n.c.
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**-14,740**	**38,383**	**-53,123**	**-138.40**
Taxes	20,618	-5,563	26,181	-470.63
PROFIT FROM CONTINUING OPERATIONS	**5,878**	**32,820**	**-26,942**	**-82.09**
PROFIT FOR THE YEAR	**5,878**	**32,820**	**-26,942**	**-82.09**

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”.

GLOBAL ECONOMIC TRENDS

The macroeconomic scenario

Although the international economic scenario continues to grow, the uptrend appears to be slowing down and world economic activity has become more fragmented, due to the substantial maturity of the global economic cycle, by the lack of support provided by policies in the advanced economies and by the impact of tension between the United States and China relating to custom duties.

Based on the estimates of the International Monetary Fund (IMF) published in January, the growth of GDP was 3.7% in 2018 (stable compared to the previous estimate for the same period), while a figure of 3.5% is predicted for 2019 and 3.6% for 2020. The stability of growth last year and the downtrend 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. World trade recorded a downtrend towards the end of 2018, with evidence of further risks of lower figures relating to unresolved trade conflicts and a slowdown in the growth of the emerging economies. Although financial conditions appear to be favourable on the whole, this weakness has fuelled the volatility of the stock markets. Given these trends, China has adopted a more accommodative monetary policy.
World market prospects are exposed to a high level of risk. The launch of negotiations between the United States and Canada did not allay uncertainty linked to the possibility that the new protectionist measures will have a negative impact on international trade in the coming months. Moreover, in the United States, any abrupt changes in the term premiums or in expectations of the direction of the monetary policy of the Federal Reserve, could lead to a fall in capital inflows to the emerging economies. Lastly, uncertainty as to future economic relations between the United Kingdom and the European Union (EU) remains high, following the vote of the British parliament ratifying the withdrawal agreement reached by the government in November.

The situation of the advanced economies, according to the IMF, indicates strong growth in the United States in 2018; however, the deterioration of the climate of confidence and the weaker panorama shown by the figures have overshadowed growth prospects. The paralysis of the public administration in the United States has fuelled the climate of uncertainty generated by US trade policies on China, and is temporarily having a detrimental effect economic activity in the United States in the short term. Activities in the Eurozone slowed down, partially due to temporary factors such as the adaptation to international law on emissions in the automotive sector (Worldwide Harmonised Light-duty Vehicles Test Procedure, WLTP), but also due to the deterioration in the prospects of businesses and to weak foreign demand, especially in Germany and Italy, while France recorded more positive figures. 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, growth was strong, partly reflecting higher public spending. Nevertheless, corporate investment fell for the third consecutive quarter. Overall, economic growth should continue to be moderate in the medium term, whilst awaiting developments on Brexit negotiations. In Japan, the economy recorded a downturn, mostly due to temporary factors relating to natural disasters, although in the last few months of the year, signs of improvement were noted. In China, the slowdown of economic activity that started at the beginning of 2018, has also continued in recent months, despite the tax incentive measures introduced by the government.

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 2018, GDP in the United States recorded a rise of 3.4% yoy, down against 4.2% recorded in the second quarter and slightly lower than the expectations of economic operators. In Japan, GDP fell by -2.5% yoy. In the United Kingdom, growth was 2.2% yoy. China continued to record stable growth (6.5%).

Towards the end of 2018, the economies of emerging and developing countries experienced a turbulent period due to currency pressures resulting from a strong dollar, to the political events in Venezuela and to the economic situations of Argentina and Brazil. Nevertheless, India enjoyed sustained cyclical growth, although at a slower rate than the first half of the year, and growth in Russia, although moderate, continued to record positive results; overall the medium-term growth prospects of the Russian economy were substantially unchanged.

GDP performance in the main emerging economies was positive, but fragmented; in India GDP continued to rise (7.5% yoy); in Brazil, figures were positive but practically stable against the same period of the previous year (1.2% according to estimates at the end of 2018); in Russia, growth was positive (1.6%).

GDP in the Eurozone continued to rise , but was down against last year. In 2018, GDP recorded a rise of 1.9% yoy: the most recent data and the results of the latest economic studies by the Bank of Italy show weaker growth than expected, reflecting the lower contribution made by foreign demand and specific factors at country and industry level. At the same time, internal demand, also sustained by the accommodative nature of monetary policy, continued to support the economic growth of the Eurozone. The strength of the labour market, reflected by continuing rises in employment figures and by higher wages, continued to support private consumption. Furthermore, corporate investment benefitted internal demand, favourable borrowing conditions and the improvement of financial statements.

Investments in residential construction continued to be strong. In addition, world economic growth is expected to continue, stimulating the exports of the Eurozone, although to a lesser extent. The impact of the conclusion of the ECB's asset purchase programme (APP) will be evaluated in the coming months.

At national level, according to the latest economic bulletin of the Bank of Italy, the economy started to lose momentum at the beginning of 2018, within the wider slowdown of the Eurozone, and then continued to fall during the second half of the year. Real GDP fell by 0.2% in the last three months of 2018. While the initial slowdown was mostly due to the sluggish situation of global trade, the recent slowdown of economic activity is more due to the weakness of internal demand, particularly investments, due to uncertainties relating to the political position of the Government and higher borrowing costs. Year on year, real GDP rose by 1.0% in 2018, boosted more than anything by the positive impact of last year's situation. The manufacturing sector continues to be weak, with a further decline envisaged in the short term, which risks maintaining growth close to zero (on a quarterly basis) in the first half of 2019.

Inflation in the major advanced economies continues to be moderate, recording 2.4% in the United States, even though during the year a temporary value increase was recorded due to an increase in the price of commodities; in Japan, instead it fluctuated around 0.8%. In the United Kingdom, after recording a slight increase over the summer, in November inflation returned to 2.3% yoy. The volatility seen in the summer months was expected to a large extent, due to previous oil price trends and the slight weakening of the GBP towards the end of the second quarter. In China, inflation rose slightly against the previous year, recording an increase of 1.8%, and remained moderate in the major emerging countries, especially in India, which recorded 2.3%, significantly down on last year's figure (5.9%); in Brazil it rose by 3.75%; in Russia it rose by 4.5%, compared with 2.5% in 2017.

According to the latest figures of the international labour organization, in 2018, at global level, the unemployment rate was 5%, with 172 million people unemployed, a fall of 2 million against 2017. The same organization predicts a further fall of the unemployment rate in 2019, although slight, to 4.9%. The report also confirms that the labour market conditions in industrialised countries have continued to improve, particularly in the United States (3.9%) and in Germany (3.4%).

In Europe, the labour market has continued to improve; according to the ISTAT report, employment has now surpassed pre-crisis levels, bringing the rate of unemployment to 7.9% in 2018. Although the recovery is widespread, and many European countries are recording a fall in unemployment, in general, the rise in the number of hours worked is lower than the rise in employment, indicating the under-use of the labour force.

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 (10.6%; -0.6% against 2017). The rise in the number of jobs regarded all of the main macro sectors. In 2018, manufacturing showed the best quarterly uptrends since the beginning of the recovery (+2.3% in the first quarter, +2.7% in the second, +3.1% in the third); in construction, the rise in the number of jobs continues to be lower than that of the rest of the economy (+2.6% in the third quarter of 2018). With regard to the service sector, the increase in the number of jobs in market services gradually fell, while for services to individuals, the growth rate for the number of jobs fell one half (from 5.6% to 2.7%).

The banking operating scenario. Lending activities

In 2018, the Fed and the ECB implemented different monetary policies, given the economic situations of their respective areas of interest. In the United States, the policy of increasing interest rates continued: at the December meeting of the FOMC (Federal Open Market Committee), the target range for Fed Funds was increased for the fourth time this year, bringing it to 2.25%-2.50%. In Europe, according to the latest statements in the annual report, the intention of the ECB in 2019 appears to be to slow down its policy to normalise its balance sheet and to reduce direct investment, thus putting an end to so-called "Quantitative Easing". The Governing Council of the European Central Bank (ECB) has maintained official interest rates unchanged; it has also stated that it expects said base rates to be maintained at the same levels as the current ones until the summer of 2019, and in any event until necessary to ensure that inflation continues to converge at lower levels, but close to 2%, in the medium term. With regard to non-conventional monetary policy measures, net purchases within the Eurosystem's financial Asset Purchase Programme (APP) were concluded in December 2018. At the same time, the Governing Council reiterated its forward guidance recommendations for reinvestment. In line with this approach, the Governing Council intends to continue to wholly reinvest the principal payments from maturing securities under the APP for an extended period of time after the date on which the base interest rates of the ECB start to rise, and in any event, as long as it is necessary to maintain favourable liquidity conditions and an ample degree of monetary adjustment.

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. Credit supply conditions remain relaxed on the whole, even though surveys of businesses indicate some signs of condition being tightened. The cost of credit continues to be low: the transfer of the higher charges of wholesale funding to interest rates on loan has so far been slowed down by the good capitalisation positions of banks and by the high stability of their sources of funding, but could rise if the higher level of sovereign yields persists. Non-performing loans continued to fall. The trend of loans to households continued to be solid in terms of mortgage loans, as well as consumer credit. Loans to non-financial companies rose by 1.1% yoy. This increase regarded loans to manufacturing companies (2.1%) as well as those to companies operating in the service sector (2.3%), while the downtrend of loans to construction companies continued (-2.4%). In all sectors, loans to smaller companies fell further (-3.2%). The increase in the deposits of residents and in net wholesale funding on the repo market offset the fall in bond funding, which mostly reflected higher redemptions. In November, the share of loans not financed by retail funding (funding gap) fell further (by around 0.7% yoy), bringing it to 4.7%. According to the Italian banks interviewed as part of the Bank Lending Survey, in the third quarter of 2018, the supply criteria applied to new loans to households for the purchase of a house were unchanged; those relating to new business loans improved slightly, benefiting both from competitive pressure between banks and a lower perception of risk. Overall the margins applied to loans on average continued to fall. The worsening of the funding conditions of banks, related to tension on the sovereign debt market, was reflected in a slight tightening of the general terms and conditions of the loans disbursed.

The figures gathered by the ABI (Italian Banking Authority) indicate that loans to households and businesses rose yoy by +2.2%, continuing along the overall positive uptrend of total active loans; the total stock of household mortgages recorded an increase of +2.3% against the same period of 2017; deposits (in current accounts, certificates of deposit, repurchase agreements) had risen at the end of 2018 by over € 32 billion compared to one year previously (a change of +2.2% yoy), while the decrease in medium and long-term funding was confirmed, namely through bonds, of around € 42 billion in absolute terms in the past 12 months (corresponding to -15.3%). Overall, although the figures are positive, they have all fallen against 2017 both in percentage and absolute terms; net bad loans went against the trend, and amounted to € 37.5 billion as at November 2018: this figure is a significant drop (€ -49.3 billion) compared to the figure for December 2017 (€ 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 189 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 2.55%, reaching a new record low compared to 2.57% in November and 6.18% before the crisis, at the end of 2007; the average interest rate on new loans for the purchase of a house was 1.94% (1.92% in November 2018, 5.72% at the end of 2007); the average interest rate on new loans to businesses was 1.39% (1.5 in November 2018 and 5.48% at the end of 2007), continuing to fall like the other items.

The local economy

According to the Bank of Italy, GDP in Piedmont rose by 1.6%, stable against the previous year. The local figure is in line with the national one, although slightly under the performance of other northern regions such as Lombardy and Emilia. Industrial production rose further, although at a slower pace than the previous year. The slowdown regarded the majority of the region's specialist sectors; in the transport vehicles sector, the fall that started in the second half of 2017 continued. The performance of production activity was impacted by weak foreign demand, particularly marked in the motor vehicle and goldsmith's sectors. Business investments continued to be solid, also encouraged by the tax incentives envisaged by the Industry Plan 4.0. As regards services, the available indicators show further growth overall. On the contrary, the economic situation of the construction industry is still sluggish, held back by the weak public demand and by weak private demand for new buildings. The recovery of house sales continued in the real estate market.

In Piedmont, employment rose further in the first quarter. The increase regarded almost all business sectors, with the exception of agriculture, commerce and the hotel trade. The further increase in the number of employees was driven by the fixed-term component. The regional unemployment rate fell further overall in the half year (just over 8%), to a greater extent for young people. In the first six months of the year, borrowing figures for the region continued to increase at a moderate rate. The further increase of both business loans, particularly to medium-large companies, and of household loans contributed to this positive trend. Performance was driven by a higher demand for loans, and the supply conditions of the banks, which continued to be substantially stable, and overall still accommodative. Credit quality continued to improve, while the bank deposits of households and business in Piedmont intensified in the first half of the year.

In the Province of Asti, according to a report by *Unioncamere Piemonte,* the first three quarters of 2018 were an excellent period for exports, which rose by 26%, increasing significantly in the engineering and food sectors especially. The growth rate of new businesses was positive (+0.14%). On the other hand, industrial production recorded a slightly negative trend of -0.6% against the same period of 2017. However, the economic survey conducted by *Confindustria Piemonte* reported a positive confidence indicator for businesses.

Again according to *Unioncamere Piemonte*, in the Province of Biella, an increase in industrial production was recorded, in contrast to the performance of recent years (+2%), thanks to the positive trend of the textile industry (+4.5%). Exports were down slightly (-0.5% compared to the same period of 2017), recording a fall of -19.9% in the textile machinery sector; new businesses were down by -0.26% compared to 2017. However, the economic survey conducted by *Confindustria Piemonte* reported a positive confidence indicator for businesses.

In the Province of Vercelli, according to the report of *Unioncamere Piemonte*, an increase in industrial production was recorded (+0.6%) against the same period of last year. Exports were up by +10%, even though the rice sector recorded a fall of

2.8%. Nevertheless, the economic survey conducted by Confindustria Piemonte reported a positive confidence indicator for businesses.

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 2018, new loans amounting to € 235.7 billion were disbursed, marking an increase of +7.4% against the same period of 2017.

The trend of personal loans (+8.6%) showed a moderate increase against 2017, while revolving credit recorded a rise of +9.8%.
Loans to buy vehicles recorded double-digit growth in the first half of 2018 (+10% new cars and +13% used cars).
Aggregate figures show good and constant performance in all domestic markets.
With regard to the Italian market, in 2018, household credit rose overall, encouraged by economic-financial conditions that continued to be positive.

The demand for credit by households was also encouraged by low interest rates and by satisfactory confidence indicators. With good funding conditions, thanks to the liquidity obtained from the ECB, the banks continued to adopt expansive supply conditions, although maintaining considerable attention to credit quality.

Consumer credit flows continued to rise (+6.2%), although at lower rates than the past three years.
The market reflected the slowdown in the increase of almost all type of financing, particularly personal loans, which closed the year at +5%, decidedly lower than the double-digit figures of recent years.
Refinancing transactions recorded an increase of 8.7% against 3.5% for new loans.

Almost € 60 billion was disbursed, with a total of over 250 million new loan agreements.
The market was driven by loans for specific purposes (+11.7%), both those used to purchase a new car or motorcycle (+14.1%) and those used to purchase other assets (+12.9), while disbursements through credit cards/instalment payments recorded a significant slowdown (+4.4% compared to 7.4% in 2017).
According to the forecasts of the Retail Credit Observatory, consumer credit flows may slow down even further in 2019-2020.

The salary and pension assignment loan market

In 2018, salary and pension assignment loans rose by +4.6%, at a slower rate than the consumer credit market overall, and in line with the figure for the previous year (+4.9%).

This figure reflects disbursements to pensioners (+9.9%), which represent more than half of the total financed flows of the segment, and a more lively trend for loans to private employees (+7.2%); instead, loans to public sector employees recorded a negative performance (-3.2%).

Looking in more detail, with relation to the total amount of loans disbursed in 2018, 48.65% is represented by loans to pensioners, 33.66% and 17.69% to public sector and private employees respectively.

The Agreement between Banca di Asti, Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli

In November 2018, Banca di Asti, Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli signed a Framework Agreement for the acquisition by Banca di Asti of the remaining Biverbanca shares held by the Foundations in order to reach 100% of Biverbanca's share capital, through the contribution in kind and the related share capital increase of Banca di Asti reserved to them.

The purpose of the transaction is to strengthen the structure of the Cassa di Risparmio di Asti Group 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), and always in compliance with supervisory and credit selection principles, as well as to safeguard and enhance the human resources of Banca di Asti and of Biverbanca in a Group context.

The transaction will also considerably strengthen corporate governance, as long-term investors will join the shareholding structure, and place considerable attention on the economic and social development of the communities the Group operates in.
For Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli, from a financial perspective, the purpose of the transaction is to exploit the remaining investment held in Biverbanca, and from an industrial perspective, to contribute to the Group's development, as well as to support and promote their local communities.

The transaction entails transferring all of the Biverbanca shares held by Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli - corresponding in total to 39.58% of share capital - to Banca di Asti, which will then issue Banca di Asti shares to the two Foundations, originating from a specific share capital increase reserved to the same, corresponding in total to around 15.28% of the share capital of Banca di Asti after the reserved share capital increase.
It is also envisaged that shareholders' agreements will be signed by the three Foundations to enable Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli to appoint their representatives in the Bank's corporate bodies.

Note that Fondazione Cassa di Risparmio di Asti, the majority shareholder of Banca di Asti, announced its approval of the transactions and undertook to sign the shareholders' agreements with Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli.

The finalisation of the transaction is subject to the standard conditions precedent, including confirmation of the value of the Contribution by an independent expert to be appointed pursuant to article 2343-ter, second paragraph, letter b) of the Italian Civil Code, obtaining all of the necessary approvals and/or authorisations of the contribution, of the share capital increase, of the amendments to the articles of association, as well as of the shareholders' agreements by the authorities involved (in particular, the issue of authorisations by the Bank of Italy, European Central Bank and the Ministry of Economy and Finance) and the approval of the extraordinary shareholders' meeting of Banca di Asti of the share capital increase and the amendments to the articles of association.

Mission and strategic design

In 2018, 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 expand their territorial and operational horizons. The capital ratios obtained in 2018 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.

Positive macroeconomic conditions, the good positioning of the banking Group on its foundations, the series of strategic activities planned and already in progress, have enabled the objectives established in the 2018 Budget 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 the last 10/15 years, are solid and at high levels; in particular as regards liquidity, capitalisation, provisioning rates, the breakdown of NPLs into bad loans and UTP/Past Due, 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;
- to continue to guarantee the remuneration of its shareholders in the medium term.

The companies of the Cassa di Risparmio di Asti Group intend to be 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.

Commercial policy

As at 31 December 2018, the Sales network of the Banks of the Cassa di Risparmio di Asti Group was comprised by 241 branches, a Private Network with 8 managers and a Business Network with 23 managers.
Of the total number of branches, 211 are located in Piedmont and more specifically: 67 in the Asti area, 37 in the Biella area, 40 in the Vercelli area, 31 in the Turin area, 16 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 (the Gallarate branch has been operational since 10/09/2018), 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, in the Veneto Region.

The sales network of Pitagora, which operates countrywide, is mostly characterised by a direct and exclusive arrangement between the Company and the Financial agents, who work in their own branches (69) and Generali Agencies (9).
In 2018, Pitagora further expanded its footprint and, in line with its business model, opened branches in Asti, Padua and Venice, previously Generali Agencies.
As at 31 December 2018, the Company had 78 sales outlets.

With regard to commercial policy, in 2018, business strategies continued to be applied Group-wide, thanks to the collaboration and coordination between the different operating units. With a view to dedicating more time to business consulting, the revision of the opening hours for Customers continued into 2018 at Group level. This revision 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, where present.

To promote innovation and to strengthen certain specific areas of importance, as well as to prepare Group Banks to handle the challenges posed by the market and by the changing and increasingly difficult context, a structural revision of the company organisational chart was set in motion, to achieve objectives in both the commercial and technical/specialist spheres.

The role of Banks with deep roots in the local area means placing the utmost attention on 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 "2018 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.

During the course of 2018, the partnership with Turin Polytechnic continued, through a product called PMInnova, by means of which the Bank and Turin 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, or by Local Institutions to help them obtain non-repayable grants and low-interest loans. PMInnova entails a "Subscription" service and other optional services that are provided by Turin Polytechnic such as the "Advice on innovation", "Registering for tenders" and "Business check-up" services.

At the end of 2018, the PMInnova initiative was further enriched by means of a partnership with a company called Credit Data Research Italia S.r.l. (CDR) to provide further advisory services to businesses. The advisory services provided by CDR seek to encourage business investments, through various types of instruments, such as subsidised loans, tax credit, vouchers, non-repayable grants or interest rebates, as well as provide a clear and transparent credit profile for Customers, suppliers or business partners, or issue certifications, for the environment, occupational health and safety or legislative obligations (e.g. GDPR).

During the course of 2018, the Group Banks of the Cassa di Risparmio di Asti Group and a company called ALD Automotive Italia S.r.l. signed an agreement that entails informing Customers that are potentially interested in long-term leasing services. ALD Automotive Société Anonyme belongs to the Société Générale Group and is one of the key players on the reference market, both in terms of footprint and total fleet.

More specifically, it 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.

Some of the main advantages of the agreement are the ease of having an all-inclusive fee, which enables cost planning, avoiding any unexpected expense relating to the ordinary and extraordinary maintenance of the vehicle, the option of part-exchanging the customer’s used vehicle, benefits of tax deductions and credits for businesses and freelance professionals and the opportunity to be able to purchase the vehicle at the end of the lease period at advantageous conditions. The long-term lease service is addressed to companies, sole traders, freelance professionals and individuals.

Private customer product range

With regard to consumer credit, in 2018, the Group once again recorded an increase in disbursements against the previous year, confirming its focus on the world of individual and household customers.

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 the subsidiary company Pitagora S.p.A.. In this regard, in 2018, to meet the needs to Customers, open days were organised dedicated to the “App day” product, 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 advising the company of Customers interested in purchasing Apple brand products and accessories dedicated to the iOs world.

Furthermore, in 2018, the Group confirmed its focus on Customers that are retired: for those that regularly have their pensions credited to a current account or savings account, a specific policy called “Pensione IN salvo” has been renewed, through which pensioners have been able to take advantage of the free insurance cover provided by the AIG Europe Limited policy against the risk of theft, mugging and robbery of cash withdrawn from Group branches, including ATMs.

With a view to consolidating its relationship with Customers who are Shareholders, the "Progetto Soci della Cassa" project, launched in 2011, was renewed for 2018. 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. In addition to dedicated supplementary healthcare solutions, Shareholders also have the opportunity of obtaining a "Nexi Platinum Soci" credit card free of charge, and for shareholders aged between 18 and 28, the "Nexi Classic" or "Nexi revolving" credit card. Lastly, the service also includes vouchers, valid for entry into exhibitions located in affiliated Museums and Entities. Agreements continued to be made with new medical centres to further extend the territorial coverage of the offer dedicated to Group Shareholders. At the end of 2018, the traditional Christmas Concert dedicated to Shareholders was staged, which has become a much appreciated and very popular annual appointment.

In 2018, the Group launched a partnership with So.Met Energia S.r.l. and Piemonte Energy S.p.A. to offer a qualified electricity and natural gas supply service to the Group's private banking Customers.

The So.met Group, comprised by So.met Energia S.r.l. and Piemonte Energy S.p.A., operates mainly on a regional basis and provides the service in other regions (mainly Basilicata) through an industrial partnership. 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 30 June 2020, 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 2018, 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 1,700 specialist examinations provided free of charge in the various commercial areas, in over 52 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

With regard to payment instruments, to facilitate the circulation of instruments that are able to guarantee Customers “self-service” transactions, such as “Giramondo” and “Italia” debit cards and the Banca Semplice Home service, in 2018, each Group Bank continued to provide these services, targeting private banking Customers that do not already own these instruments, offering the first year free of charge.

The new prepaid NEXI card, which can be topped up through the Banca Semplice Home service was also added to the product range of both Banks.

With regard to mobile payment services, we have made the credit cards held by our Customers compatible with the new technologies made available by Google Pay and Samsung Pay, confirming our intention to offer our Customers the most innovative mobile payment instruments.

For merchants that have requested a new POS service, the campaign offering exemption from payment of the first 12 months continued until June.

Another campaign was launched for merchants, which entailed subscribing to the payment service through Satispay, with the option of subscribing to the company’s cashback initiatives free of charge.

Foreign sector

Internationalisation continues to be a fundamental objective for Italian companies, given both the limited growth of the domestic market in recent years, and rising competition at global level. More specifically, for the Cassa di Risparmio di Asti Group, supporting internationalisation means being close to the local areas it operates in, which have a long tradition of trading in foreign markets and a keen vocation as exporters.

To support the efforts of the businesses of its Customer to branch into foreign markets, again in 2018, the Group proposed an extensive portfolio of dedicated products and services, able to meet the financial, credit and commercial needs of corporate Customers.

It is precisely in this perspective that the “Export Development” service continued to be offered, which seeks to provide businesses with the tools and the expertise they need to exploit foreign demand, maximising their return on business investment, thanks to the support of export specialists in drawing up strategies, identifying target markets and creating a sales network. Export Development meets the needs of the local business network, particularly SMEs, which are penalised by their small size and therefore find it difficult to penetrate foreign markets.

In line with previous years, the Group also promoted a series of training and information initiatives to support and stimulate the internationalisation of the local industrial fabric, reserved not only to Group Customers, but open to a wider audience of businessmen and operators.

A packed calendar of seminars, conferences and courses (dedicated to foreign markets and to the awareness of the methods and strategies of internationalisation), was accompanied by an information campaign, carried out by promptly informing Customers about initiatives relating to internationalisation promoted by Public Entities (tenders, loans, vouchers etc.).

These activities, which generate synergies with the core business, have enabled group Banks to strengthen their collaboration with local Consortia, narrowing the gap between SMEs and institutions and reinforcing its role as a solid and prepared partner also for businesses that operate beyond the borders.

Furthermore, by collecting feedback and analysing sales and relational results at the end of the initiatives, the Group is able to conduct targeted and accurate market research, gaining insight that helps it optimise its product range and to plan future commercial strategies.

This 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 2018, imports and exports were up against the previous year, with (double-digit) export volumes that were more than double import volumes.

This situation sees the Group’s actions in line with the provincial, regional and national data circulated by ISTAT and EUROSTAT and regularly analysed by internal studies, demonstrating the ability to exploit market trends thanks to the provision of competitive products and services and an effective strategy of selecting the target geographic markets.

Financial sector

The economic scenario in 2018 continues to witness strong competition between banks in terms of funding. The Group pursues the objective of enhancing its relationship with the customer, seen as constant and long-lasting.

Therefore, the “Welcome” initiative was again confirmed in 2018, aimed at increasing funding both from existing and new Customers, by combining the offer of investment services with restricting deposit accounts (Time Deposit Account).

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, which has increased 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.

With a view to offering solutions that are always up-to-date with the market context, in May 2018, the Patrimonium range was extended with the addition of a new 2018 Balanced Trainer line.

To demonstrate the quality of the services offered, in 2018, the assets managed directly by the Banks through the products of the Patrimonium range increased constantly, obtaining excellent feedback from Customers and contributing both to the increase of funds invested in asset management instruments, and to total banking income.

The interest shown by Customers in deposit accounts led to the issue of new 2 and 4 year time deposit accounts called “Time Deposit Account”, subject to the guarantees envisaged by the National Deposit Guarantee Fund.

In 2018, Customers continued to subscribe to long-term Individual Savings Plans (ISP), financial instruments that proved to be popular, also due to the fact that they are tax-exempt, as established by the 2017 Stability Law. These instruments also have the advantage of directing investment towards the real economy, by guiding household savings towards the financial instruments of Italian and European industrial and commercial enterprises rooted in Italy.
The new provisions of Mifid II legislation were adopted on 3 January 2018, which seek to raise the level of protection given to investors and to guarantee a more in-depth awareness of Customers thanks to the availability of more detailed information on products and services and more frequently before than after.

Insurance sector

In 2018, the insurance sector confirmed the positive development trend already recorded in previous years, reaching a volume of net premiums purchased of around € 67 million.

At the end of 2018, the Cassa di Risparmio di Asti Group signed exclusive long-term strategic partnership agreements with leading European insurance companies: with the Helvetia Group through Helvetia Vita for a range of savings/investment products, Chiara Assicurazioni and Helvetia Italia for a range of non-MV and MV non-life policies respectively, and with the CNP group for life/personal protection policies.

Through these agreements, the Group intends to continue with its strategy to rationalise the product range and promote the insurance portfolio.

Furthermore, with the entry into force of the Insurance Distribution Directive (IDD), a distribution model has been adopted with a view to supporting the sales network by assessing the consistency of the offer with the needs of the Customer and of the target market also by adopting organisational oversight systems.

Human resource development

Internal training is provided through courses that seek to create specific professional figures highly specialised in financial topics (investment consultants) and to guarantee a high level of expertise in the provision of investment services to Customers. During the year, 47 employees obtained EIP - European Investment Practitioner certification recognised at European level, which seeks to certify the professionalism of banking operators who work in the financial consulting area, bringing the total number of Group certificates to 244 and enabling new investment advisors to join the distribution network.

Courses, periodic meetings and information reports are also envisaged for the entire distribution network, with a view to providing a constant update on financial and market topics.

Communications

Communications activity in 2018 was characterised by messages which, although aimed at advertising single products and services, contained an institutional message with a view to conveying the image of modern, fast and flexible Banks, able to create value.
The main campaigns launched during the year regarded services for individuals with the "Salutissima" campaign, the wellbeing programme for the whole family, launched in 2017.
Other campaigns regarded funding, promoting a new asset management line called Balanced Patrimonium Trainer and Welcome, the time deposit account aimed at rewarding liquidity.
Then new "smart" payment services were promoted, such as Satispay and Samsung Pay, also through the use of new communication tools offered by social media, and the advertising campaign to support the sale of POS devices to merchants was launched.
Two important personnel recruiting campaigns were launched in March and September to convey the image of a Banking Group that is growing and creating value. These campaigns were mainly publicised through digital and social media

tools, with excellent feedback in terms of visualisations and engagement.

Sponsorships and partnerships

Sponsorships are concentrated in 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 Group operates, with good image exposure.

Of the many, we cite the sponsorship of the restoration works of the Oropa Sanctuary and of "Farms in the City", and important event in the Vercelli area, organised by the local ASCOM office. Banca di Asti traditionally participates in the main events in the Asti area, which provide high visibility at local level: Asti Musica, Festival delle Sagre, Douja d'Or, Arti e Mercanti.

Banca di Asti was asked to provide an ATM service at two events that are very important to the local community: in addition to our traditional participation in the Festival delle Sagre Astigiane, in 2018, we added the Magico Paese di Natale in Govone, where over 1500 transactions were recorded.

Events

The organisation of events is a demanding activity for the Communications sector, but does provide the highest image exposure. Of the main events organised over the year, we draw attention to:

- two meetings addressed to secondary school students, in collaboration with the Foundation for Financial and Savings Education, entitled "Pay 2.0. The money of the future" and "What are Bitcoins and other things to know";
- the "Massimo Lopez and Tullio Solenghi Show", held at the Teatro Alfieri in Asti, dedicated to Affluent Customers of Banca di Asti, which over 500 people attended;
- four exclusive evenings at Palazzo Mazzetti for an exhibition by Marc Chagall, with a guided tour of the exhibition and dinner at the museum;
- the Christmas Concert reserved to shareholders of Banca di Asti, with 23 shows, of which 11 in Asti, 3 in Biella, 2 in Vercelli, 2 in Varallo Sesia, 1 in Turin, Alba, Alessandria, Milan and Ivrea, which involved around 15,000 spectators;
- the inauguration of the recently opened branches: Brescia, Padua and Gallarate.

Special attention was paid to Business Customers: meetings were organised for this Customer segment, which also entailed some training.
In February, in collaboration with the Agenzia di Formazione Professionale delle Colline Astigiane (Professional Training Agency of the Asti Hills), the "I Vini del Piemonte" (Wines of Piedmont) consortium and the Barbera d'Asti Consortium, a seminar on the wine market in the Netherlands was organised, with a view to

providing support to wine producers in Piedmont to launch or increase the flow of exports to this country, which saw the active participation of around 100 wine producers. In the Spring, conferences to present European 2018-2020 tenders addressed to Customers of Banca di Asti and Biverbanca continued. The partnership between the Banking Group and Turin Polytechnic, which began in 2017, resulting in a product called PMInnova, through which Customers of Group Banks can obtain the advice of the experts of this prestigious Higher Education institute in Turin, to bring innovation and development to their businesses.

In November and December, a series of training sessions were organised, addressed to businesses, in collaboration with Co.Mark, in which export managers were made available to Customers to share methods and strategies to help businesses interested in expanding into foreign markets.

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 1,700 people, with 52 “Health Days” relating to Banca di Asti and Biverbanca branches.

E-banking

In 2018, efforts continued to manage and introduce improvements to the Banca Semplice service, both retail and corporate, with the introduction of the payment function through C-Bill to the corporate on-line service, new operators for the mobile phone top-up function and the extension of mobile functions.
During the course of 2018, the entire team dedicated to on-line services was involved in the construction of the new retail banking internet platform in collaboration with the outsourcer Cedacri S.p.A., which will entail the migration of all users over the coming weeks. Both the desktop and mobile channels will have a completely new layout, new functions and the possibility, in the coming months, of downloading the digital signature certificate for on-line purchases of banking products and services and the signature of documents made available by the Group.

With regard to detailed information on qualitative-quantitative performance recorded in 2018 as regards the management of the human resources of Group companies, please refer to the individual reports contained in separate financial statements.

Human resource management

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

WORKFORCE (by contractual category)	31/12/2018 number	31/12/2018 %
Executives	33	1.76%
Middle Managers	553	29.46%
Professional grade 3	1279	68.14%
Professional grades 1 and 2	12	0.64%
WORKFORCE	**1,877**	**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.

WORKFORCE (by age bracket)	Men	Women	Total
Up to 30	86	129	215
Between 30 and 35	87	134	221
Between 36 and 40	102	170	272
Between 41 and 45	110	147	257
Between 46 and 50	117	174	291
Over 50	302	319	621
WORKFORCE	**804**	**1,073**	**1,877**

WORKFORCE (education)	Men	Women	Total
University Degree	312	428	740
High School Diploma	461	636	1,097
Secondary School education	31	9	40
Elementary School education	0	0	0
WORKFORCE	**804**	**1,073**	**1,877**

Development strategy and projects

To better handle market challenges in terms of innovation and competitiveness, in 2018, company projects focused on developing “organisational innovation”. Therefore, the development and strengthening of competitiveness were cultivated by consolidating the effect of the structural measures implemented in previous years, while maintaining focus on strategic continuity.

Project management concentrated on guiding the implementation and the achievement of the objectives of a competitive and modern commercial Banking Group.
The innovation and profound reorganisation of numerous processes are the tangible results of the active management of an extensive Project Portfolio, whose development was organised into six main areas.

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.

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, manual processes that underlie the checks made by Branch managers to resolve suspended transactions have been automated. Numerous automation developments have been launched relating to the control management processes and processes to update data in the information system.

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, two projects were completed, in preparation for the launch of other long-term ones.

- "Pricing guide system", which entailed implementing a system that is integrated with commercial processes to guide pricing when credit facilities are taken out by businesses.
- "Credit Department Restructuring", which introduced a new system to manage non-performing loans, organised into harmonised portfolios. The

improvement of the non-performing loan management model continued with the launch of the NPE Strategy.

- "AIRB Pooled Rating", a long-term project, which designed, implemented and fine-tuned the processes, the structures and the instrumentation of the credit 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 Group'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

With a view to achieving commercial efficiency and improve the quality and proficiency of the service to customers, the Group has developed a substantial series of commercial projects.

- "Energy consulting for Private and Corporate customers" which, with a view to expanding the range of non-banking products and services and to increasing commission revenues, has identified the distribution of electricity and natural gas as a new service for Customers and a new source of income. The service has already been offered to private banking Customers and will then be offered to corporate Customers.
- "Marketing and reformulation of the corporate product range", which aims to analyse, select and implement a mix of products and services, reformulating the current range targeting businesses. The project will continue in 2019.
- "Customer segmentation and portfolio organisation", to profile corporate, private and personal Customers and to enable the dynamic management of the portfolios by Managers/Consultants. The project will continue in 2019.
- "Insurance Based Investment Products (IBIPs)", with a view to giving Customers the opportunity to subscribe to insurance products with financial content, after signing a strategic agreement with Helvetia Vita S.p.A. to expand the insurance range to savings and investment products.

Again as regards the commercial area, projects with a high technological content continued, 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, modernise the Group's image, by integrating the relationship model on a multi-channel basis with the service provided by the Local networks.

Efficiency

As regards Efficiency, a project entitled "Revision of Human Resource administration and management", which has improved the efficiency of the payroll and contributions service management and has guaranteed governance of pay policies.

Legislation and Regulation

To guarantee oversight of legislative changes, the "GDPR Privacy" and "PSD II" projects were implemented:

- the former to adapt the Group's management system for the protection of personal data to the provisions contained in new privacy regulation - GDPR, published on 4 May 2016, applicable to all EU countries from 25 May 2018;
- the latter to adapt procedures and contracts to the legislation introduced by European Directive 2015/2366/EU, according to the dictates of Italian Legislative Decree no. 218/2017.

Furthermore, numerous long-term projects were managed and completed:

- "Mifid II", to render the service model, the processes and the relative procedures compliant with the new legislation;
- "IFRS 9", to render business processes and instruments compliant with the new accounting standard IFRS 9;
- "Market Abuse", to implement the Market Abuse Directive, adapting the service model, processes and relative procedures;
- "Systematic internaliser", to enable the Group, in its capacity as internaliser, to trade senior and subordinated bonds, guaranteeing the levels of transparency required by the law.

Projects in Pitagora

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

Commercial

- "Purchase of third-party loans without recourse", the purpose of which is to acquire loans without recourse and provide loan finalisation services;
- "New partnership channels" to implement new ways to acquire Customer lists;
- "Personal loans by Younited Credit", the aim of which is to sign a white label distribution agreement in which both counterparties will be 50% investors

for the subscription of notes originating from the securitisation of the loans disbursed.

Legislation and Regulation

- "Loan classification and supervisory reporting from a CR perspective", with the aim of reviewing 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;
- "Update of anti-money laundering legislation" with a view to rendering the system compliant with new anti-money laundering legislation;
- "Update of GDPR privacy legislation" to render the system compliant with new European Privacy legislation.

Efficiency

- "Due diligence at contract signature" with the aim of changing the Customer recognition processes for anti-money laundering purposes, with a view to avoiding, where possible, the first meeting;
- "Customer Portal", the objective of which is to create a reserved area for Pitagora 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 of 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 calculate the overall internal capital (Internal Capital Adequacy Assessment Process, ICAAP) 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 established by the Bank of Italy, through 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.

In November 2017, the Internal Model Validation Office was created to continuously check 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 and Compliance Functions of the subsidiary company Biverbanca S.p.A. are centralised in the Parent Company.

From 1 January 2018, also the Anti-Money Laundering, Risk Management and Compliance Functions of the subsidiary company Pitagora S.p.A. have been centralised in the Parent Company.

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 Decree 231/2001 and 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. 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.

Again in 2018, 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 encompasses the risk of meeting payment commitments at higher than market costs, namely incurring a higher cost of funding and/or incurring capital losses in the case of asset disposals.

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 includes "legal risk" or the risk deriving from violations of or non-compliance with laws or regulations, or the lack of transparency with respect to the legal rights and duties of the counterparties in a transaction.

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.

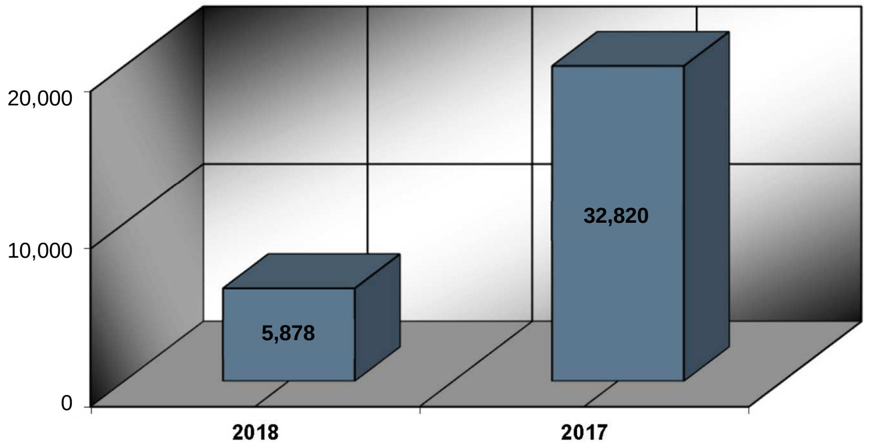
Consolidated non-financial statement

The Consolidated non-financial statement, drafted pursuant to Italian Legislative Decree no. 254 of 30 December 2016, which illustrates environmental, social and human resource issues, is published - as permitted - as a separate report jointly with these financial statements and is available to Shareholders and the general public on the company website www.bancadiasti.it.

Income trends

Despite an economic and financial scenario which, although slightly improved, still cannot be considered as favourable to the profitability of banking entities, the Cassa di Risparmio di Asti Group ended 2018 on a very positive note, recording a net profit of around € 5.9 million. The Group's net comprehensive income was € 26.4 million, considering, in application of the new accounting standard IFRS 9, the capital reserve for the valuation of salary and pension assignment loans originated or held by the subsidiary Pitagora in 2018 and kept at year end within the Group's scope of consolidation.

NET PROFIT
(€/ thousand)



The achievement of this result is considered positive, also in light of the fact that it includes the expense, amounting to around € 9.9 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 € 0.8 million.

In addition, a significant amount was allocated to the "Solidarity Fund to support income, employment and professional retraining and requalification of credit personnel", amounting to around € 16 million, and the expenses of the derisking operation with GACS of € 35.6 million.

Excluding these negative income components and the relative tax impact, and, on the other hand, excluding non-recurring insurance income, totalling € 11.5 million, and the relative tax impact, the net profit would be € 34.7 million.

If the non-recurring taxes relating to IRAP (Regional Business Tax) resulting from the 2019 Budget Law were also excluded, the net consolidated profit would be around € 22 million.

In this report, any reference to the contribution of Pitagora refers both to the company itself, and to the loans, originated by the same, related to the Group self-securitisation transaction, which entailed the accounting derecognition of the same and the consequent recognition of the relative trading profit on the income statement, at individual level but not at consolidated level.

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.
Given the amendments introduced by the application of standard IFRS 9, to guarantee an adequate disclosure as to the changes in the Group's economic situation, the reclassified income statement as at 31 December 2017 has been restated for comparative purposes according to the aggregation and reclassification criteria of IFRS 9.

For more details, please refer to the schedules included in the various sections of "Part C - Information on the Income Statement" in the Notes to the consolidated financial statements.

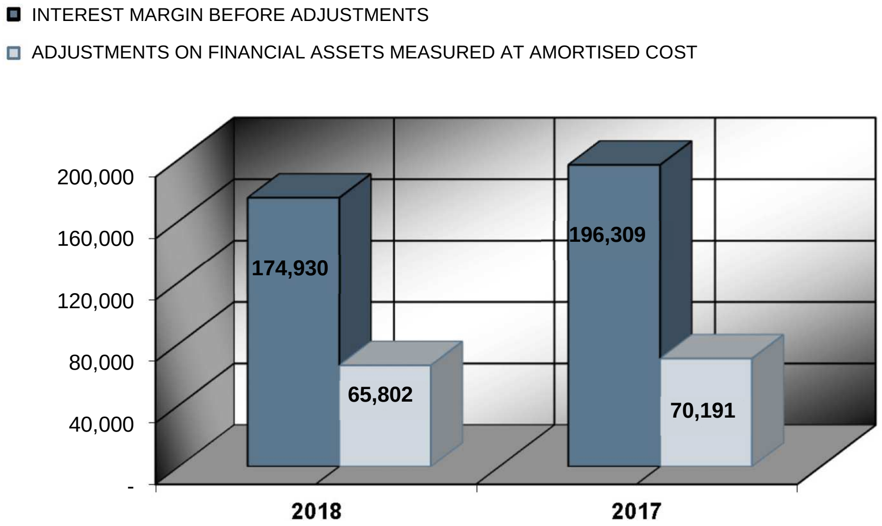
Operating interest margin

The interest margin before adjustments and profits/losses on financial assets measured at amortised cost, amounted to € 174.9 million, down on the figure recorded in 2017 (€ 196.3 million, -10.89%). This result was significantly impacted by the introduction of the new accounting standard IFRS 9, in terms of both accounting and financial reporting and, to a lesser extent, by the reduction of the spread between lending and borrowing interest rates linked to market rates.

Net adjustments for credit risk on financial assets measured at amortised cost made during the year were € 65.8 million; of these, the adjustments on Customer loans amounted to around € 60.9 million, down € 9.3 million against 2017 (-13.28%). The cost of credit yoy was 0.79% of gross loans to Customers which, confirming a framework of strict provisioning policies, is slightly lower than the 0.89% recorded as at 31 December 2017.

Including losses on disposal recognised on 2018 with relation to the disposal of non-performing loans through securitisation assisted by the GACS guarantee, of € 31 million, the total cost of credit rises to 1.19%.

The interest margin net of losses on disposal and adjustments on financial assets measured at amortised cost, therefore amounted to € 78.3 million, down € 47 million (-37.52%) against the previous year.



INTEREST MARGIN	2018 (€/thousand)	2017 (€/thousand)	% change
Interest income and similar revenues	259,862	282,748	-8.09%
Interest expense and similar charges	-84,932	-86,439	-1.74%
Interest margin before adjustments	**174,930**	**196,309**	**-10.89%**
Gains (Losses) on disposal of financial assets measured at amortised cost	-30,786	-729	n.s.
Net adjustments for credit risk on financial assets measured at amortised cost	-65,802	-70,191	-6.25%
- of which: net adjustments on Customer loans	*-60,872*	*-70,191*	*-13.28%*
Net interest margin	**78,342**	**125,389**	**-37.52%**

Net interest and other banking income

Net interest and other banking income amounted to around 245.8 million, compared to the figure of € 292 million in 2017 (-15.83%).

Net fee and commission income amounted to € 125.5 million, up by 30.72%, due above all to the contribution of the asset management and non-life insurance segments, as well as of the subsidiary Pitagora. Net of non-recurring components, obtained through strategic partnership agreements with leading European insurance companies, the increase yoy would have been +18.74%.

Net fee and commission income relating to Group commercial banks only amounted to € 121.8 million and was up by 15.72% against 2017 (+4.79% net of non-recurring income from the insurance segment).

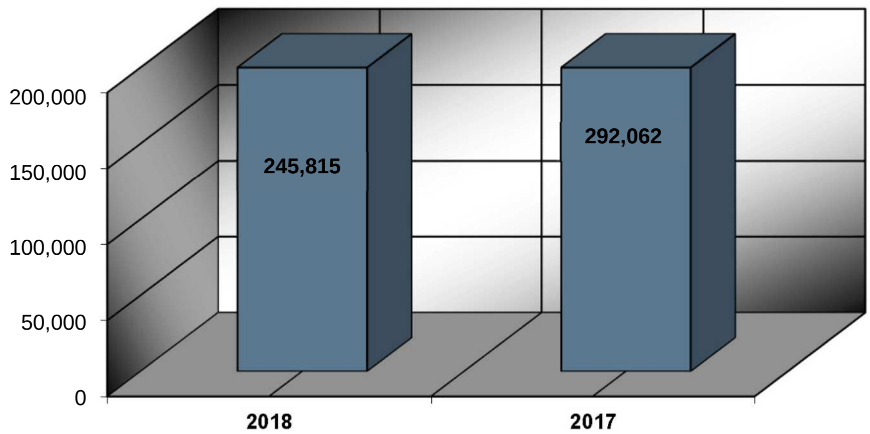
The net fee and commission income of the management, brokerage and consulting segment, mainly comprised by income recorded for the management and administration of indirect funding, as well as for the distribution of insurance policies, totalled € 57.9 million, significantly higher than 2017 (+36.68%; +1.27% net of the already cited non-recurring components), by virtue of exclusive and long-term strategic partnership agreements signed with leading insurance companies.

With regard to other net fee and commission income, income from collection and payment services totalled € 19.6 million, up against 2017 by 8.92%. The fee and commission income received for the management of current accounts and deposits, which saw a slight increase against the previous year, amounted to € 24.4 million (+3.29%). That relating to other services, amounting to € 21.1 million, comprised substantially by commission on credit transactions, was significantly higher by 122.21%, due to the application of the amortised cost criteria to the salary and pension assignment loans managed by the Group.

The dividends on the Group's equity investments amounted to around € 13 million (-21.58%) and were mainly related to the equity investments held in the Bank of Italy and Cedacri S.p.A.

The balance between operating income and expenses came to € 3.9 million, down against the figure for 2017: in this segment, Pitagora contributed with a negative balance between expenses and income of € 2.7 million (in 2017, the balance was a positive € 1.4 million). The net result from financial assets and liabilities, which includes both the profit (loss) from transactions in financial instruments, realisation of from valuation, and the measurement of financial liabilities measured at fair value, was a profit of € 25.1 million, compared to € 44.3 million recognised in 2017, due to the application of the new accounting standard IFRS 9 and the adoption at consolidated level of the business model that classifies the salary and pension assignment loans originated by the subsidiary Pitagora as HTCS and keeps them within the scope of the Group.

NET INTEREST AND OTHER BANKING INCOME
(€/ thousand)



NET INTEREST AND OTHER BANKING INCOME	2018 (€/thousand)	2017 (€/thousand)	% change
Operating interest margin	78,342	125,389	-37.52%
Net fee and commission income	125,524	96,030	30.72%
- management, brokerage and consulting	57,904	42,364	36.68%
- collection and payment services	*19,643*	*18,035*	*8.92%*
- loans and guarantees	*2,485*	*2,508*	*-0.92%*
- management of current accounts and deposits	*24,415*	*23,638*	*3.29%*
- other services	*21,077*	*9,485*	*122.21%*
Dividends and similar income	12,982	16,555	-21.58%
Other operating income (expenses)	3,876	9,781	-60.37%
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)	25,091	44,307	-43.37%
Net interest and other banking income	**245,815**	**292,062**	**-15.83%**

Profit before tax from continuing operations

In 2018, a loss before tax from continuing operations was recorded of € -14.7 million, recording a difference against the previous year of around € 53.1 million (-138.40%).

Operating costs amounted to € 256.1 million, up by € 15.8 million against the figure for 2017 (+6.58%). Of these, personnel expenses, amounting to € 142.1 million, represent around 55.51% of the total and are up by 5.54%, mainly due to the allocation to the "Solidarity Fund to support income, employment and professional retraining and requalification of credit personnel". Net of this allocation, personnel expenses would be € 126.1 million, therefore considerably lower (-3.30% against 2017) even though the Group continues to pursue its strategic strategy of business development and investment in human capital.

The component relating to other administrative expenses, amounting to € 89.6 million - excluding the contribution to the National Resolution Funds, SRF and DSG (totalling € 9.9 million) - recorded an increase of around € 5.2 million (+6.14%). Net of this component and of direct costs relating to the derisking operation with GACS (of € 4.6 million), the other administrative expenses were substantially unchanged (+0.69%) against the previous year.
The contribution of the subsidiary Pitagora to total other administrative expenses for 2018 was € 14.3 million (+4.52% against 2017).

The depreciation of property, plant and equipment, and amortisation of intangible assets was € 14.4 million, slightly down against last year (-3.53%). The management of operating expenses was therefore successfully carried out, as envisaged by the company plans, without having to abandon the implementation of the Group's strategic choices, both in terms of business development, investment in human capital and change projects, aimed at effectively pursuing its medium-long term objectives.

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 74.79% in 2018 (calculated by excluding the impact of net adjustments for credit risk on financial assets measured at amortised cost and losses on disposal of financial assets measured at amortised cost from net interest and other banking income); 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, it would be 67.05%.

Overall, the trend of operating expenses is in line with budget forecasts and confirms the Group's ability to maintain effective oversight in this area, without having to forgo technological or business development, or the satisfactory management of its human capital.

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	2018 (€/thousand)	2017 (€/thousand)	% change
Net interest and other banking income	245,815	292,062	-15.83%
Operating costs	-256,073	-240,269	6.58%
- personnel expenses	-142,149	-134,693	5.54%
- personnel expenses	-126,069	-130,369	-3.30%
- allocations to the Solidarity Fund	-16,080	-4,324	271.88%
- other administrative expenses	*-99,481*	*-90,605*	*9.80%*
- other administrative expenses	*-89,599*	*-84,412*	*6.14%*
- contribution to S.R.F. and D.G.S.	*-9,882*	*-6,193*	*59.57%*
- net adjustments on property, plant and equipment and intangible assets	*-14,443*	*-14,971*	*-3.53%*
Net provisions for risks and charges	-4,474	-13,393	-66.59%
Gains (losses) on equity investments	-9	-17	-47.06%
Gains (losses) on disposal of investments	1	0	n.c.
Profit (loss) from continuing operations	**-14,740**	**38,383**	**-138.40%**

OTHER ADMINISTRATIVE EXPENSES	2018 (€/thousand)	2017 (€/thousand)	% change
IT expenses	-25,742	-24,503	5.06%
Property expenses	-17,985	-18,322	-1.84%
General expenses	-26,868	-19,617	36.96%
of which: - securitisation costs	*-5,783*	*-3,231*	*78.98%*
- contributions to S.R.F., D.G.S and IDPF	*-9,882*	*-6,193*	*59.57%*
Professional and insurance expenses	-18,280	-17,932	1.94%
Utilities	-4,127	-3,798	8.66%
Promotional, advertising and marketing expenses	-3,896	-3,842	1.41%
Indirect taxes and duties	-2,583	-2,591	-0.31%
Other administrative expenses	**-99,481**	**-90,605**	**9.80%**

These types of expenses are shown net of the relative recoveries

Taxes and net profit

Group net profit amounted to € 5.9 million, -82.09 million compared to the net profit recorded in 2017. This result is comprised by a profit of € 4.5 million pertaining to the Parent Company and around € 1.4 million pertaining to non-controlling interests.

A further profit of € 20.5 million is added to this result resulting from the valuation relating essentially to Pitagora loans which, in accordance with the new accounting standard IFRS 9, are directly recognised under shareholders' equity instead of in the income statement.

If the extraordinary income statement positive and negative components, and non-recurring tax impacts are excluded, the net consolidated profit would be around € 22 million, rising to around € 42.5 million if the above-cited reserves were included.

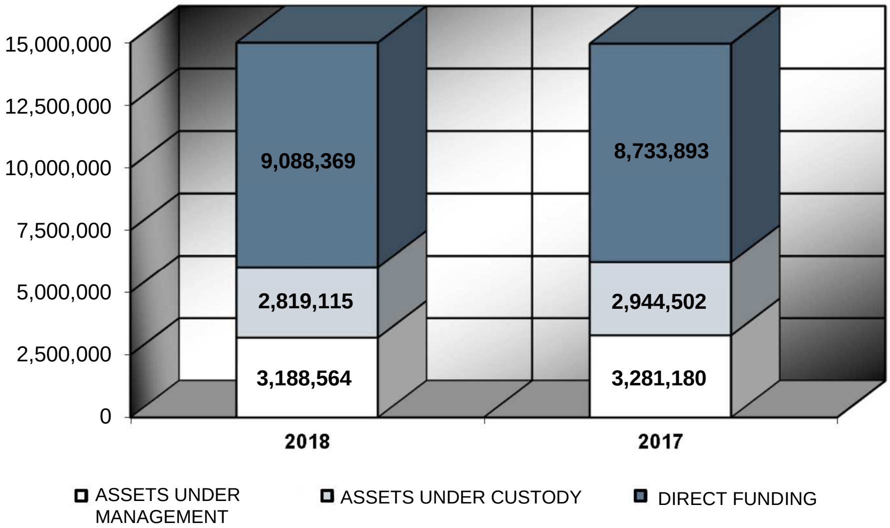
"Tax expense (recovery) on income from continuing operations" had a positive impact of around € 21 million, and included the impact of the recognition of new deferred tax assets of € 12.7 million, following the changes introduced by the Budget Law to the rules that governed the deductibility of the impact of first-time adoption of accounting standard IFRS 9.

The probability test envisages the full recovery of the remaining deferred tax assets recognised for the tax loss by 2024, and those recognised for the FTA of IFRS 9, on a straight-line basis until 2027, in accordance with the laws currently in force.

NET PROFIT	2018 (€/thousand)	2017 (€/thousand)	% change
Profit (loss) from continuing operations	-14,740	38,383	-138.40%
Tax expense (recovery) on income from continuing operations	20,618	-5,563	-470.63%
Net profit	**5,878**	**32,820**	**-82.09%**

Assets managed on behalf of customers

As at 31 December 2018, brokered financial assets amounted to € 15.1 billion, up by 0.91% since the beginning of the year; total assets from non-institutional customers amounted to € 14.2 billion, up 0.44% against the previous year. Within the aggregate as a whole, direct funding continues to be the most important component, representing more than half of the total.



TOTAL FINANCIAL ASSETS	2018		2017		% change
	Amount (€/thousand)	%	Amount (€/thousand)	%	
Direct funding	9,088,368	60.20%	8,733,893	58.38%	4.06%
of which: from customers	*8,205,856*	*54.36%*	*7,925,228*	*52.98%*	*3.54%*
of which: from market securitisation	*578,126*	*3.83%*	*524,367*	*3.51%*	*10.25%*
of which: institutional funding	*304,386*	*2.02%*	*284,298*	*1.90%*	*7.07%*
Assets under management	3,188,564	21.12%	3,281,180	21.93%	-2.82%
Assets under custody	2,819,115	18.67%	2,944,502	19.68%	-4.26%
Total financial assets	**15,096,047**	**100.00%**	**14,959,575**	**100.00%**	**0.91%**
of which: from customers	*14,213,535*	*94.15%*	*14,150,910*	*94.59%*	*0.44%*

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 31/12/2018*

Direct funding In 2018, the Group's direct funding amounted to € 9.1 billion, up against the previous year by 4.06%, corresponding to € 354.5 million. More specifically, retail funding totalled € 8.2 billion and therefore showed an increase of 3.54%.

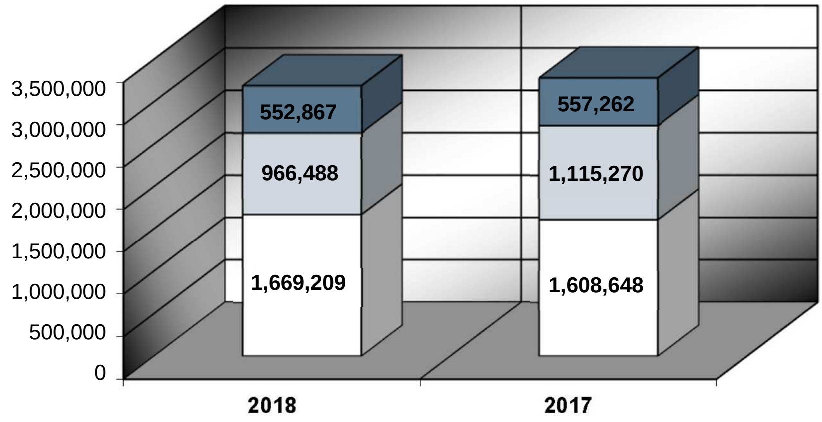
The funding structure is formed mainly by the issue of bonds subscribed by customers of around € 2,755 million and € 5,859 million in current accounts.
Against a fall in bonds (€ -668 million; -19.51%), a trend also recorded by the industry, current accounts recorded an increase of around € 858 million (+17.15%), as did repurchase agreements, which showed an increase of € 113.6 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 2.1%, less marked than the market figure (+0.22% ref. ABI February 2019).

DIRECT FUNDING FROM CUSTOMERS	2018 (€/thousand)	2017 (€/thousand)	Change	
			Absolute	%
Bonds	2,755,302	3,423,241	-667,939	-19.51%
of which: originating from securitisation	*517,075*	*649,448*	*-132,373*	*-20.38%*
of which: measured at fair value	*118,345*	*125,833*	*-7,488*	*-5.95%*
Current accounts	5,858,720	5,000,960	857,760	17.15%
Repurchase agreements	268,045	154,393	113,652	73.61%
Savings deposits	106,799	117,812	-11,013	-9.35%
Banker's drafts	28,201	21,759	6,442	29.61%
Certificates of deposit	217	487	-270	-55.44%
Other funding	71,084	15,241	55,843	366.40%
Total direct funding	**9,088,368**	**8,733,893**	**354,475**	**4.06%**

Assets under management and under custody Assets under management amounted to € 3,189 million, representing 21.12% of the overall aggregate, down against 2017 by 2.82% due to effect of market valuation, excluding which the change would have been 7.38%. Assets under custody, representing 18.67% of total financial assets of customers, amounted to € 2,819 million, recording a decrease of 4.26% as at 31 December 2018.

Indirect funding therefore amounted to € 6,008 million, recording a decrease of 3.50% against 31 December 2017; net of the negative effect of market valuation, the change would have been 1.88%.



FINANCIAL ASSETS OF CUSTOMERS	2018		2017		% change
	Amount (€/thousand)	%	Amount (€/thousand)	%	
Mutual investment funds	1,669,209	52.35%	1,608,648	49.03%	3.76%
Managed assets	966,488	30.31%	1,115,270	33.99%	-13.34%
Technical life insurance reserves	552,867	17.34%	557,262	16.98%	-0.79%
Assets under management	**3,188,564**	**100.00%**	**3,281,180**	**100.00%**	**-2.82%**

Loans to customers

As at 31 December 2018, net loans to customers, entirely represented by financial loans, amounted to around € 7.2 billion, before securitisation transactions, slightly down (-0.26%) against last year, against a banking industry average of +1.92%, according to the ABI.

Over 2018, an important derisking operation was carried out, through the disposal of bad loans for a net value of € 198 million; net of this disposal, net loans to customers would have recorded an increase of 2.49% against the previous 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.

BREAKDOWN OF LOANS TO CUSTOMERS	2018 (€/thousand)	2017 (€/thousand)	Changes	
			Absolute	%
Current accounts	667,637	706,069	-38,432	-5.44%
Mortgages	4,988,857	5,215,761	-226,904	-4.35%
Credit cards, personal loans, and salary and pension assignment loans	958,132	707,787	250,345	35.37%
Other transactions	545,031	549,025	-3,994	-0.73%
Total loans to customers	**7,159,657**	**7,178,642**	**-18,985**	**-0.26%**

The credit consumer segment recorded an increase of 35.37%, amounting to € 958 million. Pitagora contributed € 143 million to this aggregate.

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 itself from other financial intermediaries, in particular by focusing on specific and innovative products to meet the differing 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	2018*	2017
Top 10 groups	4.32%	4.70%
Top 20 groups	6.79%	7.34%
Top 30 groups	9.43%	9.43%
Top 50 groups	12.78%	12.78%
Top 100 groups	16.86%	18.44%

** including the salary assignment loans of the subsidiary Pitagora S.p.A.*
The percentages shown represent the amount granted as at 31/12/2018.

Credit quality

Non-performing exposures reflected the consequences of the unfavourable cycle of the economic cycle recorded in recent years, albeit to a lesser extent.

At the end of the year, the total value of non-performing exposures net of adjustments amounted to € 503 billion, marking a significant decrease of € 255 million (-33.69%) compared to 2017, by virtue of the derisking performed as part of the three-year derisking strategy implemented at Group level.

Over 2018, the Parent Company Cassa di Risparmio di Asti S.p.A., together with the subsidiary Biverbanca S.p.A., pursuant to article 58 of Italian Legislative Decree

385/1993 and articles 1 and 4 of Italian Law 130/1999 on securitisation, 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 Maggese S.r.l. (S.P.V.), also obtaining a guarantee on the senior tranche of the notes issued from the Ministry of Finance and Economy, pursuant to the Decree of 3 August 2016.

The securitisation transaction and relative derecognition, regarded loans with a gross book value of € 694.5 million, against which the SPV issued notes for a total of € 206.63 million. The total net amount of loans transferred was € 197.6 million.

The transfer of the mezzanine and junior notes originally subscribed by the Banca di Asti Group resulted in a loss of € 31 million.
Instead, the Group maintained ownership of a nominal € 170.7 million of the senior notes originally subscribed.

The percentage represented by net non-performing exposures of total customer loans fell to 7.02% against 10.56% in 2017. The same indicator calculated on gross values instead amounts to 12.73%.

The total level of coverage, also due to the effects of the first time adoption of the new accounting standard IFRS 9, was 48.79% (slightly higher than the 45.90% recorded last year), but substantially in line with the average for the credit sector, which is 48.10%, as stated by the Bank of Italy (latest figure available 30 June 2018).

More specifically, bad loans net of adjustments were € 154 million, compared to € 453 million recorded in 2017, representing 2.15% of total loans and with a coverage level of 68.12% (banking industry average of 61.00%, source Bank of Italy, figure at June 2018).

Unlikely to pay loans, again net of adjustments, amounted to € 272 million, up by 30.47% against last year; they represent 3.79% of total loans, and have a coverage level of 33.15% (system average of 30.90% source Bank of Italy, figure at June 2018).

The Texas Ratio, calculated as the ratio of gross non-performing loans to tangible common equity plus provisions, was 80.93% and shows a good capacity to absorb any unexpected losses on loans.

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

	2018		2017		Changes
	Amount (€/thousand)	%	Amount (€/thousand)	%	%
Bad loans	154,052	2.15%	453,389	6.32%	-66.02%
Unlikely to pay	271,652	3.79%	208,205	2.90%	30.47%
Past due loans	76,804	1.07%	96,181	1.34%	-20.15%
Non-performing loans	**502,508**	**7.02%**	**757,775**	**10.56%**	**-33.69%**
Performing loans	6,657,149	92.98%	6,420,867	89.44%	3.68%
Loans to customers	**7,159,657**	**100.00%**	**7,178,642**	**100.00%**	**-0.26%**

	2018				2017			
	Gross amount	Value adjustments	Net amount	% coverage	Gross amount	Value adjustments	Net amount	% coverage
Bad loans	483,282	329,230	154,052	68.12%	1,019,170	565,781	453,389	55.51%
Unlikely to pay	406,331	134,679	271,652	33.15%	274,338	66,133	208,205	24.11%
Past due loans	91,751	14,947	76,804	16.29%	107,094	10,913	96,181	10.19%
Total non-performing loans	**981,364**	**478,856**	**502,508**	**48.79%**	**1,400,602**	**642,827**	**757,775**	**45.90%**

** bad loans are shown net of interest on arrears deemed wholly unrecoverable; the figures for 2017 have been recalculated using the same criteria.*

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 2018, financial assets other than loans to customers amounted to a total of € 3,447.5 million, a sharp increase on the previous year (+52.47%). The largest component of the owned securities portfolio, equal to € 2,687.2 million, is allocated to stable investments. Therefore, as it is measured at amortised cost, it does not substantially entail elements of volatility in the income statement.
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 Group's securities portfolio is comprised of € 1,450 million in refinancing with the European Central Bank and € 255 million in repurchase agreements entered into with Cassa Compensazione e Garanzia.

Financial instruments eligible as collateral in financing transactions on the market amounted to € 3.6 billion as at 31 December 2018 net of the ECB haircut, of which € 2.4 million committed. As a result, the eligible amount of financial instruments available comes to € 1,830 million.

	2018 (€/thousand)	2017 (€/thousand)	Changes	
			Absolute	%
NET INTERBANK POSITION	**-1,377,661**	**-1,228,679**	**-1,048,962**	**319.13%**
Loans to banks	152,533	239,489	-86,956	-36.31%
Deposits from banks	1,530,194	1,468,168	62,026	4.22%
FINANCIAL ASSETS	**3,447,485**	**2,261,120**	**1,186,365**	**52.47%**
Financial assets measured at fair value through profit and loss	35,465	1,530,345	-1,494,880	-97.68%
of which fair value of derivatives	*21,002*	*27,829*	*-6,827*	*-24.53%*
Financial assets measured at fair value through other comprehensive income	724,837	443,329	281,508	63.50%
Other financial assets measured at amortised cost	2,687,183	287,446	2,399,737	n.s.
FINANCIAL LIABILITIES HELD FOR TRADING	**20,818**	**26,020**	**-5,202**	**-19.99%**
of which fair value of derivatives	*20,818*	*26,020*	*-5,202*	*-19.99%*
DERIVATIVES (NOTIONAL AMOUNTS)	**2,235,564**	**1,687,971**	**547,593**	**32.44%**

(*) Including overnight deposit with the ECB.

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 2018 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 the year, the merger by incorporation of the company - already fully-owned by the Parent Company Cassa di Risparmio di Asti S.p.A. - S.A.R.T. Soc. Ast. Riscossione Tributi S.p.A. in Liquidazione was finalised. The transaction was carried out in the simplified form envisaged for fully-owned companies.

Shareholders' equity

Shareholders' equity, including profit for the year, came to € 660 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 31 December 2017	**832,263**
Increases	**20,335**
- Net profit for the year	4,479
- Net change in other available reserves	1,014
- Net change in other valuation reserves at FVOCI	14,842
Decreases	**-192,788**
- Payment of dividends to shareholders	-11,952
- Change in provisions for the share premium reserve	-1,074
- Net change due to available reserves - FTA IFRS 9	-179,762
Group shareholders' equity as at 31 December 2018	**659,810**
Non-controlling interests as at 31 December 2018	**158,476**

The Group shareholders' equity decreased by € 172.5 million compared to the end of the previous year. In addition to the changes due to the payment of dividends for 2017 and the realisation of profit for 2018, the reduction is substantially due to the change in reserves due to first-time adoption of IFRS 9.

Overall, the application of the new accounting standard resulted in a negative change in Group shareholders' equity due to FTA reserves of € 179.8 million, after taxes.

The shareholders' equity increased due to the increase of € 14.8 million in the reserve for measurement at fair value through other comprehensive income (FVOCI), essentially due to the measurement of salary and pension assignment loans originated in 2018 by the subsidiary Pitagora and kept within the scope of the Group. In application of the new accounting standard IFRS 9 and the business model adopted at consolidated level of the Group, those loans are classified as HTCS when, from the moment of disbursement, the Group does not possess information on the expected methods for realising the flows.

Greater details in this regard are shown in the document Transition to IFRS 9, attached to the Accounting Policies of these financial statements, which illustrates the effects of that transition, with the restatements and reconciliations required by Circular 262 of the Bank of Italy and the impacts on the book value of shareholders' equity.

SHARE CAPITAL ACCOUNTS

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

Shareholders	**%**
Fondazione C.R. Asti	37.82%
Banca Popolare di Milano	13.65%
Other shareholders	48.53%

Treasury shares

As at 31 December 2018 the share capital amounted to € 308,368 thousand, broken down into 59,761,186 ordinary shares with a nominal value of € 5.16.
The treasury shares held by the Group as at 31 December 2018 totalled 480,098, equal to 0.80% of the share capital, with a nominal value of € 2,477,305.68 and a book value of € 6,522,209.55.
During 2018, 92,547 treasury shares were purchased, included in the reserve for treasury shares in portfolio, equal to 0.15% of the share capital, for a nominal value of € 477,542.52 and a consideration of € 1,074,360.03. No treasury shares were sold.

At the date of preparation of these financial statements (28 March 2019), treasury shares in portfolio totalled 480,098, for a book value of € 6,522,209.55.

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 2018. That report, approved by the Board of Directors on 28 March 2019, 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 € 952 million.
The CET 1 Ratio (CET1/RWA) amounts to 11.71%, 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 27 June 2018 equal to 7.575% (including the "capital conservation buffer" of 1.875%). The Total Capital Ratio (Total Own Funds/RWA) amounts to 14.86%.

OWN FUNDS AND SOLVENCY RATIOS	2018	2017
Own Funds (€/1,000)		
Common Equity Tier 1 (CET1) capital net of regulatory adjustments	750,452	885,899
Additional Tier 1 (AT1) capital net of regulatory adjustments	9,409	3,304
Tier 1 capital (TIER1)	**759,861**	**889,203**
Tier 2 (T2) capital net of regulatory adjustments	192,013	192,961
Total Own Funds	**951,874**	**1,082,164**
Risk-weighted assets (€/1,000)		
Portion absorbed for credit and counterparty risk, including the portion absorbed by securitisations	48.06%	49.15%
Portion absorbed for market risk	0.06%	0.06%
- of which:		
a) trading portfolio risk	*0.06%*	*0.06%*
b) foreign exchange risk	*0.00%*	*0.00%*
Portion absorbed for credit value adjustment (CVA) risk	0.42%	0.38%
Free portion	51.46%	50.41%
Portion absorbed by Operational Risk	5.31%	4.34%
Free portion	46.15%	46.07%
Total capital requirements	512,491	583,647
Excess	439,383	498,517
Total risk-weighted assets	**6,406,133**	**7,295,588**
Solvency ratios (%)		
CET1 Ratio (CET1/RWA)	11.71%	12.14%
Tier 1 Ratio (Tier1/RWA)	11.86%	12.19%
Total Capital Ratio (Total Own Funds/RWA)	14.86%	14.83%

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

Considering the full calculation of the consolidated net profit for 2018 as pro-forma, the values of the regulatory capital ratios would be as follows:

- *CET1 capital ratio: 11.79%*
- *TIER1 capital ratio 11.94%*

- *Total capital ratio 14.94%*

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)	**646,826**	**14,807**
Book value of equity investments	-305,851	
Shareholders' equity book value of equity investments (pro rata)	253,202	
Higher values attributed (definitive goodwill)	66,142	
Lower values attributed (reversal of goodwill of subsidiary)	-20,543	
PPA of property, plant and equipment (buildings and land) and loans	24,889	
Alignment with the Group accounting standards:		
- recording of buildings and land at deemed cost	5,614	
Group securitisation	-10,424	
Fair value adjustments to the consolidated financial statements	-46	0
Intercompany netting for dividends		-5,521
Pro-rata profit (loss) of subsidiaries		-4,807
Consolidated shareholders' equity and profit (loss)	**659,810**	**4,479**
Shareholders' equity and profit (loss) attributable to non-controlling interests	**158,476**	**1,399**

Evolution of the operating context

The global economy continued to expand, though it lost strength. Global growth for 2018 is estimated at 3.7%, according to IMF forecasts. Despite the weaker performance of certain economies, specifically those in Europe and Asia, the global economy should grow by 3.5% in 2019 and 3.6% 2020.
The risks linked to the performance of global economies seen in 2018 remain, with specific attention to the customs duties introduced in the USA, specifically on steel imports and, in Europe, the continuing negotiations for Brexit.

In Europe, economic growth is expected to slow compared to the levels of 2018 (1.3% in 2019; 1.6% in 2020) while inflation will remain at a modest 1.40% in 2019 and 1.50% in 2020, reflecting the weakness of the core component seen in 2018.

In Italy, on the basis of the projections set out in the Economic Bulletin published by the Bank of Italy in January 2019, in the fourth quarter of the previous year, the GDP decreased by 0.2% (1% yoy). Therefore, the negative trend of the "technical recession" was confirmed, as well as growth lower than the European average for the last few quarters. Based on the analyses by the economic research department of the European Union, that indicator is expected to increase to 0.2% in 2019. With regard to the national trend in prices, a phase of stabilisation is expected (1.2% and 1.3% for 2019 and 2020, respectively).
Surveys of businesses and households conducted by ISTAT report a decline in confidence at the end of the year. In particular, there was a significant drop in consumer confidence, from 113.9 to 112.4 The composite indicator of business confidence clearly decreased (from 99.1 to 98.3), confirming a negative development that has been under way since last July.

As regards bank interest rates, according to the ABI, the cost of funding should remain stable, down slightly. The Euro deposit rate applied to households and non-financial companies came to 0.36%, the rate for bonds to 2.39% and the rate on repurchase agreements to 1.66%. Overall, the average interest rate on loans should remain stable. In particular, the weighted average interest rate on total loans to households and non-financial companies came to 2.55% (historic low) in December 2018, compared 2.57% in the previous month and 6.18% at the end of 2007. The interest rate on Euro loans to households for home purchases remained at particularly low levels and amounted to the record low of 1.89% (1.91 in the previous month, 5.72% at the end of 2007). The interest rate on new Euro loans to non-financial companies came to 1.46% in December 2018 (1.50% in the previous month, 5.48% at the end of 2007). Lastly, the spread between the average interest rate on loans and the average interest rate on deposits of households and non-financial companies came to 194 basis points in December 2018.

Sources: Bank of Italy, ECB, ABI, IMF

Approval of the 2019-2021 Strategic Plan and Business Outlook

In March 2019, the Board of Directors of Cassa di Risparmio di Asti S.p.A. approved the new 2019-2021 Strategic Plan. The Strategic Plan is based on conservative assumptions that specifically incorporate substantial stability in the interest rates over the three-year period, thus not considering the assumptions of an expansion in the spread between commercial lending and borrowing rates or a weak trend in the domestic GDP, which could result in negative impacts in terms of the cost of credit risk.

In that context, the new Plan confirms the strategies identified over the last few years - which aim to preserve the structural fundamentals, improve the service model, increase revenues through greater diversification thereof and a focus on more profitable segments, and increase operating efficiency through technological innovation – while it also sets out certain organisational and operational changes aimed at increasing the ability to effectively implement the various projects planned within the scheduled time frames.

As regards the oversight of credit risk, the Group's NPE Strategy comprises a series of initiatives, some of which have been concretely implemented, to guarantee the compliance of the Group's credit operating processes with the guidelines issued on the matter by the Bank of Italy, and to align with market best practices. This strategy also provides, over the three-year period 2019-2021, for additional derisking operations through assignments of non-performing loans.

In the area of supplementing and diversifying revenues, a significant contribution to income is expected from the new commercial initiatives recently launched in the energy and business services segments, while continuing to develop production volumes, especially in the area of assets under management, non-life insurance and consumer credit, in terms of both personal loans and salary/pension assignment loans.

In the area of direct funding, it is expected that the trend of gradual decrease in the stock of bonds placed with retail customers, which has been in place for several years now system-wide, will continue. That phenomenon will result in a recomposition of commercial deposits in favour of on demand types or those with a shorter average duration which, though they will reduce the average cost of funding, will also require the maintenance of suitable oversight of the aspects connected with the Group's liquidity risk.

A significant contribution to income, especially in the interest component, is also expected from the owned securities portfolio which, in order to minimise the risks of volatility in the income statement, will mainly be allocated to the Hold to Collect segment and, thus, measured at amortised cost.

Over the period of the new Strategic Plan, a significant part will be played by the effective implementation of the framework agreement recently signed by and between Banca di Asti, Fondazione Cassa di Risparmio di Biella and Fondazione Cassa di Risparmio di Vercelli for the acquisition by Banca di Asti of the remaining Biverbanca shares held by the Foundations, through the contribution in kind and the related share capital increase of Banca di Asti reserved to them.

Beyond the clear advantages in terms of strengthening governance, the operation will generate significant business synergies and an improved allocation of capital at Group level.

With regard to operating efficiency and cost management, additional measures are planned for rationalisation of the local network and optimisation of expenditure on ICT services and management of properties and transport, without waiving the investment in technological and product innovation, with a structured, coordinated approach that is demonstrated by the considerable portfolio of projects envisaged in the Plan. It is also deemed that over the next few years, compliance costs linked to the constant development in the reference legislative framework will continue to be an area that needs the maximum oversight.

In summer, as shown in the table below, the results expected at Group level incorporated in the Strategic Plan project the following in the three-year period 2019-2021:

- a gradual increase in assets under custody in comprehensive income;
- a significant improvement in both the quality of assets and in balance sheet items;
- the maintenance of a suitable liquidity profile;
- an increase in operating efficiency.

The plan assumes that dividends will be paid to shareholders of Cassa di Risparmio di Asti S.p.A. totalling EUR 42.3 million, equally distributed over the three-year period.

SIGNIFICANT EVENTS AFTER YEAR END

CASSA DI RISPARMIO DI ASTI GROUP CONSOLIDATED FIGURES	Final figures 2018	Target 2021(2)	*Change 2021/2018*	
EXACT VOLUMES (€/billion)				
Customer assets under custody	14.2	15.1	*+0.9*	*+6.5%*
Net loans to customers (net of derisking)	7.2	7.2	*0*	*0*
INCOME STATEMENT FIGURES (€/million)				
Net interest and other banking income	**245.7**	**328.4**	***+82.7***	***+33.7%***
of which Interest Margin	174.8	228.3	*+53.5*	*+30.6%*
of which Fee and commission income	110.2	129.1	*+18.8*	*+17.1%*
of which Other Revenues	56.9	50.6	*-6.3*	*-11.1%*
Operating Costs	**-255.9**	**-247.9**	***+8.1***	***-3.1%***
Net Profit	**5.9**	**48.9**	***+43.0***	***n.s.***
Normalised Net Profit(1)	**22.0**	**48.9**	***+26.9***	***+122.4%***
ASSET QUALITY AND COST OF CREDIT				
Gross NPL Ratio	12.7%	6.7%	*-6.0 pp*	
Net NPL Ratio	7.0%	3.6%	*-3.4 pp*	
Average NPL Coverage	48.8%	48.8%	-	
Weight of net bad loans on net loans	2.2%	0.9%	*-1.2 pp*	
Cost of Credit	1.3%	1.2%	*-11 bp*	
OTHER INDICATORS				
Normalised ROE(1)	1.8%	5.1%	*+3.3 pp*	
Normalised Cost/Income ratio(1)	69.7%	59.9%	*-9.8 pp*	
CAPITALISATION AND LIQUIDITY			**Regulatory Requirement**	**2021 margin on requirement**
CET 1 Ratio Phased-in	11.8%	14.4%	7.7%	*+671 bp*
CET 1 Ratio Fully-phased	9.0%	12.6%	7.7%	*+493 bp*
LCR	162.7%	160.8%	100.0%	*+60.8 pp*
NSFR	158.4%	135.0%	100.0%	*+35.0 pp*

(1) Net of non-recurring costs and income
(2) Figures not subject to auditing by the Independent Auditors

Note

The information and figures shown above have been prepared by Cassa di Risparmio di Asti S.p.A. for exclusively informational purposes and to present the strategies and main objectives, forecasts and estimates deriving from the Strategic Plan approved by the Board of Directors in March 2019. These figures do not relate to historical data or present events and, therefore, are uncertain and have not been verified by independent bodies. Due to their nature, forward-looking information is based on various assumptions, expectations, projections and forecast data relating to future events, and is subject to numerous uncertainties and other factors outside the control of the Bank and/or the Group. There are many factors, also outside the control of the management, that may generate results and performance significantly different (and be more negative) than the forecast or implied content of the forward-looking information and, therefore, that information is not a reliable indicator of future performance. No overt or implied guarantee may be provided on the content of the forward-looking data deriving from the Plan. Neither Cassa di Risparmio di Asti S.p.A. nor its officers may be held liable (for negligence or other charges) for any loss deriving from the use of the content shown above. All the forward-looking information above has been prepared based on specific assumptions which could be shown to be incorrect and, therefore, the results shown herein could vary. Cassa di Risparmio di Asti S.p.A. does not assume any obligation to publicly update or revise forecasts or estimates following the availability of new information, future events or other, save for compliance with applicable laws.

SIGNIFICANT EVENTS AFTER YEAR END

Significant events

No significant events arose in that period that resulted in the need to make changes to the figures or information in the financial statements.

Other information

In February 2018, the Parent Company Cassa di Risparmio di Asti S.p.A. was informed that the Public Prosecutor's Office of the Court of Asti opened an investigation against it, which is still under way, alleging an accounting offence relating to 2015, in relation to the audits conducted in 2017 by the Italian Tax Police. In that regard, the Bank specifies that it is firmly convinced that that assumption is clearly unfounded, given that the 2015 financial statements were drawn up in rigorous compliance with the law and supervisory 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 currently in force, as well as those in force during the years being investigated. 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 local press.

On 2 May 2018 the Piedmont Regional Directorate of the Italian Tax Agency served the subsidiary Biverbanca S.p.A. the tax audit report relating to direct taxes for 2013. In relation to this, the Board of Directors decided to avail 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. For that reason, following the resolution of 7 February 2019, the Banca shall fully settle, by the deadline of 31 May 2019, without the application of the penalties that can be imposed pursuant to article 17, paragraph 1 of Italian Legislative Decree no. 472 of 18 December 1997, the breaches claimed in the tax audit report, submitting, as envisaged by said implementing provisions, the specific corrective electronic tax returns within the terms and by paying fully in a lump-sum the taxes claimed, without applying the offsetting pursuant to art. 17 of Italian Legislative Decree no. 241 of 9 July 1997. That decision was notified to the Piedmont Regional Directorate on 18 February 2019, by certified email.

As regards the other significant events, it is noted that during 2018 the Cassa di Risparmio di Asti Group was the subject of an inspection by the Bank of Italy. In relation to the elements acquired during the inspection, an action plan was outlined which will be subject to more detailed definition and planning once the inspection report is received.

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET				
Circ. 262 5th update	*Circ. 262 4th update*	Assets	31/12/2018	31/12/2017
10.	***10.***	**Cash and cash equivalents**	**64,558**	**970,893**
20.		**Financial assets measured at fair value through profit and loss**	**41,286**	**X**
		a) financial assets held for trading	21,002	X
		b) financial assets designated at fair value	0	X
		c) other financial assets mandatorily measured at fair value	20,284	X
	20.	***Financial assets held for trading***	**X**	***27,829***
	30.	***Financial assets measured at fair value***	**X**	***0***
30.		**Financial assets measured at fair value through other comprehensive income**	**1,072,546**	**X**
	40.	***Financial assets available for sale***	**X**	***2,233,291***
40.		**Financial assets measured at amortised cost**	**9,645,843**	**X**
		a) Loans to banks	152,533	X
		b) Loans to customers	9,493,310	X
	60.	***Loans to banks***	**X**	***239,489***
	70.	***Loans to customers***	**X**	***7,178,642***
50.	***80.***	**Hedging derivatives**	**0**	**0**
60.	***90.***	**Change in value of macro-hedged financial assets (+/-)**	**0**	**0**
70.	***100.***	**Equity investments**	**0**	**461**
80.	***110.***	**Technical insurance reserves reassured with third parties**	**0**	**0**
90.	***120.***	**Property, plant and equipment**	**169,628**	**170,054**
100.	***130.***	**Intangible assets**	**91,870**	**93,763**
		of which:		
		- goodwill	66,142	66,142
110.	***140.***	**Tax assets**	**321,077**	**252,725**
		a) current	50,985	48,257
		b) deferred	270,092	204,468
120.	***150.***	**Non-current assets held for sale and discontinued operations**	**0**	**0**
130.	***160.***	**Other assets**	**472,098**	**436,525**
Total assets			**11,878,906**	**11,603,672**

Even though, pursuant to IFRS 9, it is not mandatory to restate the 2017 comparative data, the items relating to the previous year were, in any event, compared with the items of the 2018 statements (Circular no. 262, 5th update), where homogeneous, and rows were added for those that were not envisaged in the new update.

CONSOLIDATED BALANCE SHEET				
Circ. 262 5th update	*Circ. 262 4th update*	Liabilities and Shareholders' equity	31/12/2018	31/12/2017
10.		**Financial liabilities measured at amortised cost**	**10,500,217**	**X**
		a) Deposits from banks	1,530,194	X
		b) Deposits from customers	6,867,016	X
		c) Debt securities issued	2,103,007	X
	10.	***Deposits from banks***	**X**	***1,468,168***
	20.	***Deposits from customers***	**X**	***5,981,503***
	30.	***Debt securities issued***	**X**	***2,626,557***
20.	***40.***	**Financial liabilities held for trading**	**20,818**	**26,020**
30.	***50.***	**Financial liabilities designated at fair value**	**118,345**	**125,833**
40.	***60.***	**Hedging derivatives**	**75,461**	**66,167**
50.	***70.***	**Change in value of macro-hedged financial liabilities (+/-)**	**0**	**0**
60.	***80.***	**Tax liabilities**	**3,238**	**3,935**
		a) current	3,238	3,935
		b) deferred	0	0
70.		**Liabilities associated with non-current assets held for sale and discontinued operations**	**0**	**0**
80.	***100.***	**Other liabilities**	**257,189**	**222,761**
90.	***110.***	**Provision for employee severance pay**	**19,671**	**24,064**
100.	***120.***	**Provisions for risks and charges**	**65,681**	**56,730**
		a) commitments and guarantees given	5,899	X
		b) pension funds and similar obligations	17,830	19,800
		c) other provisions for risks and charges	41,952	36,930
110.	***130.***	**Technical reserves**	**0**	**0**
120.	***140.***	**Valuation reserves**	**6,427**	**(104,307)**
130.	***150.***	**Redeemable shares**	**0**	**0**
140.	***160.***	**Equity instruments**	**0**	**0**
150.	***170.***	**Reserves**	**76,919**	**333,828**
160.	***180.***	**Share premium reserve**	**270,139**	**270,139**
170.	***190.***	**Share capital**	**308,368**	**308,368**
180.	***200.***	**Treasury shares (-)**	**(6,522)**	**(5,448)**
190.	***210.***	**Non-controlling interests (+/-)**	**158,476**	**169,671**
200.	***220.***	**Profit (Loss) for the year (+/-)**	**4,479**	**29,683**
Total liabilities and shareholders' equity			**11,878,906**	**11,603,672**

Even though, pursuant to IFRS 9, it is not mandatory to restate the 2017 comparative data, the items relating to the previous year were, in any event, compared with the items of the 2018 statements (Circular no. 262, 5th update), where homogeneous, and rows were added for those that were not envisaged in the new update.

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

Circ. 262 5th update	*Circ. 262 4th update*	Items	31/12/2018	31/12/2017
10.	***10.***	**Interest income and similar revenues**	**261,079**	**254,522**
		of which: interest income calculated using the effective interest rate method	153,978	X
20.	***20.***	**Interest expense and similar charges**	**-84,931**	**-86,439**
30.	***30.***	**Interest margin**	**176,148**	**168,083**
40.	***40.***	**Fee and commission income**	**159,892**	**140,998**
50.	***50.***	**Fee and commission expense**	**-34,217**	**-45,716**
60.	***60.***	**Net fee and commission income**	**125,675**	**95,282**
70.	***70.***	**Dividends and similar income**	**13,282**	**24,102**
80.	***80.***	**Net profit (loss) from trading**	**23,328**	**-19,395**
90.	***90.***	**Net profit (loss) from hedging**	**51**	**278**
100.		**Gains (losses) on disposal or repurchase of:**	**-11,226**	**X**
		a) financial assets measured at amortised cost	-28,574	X
		b) financial assets measured at fair value through other comprehensive income	17,297	X
		c) financial liabilities	51	X
	100.	***Gains (losses) on disposal or repurchase of:***	X	***74,404***
		a) loans	X	*38,096*
		b) financial assets available for sale	X	*36,937*
		d) other financial transactions	X	*-629*
110.		**Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss**	**-16,731**	**X**
		a) financial assets and liabilities designated at fair value	3,461	X
		b) other financial assets mandatorily measured at fair value	-20,192	X
	110.	***Net profit (loss) from financial assets and liabilities measured at fair value***	X	***-2,823***
120.	***120.***	**Net interest and other banking income**	**310,527**	**339,931**
130.		**Net losses/recoveries for credit risk on:**	**-68,437**	**X**
		a) financial assets measured at amortised cost	-65,793	X
		b) financial assets measured at fair value through other comprehensive income	-2,644	X
	130.	***Net losses/recoveries on impairment of:***	**X**	***-58,116***
		a) loans	X	*-47,978*
		b) financial assets available for sale	X	*-10,425*
		d) other financial transactions	X	*287*
140.	***X***	**Profits/losses from contractual changes without derecognition**	**0**	X
150.	***140.***	**Net income from banking activities**	**242,090**	**281,815**
160.	***150.***	**Net premiums**	**0**	**0**
170.	***160.***	**Other net insurance income (expense)**	**0**	**0**
180.	***170.***	**Net income from banking and insurance activities**	**242,090**	**281,815**
190.	***180.***	**Administrative expenses:**	**-268,950**	**-252,680**
		a) personnel expenses	-144,580	-137,068
		b) other administrative expenses	-124,370	-115,612

200.	*190.*	**Net provisions for risks and charges**	**-4,474**	**-14,135**
		a) commitments and guarantees given	80	X
		b) other net provisions	-4,554	X
210.	*200.*	**Net adjustments to/recoveries on property, plant and equipment**	**-9,149**	**-9,472**
220.	*210.*	**Net adjustments to/recoveries on intangible assets**	**-4,345**	**-4,063**
230.	*220.*	**Other operating expenses/income**	**30,096**	**36,980**
240.	*230.*	**Operating costs**	**-256,822**	**-243,370**
250.	*240.*	**Gains (losses) on equity investments**	**-9**	**-17**
260.	*250.*	**Net gains (losses) on property, plant and equipment and intangible assets measured at fair value**	**0**	**0**
270.	*260.*	**Impairment of goodwill**	**0**	**-45**
280.	*270.*	**Gains (losses) on disposal of investments**	**1**	**0**
290.	*280.*	**Profit (loss) before tax from continuing operations**	**-14,740**	**38,383**
300.	*290.*	**Tax expense (recovery) on income from continuing operations**	**20,618**	**-5,563**
310.	*300.*	**Profit (loss) after tax from continuing operations**	**5,878**	**32,820**
320.	*310.*	**Profit (loss) after tax from assets held for sale and discontinued operations**	**0**	**0**
330.	*320.*	**PROFIT (LOSS) FOR THE YEAR**	**5,878**	**32,820**
340.	*330.*	**Profit (loss) attributable to non-controlling interests**	**1,399**	**3,137**
350.	*340.*	**PARENT COMPANY'S PROFIT (LOSS) FOR THE YEAR**	**4,479**	**29,683**

Even though, pursuant to IFRS 9, it is not mandatory to restate the 2017 comparative data, the items relating to the previous year were, in any event, compared with the items of the 2018 statements (Circular no. 262, 5th update), where homogeneous, and rows were added for those that were not envisaged in the new update.

GRUPPO CASSA DI RISPARMIO DI ASTI

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME				
Cir. 262 5th update	*Cir. 262 4th update*	ITEMS	31/12/2018	31/12/2017
10.	***10.***	**Profit (loss) for the year**	**5,878**	**32,820**
		Other income after tax without reversal to income statement		
20.		Equity securities designated at fair value through other comprehensive income	(2,369)	X
30.		Financial liabilities designated at fair value through profit and loss (changes to own credit rating)	2,956	X
40.		Hedging of equity securities designated at fair value through other comprehensive income	0	X
50.	***20.***	Property, plant and equipment	0	0
60.	***30.***	Intangible assets	0	0
70.	***40.***	Defined benefit plans	481	(306)
80.	***50.***	Non-current assets held for sale and discontinued operations	0	0
90.	***60.***	Share of valuation reserves of equity investments carried at equity	0	0
		Other income after tax with reversal to income statement		
100.	***70.***	Hedge of foreign investments	0	X
110.	***80.***	Exchange differences	0	X
120.	***90.***	Cash flow hedges	4,200	7,048
130.		Hedging instruments (elements not designated)	0	X
140.		Financial assets (other than equity securities) measured at fair value through other comprehensive income	15,241	X
	100.	*Financial assets available for sale*	**X**	*5,135*
150.	***110.***	Non-current assets held for sale and discontinued operations	0	0
160.	***120.***	Share of valuation reserves of equity investments carried at equity	0	0
170.	***130.***	**Total other income after tax**	**20,509**	**11,877**
180.		**Comprehensive income (Item 10+170)**	**26,387**	**X**
	140.	***Comprehensive income (Item 10+130)***	**X**	***44,697***
190.	***150.***	**Consolidated comprehensive income attributable to non-controlling interests**	**7,066**	**(141)**
200.	***160.***	**Consolidated comprehensive income attributable to Parent Company**	**19,321**	**44,838**

Even though, pursuant to IFRS 9, it is not mandatory to restate the 2017 comparative data, the items relating to the previous year were, in any event, compared with the items of the 2018 statements (Circular no. 262, 5th update), where homogeneous, and rows were added for those that were not envisaged in the new update.

GRUPPO CASSA DI
RISPARMIO DI ASTI

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY				Allocation of previous year's profit (loss)		Changes during the year										
							Transactions on shareholders' equity									
	Balance as at 31/12/2017	Changes in opening balances	Balance as at 01/01/2018	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests	Comprehensive income for 2018	Group shareholders' equity as at 31/12/2018	Non-controlling interests as at 31/12/2018
SHARE CAPITAL																
a) ordinary shares	370,247		370,247	0			0						20		308,368	61,899
b) other shares	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		76,919	78,059
b) other	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**		**-5,448**				**0**	**-1,074**							**-6,522**	**0**
PROFIT (LOSS) FOR THE YEAR	**32,820**		**32,820**	**-18,073**	**-14,747**									**5,878**	**4,479**	**1,399**
GROUP SHAREHOLDERS' EQUITY	**832,263**	**-179,762**	**652,501**		**-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**		**-2,795**		**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"

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Balance as at 31/12/2016	Changes in opening balances	Balance as at 01/01/2017	Allocation of previous year's profit (loss): Reserves	Allocation of previous year's profit (loss): Dividends and other allocations	Changes during the year: Changes in reserves	Changes during the year – Transactions on shareholders' equity: Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests	Changes during the year: Comprehensive income for 2017	Group shareholders' equity as at 31/12/2017	Non-controlling interests as at 31/12/2017
SHARE CAPITAL																
a) ordinary shares	365,539		365,539	0			4,698						10		308,368	61,879
b) other shares	0		0	0				0					0		0	0
SHARE PREMIUM RESERVE	**283,630**		**283,630**	**0**		**0**	**-272**								**270,139**	**13,219**
RESERVES																
a) profit	421,291		421,291	11,132		5,516		0	0				0		333,828	104,111
b) other	0		0	0					0		0	0	0		0	0
VALUATION RESERVES	**-128,859**		**-128,859**			**0**							**0**	**11,877**	**-104,307**	**-12,675**
EQUITY INSTRUMENTS	**0**		**0**							**0**			**0**		**0**	**0**
TREASURY SHARES	**-5,982**		**-5,982**				**1,350**	**-816**							**-5,448**	**0**
PROFIT (LOSS) FOR THE YEAR	**24,256**		**24,256**	**-11,132**	**-13,124**									**32,820**	**29,683**	**3,137**
GROUP SHAREHOLDERS' EQUITY	**797,260**		**797,260**		**-10,159**	**62**	**1,078**	**-816**	**0**	**0**	**0**	**0**	**0**	**44,838**	**832,263**	
NON-CONTROLLING INTERESTS	**162,615**		**162,615**		**-2,965**	**5,454**	**4,698**		**0**	**0**	**0**	**0**	**10**	**-141**		**169,671**

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW STATEMENT

CASH FLOW STATEMENT	Amount	
Indirect Method	31/12/2018	31/12/2017
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**9,949**	**166,125**
- profit (loss) for the year (+/-)	5,878	32,821
- capital gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit and loss (-/+)	(63,847)	7,794
- capital gains/losses on hedging activities (-/+)	(14,294)	32,226
- net losses/recoveries for credit risk (+/-)	123,836	X
- net losses/recoveries on impairment (+/-)	X	*94,339*
- net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	13,539	13,544
- net provisions for risks and charges and other costs/revenues (+/-)	4,012	19,485
- taxes, duties and tax credit not settled (+/-)	(30,842)	6,254
- net losses/recoveries on discontinued operations after tax (+/-)	0	0
- other adjustments (+/-)	(28,333)	(40,338)
2. Cash flows from (used in) financial assets	**(636,364)**	**1,629,392**
- financial assets held for trading	10,384	24,189
- financial assets designated at fair value	0	0
- other assets mandatorily measured at fair value	1,478,031	X
- financial assets measured at fair value through other comprehensive income	(198,247)	X
- financial assets available for sale	X	*2,341,588*
- financial assets measured at amortised cost	(1,859,127)	X
- loans to banks: on demand	X	*47,083*
- loans to banks: other loans	X	*(275,111)*
- loans to customers	X	*(403,213)*
- hedging derivatives	X	*(18,449)*
- other assets	(67,405)	(86,695)
3. Cash flows from (used in) financial liabilities	**(253,092)**	**(863,232)**
- financial liabilities measured at amortised cost	(21,495)	X
- deposits from banks: on demand	X	*(63,345)*
- deposits from banks: other deposits	X	*942,192*
- deposits from customers	X	*(1,324,200)*
- debt securities issued	X	*(255,001)*
- financial liabilities held for trading	(42,895)	(26,942)
- financial liabilities designated at fair value	(4,277)	(93,085)
- other liabilities	(184,425)	(42,851)
Net cash flow from (used in) operating activities	**(879,507)**	**932,285**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**167**	**2,563**
- sales of equity investments	167	0

CASH FLOW STATEMENT

- dividends collected on equity investments	0	2,535
- sales of property, plant and equipment	0	28
- sales of intangible assets	0	0
- sales of subsidiaries and divisions	0	0
2 Cash flow used in:	**(11,173)**	**(23,486)**
- purchases of equity investments	0	(285)
- purchases of financial assets held to maturity	X	(3,305)
- purchases of property, plant and equipment	(8,725)	(18,178)
- purchases of intangible assets	(2,448)	(1,718)
- purchases of subsidiaries and divisions	0	0
Net cash flow from (used in) investment activities	**(11,006)**	**(20,923)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	(1,074)	263
- issue/purchase of equity instruments	0	0
- dividend distribution and other	(14,748)	(13,125)
Net cash flow from (used in) funding activities	**(15,822)**	**(12,862)**
NET CASH FLOW FROM (USED IN) FUNDING ACTIVITIES IN THE YEAR	**(906,335)**	**898,500**

Key: (+) from (-) used

RECONCILIATION	AMOUNT	
Item	2018	2017
Cash and cash equivalents at the beginning of the year	970,893	72,393
Net increase (decrease) in cash and cash equivalents	(906,335)	898,500
Cash and cash equivalents: effect of exchange rate changes	0	0
Cash and cash equivalents at the end of the year	64,558	970,893

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A.1 – GENERAL PART

Section 1. Statement of compliance with international accounting standards

Pursuant to IAS 1 § 16, it is hereby certified that the financial statements as at 31 December 2018 comply with all the international accounting standards IAS/IFRS applicable, as endorsed by the European Commission and in force as at 31 December 2018, based on the procedure set out in Regulation (EC) no. 1606/2002, including the SIC/IFRIC interpretations.

Section 2. General drafting principles

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 fifth update of December 2017, as amended.

The 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 financial statements are drawn up in application of the going concern assumption for the near future.

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

The new international accounting standards or amendments to standards already in force are shown below, whose application became mandatory from 2018 onwards.

- The new standard IFRS 15 replaced the standards in force on recognition of revenue from contracts with customers and aims to improve the accounting treatment and comparability of financial statements. The scope of application excludes lease agreements, financial instruments and insurance contracts. In substance, the accounting treatment of the main types of revenues is already in line with the provisions of the new standard and, therefore, in the first year of application of the new IFRS 15, no impacts emerged. The most significant impacts regard the disclosure required on the nature, amount, timing and cash flows deriving from contracts with customers. IFRS 15 was introduced by Commission Regulation (EU) 2016/1905 of 22 September 2016 and published in the Official Journal L. 295 of 29 October 2016. Subsequently, Commission Regulation (EU)

2017/1987 of 31 October 2017, published in the Official Journal L. 291 of 9 November 2017, provided additional indications on first-time adoption.

- The new accounting standard IFRS 9, which replaced IAS 39, aims to improve the disclosure on financial instruments and fulfils the request made by the G20 during the financial crisis, to transition to a more forward-looking model for recognising expected losses on financial assets. The standard was approved by Commission Regulation (EU) 2016/2067 of 22 November 2016 and was published in the Official Journal L. 323 of 29 November 2016. The application of the new standard had significant effects on the rules of classification and measurement of financial instruments. With regard to the effects of the first-time adoption of the standard, in line with the option set out in paragraph 7.2.15 of IFRS 9 and paragraphs E1 and E2 of IFRS1 First-Time Adoption of IFRS, the Group did not present the figures of these financial statements on a comparable homogeneous basis with the figures of the previous period, though it retrospectively applied the new rules of measurement and valuation, as required by the standard. According to the indications in the issue document of the 5th update to Circular 262, Banks that do not restate comparative amounts must include in the first set of financial statements drawn up pursuant to the new Circular 262 a statement of restatement and reconciliation between the figures of the last approved financial statements and the first financial statements drawn up based on the new standard. For this purpose, at the end of this section on accounting policies, a disclosure document has been included that illustrates the effects of the transition to the new accounting standards IFRS 9 and IFRS 15, with the restatements and reconciliations required and the effects on the book value of shareholders' equity.
- Commission Regulation (EU) 2017/1988 of 3 November 2017, published in the Official Journal L. 291 of 9 November 2017, adopts the amendments to IFRS 4 concerning the joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts.
- Commission Regulation (EU) 2018/289 of 26 February 2018, published in the Official Journal L. 55 of 27 February 2018, adopts the Amendments to IFRS 2 Share-based Payments.
- Commission Regulation (EU) 2018/400 of 14 March 2018, published in the Official Journal L. 72 of 15 March 2018, adopts the Amendments to IAS 40 Investment Property, regarding changes in use of investment property.

International accounting standards endorsed as at 31.12.2018 with application subsequent to 31.12.2018

The new international accounting standards or amendments to standards already in force, whose application became mandatory from 1 January 2019 onwards are shown below. The Group did not exercise the option for early application.

- 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 will replace 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 the principles for recognition, measurement, presentation in the financial statements 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 users of the financial statements with 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. Contracts concerning low-value assets were excluded, as well as leases with a duration equal to or less than 12 months.
  The Group is completing 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 measurement of the right of use and the related liabilities is in the phase of completion, along with the definition of the models for recognising the amounts, also through the implementation of dedicated IT tools. Based on the analyses conducted, the main effect expected in terms of the right of use and related liabilities

regards the lease of properties. The impact deriving from the rights of use relating to automobiles is smaller. The overall impact on the income statement expected for 2019 will regard the items interest expense and adjustments to property, plant and equipment, which will increase due to the discounting of liabilities and the amount of depreciation, respectively. Conversely, costs recorded under other administrative expenses will decrease.
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.

- 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 will 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.

This document is comprised of the Report on Operations and the Financial Statements, which, in turn, 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 these Notes to the consolidated financial statements and the document Transition to the International Accounting Standards IFRS 9 and IFRS 15, all drawn up in thousands of Euro.

Section 3.
Scope and methods of consolidation

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.	60.42	60.42
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. Manu SPV S.r.l.*	Conegliano	Conegliano	4	Pitagora S.p.A.	0	0
10. 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.*

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 non-controlling 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.

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

In drawing up the consolidated financial statements as at 31 December 2018, 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 non-controlling interests

The share capital held by non-controlling interests amount to 30% of the share capital of Pitagora S.p.A. and 39.58% of the share capital of Biverbanca S.p.A. The former are 19.00%-owned by Bonino S.r.l. and 11.00% by the employees of that company and third parties. The shares of Biverbanca S.p.A. are held by Fondazione Cassa di Risparmio di Biella (33.44%) and Fondazione Cassa di Risparmio di Vercelli (6.14%). 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.

3.1 Non-controlling interests, voting rights and dividends distributed to third parties.

Company Name	% Non-controlling interests	% Voting Rights (1)	Dividends distributed to third parties €/thousand
A. Companies			
1. Biverbanca S.p.A.	39.58	39.58	1,242
2. Pitagora S.p.A.	30.00	30.00	1,553
3. Asti Finance S.r.l.*	100	100	0
4. Asti RMBS S.r.l.*	100	100	0
5. Asti Group RMBS S.r.l.*	100	100	0
6. Annette S.r.l.*	100	100	0
7. Asti Group PMI S.r.l.*	100	100	0
8. Manu SPV S.r.l.*	100	100	0
9. Geordie SPV S.r.l.*	100	100	0

(1) *Voting rights in ordinary shareholders' meeting*

3.2 Equity investments with significant interests: accounting information

Figures as at 31/12/2018

Company Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity
A. Companies						
1. Biverbanca S.p.A.	3,608,547	28,771	3,298,404	61,727	3,144,743	351,544
2. Pitagora S.p.A.	223,538	26	176,217	6,498	90,647	56,352

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. Biverbanca S.p.A.	37,681	83,263	(78,356)	3,409	6,650
2. Pitagora S.p.A.	2,694	45,844	(32,559)	13,125	8,008

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. Biverbanca S.p.A.	0	6,650	258	6,908
2. Pitagora S.p.A.	0	8,008	3	8,011

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 2018, as all the subsidiaries close the period at the same closing date as the Parent Company.

Section 4. Events after the reporting period

It is noted that, after the reporting date of the consolidated financial statements (31.12.2018) and before the preparation hereof, there were no significant events that could change the valuations and disclosure set out in this document.

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 2018 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;
- 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.

For the three-year period 2016-2018, the Group renewed the option for "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 for the three-year period 2016-2018 involves the subsidiaries Biverbanca S.p.A., Pitagora S.p.A. and the company Immobiliare Maristella S.r.l.

The measurement 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 new 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 thereof apply prospectively from the reclassification date. 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.
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. Equity securities for which the option was exercised cannot be reclassified.

The transfer value is represented by the fair value at the time of the reclassification and the effects thereof apply prospectively from the reclassification date. 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.
Equity securities are not subject to impairment.

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

The new 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 thereof apply prospectively from the reclassification date. 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 balance sheet assets, recording a liability for the consideration received from the purchaser. In particular, the Group includes securitised loans among its loans to customers. As an offsetting entry to those loans, a liability was posted under the item "Deposits from customers", net of the book 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. The Group will decide whether to confirm that decision for reporting periods following 2018.

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 financial statements, 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, under the item "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.
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 for the year 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 consolidated 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 “Domestic Tax Consolidation” for the three-year period 2016-2018. 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.
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 influence of tax interference in the financial statements results in differences between taxable income and statutory income, which may 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 in the financial statements;
- negative income components that are tax deductible in years following the year of recognition in the financial statements.

"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 in the financial statements;
- negative income components deductible in years prior to that in which they will be posted in the financial statements 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 date of the consolidated financial statements, 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.

10 - Provisions for risks and charges

“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.

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”, which is illustrated in detail in the section on employee severance pay.
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 in the consolidated financial statements 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 of the consolidated financial statements, provisions are adjusted to reflect the best current estimate. If the reasons for the allocations made no longer apply, the related amount is reversed.

During 2018, as previously occurred in 2017 and 2014, the procedures set out in the National Collective Labour Agreement (CCNL) regarding the reduction of employment levels, pursuant to art. 8 of Ministerial Decree 158/2000 were activated in Group Banks. These enable access to the Solidarity Fund to support income, employment and professional retraining and requalification of credit personnel. Workers who voluntarily agreed to redundancy under that agreement are paid an incentive of one month’s salary for each year of participation in the Fund. The charges of the Fund are borne by the Group Banks, and were fully allocated to a specific provision during the period in which the worker signed up for the agreement for early retirement.

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 reporting date 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 of the consolidated financial statements, 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 of the consolidated financial statements, 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 from the consolidated financial statements 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 from the consolidated financial statements 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 from the consolidated financial statements 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 in the consolidated financial statements;
- 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 from the consolidated financial statements 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 of the consolidated financial statements, 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 in the financial statements or the consolidated financial statements;
- 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 of the financial statements or the consolidated financial statements.

15 - Other information

Classification criteria for financial assets

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 in the financial statements. Following initial recognition, and as long as it is recognised in the financial statements, 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 as:

- 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 new 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 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 PD and LGD 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 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 in the consolidated financial statements, 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 in the consolidated financial statements, 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 in the consolidated financial statements as adjustments to the assets and liabilities they refer to.

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 the consolidated financial statements 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 in the consolidated financial statements 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.

A.3 Information on transfers between portfolios of financial assets

There are no items of this type.

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 level.

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	Total 2018			Total 2017		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit and loss	1	31,808	9,477	X	X	X
a) Financial assets held for trading	1	21,001	0	X	X	X
b) Financial assets designated at fair value	0	0	0	X	X	X
c) Other financial assets mandatorily measured at fair value	0	10,807	9,477	X	X	X
Financial assets held for trading	X	X	X	*1*	*27,828*	*0*
2. Financial assets measured at fair value through other comprehensive income	457,376	266,081	349,089	X	X	X
Financial assets available for sale	X	X	X	*1,950,092*	*278,130*	*5,069*
3. Hedging derivatives	0	0	0	X	X	X
4. Property, plant and equipment	0	0	0	X	X	X
5. Intangible assets	0	0	0	0	0	0
TOTAL	**457,377**	**297,889**	**358,566**	**1,950,093**	**305,958**	**5,069**
1. Financial liabilities held for trading	0	20,818	0	0	26,020	0
2. Financial liabilities designated at fair value	0	118,345	0	0	125,833	0
3. Hedging derivatives	0	75,461	0	0	66,167	0
TOTAL	**0**	**214,624**	**0**	**0**	**218,020**	**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	**5,069**	**0**	**0**	**1,230**	**3,839**	**0**	**0**	**0**
2. INCREASES	**359,188**	**0**	**0**	**10,237**	**348,951**	**0**	**0**	**0**
2.1. Purchases	5,215	0	0	4,258	957	0	0	0
2.2. Profits recognised in:	0	0	0	0	0	0	0	0
2.2.1. Income statement	76	0	0	76	0	0	0	0
of which: capital gains	76	0	0	76	0	0	0	0
2.2.2. Shareholders' equity		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	353,897	0	0	5,903	347,994	0	0	0
3. DECREASES	**5,691**	**0**	**0**	**1,990**	**3,701**	**0**	**0**	**0**
3.1. Sales	1,570	0	0	0	1,570	0	0	0
3.2. Refunds	0	0	0	0	0	0	0	0
3.3. Losses recognised in:	3,391	0	0	1,990	1,401	0	0	0
3.3.1. Income statement	1,990	0	0	1,990	0	0	0	0
of which: capital losses	1,990	0	0	1,990	0	0	0	0
3.3.2. Shareholders' equity		X	X	X	1,401	0	0	0
3.4. Transfers to other levels	698	0	0	0	698	0	0	0
3.5. Other decreases	32	0	0	0	32	0	0	0
4. CLOSING BALANCE	**358,566**	**0**	**0**	**9,477**	**349,089**	**0**	**0**	**0**

The opening balance in the table includes the change in the opening balances due to the FTA of IFRS 9.

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

There are no items of this type.

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 level

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	Total 2018				Total 2017			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	9,645,843	2,516,340	2,693	7,142,823	X	X	X	X
Loans to banks	X	X	X	X	*239,489*	*0*	*0*	*239,489*
Loans to customers	X	X	X	X	*7,178,642*	*0*	*0*	*7,178,642*
2. Property, plant and equipment held for investment purposes	50,202	0	0	67,466	47,392	0	0	64,021
3. Non-current assets held for sale and discontinued operations	0	0	0	0	0	0	0	0
TOTAL	**9,696,045**	**2,516,340**	**2,693**	**7,210,289**	**7,465,523**	**0**	**0**	**7,482,152**
1. Financial liabilities measured at amortised cost	10,500,217	0	2,013,671	9,045,196	X	X	X	X
Deposits from banks	X	X	X	X	*1,468,168*	*0*	*0*	*1,468,168*
Deposits from customers	X	X	X	X	*5,981,503*	*0*	*0*	*5,981,503*
Debt securities issued	X	X	X	X	*2,626,557*	*0*	*2,560,015*	*487*
2. Liabilities associated with non-current assets held for sale and discontinued operations	0	0	0	0	0	0	0	0
TOTAL	**10,500,217**	**0**	**2,013,671**	**9,045,196**	**10,076,228**	**0**	**2,560,015**	**7,450,158**

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

The Group does not hold and has not held this type of instrument to which to apply the required disclosure.

DOCUMENT OF TRANSITION TO IFRS 9 AND IFRS 15

Regulatory provisions

Regulation (EU) 2067/2016 of 22 September 2016 endorsed the international accounting standard IFRS 9 "Classification, measurement and impairment of financial instruments", issued by the IASB on 24 July 2014.
On 1 January 2018, IFRS 9 replaced IAS 39 "Financial instruments: Recognition and Measurement", in force up to 31 December 2017, in order to improve the disclosure on financial instruments but, above all, increase the prompt recognition of impairment. The application of IFRS 9 specifically fulfils the request made by the G20 following the financial crisis, so that operators may have a more forward-looking model for recognising expected losses on financial assets.
With regard to the effects of the first-time adoption of the new standard, in line with the option set out in paragraph 7.2.15 of IFRS 9 and paragraphs E1 and E2 of IFRS 1 First-Time Adoption of IFRS, the Group did not present the figures on a comparable homogeneous basis with the figures of the previous period, though it retrospectively applied the new rules of measurement and valuation, as required by the standard.

According to the indications in the issue document of the 5th update to Circular 262, issued on 22 December 2017, applicable to financial statements for years ended or under way on 31 December 2018, Groups that do not restate comparative amounts must include in the first set of financial statements drawn up pursuant to the new Circular 262 a statement of restatement and reconciliation between the figures of the last approved financial statements and the first financial statements of the Group drawn up based on the new standard.
To this end, for the financial statements as at 31 December 2018, the document of transition to IFRS 9 and IFRS 15 has been drawn up, which illustrates the effects of the transition to the new accounting standards, with the restatements and reconciliations required, and the effects on the book value of shareholders' equity.

IFRS 15

The new standard IFRS 15 replaced the standards in force on recognition of revenue from contracts with customers and aims to improve the accounting treatment and comparability of financial statements. The scope of application excludes lease agreements, financial instruments and insurance contracts. In substance, the accounting treatment of the main types of revenues is already in line with the provisions of the new standard and, therefore, in the first year of application of the new IFRS 15, no impacts emerged. The most significant impacts regard the disclosure required on the nature, amount, timing and cash flows deriving from contracts with customers. IFRS 15 was introduced by Commission Regulation (EU) 2016/1905 of 22 September 2016 and published in the Official Journal L. 295 of 29 October 2016. Subsequently, Commission Regulation (EU) 2017/1987 of 31 October 2017, published in the Official Journal L. 291 of 9 November 2017, provided additional indications on first-time adoption.

IFRS 9

The application of the new standard had significant effects on the rules of classification and measurement of financial instruments.
In 2016 the Group launched a project, working with other banks participating in the data processing consortium, to analyse the impacts of the new accounting standard and identify the instruments and models to be used to determine the scope of application. The project involved numerous functions, coordinated by the Risk Management Function, in collaboration with the Administration Function, the Finance Function and the Loans Function.
The project, which resulted in a considerable effort in interpreting the standard and subsequently applying it and organising and managing the units and resources involved, dealt with the issues of classifying and measuring financial assets, impairment and hedge accounting, and also involved the Board of Directors for decisions relating to the definition of the business model.

Classification and measurement

In the area of Classification & Measurement, IFRS 9 introduces changes in the approach to the classification of financial instruments, based on the business model adopted by the company and the characteristics of the contractual cash flows, thus moving beyond the approach set out in IAS 39, which was based on the type of financial asset or liability and the holding period.

Based on the purposes for which a financial asset is held, IFRS 9 establishes that the asset may refer to three separate business models:

- Hold to Collect, which includes financial assets that the management intends to hold 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;
- Other, which translates into the measurement at fair value through profit and loss of financial assets held for the purpose of realising cash flows through their sale.

In addition to the operational purposes or business model, the accounting classification is guided by the contractual characteristics of the cash flows of the financial assets held.
Three categories of accounting classification have been identified:

- Amortised cost;
- Fair value through other comprehensive income;
- Fair value through profit and loss.

To assess which business model to assign to a single instrument held, IFRS 9 requires the use of the most objective parameters possible, with regard to performance, risk, remuneration and turnover. Several guidelines on the possibility of reassignment of the business model have also been revised. Such reassignment must be rare and fulfil specific conditions, that can be demonstrated to third parties, which entail significant changes within the Group and/or the operating context.

The appropriate classification of financial instruments held entails: firstly, analysing the business model that is to be applied, and then verifying the characteristics of the contractual cash flows deriving from the asset, if these are part of a model whose objectives include collecting contractual cash flows. The analysis of the contractual characteristics of the asset is conducted through two specific tests:

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

If both tests are failed, the financial instrument will be classified in the category of fair value through profit and loss, posting the changes in value deriving from fluctuations in fair value to the income statement. Based on the analyses conducted on past and future operations, the Group has identified the business models guiding the management of its financial instruments.

For the loan portfolio of Group Banks, as they are comprised of the following:

- loans to banks: mainly comprised of current accounts and demand deposits, compulsory reserves, reverse repurchase agreements and security deposits;
- loans to customers: mainly mortgages, current accounts, personal loans, other loans and a residual amount of debt securities linked to securitisation transactions;

the Hold to Collect business model was identified.

Specifically in line with their nature as local commercial banks, the Group Banks' credit policy is oriented towards supporting the local economies, households, business owners, professionals and SMEs. Therefore, the credit policy focuses on establishing a relationship with the customer that is stable and managed with a long-term view, in order to ensuring continuity in the relationship and to execute and manage it in a structured manner.

Taking account of the nature of the products offered, which are long-term on average, and the objectives pursued in collecting the contractual cash flows to maturity, as the Group's loans portfolio passed the SPPI test and the Benchmark test, it was classified in the accounts under item "40 b)– Financial assets measured at amortised cost".
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, even though the cash flows have passed the SPPI test, 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 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 are classified in the "others" business model and measured at fair value through profit and loss.

With specific regard to the loans existing at the date of first-time adoption of IFRS 9, in light of the fact that, at the time, the Group did not have data or information on the expected methods for realising the cash flows, salary and pension assignment loans were classified based on the following breakdown:

- salary and pension assignment loans already subject to intercompany securitisation at the date of FTA were classified under the HTC business model, as the Group's intention to hold those loans to maturity is significant.
- other loans existing at the date of FTA were classified under the HTCS business model, based on the historical data relating to them.

For the Group's securities portfolio:

- Hold to Collect was assigned to the portion of the portfolio whose instruments are expected to be held to maturity in order to periodically collect the contractual cash flows;
- Hold to Collect and Sell was assigned to the main portion of the portfolio, for which the objective is pursued both by collecting the contractual cash flows and by selling the financial assets.

As established by the "Group Financial Investment Policies", the Group's securities portfolio is mainly comprised of bonds and, as a secondary component, financial instruments such as UCITS/ETFs.

In line with the strategies adopted, the purpose of the bond component is to optimise the risk/return ratio, focusing on the ability to liquidate the investments, and is mainly comprised of Italian and other EU government securities, including government securities held for the long-term and possibly pledged as collateral for transactions carried out with the ECB and/or subject to fair value hedging.

To complement these, it is possible to hold eligible investment grade Eurozone corporate securities and, to a residual extent, Eurozone government securities and corporate securities, both non-investment grade. The purpose of the UCIT/ETF component is to improve the portfolio returns overall.

Lastly, equity securities are included, comprised of investments in investee companies.

Impairment

As regards impairment, the method for measuring losses in value deriving from the impairment of financial assets is highly innovative. Therefore, the incurred loss model set out in IAS 39 is set aside, privileging the expected loss model, for the purpose of forecasting losses in advance, also incorporating forward-looking information regarding the evolution of the operating context.
The new 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 probability of default in the 12 months following the reporting date of the financial statements or interim report;
- 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.

To this end, as part of the afore-mentioned consortium project, a new platform was integrated into the Group's IT system, which will steer the processes of acquiring information and transforming the staging allocation and calculating of impairment based on a new concept of risk stages. The new platform will be used in managing the calculation of impairment, in both the loans and finance areas, and will be integrated into the current architecture of the process of producing the accounting and reporting data.
On FTA, the Group thus reallocated the portfolio existing at the end of 2017 into the three different stages, redetermining the value adjustments based on the new methods and the new parameters: specifically, in assessing stage 3 loans, the Group considered alternative recovery scenarios, including the forecasts formulated in the Group's NPE Strategy, approved in December 2017, which also includes the possibility to assign significant portions of non-performing exposures.

Hedge accounting

In the area of hedge accounting, pending the completion of the macro-hedging project that the IASB decided to implement, IFRS 9 grants the possibility to continue applying the hedge accounting requirements set out in IAS 39 or, as an alternative, to immediately apply the new general hedge accounting model that provides a series of new approaches to align banks' risk with the accounting realm. The new hedge accounting model introduces a wide range of hedged instruments and hedging instruments, new requirements for the designation and the demonstration of hedge effectiveness, the possibility to rebalance hedging transaction and the use of the fair value option for exposures to credit risk.

With regard to hedge accounting, the Group decided to use the option to postpone the application of IFRS 9 to the time when the macro-hedging project is completed. Therefore, it decided to avail of the accounting opt-out. The Group will decide whether to confirm that choice for subsequent reporting periods.
The op-out allows entities to manage all types of hedging according to the rules of IAS 39, therefore, in line with the previous years.

Other information

As the application of IFRS 9 could result in a sudden, significant increase in expected credit losses and, as a result, a sudden decrease in Common Equity Tier 1 capital, the European Parliament and Council issued Regulation EU 2395/2017 of 12 December 2017, which made changes to the C.R.R. 575/2013, introducing, for the entities concerned, the option to apply transitional arrangements to mitigate such decrease.
Specifically, the transitional arrangements introduced by Regulation 2695/2017 provide the option to partially sterilise, temporarily and in a gradually increasing manner, the impact on CET1 essentially deriving from the lifetime measurement methods of value adjustments to loans. Through art. 473a "Introduction to IFRS 9", CET1 may be sterilised from the impact of greater adjustments to loans over a transitional period of 5 years (from 2018 to 2022), applying decreasing percentages over time (respectively, 95%, 85%, 70%, 50% and 25%).
The Group made the decision to apply the transitional regime in order to benefit from a temporary dilution of a portion of the impacts that IFRS 9 will have on its Own Funds and the related capitalisation ratios, with regard to positions classified in Stage 2 and Stage 3. Specifically, the Group opted for the "static approach", which involves applying that dilution only to the impact recognised on first-time adoption of IFRS 9 (FTA).

Effects of first-time adoption (FTA) of IFRS 9

The activities to determine the effects of the first-time adoption of the standard, which impact the opening shareholders' equity as at 1 January 2018, are attributable to the following:

- Reclassification of certain financial assets held based on the combined application of two underlying elements of classification set out in the standard, i.e. the business model based on which the financial instruments are managed and the contractual characteristics of their cash flows;
- restatement of the value adjustments to performing and non-performing financial assets, using the new rules for classifying financial assets in the various stages, and the respective new methods of calculating value adjustments.

Reconciliation between the statutory accounts published in the Consolidated Financial statements 2017 and the statutory accounts pursuant to IFRS 9 as at 1 January 2018, according to the new Circular 262 of the Bank of Italy.

The statements of reconciliation between the statutory accounts of the Consolidated Financial Statements 2017 of the Group and the statutory accounts as amended by the 5th update to Circular 262 of the Bank of Italy for the purpose of endorsing the adoption of the new IFRS 9 are shown below.
Note that the accounting balances of the Consolidated Financial Statements 2017 (drawn up in accordance with IAS 39) were only reclassified to the new tables of Circular 262, without, therefore, applying the new measurement rules of IFRS 9. The total Consolidated Balance Sheet Assets and Liabilities according to the new items of IFRS 9 therefore correspond to the total of the Balance Sheet Assets and Liabilities of the Consolidated Financial Statements 2017 pursuant to IAS 39.

(€/thousand)

IAS39 / IFRS9	10. Cash and cash equivalents	20. Financial assets held for trading	40. Financial assets available for sale	60. Loans to banks	70. Loans to customers	100. Equity investments	120. Property, plant and equipment	130. Intangible assets	140. Tax assets	160. Other assets	TOTAL ASSETS
10. Cash and cash equivalents	970,893										**970,893**
20. Financial assets measured at fair value through profit and loss		27,829	1,502,516		9,176						**1,539,521**
30. Financial assets measured at fair value through other comprehensive income			443,329		47,045						**490,374**
40. Financial assets measured at amortised cost			287,446	239,489	7,122,421						**7,649,356**
70. Equity investments						461					**461**
90. Property, plant and equipment							170,054				**170,054**
100. Intangible assets								93,763			**93,763**
110. Tax assets									252,725		**252,725**
130. Other assets										436,525	**436,525**
TOTAL ASSETS	**970,893**	**27,829**	**2,233,291**	**239,489**	**7,178,642**	**461**	**170,054**	**93,763**	**252,725**	**436,525**	**11,603,672**

In particular:

- The following were reclassified to the IAS 39 item “70-Loans to customers”:
    - receivables for salary and pension assignment loans and loans that did not pass the SPPI test of the subsidiary Pitagora to item “20-Financial assets measured at fair value through profit and loss”, for € 9,176 thousand;

  - salary and pension assignment loans under the HTCS business model to item "30-Financial assets measured at fair value through other comprehensive income", for € 47,045 thousand;
  - the remainder to item "40-Financial assets measured at amortised cost", for € 7,122,421 thousand, represented by the loan portfolio of the two Group Banks.
    The item loans to banks, amounting to € 239,489 thousand, was allocated to this same item "40-Financial assets measured at amortised cost".

- The following were reclassified under the IAS 39 item "40-Financial assets available for sale":
  - UCITS for € 570,520 thousand and debt securities for € 931,996 thousand to item "20-Financial assets measured at fair value through profit and loss";
  - debt securities for € 173,380 thousand to item "30-Financial assets measured at fair value through other comprehensive income";
  - debt securities for € 287,446 to item "40-Financial assets measured at amortised cost".

For all equity securities under the IAS 39 item "40 - Financial assets available for sale", equal to € 269,949 thousand, the irrevocable option was exercised to classify them under item "30-Financial assets measured at fair value through other comprehensive income".

(€/thousand)

IAS39 / IFRS9		10. Deposits from banks	20. Deposits from customers	30. Debt securities issued	40. Financial liabilities held for trading	50. Financial liabilities measured at fair value	60. Hedging derivatives	80. Tax liabilities	100. Other liabilities	110. Provision for employee severance pay	120. Provisions for risks and charges	TOTAL LIABILITIES
10.	**Financial liabilities measured at amortised cost**	1,468,168	5,981,503	2,626,557								**10,076,228**
20.	**Financial liabilities held for trading**				26,020							**26,020**
30.	**Financial liabilities designated at fair value**					125,833						**125,833**
40.	**Hedging derivatives**						66,167					**66,167**
60.	**Tax liabilities**							3,935				**3,935**
80.	**Other liabilities**								220,293			**220,293**
90.	**Provision for employee severance pay**									24,064		**24,064**
100.	**Provisions for risks and charges**								2,468		56,730	**59,198**
TOTAL LIABILITIES		**1,468,168**	**5,981,503**	**2,626,557**	**26,020**	**125,833**	**66,167**	**3,935**	**222,761**	**24,064**	**56,730**	**10,601,738**

Note that the main items relating to “Loans to banks”, “Loans to customers” and “Debt securities issued” were all included in item “10 – Financial liabilities measured at amortised cost”.
Provisions for credit risk relating to financial guarantees given were reclassified from the IAS 39 item “100 – Other liabilities” to the IFRS 9 item “100 - Provisions for risks and charges”.

(€/thousand)

IFRS9 \ IAS39		140. Valuation reserves	170. Reserves	180. Share premium reserve	190. Share capital	200. Treasury shares (-)	210. Non-controlling interests	220. Profit (Loss) for the year (+/-)	TOTAL
120.	**Valuation reserves**	-104,307							**-104,307**
150.	**Reserves**		333,828						**333,828**
160.	**Share premium reserve**			270,139					**270,139**
170.	**Share capital**				308,368				**308,368**
180.	**Treasury shares (-)**					-5,448			**-5,448**
190.	**Non-controlling interests**						169,671		**169,671**
200.	**Profit (Loss) for the year (+/-)**							29,683	**29,683**
TOTAL		**-104,307**	**333,828**	**270,139**	**308,368**	**-5,448**	**169,671**	**29,683**	**1,001,934**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY									**11,603,672**

No reclassifications were made among the items of Shareholders' equity, except for the mere attribution of the previous IAS 39 items to the current IFRS 9 items updated by Circular 262 of the Bank of Italy: however, these changes regard the progressive numbering of the items, not changes in descriptions or the substantive content of the items.

Reconciliation between the tables of Consolidated Balance Sheet as at 1 January 2018 following endorsement of the new reclassification for IFRS 9 and the tables of the Consolidated Balance Sheet as at 1 January 2018 following the application of the new rules of measurement and impairment of IFRS 9.

The statements of reconciliation between the tables of Consolidated Balance Sheet determined as illustrated in the paragraph above, following only the reclassifications pursuant to the new IFRS 9 and the new Circular 262 of the Bank of Italy (a) and the tables of Consolidated Balance Sheet as at 1 January 2018 applying the new rules of measurement and impairment (b) are shown below.

(€/thousand)

Items		31/12/2017	Effect of transition to IFRS 9 (b)		01/01/2018
		(a)	Classification and measurement	Impairment	(c) = (a) + (b)
10.	Cash and cash equivalents	970,893	0	0	**970,893**
20.	Financial assets measured at fair value through profit and loss	1,539,521	-89	0	**1,539,432**
30.	Financial assets measured at fair value through other comprehensive income	490,374	-2,544	-132	**487,698**
40.	Financial assets measured at amortised cost	7,649,356	5,410	-254,845	**7,399,921**
70.	Equity investments	461	0	0	**461**
90.	Property, plant and equipment	170,054	0	0	**170,054**
100.	Intangible assets	93,763	0	0	**93,763**
110.	Tax assets	252,725	-8,923	70,904	**314,706**
130.	Other assets	436,525	-10	0	**436,515**
TOTAL ASSETS		**11,603,672**	**-6,156**	**-184,073**	**11,413,443**

Note that, for the Group, the reclassification of UCITS/ETF and debt securities according to the new standard IFRS 9 resulted in the release of negative valuation reserves for financial assets available for sale of € 106,800 thousand.

The application of the new method for determining expected loss (expected credit loss) had the following impacts:

- impairment of on-balance sheet loans to customers in Stage 1 and Stage 2 for € -32,318 thousand and on-balance sheet loans to customers in Stage 3 for € -222,298 thousand;
- impairment of debt securities for € -132 thousand, reclassified to item “30 - Financial assets measured at fair value through other comprehensive income”, and for € -229 thousand, reclassified to item “40 - Financial assets measured at amortised cost”.

(€/thousand)

Items		31/12/2017 (a)	Effect of transition to IFRS 9 (b)	01/01/2018 (c) = (a) + (b)
10.	Financial liabilities measured at amortised cost	10,076,228	0	**10,076,228**
20.	Financial liabilities held for trading	26,020	0	**26,020**
30.	Financial liabilities designated at fair value	125,833	1,230	**127,063**
40.	Hedging derivatives	66,167	0	**66,167**
60.	Tax liabilities	3,935	0	**3,935**
80.	Other liabilities	220,293	-11	**220,282**
90.	Provision for employee severance pay	24,064	0	**24,064**
100.	Provisions for risks and charges	59,198	3,800	**62,998**
120.	Valuation reserves	-104,307	95,892	**-8,415**
150.	Reserves	333,828	-275,654	**58,174**
160.	Share premium reserve	270,139	0	**270,139**
170.	Share capital	308,368	0	**308,368**
180.	Treasury shares (-)	-5,448	0	**-5,448**
190.	Non-controlling interests	169,671	-15,486	**154,185**
200.	Profit (Loss) for the year (+/-)	29,683	0	**29,683**
TOTAL LIABILITIES		**11,603,672**	**-190,228**	**11,413,443**

Under Liability items, the greater adjustments made in relation to the new impairment rules on guarantees given (unsecured loans) resulted in the increase in item “100 – Provisions for risks and charges” for € 3,800 thousand.

Overall, the negative FTA reserves created following the first-time adoption of the new accounting standard IFRS 9 amount to € 302,048 thousand, of which € 275,654 thousand pertaining to the Parent Company.

The credit quality analysis of exposures at amortised cost, pre and post application of IFRS 9, is shown below.

Breakdown and Stage allocation of exposures at amortised cost subject to impairment pursuant to IFRS 9

(€/thousand)

On-balance sheet exposures (amortised cost)	IFRS 9											
	Gross exposure				Overall value adjustments				Net exposure			
	STAGE				STAGE				STAGE			
	1	2	3	TOTAL	1	2	3	TOTAL	1	2	3	TOTAL
Loans to customers	6,418,459	0	1,384,946	7,803,405	-77,706	0	-862,149	-939,855	6,340,753	0	522,797	6,863,550
Loans to banks	239,489	0	0	239,489	0	0	0	0	239,489	0	0	239,489
Debt securities	297,111	0	0	297,111	-229	0	0	-229	296,882	0	0	296,882
TOTAL	**6,955,059**	**0**	**1,384,946**	**8,340,005**	**-77,935**	**0**	**-862,149**	**-940,084**	**6,877,124**	**0**	**522,797**	**7,399,921**

(€/thousand)

On-balance sheet exposures	IAS 39								
	Gross exposure			Overall value adjustments			Net exposure		
	Performing	Non-performing	TOTAL	Performing	Non-performing	TOTAL	Performing	Non-performing	TOTAL
Loans to customers	6,460,734	1,400,602	7,861,336	-44,101	-642,827	-686,928	6,416,633	757,775	7,174,408
Loans to banks	239,489	0	239,489	0	0	0	239,489	0	239,489
Debt securities	4,234	0	4,234	0	0	0	4,234	0	4,234
TOTAL	**6,704,457**	**1,400,602**	**8,105,059**	**-44,101**	**-642,827**	**-686,928**	**6,660,356**	**757,775**	**7,418,131**

Effects of first-time adoption of IFRS 9 – Credit Quality

Based on that illustrated above, the tables below show the analysis of the credit quality as at 1 January 2018 for "Financial assets measured at amortised cost – loans to customers".

(€/thousand)

Items	31/12/2017				Reclassifications and adjustments			01/01/2018			
	Gross exposure	Overall value adjustments	Net exposure	% coverage	Reclassifications of gross exposure	Reclassifications of value adjustments	FTA adjustments	Gross exposure	Overall value adjustments	Net exposure	% coverage
Bad loans (°)	1,019,170	-565,781	453,389	55.51%	-4,611	2	-142,979	1,014,559	-708,758	305,801	69.86%
Unlikely to pay	274,338	-66,133	208,205	24.11%	-9,159	1642	-63,203	265,179	-127,694	137,485	48.15%
Past-due loans	107,094	-10,913	96,181	10.19%	-1,886	-156	-14,628	105,208	-25,697	79,511	24.42%
Non-performing loans	**1,400,602**	**-642,827**	**757,775**	**45.90%**	**-15,656**	**1,488**	**-220,810**	**1,384,946**	**-862,149**	**522,797**	**62.25%**
Performing loans	**6,460,734**	**-44,101**	**6,416,633**	**0.68%**	**-42,275**	**-1,321**	**-32,284**	**6,418,459**	**-77,706**	**6,340,753**	**1.21%**
Stage 2	X	X	X	X	-1	-1,321	0	1,156,520	-54,458	1,102,062	0
Stage 1	X	X	X	X	-42,274	0	0	5,261,939	-23,248	5,238,691	0
Performing loans represented by securities	**4,234**	**0**	**4,234**	**0.00%**	**292,877**	0	**-229**	**297,111**	**-229**	**296,882**	0.08%
Stage 2	X	X	X	X	0	0	0	0	0	0	0.00%
Stage 1	X	X	X	X	292,877	0	-229	297,111	-229	296,882	0.08%
Total loans to customers	**7,865,570**	**-686,928**	**7,178,642**	**8.73%**	**234,946**	**167**	**-253,323**	**8,100,516**	**-940,084**	**7,160,432**	**11.61%**

(°) net of interest on arrears deemed irrecoverable and loans fully written down in previous years

The analysis of the credit quality as at 1 January 2018 for loans of the subsidiary Pitagora, included in item "Financial assets measured at fair value through other comprehensive income" is shown below.

(amounts in €/thousand)	01/01/2018			
	Gross amount	Value adjustments	Net amount	% coverage
Bad loans	4,607	-3,549	1,058	77.03%
Unlikely to pay	9,169	-5,112	4,057	55.75%
Past-due loans	1,920	-289	1,631	15.04%
Total non-performing loans	**15,695**	**-8,949**	**6,746**	**147.83%**
Other performing exposures	38,004	-249	37,755	0.65%
Total loans	**53,699**	**-9,198**	**44,501**	**17.13%**

Under Liability items, the greater adjustments made in relation to the new impairment rules on guarantees given (unsecured loans) resulted in the increase in item "100 – Provisions for risks and charges" for € 3,800 thousand.
Overall, the negative FTA reserves created following the first-time adoption of the new standard IFRS 9 amount to € 302,048 thousand.

Statement of reconciliation between Group shareholders' equity as at 31.12.2017 (pursuant to IAS 39) and Group shareholders' equity as at 01.01.2018 (pursuant to IFRS 9).

The statement below summarises the changes in Shareholders' equity resulting from the first-time adoption of the accounting standard IFRS 9, after tax.

(€/thousand)

	EFFECT OF TRANSITION TO IFRS 9 ON SHAREHOLDERS' EQUITY	
	Group shareholders' equity as at 31 December 2017 pursuant to IAS 39	**1,001,934**
20.	**Financial assets measured at fair value through profit and loss**	**-89**
	Measurement	
	Fair value measurement of financial instruments measured at amortised cost pursuant to IAS 39	-89
30.	**Financial assets measured at fair value through other comprehensive income**	**-2,676**
	Measurement	
	Fair value measurement of financial instruments measured at amortised cost pursuant to IAS 39	-2,544
	Impairment	
	- Of financial assets available for sale pursuant to IAS 39	-132
40.	**Financial assets measured at amortised cost**	**-249,435**
	Impairment	
	- Stage 1 and Stage 2 loans to customers	-32,318
	- Stage 3 loans to customers	-222,298
	- Of financial assets available for sale pursuant to IAS 39	-220
	Fair value measurement of financial instruments measured at amortised cost pursuant to IAS 39	-9
	Measurement	
	- Of financial assets available for sale pursuant to IAS 39	7,113
	Fair value measurement of financial instruments measured at amortised cost pursuant to IAS 39	-1,703
130.	**Other assets**	**-10**
30.	**Financial liabilities designated at fair value**	**-1,230**
	Measurement	
	- Fair value measurement of financial liabilities due to changes in creditworthiness	-1,230
80.	**Other liabilities**	**11**
100.	**Provisions for risks and charges**	**-3,800**
	Impairment	
	- Stage 1, Stage 2 and Stage 3 unsecured loans to customers	-3,800
	Taxes on IFRS 9 FTA reserves	**61,981**
	Group shareholders' equity as at 1 January 2018 pursuant to IFRS 9	**806,686**

The reclassification, measurement and impairment illustrated in the previous paragraphs determined the opening balances pursuant to IFRS 9 as at 1 January 2018 of the Consolidated Financial Statements 2017.
The new tables of Consolidated Balance Sheet Assets and Liabilities post FTA IFRS 9 are shown below.

(€/thousand)

CONSOLIDATED BALANCE SHEET		
	ASSETS	**01/01/2018**
10.	**Cash and cash equivalents**	**970,893**
20.	**Financial assets measured at fair value through profit and loss**	**1,539,432**
	a) financial assets held for trading	417,972
	b) financial assets designated at fair value	0
	c) other financial assets mandatorily measured at fair value	1,121,460
30.	**Financial assets measured at fair value through other comprehensive income**	**487,698**
40.	**Financial assets measured at amortised cost**	**7,399,921**
	a) loans to banks	239,489
	b) loans to customers	7,160,432
70.	**Equity investments**	**461**
90.	**Property, plant and equipment**	**170,054**
100.	**Intangible assets**	**93,763**
	of which:	
	goodwill	66,142
110.	**Tax assets**	**314,706**
	a) current	48,257
	b) deferred	266,449
130.	**Other assets**	**436,515**
TOTAL ASSETS		**11,413,443**

DOCUMENT OF TRANSITION TO IFRS 9 AND IFRS 15

(€/thousand)

CONSOLIDATED BALANCE SHEET		
LIABILITIES		01/01/2018
10.	**Financial liabilities measured at amortised cost**	**10,076,228**
	a) deposits from banks	1,468,168
	b) deposits from customers	5,981,503
	c) debt securities issued	2,626,557
20.	**Financial liabilities held for trading**	**26,020**
30.	**Financial liabilities measured at fair value**	**127,063**
40.	**Hedging derivatives**	**66,167**
60.	**Tax liabilities**	**3,935**
	a) current	3,935
	b) deferred	0
80.	**Other liabilities**	**220,282**
90.	**Provision for employee severance pay**	**24,064**
100.	**Provisions for risks and charges:**	**62,998**
	a) commitments for guarantees given	5,238
	b) pension funds and similar obligations	19,800
	c) other provisions	37,960
120.	**Valuation reserves**	**(8,415)**
150.	**Reserves**	**58,174**
160.	**Share premium reserve**	**270,139**
170.	**Share capital**	**308,368**
180.	**Treasury shares (-)**	**(5,448)**
190.	**Non-controlling interests**	**154,185**
200.	**Profit (Loss) for the year (+/-)**	**29,683**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11,413,443**

As specifically permitted by IFRS 9, the Group has relied on the right not to restate the balances referring to the previous year applying the new valuation criteria introduced by IFRS 9 as of 1 January 2018.

The tables as at 31 December 2017 prepared according to what is set forth in the previous version of the Bank of Italy Circular no. 262 (4th update) are provided below, although they are not fully comparable.

SECTION 1 –CASH AND CASH EQUIVALENTS - ITEM 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN	Total 2018	Total 2017
a) Cash	64,558	70,913
b) Demand deposits with Central banks	0	899,980
Total	**64,558**	**970,893**

The item “Demand deposits with Central banks” as at 31 December 2017 consists in its entirety of the overnight deposit at the ECB.

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

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN	Total 2018			Total 2017		
Items/Balances	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Balance sheet assets						
1. Debt securities	**1**	**51**	**0**	**1**	**103**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	1	51	0	1	103	0
2. Equity securities	**0**	**0**	**0**	**0**	**0**	**0**
3. Units of UCITS	**0**	**0**	**0**	**0**	**0**	**0**
4. Loans	**0**	**0**	**0**	**0**	**0**	**0**
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	0	0	0	0
Total (A)	**1**	**51**	**0**	**1**	**103**	**0**
B. Derivatives	0	0	0			
1. Financial derivatives:	**0**	**20,950**	**0**	**0**	**27,725**	**0**
1.1 Trading	0	14,458	0	0	18,365	0
1.2 Related to fair value option	0	6,492	0	0	9,360	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 Related to fair value option	0	0	0	0	0	0
2.3 Other	0	0	0	0	0	0
Total (B)	**0**	**20,950**	**0**	**0**	**27,725**	**0**
Total (A+B)	**1**	**21,001**	**0**	**1**	**27,828**	**0**

The item “Financial trading derivatives - Level 2” includes the fair value measurement of the “operational hedge” derivative contracts, of which € 12,916 thousand relating to securitisation transactions. The trading book includes the on-balance sheet financial instruments acquired primarily in order to obtain profit in the short term and the derivative contracts other than those designated as hedging instruments.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/COUNTERPARTY Items/Balances	Total 2018	Total 2017
A. Balance sheet assets		
1. Debt securities	**52**	**104**
a) Central Banks	0	1
b) Public administration	1	0
c) Banks	0	0
d) Other financial companies	51	103
of which: insurance companies	0	0
e) Non-financial companies	0	0
2. Equity securities	**0**	**0**
a) Banks	0	0
b) Other financial companies	0	0
of which: insurance companies	0	0
c) Non-financial companies	0	0
d) Other issuers	0	0
3. Units of UCITS	**0**	**0**
4. Loans	**0**	**0**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	0
d) Other financial companies	0	0
of which: insurance companies	0	0
e) Non-financial companies	0	0
f) Households	0	0
Total (A)	**52**	**104**
B. Derivatives		
a) Central Counterparties	0	26,805
b) Other	20,950	920
Total (B)	**20,950**	**27,725**
Total (A+B)	**21,002**	**27,829**

2.3 Financial assets designated at fair value: breakdown

There are no items of this type.

2.4 Financial assets designated at fair value: breakdown by borrower/issuer

There are no items of this type.

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

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

The item "Debt securities" consists:

- for € 247 thousand of mezzanine class securities connected with the Maggese securitisation transaction;
- for € 1,338 thousand of the security deriving from the Voluntary Scheme of the IDPF in favour of Carige;
- for € 1,556 thousand of mezzanine class securities connected with the Madeleine securitisation transaction.

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY BORROWER/ISSUER	Total 2018
1. Equity securities	**0**
of which: banks	0
of which: other financial companies	0
of which: non-financial companies	0
2. Debt securities	**3,141**
a) Central Banks	0
b) Public administration	0
c) Banks	1,338
d) Other financial companies	1,803
of which: insurance companies	0
e) Non-financial companies	0
3. Units of UCITS	**12,878**
4. Loans	**4,265**
a) Central Banks	0
b) Public administration	0
c) Banks	3,558
d) Other financial companies	707
of which: insurance companies	0
e) Non-financial companies	0
f) Households	0
Total	**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 2018		
Items/Balances	L1	L2	L3
1. Debt securities	**456,569**	**0**	**0**
1.1 Structured securities	0	0	0
1.2 Other debt securities	456,569	0	0
2. Equity securities	**807**	**266,081**	**1,380**
3. Loans	**0**	**0**	**347,709**
Total	**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 € 115 thousand.

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN	Total 2017		
Items/Balances	Level 1	Level 2	Level 3
1. Debt securities	**1,392,822**	**0**	**0**
1.1 Structured securities	0	0	0
1.2 Other debt securities	1,392,822	0	0
2. Equity securities	**29**	**266,082**	**3,839**
2.1 Measured at fair value	29	266,082	198
2.2 Carried at cost	0	0	3,641
3. Units of UCITS	**557,241**	**12,048**	**1,230**
4. Loans	**0**	**0**	**0**
Total	**1,950,092**	**278,130**	**5,069**

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY BORROWER/ISSUER Items/Balances	Total 2018
1. Debt securities	**456,569**
a) Central Banks	0
b) Public administration	456,569
c) Banks	0
d) Other financial companies	0
of which: insurance companies	0
e) Non-financial companies	0
2. Equity securities	**268,268**
a) Banks	225,914
b) Other issuers:	42,354
- other financial companies	570
of which: insurance companies	0
- non-financial companies	41,784
- other	0
3. Loans	**347,709**
a) Central Banks	0
b) Public administration	928
c) Banks	0
d) Other financial companies	241
of which: insurance companies	207
e) Non-financial companies	701
f) Households	345,839
Total	**1,072,546**

As at 31 December 2018, all financial assets measured at fair value through other comprehensive income are linked to Italian borrowers/issuers, with the following exceptions:

- € 134,336 thousand relating to government securities issued by European Union countries;
- € 35 thousand relating to the investee company Swift.

For comparison purposes, the tables drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) are provided below.

FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN BY BORROWER/ISSUER Items/Balances	Total 2017
1. Debt securities	**1,392,822**
a) Governments and Central Banks	1,390,864
b) Other public entities	0
c) Banks	0
d) Other issuers	1,958
2. Equity securities	**269,950**
a) Banks	225,699
b) Other issuers:	44,251
- insurance companies	0
- financial companies	1,282
- non-financial companies	42,969
- other	0
3. Units of UCITS	**570,519**
4. Loans	**0**
a) Governments and Central Banks	0
b) Other Public entities	0
c) Banks	0
d) Other entities	0
Total	**2,233,291**

FINANCIAL ASSETS AVAILABLE FOR SALE SUBJECT TO MICRO-HEDGING Items/Balances	Total 2017
1. Financial assets subject to micro-hedging of fair value	**785,883**
a) interest rate risk	785,883
b) foreign exchange risk	0
c) credit risk	0
d) multiple risks	0
2. Financial assets subject to micro-hedging of cash flows	**0**
a) interest rate risk	0
b) foreign exchange risk	0
c) other	0
Total	**785,883**

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	457,520	457,520	0	0	-952	0	0	**0**
Loans	331,947	0	9,053	15,492	-1,593	-196	-6,994	**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*

The table was introduced by the 5th update of Bank of Italy Circular 262 and therefore this is the first time that it is populated; the comparison period is not populated as, when the previous accounting standard was in force, there was no breakdown into stages (IFRS 9 staging allocation).

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 € 952 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 € 356,492 thousand, of which performing loans of € 341 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 TO BANKS	Total 2018					
	Book value			Fair value		
Type of transaction/Amounts	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
A. Loans to Central Banks	**24,070**	**0**	**0**	**0**	**0**	**24,070**
1. Deposits with a set term	0	0	0	X	X	X
2. Compulsory reserve	24,070	0	0	X	X	X
3. Repurchase agreements	0	0	0	X	X	X
4. Other	**0**	0	0	X	X	X
B. Loans to banks	**128,463**	**0**	**0**	**0**	**0**	**128,463**
1. Loans	128,463	0	0	0	0	128,463
1.1 Current accounts and demand deposits	36,316	0	0	X	X	X
1.2. Deposits with a set term	0	0	0	X	X	X
1.3. Other loans:	92,147	0	0	X	X	X
- Reverse repurchase agreements	0	0	0	X	X	X
- Finance leases	0	0	0	X	X	X
- Other	92,147	0	0	X	X	X
2. Debt securities	0	0	0	0	0	0
2.1 Structured securities	0	0	0	0	0	0
2.2 Other debt securities	0	0	0	0	0	0
Total	**152,533**	**0**	**0**	**0**	**0**	**152,533**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

LOANS TO BANKS: BREAKDOWN Type of transaction/Amounts	Total 2017			
	BV	FV		
		Level 1	Level 2	Level 3
A. Loans to Central Banks	**75,652**	**0**	**0**	**75,652**
1. Time deposits	0	X	X	X
2. Compulsory reserve	75,652	X	X	X
3. Reverse repurchase agreements	0	X	X	X
4. Other	0	X	X	X
B. Loans to banks	**163,837**	**0**	**0**	**163,837**
1. Loans	163,836	X	X	X
1.1 Current accounts and demand deposits	74,592	X	X	X
1.2 Time deposits	2	X	X	X
1.3. Other loans	89,242	X	X	X
- Reverse repurchase agreements	0	X	X	X
- Finance leases	0	X	X	X
- Other	89,242	X	X	X
2. Debt securities	1	X	X	X
2.1 Structured securities	0	X	X	X
2.2 Other debt securities	1	X	X	X
Total	**239,489**	**0**	**0**	**239,489**

Key
FV = Fair value
BV = Book value

4.2 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN OF LOANS TO CUSTOMERS Type of transaction/Amounts	Total 2018					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	**6,309,427**	**494,009**	**14,793**	**0**	**0**	**6,819,450**
1. Current accounts	599,692	63,697	2,321	X	X	X
2. Reverse repurchase agreements	0	0	0	X	X	X
3. Mortgages	4,595,765	393,091	10,916	X	X	X
4. Credit cards and personal loans, incl. pension and salary assignment loans	590,439	15,721	706	X	X	X
5. Finance leases	0	0	0	X	X	X
6. Factoring	0	0	0	X	X	X
7. Other loans	523,531	21,500	850	X	X	X
2. Debt securities	**2,689,874**	**0**	**0**	**2,516,340**	**2,693**	**170,840**
2.1. Structured securities	0	0	0	0	0	0
2.2. Other debt securities	2,689,874	0	0	2,516,340	2,693	170,840
Total	**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:

- € 170,842 thousand from senior class securities connected to the Maggese securitisation transaction with derecognition;
- € 2,469,557 thousand from securities issued by the Italian State;
- € 46,783 thousand from securities issued by the Hellenic Republic.

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

LOANS TO CUSTOMERS: BREAKDOWN *Type of transaction/Amounts*	Total 2017					
	Book value			Fair Value		
	Performing	Non-performing		L1	L2	L3
		Purchased	Other			
Loans	**6,416,633**	**97**	**757,678**			
1. Current accounts	589,255	0	116,814	X	X	X
2. Reverse repurchase agreements	0	0	0	X	X	X
3. Mortgages	4,634,107	0	581,654	X	X	X
4. Credit cards and personal loans, incl. pension and salary assignment loans	677,830	97	29,860	X	X	X
5. Finance leases	0	0	0	X	X	X
6. Factoring	0	0	0	X	X	X
7. Other loans	515,441	0	29,350	X	X	X
Debt securities	**4,234**	**0**	**0**			
8. Structured securities	0	0	0	X	X	X
9. Other debt securities	4,234	0	0	X	X	X
Total	**6,420,867**	**97**	**757,678**	**0**	**0**	**7,178,642**

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

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

4.3 Finance leases

There are no items of this type.

4.4 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS TO CUSTOMERS Type of transaction/Amounts	Total 2018		
	Stage 1 and 2	Stage 3	Of which: purchased or originated credit impaired assets
1. Debt securities	**2,689,874**	**0**	**0**
a) Public administration	2,516,340	0	0
b) Other financial companies	170,841	0	0
of which: insurance companies	0	0	0
c) Non-financial companies	2,693	0	0
2. Loans to:	**6,309,427**	**494,009**	**14,793**
a) Public administration	54,543	0	0
b) Other financial companies	60,727	2,013	0
of which: insurance companies	3,255	0	0
c) Non-financial companies	2,711,863	323,241	11,994
d) Households	3,482,294	168,755	2,799
Total	**8,999,301**	**494,009**	**14,793**

For comparison purposes, the tables drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) are provided below.

LOANS TO CUSTOMERS: BREAKDOWN BY BORROWER/ISSUER Type of transaction/Amounts	Total 2017		
	Performing	Non-performing	
		Purchased	Other
1. Debt securities	**4,234**	**0**	**0**
a) Governments	0	0	0
b) Other Public entities	0	0	0
c) Other issuers	4,234	0	0
- non-financial companies	2,551	0	0
- financial companies	1,683	0	0
- insurance companies	0	0	0
- other	0	0	0
2. Loans to:	**6,416,633**	**97**	**757,678**
a) Governments	10,786	0	1
b) Other Public entities	47,611	0	0
c) Other issuers	6,358,236	97	757,677
- non-financial companies	3,258,159	0	571,834
- financial companies	44,749	0	6,844
- insurance companies	3,192	0	0
- other	3,052,136	97	178,999
Total	**6,420,867**	**97**	**757,678**

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.

LOANS TO CUSTOMERS: MICRO-HEDGED ASSETS	Total 2017
1. Loans and receivables subject to micro-hedging of fair value	**1,773**
a) Interest rate risk	1,773
b) Foreign exchange risk	0
c) Credit risk	0
d) Multiple risks	0
2. Loans and receivables subject to micro-hedging of cash flows	**0**
a) Interest rate risk	0
b) Foreign exchange risk	0
c) Expected transactions	0
d) Other hedged assets	0
Total	**1,773**

4.5 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	2,695,036	2,395,927	0	0	5,162	0	0	**0**
Loans	5,601,989	227,665	926,810	971,097	24,358	42,481	477,088	**260**
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	0	0	5,797	13,524	0	312	4,216	**0**

** Value to be presented for disclosure purposes*

The table was introduced by the 5th update of Bank of Italy Circular 262 and therefore this is the first time that it is populated; the comparison period is not populated as, when the previous accounting standard was in force, there was no breakdown into stages (IFRS 9 staging allocation).

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 2018	Total 2017
A. Opening balance	**461**	**193**
B. Increases	**0**	**285**
B.1 Purchases	0	285
B.2 Write-backs	0	0
B.3 Revaluations	0	0
B.4 Other changes	0	0
C. Decreases	**461**	**17**
C.1 Sales	0	0
C.2 Value adjustments	9	17
C.3 Write-downs	0	0
C.4 Other changes	452	0
D. Closing balance	**0**	**461**
E. Total revaluations	**0**	**0**
F. Total adjustments	**5,938**	**5,929**

During the year, the merger by incorporation of the company - already fully-owned by the Parent Company Cassa di Risparmio di Asti S.p.A. - S.A.R.T. Società Astigiana Riscossione Tributi S.p.A. was finalised.

As in the course of the year the factors contributing to qualifying the shares held in the company Prestiamoci as an equity investment did not take place, they were reclassified to the item Financial assets measured at fair value through other comprehensive income.

SECTION 8 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES - 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 2018	Total 2017
1. Owned assets	**119,426**	**122,662**
a) land	16,855	16,669
b) buildings	84,427	87,496
c) furniture and furnishings	7,847	8,066
d) electronic equipment	6,420	6,773
e) other	3,877	3,658
2. Assets acquired under finance lease	**0**	**0**
a) land	0	0
b) buildings	0	0
c) furniture and furnishings	0	0
d) electronic equipment	0	0
e) other	0	0
Total	**119,426**	**122,662**
of which: obtained by enforcing guarantees received	0	0

9.2 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: BREAKDOWN OF ASSETS CARRIED AT COST	Total 2018				Total 2017			
	Book value	Fair value			Book value	Fair value		
Asset/Amounts		L1	L2	L3		L1	L2	L3
1. Owned assets	**50,202**	**0**	**0**	**67,466**	**47,392**	**0**	**0**	**64,021**
a) land	19,622	0	0	21,341	19,418	0	0	20,991
b) buildings	30,580	0	0	46,125	27,974	0	0	43,030
2. Assets acquired under finance lease	**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	**50,202**	**0**	**0**	**67,466**	**47,392**	**0**	**0**	**64,021**
of which: obtained by enforcing guarantees received	445	0	0	652	461	0	0	652

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	**18,299**	**135,271**	**39,351**	**34,591**	**42,655**	**270,167**
A.1 Total net decreases	1,630	47,775	31,285	27,818	38,997	147,505
A.2 Net opening balance	**16,669**	**87,496**	**8,066**	**6,773**	**3,658**	**122,662**
B. Increases:	**186**	**2,668**	**1,250**	**2,519**	**1,925**	**8,548**
B.1 Purchases	186	2,668	1,184	2,189	1,908	8,135
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 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
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	0	66	330	17	413
C. Decreases:	**0**	**5,736**	**1,469**	**2,871**	**1,708**	**11,784**
C.1 Sales	0	0	81	462	0	543
C.2 Depreciation	0	3,045	1,388	2,409	1,370	8,212
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 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.5 Negative exchange differences	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) property, plant and equipment held for investment	0	0	0	0	0	0
b) non-current assets held for sale and discontinued operations	0	0	0	0	0	0
C.7 Other changes	0	2,691	0	0	338	3,029
D. Net closing balance	**16,855**	**84,428**	**7,847**	**6,421**	**3,875**	**119,426**
D.1 Total net decreases	1,630	50,820	32,608	29,897	40,349	155,304
D.2 Gross closing balance	**18,485**	**135,248**	**40,455**	**36,318**	**44,224**	**274,730**
E. Carried at cost	0	0	0	0	0	0

The cost valuation criterion is used for all asset classes.

9.7 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: ANNUAL CHANGES	Total	
	Land	Buildings
A. Opening balance	**19,418**	**27,974**
B. Increases	**205**	**3,542**
B.1 Purchases	205	3,542
B.2 Capitalised expenditure on improvements	0	0
B.3 Increases in fair value	0	0
B.4 Recoveries	0	0
B.5 Positive exchange differences	0	0
B.6 Transfer from properties used in the business	0	0
B.7 Other changes	0	0
C. Decreases	**0**	**937**
C.1 Sales	0	0
C.2 Depreciation	0	937
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	0
D. Closing balance	**19,623**	**30,579**
E. Measured at fair value	**21,341**	**46,125**

The cost valuation criterion is used for all asset classes.

SECTION 10 – INTANGIBLE ASSETS - ITEM 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE	Total 2018		Total 2017	
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 non-controlling interests	0	0	0	0
A.2 Other intangible assets	**25,728**	**0**	**27,621**	**0**
A.2.1 Assets carried at cost	25,728	0	27,621	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	25,728	0	27,621	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	**25,728**	**66,142**	**27,621**	**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.
Also considering that the acquisition took place near the end of the year 2012, 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 2018, 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.

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 2018, the carrying amount of the CGU is equal to € 412 million and was determined on the basis of the sum of:

- Tangible shareholders' equity (excluding software) of Biverbanca as at 31 December 2018 equal to € 317 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

<u>Fair Value</u>
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 2018, 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.

<u>Value in Use</u>
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 2018, the data at the end of the year and the economic/capital projections approved by the Biverbanca Board of Directors on 7 February 2019 prepared on the basis of the Group’s 2019-2021 Strategic Plan approved by the same Board on 11

December 2018 and updated on the basis of the rates scenario observed in January 2019.
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:

- Moderate growth of loans of 1.5% and simultaneous increase in direct funding from customers equal to 2.0% (2019-2021 CAGR);
- increase in yearly average indirect deposits of roughly 3.6% (2019-2021 CAGR);
- increase in net interest and other banking income (yearly average 2019-2021 CAGR of 9.7%); the positive performance can primarily be ascribed to the increase in interest margin, due to the expected recovery in rates in the same projection years (2019-2021 CAGR equal to 13.4%) and commission revenue expected to rise at an average yearly rate of 7.3%;
- reduction in operating costs of -1.5% during the projection period (2019-2021 CAGR).

In the development of distributable flows, a capital absorption and a Tier 1 ratio of 9.44% and a Total Capital Ratio of 11.75% 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 9.19%, was estimated on the basis of the Capital Asset Pricing Model (CAPM), considering:

- Risk-free investment rate of return estimated at 2.60%, in line with the average annual yield as at 31 December 2018 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 1.18 - on the basis of the average coefficient reported on a sample of Italian retail banks (5 years weekly);

- Market risk premium, equal to 5.6%, 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 2017.

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%).

The development of the DDM method on the basis of the approach described highlighted an indicative interval of the Value in Use that was higher than the carrying amount of shareholders' equity of the Bank at the reporting date of 31 December 2018.

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 2018, the book value of those intangibles after annual amortisation is as follows:
- Core deposits linked to current accounts of € 16.3 million;
- Assets under management and Assets under custody of € 3.9 million;
- Biverbanca trademark for € 2.2 million.

Those intangibles are amortised over a period of between 10 and 18 years. Specifically, the core deposits and intangibles linked to Assets under management and custody (which represent roughly 90% of total intangibles) have a residual life of between 12 years for core deposits and 6 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 2018, 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.

Following the update, approved by the Banca di Asti Board of Directors on 15 March 2019, of the 2019-2021 Strategic Plan, a specific analysis activity was performed, based on which it was found that the updated economic/capital projections did not have significant impacts on the recoverable amount of the CGU.

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 2018, 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 2017, 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 2018, the carrying amount of the CGU is equal to € 69.1 million and was determined on the basis of the sum of:

- Shareholders' equity of Pitagora as at 31 December 2018 equal to € 56.4 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

<u>Fair Value</u>
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 2018, 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 2018, the data at the end of the year, and the 2019-2021 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 2019-2021 financial and economic projections. In the development of the distributable flows, a capital absorption and 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 9.19%, was estimated on the basis of the Capital Asset Pricing Model (CAPM), considering:

- Risk-free investment rate of return estimated at 2.60%, in line with the average monthly yield as at 31 December 2018 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 1.18 - on the basis of the average coefficient reported on a sample of Italian retail banks (5 years weekly);
- Market risk premium, equal to 5.6%, 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 2017.

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 € 191 million, against the carrying amount of the Pitagora S.p.A. CGU in the consolidated financial statements equal to € 69 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 € 167 million and € 214 million.

Following the update, approved by the Banca di Asti Board of Directors on 15 March 2019, of the 2019-2021 Strategic Plan, a specific analysis activity was performed, based on which it was found that the updated economic/capital projections did not have significant impacts on the recoverable amount of the CGU.

10.2 INTANGIBLE ASSETS: ANNUAL CHANGES	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 2018
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**66,142**	**0**	**0**	**51,719**	**0**	**117,861**
A.1 Total net decreases	0	0	0	24,097	0	24,097
A.2 Net opening balance	**66,142**	**0**	**0**	**27,622**	**0**	**93,764**
B. Increases	**0**	**0**	**0**	**2,451**	**0**	**2,451**
B.1 Purchases	0	0	0	2,451	0	2,451
B.2 Increases of internally generated intangible assets	X	0	0	0	0	0
B.3 Recoveries	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**	**4,345**	**0**	**4,345**
C.1 Sales	0	0	0	0	0	0
C.2 Value adjustments	0	0	0	4,345	0	4,345
- Amortisation	X	0	0	4,345	0	4,345
- Write-downs	0	0	0	0	0	0
+ shareholders' equity	X	0	0	0	0	0
+ income statement	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
- income statement	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	0	0	0
D. Net closing balance	**66,142**	**0**	**0**	**25,728**	**0**	**91,870**
D.1 Total net value adjustments	0	0	0	28,442	0	28,442
E. Gross closing balance	**66,142**	**0**	**0**	**54,170**	**0**	**120,312**
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 (see 14.7 Probability test).
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 2018	Total 2017
- With offsetting entry to profit and loss	310,357	169,643
- With offsetting entry to shareholders' equity	16,352	69,003
Total	**326,708**	**238,646**

(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 2018	Total 2017
- With offsetting entry to profit and loss	30,704	7,007
- With offsetting entry to shareholders' equity	25,920	27,171
Total	**56,616**	**34,178**

(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 2018	Total 2017
1. Opening balance	**169,643**	**159,888**
2. Increases	**198,691**	**27,050**
2.1 Deferred tax assets arising during the year	71,453	12,133
a) relating to previous years	331	0
b) due to change in accounting principles	15,632	0
c) write-backs	0	0
d) other	55,490	12,133
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	127,238	14,917
3. Decreases	**57,977**	**17,295**
3.1 Deferred tax assets derecognised during the year	50,808	15,879
a) reversals	49,341	15,879
b) write-downs of non-recoverable items	0	0
c) change in accounting principles	1,467	0
d) other	0	0
3.2 Decreases in tax rates	0	0
3.3 Other decreases:	7,170	1,416
a) changes into tax credits pursuant to Law No. 214/2011	7,170	0
b) other	0	1,416
4. Closing balance	**310,357**	**169,643**

11.4 Deferred tax assets: changes under law 214/2011

11.4 DEFERRED TAX ASSETS: CHANGES UNDER LAW 214/2011	Total 2018	Total 2017
Opening balance	**139,074**	**145,320**
2. Increases	**194**	**7,045**
3. Decreases	**7,177**	**13,291**
3.1 Reversals	7	13,291
3.2 Changes into tax credits	7,170	0
a) arising from loss for the period	0	0
b) arising from tax losses	7,170	0
3.3 Other decreases	0	0
4. Closing balance	**132,091**	**139,074**

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 2018	Total 2017
1. Opening balance	**7,007**	**83**
2. Increases	**25,946**	**6,927**
2.1 Deferred tax liabilities for the year	0	0
a) relating to previous years	0	0
b) due to change in accounting principles	6,195	0
c) other	0	0
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	19,751	6,927
3. Decreases	**2,249**	**3**
3.1 Deferred tax liabilities derecognised during the year	2,249	0
a) reversals	1,456	2
b) due to change in accounting principles	572	0
c) other	221	1
3.2 Decreases in tax rates	0	0
3.3 Other decreases	0	0
4. Closing balance	**30,704**	**7,007**

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 2018	Total 2017
1. Opening balance	**69,003**	**76,557**
2. Increases	**115,167**	**30,762**
2.1 Deferred tax assets arising during the year	115,167	30,762
a) relating to previous years	0	0
b) due to change in accounting principles	113,507	0
c) other	1,660	30,762
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	0	0
3. Decreases	**167,810**	**38,316**
3.1 Deferred tax assets derecognised during the year	63,043	38,210
a) reversals	8,773	20,538
b) write-downs of non-recoverable items	0	0
c) changes in accounting principles	51,960	0
d) other	2,310	17,672
3.2 Decreases in tax rates	0	0
3.3 Other decreases	104,767	106
4. Closing balance	**16,360**	**69,003**

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 2018	Total 2017
1. Opening balance	**27,171**	**26,391**
2. Increases	**1,801**	**5,389**
2.1 Deferred tax liabilities for the year	1,801	5,389
a) relating to previous years	0	0
b) due to change in accounting principles	216	0
c) other	1,585	5,389
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	0	0
3. Decreases	**3,052**	**4,609**
3.1 Deferred tax liabilities derecognised during the year	384	3,473
a) reversals	50	2,202
b) due to change in accounting principles	0	0
c) other	334	1,271
3.2 Decreases in tax rates	0	0
3.3 Other decreases	2,668	1,136
4. Closing balance	**25,920**	**27,171**

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 Group’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 2018.

SECTION 12 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES - 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 2018	Total 2017
- loans to SPV	247,180	214,227
- amounts to be charged to banks	16,958	25,340
- charges relating to payment systems in the course of execution	62,179	61,733
- indirect taxes and duties	37,798	32,019
- residual prepayments	44,518	57,527
- transit items	55	3,921
- costs for setting up leased premises	4,390	4,504
- receivables for the provision of non-financial services	28,484	6,906
- other amounts to be recovered from customers	17,523	15,469
- residual accrued income	6,393	9,571
- unpaid notes and cheques	1,205	884
- differential for adjustment of owned portfolio	0	0
- other items	5,415	4,424
- adjustments from consolidation of assets (IC elimination), - Adjustments from consolidation of assets - other	0	0
Total	**472,098**	**436,525**

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

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM BANKS	Total 2018				Total 2017			
	Book value	Fair Value			BV	Fair Value		
Type of transaction/Amounts		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**1,450,113**	X	X	X	**1,450,113**	X	X	X
2. Deposits from banks	**80,081**	X	X	X	**18,055**	X	X	X
2.1 Current accounts and demand deposits	76,148	X	X	X	10,345	X	X	X
2.2 Deposits with a set term	0	X	X	X	0	X	X	X
2.3 Loans	0	X	X	X	0	X	X	X
2.3.1 Repurchase agreements	0	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 Other liabilities	3,933	X	X	X	7,710	X	X	X
Total	**1,530,194**	**0**	**0**	**1,530,194**	**1,468,168**	**0**	**0**	**1,468,168**

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

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM CUSTOMERS	Total 2018				Total 2017			
	Book value	Fair Value			BV	Fair Value		
Type of transaction/Amounts		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	5,457,782	X	X	X	4,965,213	X	X	X
2. Deposits with a set term	500,771	X	X	X	147,798	X	X	X
3. Loans	285,137	X	X	X	176,283	X	X	X
3.1 Repurchase agreements	285,137	X	X	X	176,283	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. Other liabilities	623,326	X	X	X	692,209	X	X	X
Total	**6,867,016**	**0**	**0**	**6,867,016**	**5,981,503**	**0**	**0**	**5,981,503**

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 € 419,519 thousand for payables linked to securitisation transactions.

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEBT SECURITIES ISSUED Type of security/Amounts	Total 2018				Total 2017			
	Book value	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	2,102,790	0	2,013,671	647,769	2,626,070	0	2,560,015	0
1.1 structured	0	0	0	0	0	0	0	0
1.2 other	2,102,790	0	2,013,671	647,769	2,626,070	0	2,560,015	0
2. Other securities	217	0	0	217	487	0	0	487
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	217	0	0	217	487	0	0	487
Total	**2,103,007**	**0**	**2,013,671**	**647,986**	**2,626,557**	**0**	**2,560,015**	**487**

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.
The item "Other securities - other" consists entirely of certificates of deposit issued by the Group.

1.4 Details of subordinated liabilities/securities

The amount included in the item "Debt securities issued" is € 189,145 thousand.
See Section F for the relative details.

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

DEBT SECURITIES ISSUED SUBJECT TO MICRO-HEDGING	Total 2017
1. Securities subject to micro-hedging of fair value:	0
a) interest rate risk	0
b) foreign exchange risk	0
c) multiple risks	0
2. Securities subject to micro-hedging of cash flows:	408,915
a) interest rate risk	408,915
b) foreign exchange risk	0
c) other	0

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN	Total 2018					Total 2017				
	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	20,818	0	0	0	0	26,020	0	0
1.1 Trading	X	0	20,738	0	X	X	0	25,846	0	X
1.2 Related to fair value option	X	0	80	0	X	X	0	174	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 Related 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**	**20,818**	**0**	**X**	**X**	**0**	**26,020**	**0**	**X**
Total (A+B)	**X**	**0**	**20,818**	**0**	**X**	**X**	**0**	**26,020**	**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.

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

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

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE: BREAKDOWN	Total 2017				
Type of transaction/ Components of the Group	NV	FV			FV*
		L1	L2	L3	
1. Deposits from banks	**0**	**0**	**0**	**0**	**0**
1.1 Structured	0	0	0	0	X
1.2 Other	0	0	0	0	X
2. Deposits from customers	**0**	**0**	**0**	**0**	**0**
2.1 Structured	0	0	0	0	X
2.2 Other	0	0	0	0	X
3. Debt securities	**115,591**	**0**	**125,833**	**0**	**125,833**
3.1 Structured	0	0	0	0	X
3.2 Other	115,591	0	125,833	0	X
Total	**115,591**	**0**	**125,833**	**0**	**125,833**

SECTION 4 – HEDGING DERIVATIVES - ITEM 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET	NV 2018	Fair value 2018			NV 2017	Fair value 2017		
		L1	L2	L3		L1	L2	L3
A. Financial derivatives	**998,724**	**0**	**75,461**	**0**	**601,889**	**0**	**66,167**	**0**
1) Fair value	825,000	0	39,831	0	401,717	0	24,049	0
2) Cash flows	173,724	0	35,630	0	200,172	0	42,118	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	**998,724**	**0**	**75,461**	**0**	**601,889**	**0**	**66,167**	**0**

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

4.2 HEDGING DERIVATIVES: BREAKDOWN BY PORTFOLIOS HEDGED AND BY HEDGING TYPE	Fair Value							Cash flow		Foreign investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro-hedge	
Transaction/Type of 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	6,128	0	0	0	X	X	X	0	X	X
2. Financial assets measured at amortised cost	33,703	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	**39,831**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	0	X	0	0	0	0	X	35,630	X	X
2. Portfolio	X	X	X	X	X	X	0	X	0	X
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**35,630**	**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

The table shows the negative fair values of hedging derivative contracts, classified by hedged assets or liabilities and type of hedging implemented.
In particular, the value of € 35,630 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 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 2018	Total 2017
- imbalance of adjustments on the notes portfolios	70,928	39,528
- credits relating to payment systems in the course of execution	40,179	36,403
- amounts to be credited to banks	3,939	9,750
- operating payables not connected to financial services	15,343	4,663
- amounts to be paid to the tax authorities on behalf of third parties	14,484	17,070
- amounts to be paid to personnel	9,205	11,460
- due to SPV	11,413	10,992
- amounts to be recognised to customers	28,624	10,517
- residual deferred income	49,481	59,591
- amounts to be recognised to various institutions	5,194	5,214
- liabilities connected to the impairment of guarantees given	0	2,468
- insurance premiums collected in the course of processing and to be paid back to companies	814	2,545
- other tax liabilities	711	584
- items relating to foreign transactions	0	0
- residual accrued liabilities	270	16
- other items	6,604	11,960
Total	**257,189**	**222,761**

SECTION 9 – PROVISION FOR EMPLOYEE SEVERANCE PAY - ITEM 90

9.1 PROVISION FOR EMPLOYEE SEVERANCE PAY: ANNUAL CHANGES	Total 2018	Total 2017
A. Opening balance	**24,064**	**25,745**
B. Increases	**523**	**466**
B.1 Provisions for the year	0	0
B.2 Other changes	523	466
C. Decreases	**4,916**	**2,147**
C.1 Severance payments	4,097	1,884
C.2 Other changes	819	263
D. Closing balance	**19,671**	**24,064**
Total	**19,671**	**24,064**

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN Items	Total 2018	Total 2017
1. Provisions for credit risk relating to commitments and financial guarantees given	5,899	3,126
2. Provisions on other commitments and other guarantees given	0	0
3. Pensions and other post retirement benefit obligations	17,830	19,800
4. Other provisions for risks and charges	41,952	36,930
4.1 legal and tax disputes	3,625	4,429
4.2 personnel charges	21,527	11,848
4.3 other	16,800	20,653
Total	**65,681**	**56,730**

Even though, pursuant to IFRS 9, it is not mandatory to restate the 2017 comparative data, the items relating to the previous year were, in any event, compared with the items of the 2018 statements (Circular no. 262, 5th update), where homogeneous, and rows were added for those that were not envisaged in the new update.

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	**3,126**	**19,800**	**36,930**	**59,856**
B. Increases	**5,585**	**228**	**24,895**	**30,708**
B.1 Provision for the year	5,585	228	24,895	30,708
B.2 Changes due to the time value of money	0	0	0	0
B.3 Difference due to discount-rate changes	0	0	0	0
B.4 Other changes	0	0	0	0
C. Decreases	**2,812**	**2,198**	**19,873**	**24,883**
C.1 Use during the year	89	1,923	15,748	17,760
C.2 Difference due to discount-rate changes	0	0	0	0
C.3 Other changes	2,723	275	4,125	7,123
D. Closing balance	**5,899**	**17,830**	**41,952**	**65,681**

The opening balance in the table includes the change in the opening balances due to the FTA of IFRS 9.

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	404	170	0	574
Financial guarantees given	1,064	1,201	3,060	5,325
Total	**1,468**	**1,371**	**3,060**	**5,899**

10.5 DEFINED BENEFIT COMPANY PENSION PLANS

1. Description of funds and related risks

The pension fund pursuant to table 10.1 of € 17,830 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 2016 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 2017” (source: European Central Bank) and the relative breakdown by country where the price growth forecasts are set at 1.3% for 2019, 1.5% for 2020 and 1.6% for 2021. Starting from 2022, 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 1.27% 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 12 basis points lower than that used at 31 December 2017.

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 (1.27%), there would be, respectively, a decline/increase in the mathematical reserve of roughly € 700 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”) 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, so it does not appear in the Consolidated balance sheet.
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 of Cassa di Risparmio di Asti 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 Supplementary Pension Fund of Cassa di Risparmio di Asti S.p.A. 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	2018	2017
	EXTERNAL PLAN Supplementary Pension Fund	EXTERNAL PLAN Supplementary Pension Fund
Opening balance	**97,586**	**96,239**
Financial expenses	3,416	3,368
Social security cost for service	800	834
Indemnities paid	-3,635	-3,546
Actuarial gains	-425	-347
Plan participant contributions	169	181
Other changes	800	857
Closing balance	**98,711**	**97,586**

3. Information on Fair value of plan assets

ASSETS AND LIABILITIES RECOGNISED	EXTERNAL PLAN 2018 Supplementary Pension Fund
Present value of defined benefit obligations	98,711
Fair value of the plan	101,372
Supplementary Pension Fund status	2,661
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 2018 Supplementary Pension Fund
Discount rate	3.50%
Expected rates of return	3.50%
Rate of wage increase	2.00%
Annual inflation rate	2.00%
Annual nominal GDP growth rate	2.00%

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	**2018**	**LIABILITIES**	**2018**
		Average actuarial valuation of total expenses:	
Net assets	101,372	- immediate expenses	56,957
Contributions	8,133	- latent expenses	69,571
Total assets	**109,505**	**Total liabilities**	**126,528**
Technical deficit	**17,023**		

TECHNICAL RATE 4.50%			
ASSETS	**2018**	**LIABILITIES**	**2018**
		Average actuarial valuation of total expenses:	
Net assets	101,372	- immediate expenses	46,887
Contributions	7,429	- latent expenses	47,025
Total assets	**108,801**	**Total liabilities**	**93,912**
		Technical surplus	**14,889**

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 2018	Total 2017
1. Provision for risks on claw-backs	796	1,058
2. Provision for tax dispute	30	877
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	15,974	18,718
Total	**16,800**	**20,653**

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 2018 the share capital of the Parent Bank amounted to € 308,368 thousand, broken down into 59,761,186 ordinary shares with a nominal value of € 5.16.

As at 31 December 2018, the Parent Bank held 480,098 treasury shares in the portfolio, recognised in the financial statements at the cost of € 13.585 each, equal to a total of € 6,522 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 (-)	(387,551)	0
A.2 Shares outstanding: opening balance	**59,373,635**	**0**
B. Increases	**0**	**0**
B.1 New issues	0	0
- against payment:	0	0
- business combinations	0	0
- bonds converted	0	0
- warrants exercised	0	0
- other	0	0
- without payment:	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	**0**	**0**
C.1 Cancellation	0	0
C.2 Purchase of treasury shares	0	0
C.3 Business transferred	92,547	0
C.4 Other changes	0	0
D. Shares outstanding: closing balance	**59,281,088**	**0**
D.1 Treasury shares (+)	480,098	0
D.2 Shares outstanding as at the end of the year	59,761,186	0
- fully paid	59,761,186	0
- not fully paid	0	0

13.3 SHARE CAPITAL: OTHER INFORMATION

The share capital of the Parent Bank consists of 59,761,186 shares broken down as follows:

- Fondazione Cassa di Risparmio di Asti 22,604,256 shares (37.82%) nominal value € 116,638 thousand;

- Other shareholders 28,518,948 shares (47.73%) nominal value € 147,158 thousand;
- Banca Popolare di Milano S.p.A. 8,157,884 shares (13.65%) nominal value € 42,095 thousand;
- Treasury shares 480,098 (0.80%) nominal value € 2,477 thousand.

13.4 RETAINED EARNINGS: OTHER INFORMATION

Items/Balances	Total 2018
Legal and statutory reserves	269,863
- legal reserve	27,743
- ordinary reserve	98,819
- extraordinary reserve	144,556
- treasury share dividend reserve	80
- expenses for share capital increase	-1,335
Treasury shares reserve	6,522
Other reserves	-199,466
- consolidation reserve	44,896
- 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)	7,872
- reserves recognised in the transition to IAS/IFRS (2018 FTA)	-275,654
- 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"	2,340
Total	**76,919**

SECTION 14 – NON-CONTROLLING INTERESTS - ITEM 190

14.1 NON-CONTROLLING INTERESTS: BREAKDOWN Items/Balances	Total 2018
1) Share capital	61,899
2) Share Premium Reserve	13,219
3) Reserves	78,059
4) (Treasury shares)	0
5) Valuation reserves	3,900
6) Equity instruments	0
7) Profit (loss) attributable to non-controlling interests	1,399
Total	**158,476**

DETAILS OF ITEM 210 "NON-CONTROLLING INTERESTS" Company Name	Total 2018	Total 2017
Equity investments with significant non-controlling interests		
1) Biverbanca	141,988	155,793
2) Pitagora Contro Cessione del Quinto S.p.A.	16,418	13,828
Other equity investments	70	50
Total	**158,476**	**169,671**

OTHER INFORMATION

1. COMMITMENTS AND GUARANTEES GIVEN	Nominal value on commitments and guarantees given			Total 2018
	Stage 1	Stage 2	Stage 3	
1. Commitments to disburse funds	**1,495,115**	**33,231**	**38,935**	**1,567,281**
a) Central Banks	0	0	0	0
b) Public administration	293,554	130	0	293,684
c) Banks	300	0	0	300
d) Other financial companies	35,701	200	1	35,902
e) Non-financial companies	978,595	28,005	37,872	1,044,472
f) Households	186,965	4,896	1,062	192,923
2. Financial guarantees given	**163,197**	**17,291**	**8,693**	**189,181**
a) Central Banks	0	0	0	0
b) Public administration	399	268	0	667
c) Banks	210	0	0	210
d) Other financial companies	1,113	533	250	1,896
e) Non-financial companies	106,503	14,583	4,931	126,017
f) Households	54,972	1,907	3,512	60,391

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

GUARANTEES GIVEN AND COMMITMENTS Transactions	Total 2017
1) Financial guarantees given to:	154,311
a) Banks	12,069
b) Customers	142,242
2) Commercial guarantees given to:	119,146
a) Banks	0
b) Customers	119,146
3) Irrevocable commitments to disburse funds	149,515
a) Banks	0
i) drawdown certain	0
ii) drawdown uncertain	0
b) Customers	149,515
i) drawdown certain	996
ii) drawdown uncertain	148,519
4) Underlying commitments on credit derivatives: protective puts	0
5) Assets pledged for third-party commitments	0
6) Other commitments	39,939
Total	**462,911**

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

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

ASSETS PLEDGED AS COLLATERAL OF LIABILITIES AND COMMITMENTS Portfolios	Total 2017
1. Financial assets held for trading	0
2. Financial assets measured at fair value	0
3. Financial assets available for sale	606,606
4. Financial assets held to maturity	1,941
5. Loans to banks	0
6. Loans to customers	0
7. Property, plant and equipment	0

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

As specifically permitted by IFRS 9, the Group has relied on the right not to restate the balances referring to the previous year applying the new valuation criteria introduced by IFRS 9 as of 1 January 2018.

The tables as at 31 December 2017 prepared according to what is set forth in the previous version of the Bank of Italy Circular no. 262 (4th update) are provided below, although they are not fully comparable.

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 2018
1. Financial assets measured at fair value through profit and loss	3,069	0	3,431	6,500
1.1 Financial assets held for trading	3,009	0	3,431	6,440
1.2 Financial assets designated at fair value	0	0	0	0
1.3 Other financial assets mandatorily measured at fair value	60	0	0	60
2. Financial assets measured at fair value through other comprehensive income	5,792	3,972	X	9,764
3. Financial assets measured at amortised cost	23,912	215,022	X	238,934
3.1 Loans to banks	0	211	X	211
3.2 Loans to customers	23,912	214,811	X	238,723
4. Hedging derivatives	X	X	0	0
5. Other assets	X	X	0	0
6. Financial liabilities	X	X	X	5,881
Total	**32,773**	**218,994**	**3,431**	**261,079**
of which: interest income from impaired financial assets	0	2,057	0	2,057

In item “6. Interest income on financial liabilities” € 5,881 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-2” transaction.

Interest accrued during the year on positions classified as “non-performing” as at 31 December 2018 amounted to € 13,594 thousand, of which 179 thousand collected during the year.

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

INTEREST INCOME AND SIMILAR REVENUES: BREAKDOWN *Item/Type*	Debt securities	Loans	Other transactions	Total 2017
1. Financial assets held for trading	2	0	4,342	4,344
2. Financial assets measured at fair value	31,776	0	0	31,776
3. Financial assets held to maturity	0	0	0	0
4. Loans to banks	6	(733)	0	(727)
5. Loans to customers	429	218,700	0	219,129
6. Financial assets available for sale	0	0	0	0
7. Hedging derivatives	0	0	0	0
8. Other assets	0	0	0	0
Total	**32,213**	**217,967**	**4,342**	**254,522**

1.2 Interest income and similar revenues: other information

Under loans to customers "Loans", € 51,825 thousand is recognised for interest income on securitised mortgages and € 1,260 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 to ordinary customers for a total of € 799 thousand and loans to credit institutions of roughly € 94 thousand, for a total of € 893 thousand.

1.3 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN Item/Type	Payables	Securities	Other transactions	Total 2018	Total 2017
1. Financial liabilities measured at amortised cost	(14,776)	(42,074)	X	(56,850)	(50,847)
1.1 Deposits from central banks	0	X	X	0	6,672
1.2 Deposits from banks	(370)	X	X	(370)	(1,515)
1.3 Deposits from customers	(14,406)	X	X	(14,406)	(7,168)
1.4 Debt securities issued	X	(42,074)	X	(42,074)	(48,836)
2. Financial liabilities held for trading	0	0	0	0	0
3. Financial liabilities designated at fair value	0	(3,578)	0	(3,578)	(4,540)
4. Other liabilities and funds	X	X	(1,041)	(1,041)	(157)
5. Hedging derivatives	X	X	(23,462)	(23,462)	(30,895)
6. Financial assets	X	X	X	0	0
Total	**(14,776)**	**(45,652)**	**(24,503)**	**(84,931)**	**(86,439)**

The item "Deposits from customers - Payables" includes € 3,465 thousand referring to interest generated by the securitisation and € 828 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 € 6,416 thousand.

1.4.1 Interest expense on liabilities denominated in foreign currency

Interest expense and similar charges on liabilities in foreign currency shows charges of € 18 thousand.

1.5 SPREADS ON HEDGING TRANSACTIONS Items	Total 2018	Total 2017
A. Positive spreads on hedging transactions:	0	0
B. Negative spreads on hedging transactions:	(23,462)	(30,895)
C. Net spread (A-B)	**(23,462)**	**(30,895)**

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

2.1 FEE AND COMMISSION INCOME: BREAKDOWN Services/Amounts	Total 2018	Total 2017
a) guarantees given	2,484	2,508
b) credit derivatives	0	0
c) management, brokerage and advisory services:	67,712	51,597
1. trading in financial instruments	45	50
2. currency trading	597	546
3. individual portfolio management	12,382	11,882
3.1 individual	12,382	11,882
3.2 collective	0	0
4. securities custody and administration	939	1,012
5. custodian bank	0	0
6. placement of securities	16,632	14,270
7. order receipt and transmission	1,916	1,777
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	35,201	22,060
9.1 asset management	0	0
9.1.1 individual	0	0
9.1.2 collective	0	0
9.2 insurance products	30,447	16,735
9.3 other products	4,754	5,325
d) collection and payment services	20,082	19,005
e) securitisation servicing	2,272	2,259
f) factoring services	0	0
g) tax collection services	0	0
h) management of multilateral trading facilities	0	0
i) management of current accounts	24,299	23,546
j) other services	43,043	42,083
Total	**159,892**	**140,998**

Item “j) other services” includes € 14,188 thousand relating to commissions for the provision of sums.

2.2 FEE AND COMMISSION EXPENSE: BREAKDOWN Services/Amounts	Total 2018	Total 2017
a) guarantees received	(295)	(320)
b) credit derivatives	0	0
c) management and brokerage services:	(1,797)	(1,748)
1. trading in financial instruments	(834)	(788)
2. currency trading	0	0
3. portfolio management:	(108)	(160)
3.1 own portfolio	0	0
3.2 delegated to third parties	(108)	(160)
4. custody and administration of securities	(855)	(800)
5. financial instruments placement	0	0
6. off-site distribution of financial instruments, products and services	0	0
d) collection and payment services	(2,907)	(2,622)
e) other services	(29,218)	(41,026)
Total	**(34,217)**	**(45,716)**

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 2018		Total 2017	
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	0	0	0
C. Financial assets measured at fair value through other comprehensive income	12,982	300	16,555	7,547
D. Equity investments	0	0	0	X
Total	**12,982**	**300**	**16,555**	**7,547**

ANALYSIS OF ITEM 70 - DIVIDENDS AND SIMILAR INCOME	Total 2018
A. Financial assets held for trading	0
B. Other financial assets mandatorily measured at fair value:	0
C. Financial assets measured at fair value through other comprehensive income	12,982
- Bank of Italy	10,200
- Cedacri S.p.A.	2,776
- Biverbroker S.p.A.	6
- Similar income	300
D. Equity investments	0
Total	**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					
1.1 Debt securities	6	11,048	(4)	(1,547)	9,503
1.2 Equity securities	0	0	0	0	0
1.3 Units of UCITS	0	0	0	0	0
1.4 Loans	0	19,738	0	(4,465)	15,273
1.5 Other	0	0	0	0	0
2. Financial liabilities held for trading					
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	(1,142)
3. Derivatives					
3.1 Financial derivatives:	31,028	4,385	(23,444)	(12,260)	(306)
- On debt securities and interest rates	31,028	4,385	(23,444)	(4,669)	7,300
- On equity securities and stock indices	0	0	0	(5,898)	(5,898)
- On currencies and gold	X	X	X	X	(15)
- Other	0	0	0	(1,693)	(1,693)
3.2 Credit derivatives	0	0	0	0	0
of which: natural hedges related to fair value option	X	X	X	X	0
Total	**31,034**	**35,171**	**(23,448)**	**(18,272)**	**23,328**

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

5.1 NET PROFIT (LOSS) FROM HEDGING: BREAKDOWN Income/Amounts	Total 2018	Total 2017
A. Gains on:		
A.1 Fair value hedging derivatives	4,206	24,233
A.2 Hedged financial assets (fair value)	36,147	9,070
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)	**40,353**	**33,303**
B. Losses on:		
B.1 Fair value hedging derivatives	(35,238)	(3,447)
B.2 Hedged financial assets (fair value)	(5,064)	(29,678)
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)	**(40,302)**	**(33,125)**
C. Net profit from hedging activities (A - B)	**51**	**278**
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 2018		
Items/Income	Gains	Losses	Net profit (loss)
A. Financial assets			
1. Financial assets measured at amortised cost	2,450	(31,024)	(28,574)
1.1 Loans to banks	0	0	0
1.2 Loans to customers	2,450	(31,024)	(28,574)
2. Financial assets measured at fair value through other comprehensive income	18,678	(1,381)	17,297
2.1 Debt securities	18,678	(61)	18,617
2.2 Loans	0	(1,320)	(1,320)
Total assets (A)	**21,128**	**(32,405)**	**(11,277)**
B. Financial liabilities measured at amortised cost			
1. Deposits from banks	0	0	0
2. Deposits from customers	402	(1,282)	(880)
3. Debt securities issued	1,046	(115)	931
Total liabilities (B)	**1,448**	**(1,397)**	**51**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

GAINS (LOSSES) ON DISPOSAL/REPURCHASE: BREAKDOWN Items/Income	Total 2017		
	Gains	Losses	Net profit (loss)
Financial assets			
1. Loans to banks	0	0	0
2. Loans to customers	45,794	(7,698)	38,096
3. Financial assets available for sale	149,572	(112,635)	36,937
3.1 Debt securities	93,524	(70,521)	23,003
3.2 Equity securities	25	0	25
3.3 Units of UCITS	56,023	(42,114)	13,909
3.4 Loans	0	0	0
4. Financial assets held to maturity	0	0	0
Total assets	**195,366**	**(120,333)**	**75,033**
Financial liabilities			
1. Deposits from banks	0	0	0
2. Deposits from customers	0	(1,489)	(1,489)
3. Debt securities issued	1,008	(148)	860
Total liabilities	**1,008**	**(1,637)**	**(629)**

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					
1.1 Debt securities	0	0	0	0	0
1.2 Loans	0	310	0	0	310
2. Financial liabilities					
2.1 Debt securities issued	3,133	159	(141)	0	3,151
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	**3,133**	**469**	**(141)**	**0**	**3,461**

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					
1.1 Debt securities	316	0	(1,885)	0	(1,569)
1.2 Equity securities	0	0	(819)	0	(819)
1.3 Units of UCITS	76	2,163	(134)	(19,909)	(17,804)
1.4 Loans	0	0	0	0	0
2. Financial assets denominated in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**0**
Total	**392**	**2,163**	**(2,838)**	**(19,909)**	**(20,192)**

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 2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3	
Transactions/Income		Write-offs	Other			
A. Loans to banks	0	0	0	0	0	0
- Loans	0	0	0	0	0	0
- Debt securities	0	0	0	0	0	0
of which: purchased or originated credit impaired	0	0	0	0	0	0
B. Loans to customers	(4,987)	(9,907)	(101,142)	10,515	39,728	(65,793)
- Loans	(21)	(9,907)	(101,142)	10,515	39,728	(60,827)
- Debt securities	(4,966)	0	0	0	0	(4,966)
of which: purchased or originated credit impaired	0	0	(393)	59	49	(285)
Total	**(4,987)**	**(9,907)**	**(101,142)**	**10,515**	**39,728**	**(65,793)**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

NET IMPAIRMENT LOSSES ON LOANS: BREAKDOWN	Value adjustments			Recoveries				Total 2017
	Specific		Portfolio	Specific		Portfolio		
Transactions/Income	Write-offs	Other		A	B	A	B	
A. Loans to banks	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Loans	0	0	0	0	0	0	0	0
- Debt securities	0	0	0	0	0	0	0	0
B. Loans to customers	**(18,886)**	**(83,043)**	**(6,431)**	**23,815**	**28,522**	**1**	**8,044**	**(47,979)**
Non-performing loans								
- Loans	0	0	X	0	0	X	X	0
- Debt securities	0	0	X	0	0	X	X	0
Other receivables								
- Loans	(18,886)	(83,043)	(6,431)	23,815	28,522	1	8,044	(47,979)
- Debt securities	0	0	0	0	0	0	0	0
C. Total	**(18,886)**	**(83,043)**	**(6,431)**	**23,815**	**28,522**	**1**	**8,044**	**(47,979)**

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 2018
	Stage 3		Stage 1 and 2	Stage 3	Stage 1 and 2	
Transactions/Income	Write-offs	Other				
A. Debt securities	(851)	0	0	31	0	(820)
B. Loans	0	0	(1,824)	0	0	(1,824)
- from customers	0	0	(1,824)	0	0	(1,824)
- from banks	0	0	0	0	0	0
Of which: purchased or originated financial assets	0	0	0	0	0	0
Total	**(851)**	**0**	(1,824)	**31**	0	**(2,644)**

For comparison purposes, the tables drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) are provided below.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN	Value adjustments		Recoveries		Total 2017
	Specific		Specific		
Transactions/Income	Write-offs	Other	A	B	
A. Debt securities	0	0	0	0	0
B. Equity securities	0	(4,588)	0	0	(4,588)
C. Units of UCITS	0	(5,837)	0	0	(5,837)
D. Loans to banks	0	0	X	0	0
E. Loans to customers	0	0	0	0	0
F. Total	**0**	**(10,425)**	**0**	**0**	**(10,425)**

Key
A = From interest
B = Other recoveries

NET IMPAIRMENT LOSSES ON OTHER FINANCIAL TRANSACTIONS: BREAKDOWN	Value adjustments			Recoveries				Total 2017
	Specific		Portfolio	Specific		Portfolio		
Transactions/Income	Write-offs	Other		A	B	A	B	
A. Guarantees given	0	(189)	(49)	0	435	0	90	287
B. Credit derivatives	0	0	0	0	0	0	0	0
C. Commitments to disburse funds	0	0	0	0	0	0	0	0
D. Other transactions	0	0	0	0	0	0	0	0
E. Total	**0**	**(189)**	**(49)**	**0**	**435**	**0**	**90**	**287**

Key
A = From interest
B = Other recoveries

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

There are no items of this type.

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 2018	Total 2017
1) Employees	**(141,862)**	(134,357)
a) wages and salaries	(88,854)	(94,965)
b) social security charges	(24,087)	(23,647)
c) severance pay	(5,266)	(5,177)
d) social security expenses	0	0
e) provision for employee severance pay	0	(453)
f) provision for pension fund and similar obligations:	(228)	(254)
- defined contribution	0	0
- defined benefit*	(228)	(254)
g) contributions to external pension fund:	(3,082)	(3,055)
- defined contribution	(2,320)	(2,218)
- defined benefit	(762)	(837)
h) costs related to share-based payments	0	0
i) other employee benefits	(20,345)	(6,806)
2) Other staff	**(332)**	**(306)**
3) Directors and Statutory Auditors	**(2,386)**	**(2,405)**
4) Retired personnel	**0**	**0**
Total	**(144,580)**	**(137,068)**

*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 € 275 thousand, while in 2016 actuarial gains of € 369 thousand were recognised.

12.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY	Total 2018	Total 2017
1) Employees	1,923	1,916
a) executives	29	29
b) middle managers	577	585
c) remaining staff	1,317	1,302
2) Other staff	0	0
Total	**1,923**	**1,916**

12.3 DEFINED BENEFIT COMPANY PENSION PLANS: COSTS AND REVENUES		
Costs and revenues		**(841)**
Costs relating to employee severance pay		(79)
of which: costs for provisions	(79)	
Costs for contributions to the Supplementary Pension Fund for Cassa di Risparmio di Asti personnel		(762)

	EXTERNAL PLANS	
	2018	2018
	Employee severance pay	Supplementary Pension Fund
Costs recognised	**(79)**	**(762)**
Social security cost relating to service	0	0
Financial income from discounting	0	0
Financial expenses from discounting shown in other comprehensive income	226	0
Financial expenses recognised in profit and loss	(305)	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	(762)

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN	Total 2018	Total 2017
Expenses for data processing and archiving	(21,691)	(20,459)
Rent payable on real estate and rental of moveable assets	(9,109)	(8,533)
Expenses for the maintenance of real estate and moveable assets	(4,844)	(5,173)
Legal expenses	(6,428)	(6,639)
Building management expenses	(4,527)	(4,938)
Phone, data transmission and postal expenses	(4,022)	(3,802)
Advertising and promotional expenses	(4,084)	(3,842)
Expenses for commercial information, records, appraisals	(5,088)	(5,071)
Costs for the provision of services regarding personnel	(903)	(726)
Securitisation costs	(8,140)	(5,801)
Expenses for transportation of valuables	(2,884)	(2,655)
Other professional and advisory expenses	(4,729)	(4,130)
Expenses for office materials	(851)	(1,191)
Membership fees	(12,014)	(7,158)
Electronic banking	(1,342)	(1,288)
Travel and transportation expenses	(1,649)	(2,006)
Machine rental expenses	(1,051)	(750)
Expenses for the acquisition of treasury services	(17)	(60)
Customer insurance	(1)	0
Other expenses	(3,272)	(3,706)
INDIRECT TAXES AND DUTIES		
Stamp duties	(23,016)	(23,231)
Substitute tax	(2,570)	(2,451)
IMU/ ICI tax	(1,389)	(1,286)
Municipal solid waste disposal fee	(343)	(309)
Advertising tax	(179)	(200)
Registration tax	(78)	(89)
Other duties and taxes	(149)	(118)
Total	**(124,370)**	**(115,612)**

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 2018
Commitments to disburse funds and financial guarantees given stage 1-2	786
Commitments to disburse funds and financial guarantees given stage 3	(706)
Total	**80**

13.3 OTHER NET PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN	Total 2018	Total 2017
Provisions and reallocations to provisions for risks due to claw-backs	551	(255)
Provisions and reallocations to provisions for personnel expenses	(339)	(398)
Provisions and reallocations to provisions for bonds in default	0	0
Provisions and reallocations for legal disputes	387	(1,691)
Other provisions and reallocations to provisions for risks and charges	(5,153)	(11,791)
Total	**(4,554)**	**(14,135)**

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				
A.1 Owned	(9,149)	0	0	(9,149)
- Used in the business	(8,212)	0	0	(8,212)
- For investment	(937)	0	0	(937)
- Inventory	X	0	0	0
A.2 Acquired under finance lease	0	0	0	0
- Used in the business	0	0	0	0
- For investment	0	0	0	0
Total	**(9,149)**	**0**	**0**	**(9,149)**

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	(4,345)	0	0	(4,345)
- Generated internally by the company	0	0	0	0
- Other	(4,345)	0	0	(4,345)
A.2 Acquired under finance lease	0	0	0	0
Total	**(4,345)**	**0**	**0**	**(4,345)**

SECTION 16 – OTHER OPERATING EXPENSES/INCOME - ITEM 230

16.1-16.2 OTHER OPERATING EXPENSES/INCOME: BREAKDOWN	Total 2018	Total 2017
Other operating income	**35,326**	**41,270**
Tax recovery	25,885	24,681
Services rendered to Group Companies	0	0
Charges to third parties for costs on deposits and c/a	805	453
Recovery of insurance premiums	0	63
Other income for real estate management	0	0
Rent and fee income	937	1,280
Income for IT services rendered	0	0
Reallocations to profit and loss of the provision for severance pay and other retirement and pension funds	0	0
Other income from contingent assets	3,553	9,179
Recoveries of expenses on lease agreements	0	0
Recoveries of employee travel and trip expenses	0	25
Recovery of director remuneration and attendance fees	0	0
Recovery of employee vehicle rental fees	0	0
Recoveries of other expenses	4,146	5,589
Allowance and rounding receivable	0	0
Other operating expenses	**(5,230)**	**(4,290)**
Amortisation on improvements on third party assets	(951)	(1,391)
Penalties and fees for late tax payments	0	(31)
Ordinary maintenance on real estate held for investment purposes	0	0
Valuables management shortages	0	0
Expenses relating to finance lease agreements	0	0
Allowances and rounding payable	0	0
Expenses for treasury contracts to public institutions	0	0
Other expenses and contingent liabilities	(4,279)	(2,868)
Consolidation adjustments	0	0
Total other operating expenses/income	**30,096**	**36,980**

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

17.1 GAINS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN Income/Sectors	Total 2018	Total 2017
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	(9)	(17)
1. Write-downs	0	0
2. Impairment losses	(9)	(17)
3. Losses on disposal	0	0
4. Other charges	0	0
Net profit (loss)	**(9)**	**(17)**
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	**(9)**	**(17)**

This is the adjustment relating to the company Sart S.p.A. in Liquidazione.

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 2018	Total 2017
A. Property	0	0
- Gains on disposal	0	0
- Losses on disposal	0	0
B. Other assets	1	0
- Gains on disposal	1	0
- Losses on disposal	0	0
Net profit (loss)	**1**	**0**

SECTION 21 – TAX EXPENSE (RECOVERY) ON INCOME FROM CONTINUING OPERATIONS - ITEM 300

21.1 TAX EXPENSE (RECOVERY) ON INCOME FROM CONTINUING OPERATIONS: BREAKDOWN Income/Sectors	Total 2018	Total 2017
1. Current tax (-)	(3,550)	(7,799)
2. Changes of current tax of previous years (+/-)	0	0
3. Decreases in current tax for the year (+)	8,589	2,734
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 (+/-)	12,913	(4,354)
5. Changes in deferred tax liabilities (+/-)	2,666	3,856
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	20,618	(5,563)

21.2 RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX CHARGE Items/Balances	Total 2018
Profit before tax (item 250)	(14,740)
THEORETICAL TAXES (IRES 27.5% - IRAP 5.57%)	**4,875**
DEFINITIVE TAX INCREASES	**(6,407)**
- non-deductible costs and expenses	(4,211)
- IMU tax and other non-deductible costs and taxes	(2,196)
DEFINITIVE TAX DECREASES	**22,150**
- FTA IFRS 9 in income statement	13,987
- exempt share of dividends and pex	255
- Aid to economic growth (ACE)	2,317
- other decreases	5,591
INCOME TAXES IN INCOME STATEMENT	**20,618**

SECTION 22 – PROFIT (LOSS) AFTER TAX FROM ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS - ITEM 320

There are no items of this type.

SECTION 23 – PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS - ITEM 340

23.1 DETAILS OF ITEM 340 PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS Company Name	Total 2018	Total 2017
Equity investments with significant non-controlling interests		
1. Biverbanca S.p.A.	1,777	1,004
2. Pitagora Contro Cessione del Quinto S.p.A.	(378)	2,133
Other equity investments	0	0
Total	**1,399**	**3,137**

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 59,761,186 ordinary shares outstanding, are € 0.10.

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME Items		Total 2018
10.	**Profit (loss) for the year**	**5,878**
	Other income without reversal to income statement	**1,068**
20.	Equity securities designated at fair value through other comprehensive income:	(1,435)
	a) change in fair value	(1,435)
	b) transfers to other components of shareholders' equity	0
30.	Financial liabilities designated at fair value through profit and loss (changes to own credit rating):	4,418
	a) change in fair value	4,418
	b) transfers to other components of shareholders' equity	0
40.	Hedging of equity securities designated at fair value through other comprehensive income:	0
	a) change in fair value (hedged instrument)	0
	b) change in fair value (hedging instrument)	0
50.	Property, plant and equipment	0
60.	Intangible assets	0
70.	Defined benefit plans	699
80	Non-current assets held for sale and discontinued operations	0
90.	Share of valuation reserves of equity investments carried at equity	0
100.	Income tax relating to other income without reversal to income statement	(2,614)
	Other income with reversal to income statement	**19,441**
110.	Hedge of foreign investments:	0
	a) changes in fair value	0
	b) reversal to income statement	0
	c) other changes	0
120.	Exchange differences:	0
	a) changes in value	0
	b) reversal to income statement	0
	c) other changes	0
130.	Cash flow hedges:	6,276
	a) changes in fair value	0
	b) reversal to income statement	0
	c) other changes	6,276
	of which: result of net positions	0
140.	Hedging instruments (elements not designated):	0
	a) changes in value	0
	b) reversal to income statement	0
	c) other changes	0
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	22,759
	a) changes in fair value	21,957
	b) reversal to income statement	670
	- losses for credit risk	819
	- realised gains/losses	(150)
	c) other changes	132
160.	Non-current assets held for sale and discontinued operations:	0
	a) changes in fair value	0
	b) reversal to income statement	0
	c) other changes	0
170.	Share of valuation reserves of equity investments carried at equity:	0
	a) changes in fair value	0
	b) reversal to income statement	0
	- impairment losses	0
	- realised gains/losses	0
	c) other changes	0
180.	Income tax relating to other income with reversal to income statement	(9,594)
190.	**Total other income**	**20,509**
200.	**Comprehensive income (Item 10+190)**	**26,387**
210.	Consolidated comprehensive income attributable to non-controlling interests	7,066
220.	**Consolidated comprehensive income attributable to Parent Company**	**19,321**

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME Items		2017		Net amount
		Gross amount	Income Tax	
10.	**Profit (loss) for the year**	**X**	**X**	**32,820**
	Other income without reversal to income statement			
20.	Property, plant and equipment	0	0	0
30.	Intangible assets	0	0	0
40.	Defined benefit plans	(427)	121	(306)
50.	Non-current assets held for sale	0	0	0
60.	Share of valuation reserves of equity investments carried at equity	0	0	0
	Other income with reversal to income statement			
70.	**Hedge of foreign investments:**	**0**	**0**	**0**
	a) changes in fair value	0	0	0
	b) reversal to income statement	0	0	0
	c) other changes	0	0	0
80.	**Exchange differences:**	**0**	**0**	**0**
	a) changes in value	0	0	0
	b) reversal to income statement	0	0	0
	c) other changes	0	0	0
90.	**Cash flow hedges:**	**10,531**	**(3,483)**	**7,048**
	a) changes in fair value	10,531	(3,483)	7,048
	b) reversal to income statement	0	0	0
	c) other changes	0	0	0
100.	**Financial assets available for sale:**	**9,083**	**(3,948)**	**5,135**
	a) changes in fair value	(48,511)	23,605	(24,906)
	b) reversal to income statement	57,594	(27,553)	30,041
	- impairment losses	377	(124)	253
	- realised gains/losses	57,217	(27,429)	29,788
	c) other changes	0	0	0
110.	**Non-current assets held for sale:**	**0**	**0**	**0**
	a) changes in fair value	0	0	0
	b) reversal to income statement	0	0	0
	c) other changes	0	0	0
120.	**Share of valuation reserves of equity investments carried at equity:**	**0**	**0**	**0**
	a) changes in fair value	0	0	0
	b) reversal to income statement	0	0	0
	- impairment losses	0	0	0
	- realised gains/losses	0	0	0
	c) other changes	0	0	0
130.	**Total other income**	**19,187**	**(7,310)**	**11,877**
140.	**Comprehensive income (Item 10+130)**			**44,697**
150.	Consolidated comprehensive income attributable to non-controlling interests			(141)
160.	**Consolidated comprehensive income attributable to Parent Company**			**44,838**

As specifically permitted by IFRS 9, the Group has relied on the right not to restate the balances referring to the previous year applying the new valuation criteria introduced by IFRS 9 as of 1 January 2018.

The tables as at 31 December 2017 prepared according to what is set forth in the previous version of the Bank of Italy Circular no. 262 (4th update) are provided below, although they are not fully comparable.

The opening balance of the tables representing increases and decreases during the year includes the modification of opening balances due to the FTA of IFRS 9.

SECTION 1 - RISKS ASSOCIATED WITH THE CONSOLIDATION OF ACCOUNTS

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, VALUE ADJUSTMENTS, CHANGES AND BREAKDOWN BY BUSINESS SECTOR

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	Other non-performing exposures	Performing exposures	Total
1. Financial assets measured at amortised cost	152,368	266,603	75,038	0	9,151,834	9,645,843
2. Financial assets measured at fair value through other comprehensive income	1,684	5,049	1,766	0	795,779	804,278
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	7,406	7,406
5. Financial assets held for sale	0	0	0	0	0	0
Total 2018	**154,052**	**271,652**	**76,804**	**0**	**9,955,019**	**10,457,527**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (BOOK VALUE) *Portfolios/quality*	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing exposures	Total
1. Financial assets available for sale	0	0	0	0	1,392,822	1,392,822
2. Financial assets held to maturity	0	0	0	0	0	0
3. Loans to banks	0	0	0	0	239,489	239,489
4. Loans to customers	453,389	208,205	96,181	344,435	6,076,432	7,178,642
5. Financial assets measured at fair value	0	0	0	0	0	0
6. Financial assets held for sale	0	0	0	0	0	0
Total 2017	**453,389**	**208,205**	**96,181**	**344,435**	**7,708,743**	**8,810,953**

A.1.2 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES) **Portfolios/quality** **Portfolios/quality**	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	971,097	477,088	494,009	260	9,223,829	71,995	9,151,834	9,645,843
2. Financial assets measured at fair value through other comprehensive income	15,493	6,994	8,499	0	798,520	2,741	795,779	804,278
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	7,406	7,406
5. Financial assets held for sale	0	0	0	0	0	0	0	0
Total 2018	**986,590**	**484,082**	**502,508**	**260**	**10,022,349**	**74,736**	**9,955,019**	**10,457,527**

** Value to be presented for disclosure purposes*

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

A. CREDIT QUALITY

BREAKDOWN OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)	Non-performing assets			Performing assets			Total (net exposure)
Portfolios/quality	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale	0	0	0	1,392,822	0	1,392,822	1,392,822
2. Financial assets held to maturity	0	0	0	0	0	0	0
3. Loans to banks	0	0	0	239,489	0	239,489	239,489
4. Loans to customers	1,563,144	805,368	757,775	6,464,968	44,101	6,420,867	7,178,642
5. Financial assets measured at fair value	0	0	0	0	0	0	0
6. Financial assets held for sale	0	0	0	0	0	0	0
Total 2017	**1,563,144**	**805,368**	**757,775**	**8,097,279**	**44,101**	**8,053,178**	**8,810,953**

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	0	76	20,926
2. Hedging derivatives	0	0	0
Total 2018	**0**	**76**	**20,926**
Total 2017	**0**	**140**	**27,689**

SECTION 2 - RISKS OF PRUDENTIAL CONSOLIDATION

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.
Also in the course of 2018, 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 2018 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 June 2018 the Parent Company prepared the ICAAP/ILAAP Report referring to 31 December 2017 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 2018 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 the nature of the local commercial banks, the Group's credit policy is oriented towards supporting the disbursement of loans 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 entry within the Group of Biverbanca and then of 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 Chief Executive Officer, 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 Group Banks' credit policy, within the scope of the strategies established by the Board of Directors;
- Credit Department: supervises and coordinates the overall activity of the Group Banks in assuming and managing credit risk. Operationally, the Credit Director relies on the Credit Lines Office, the Private Parties Lending Office, the Loans under Administration Department (centralised within the Parent Company) and the Loan Operational Management Office, each within the scope of its own responsibilities;
- 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 and the Loans under Administration Department of the Parent Company;

- 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 Group Banks 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. Management, measurement and control systems

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.

Additional tools used to support credit rating analysis are the internal C.R.S. scoring system and the AIRB rating for the Corporate segment.
The C.R.S. (Credit Rating System) is an internal scoring system used to assign a likelihood of insolvency to each Customer, to allow for a grouping of the loan portfolio into uniform risk classes.
The C.R.S. offers a statistical analysis system for individual borrowers and, as a result, the loan portfolio as a whole, which makes it possible:

- for the responsible offices to have support available in the screening phase on which to include additional information to reach a calibrated credit rating assessment on the individual borrower;

- to describe the loan portfolio by degree of creditworthiness, thus having the possibility to analyse the distribution of creditworthiness and therefore its trends over time.

The Group has developed internal techniques for implementing the C.R.S. results by integrating the credit rating assessments determined through the IT procedure with qualitative information, so as to make the judgement offered by the IT tool more efficient, if necessary.

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 C.R.S. system as an operating tool in terms of delegations and pricing.

In addition, the Group has undertaken, in collaboration with the outsourcer Cedacri and with other consortium banks, a project which aims to implement further evolutions in the current credit risk measurement system towards the internal rating method, with the resulting improvement in various processes linked to granting and managing credit and, as a result, the quality of the relative loan portfolio.

As things currently stand, the above-mentioned project has seen the adoption, for management purposes, of the AIRB rating on the Corporate segment (identified on the basis of a size and exposure indicator) starting from August. The AIRB rating also involves a Rating Attribution process which aims to integrate qualitative information which, by its nature, cannot be autonomously drawn from the model.

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 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 C.R.S. procedure.

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 18 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, which consists of an abbreviated review (12 months) based on the Customer score provided by the C.R.S., 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, 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 scoring system provided by the Cedacri C.R.S. procedure;
- 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. Expected loss measurement methods

With reference to performing loans, the Group performs an overall assessment on the basis of information and historical series of data known to be true and complete. 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.

The new 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 policies

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 loans

3.1 Management strategies and policies

The "Group Policies on the classification and valuation of loans 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 to customers;
- define specific control activities relating to loan classification and valuation.

Considering the specific characteristics of its business model and the different types of loans and products offered, the subsidiary Pitagora S.p.A. incorporates their general guidelines within its own specific Policy approved by its Board of Directors in compliance with the provisions of the Group Regulation.

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 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;

  - o the request for negotiations from the banking sector regarding renegotiations or moratoria;
  - o the presence of overdue amounts or past-due debts of significant amounts;
  - o 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 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:
  - o 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;
  - o 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;
  - o 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 Bad Loan and Dispute Management Office, 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:

- o following the elimination of the entire exposure or the repayment of the past-due debt;
- o with the restoration, also on the basis of updated credit ratings, of the conditions necessary to re-activate the relationship;
- o thanks to the regularisation of the risk position.

As noted previously, 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 to ordinary customers".

The proposals for provisions for losses are submitted by the Managers of the competent Organisational Units, authorised by the Chief Executive Officer and subject to the assessment of the 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 Purchased or originated credit 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. Financial assets subject to commercial renegotiations 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 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 Exposure	31/12/2018				31/12/2017			
	Amount	No. Posit.	% of tot. No.	% of tot. Amt	Amount	No. Posit.	% of tot. No.	% of tot. Amt
up to € 10 thousand	5,373	1,337	26.53%	1.10%	5,336	1,211	19.10%	0.51%
from € 10 to € 50 thousand	54,464	2,066	40.99%	11.15%	58,962	2,204	34.77%	5.67%
from € 50 to € 250 thousand	132,805	1,327	26.33%	27.19%	172,235	967	15.25%	16.55%
from € 250 to € 500 thousand	66,611	191	3.79%	13.64%	292,744	167	2.63%	28.14%
from € 500 to € 2,500 thousand	85,208	91	1.81%	17.44%	238,121	1,569	24.75%	22.89%
more than € 2,500 thousand	144,043	28	0.56%	29.49%	273,014	221	3.49%	26.24%
Total	**488,504**	**5,040**	**100.00%**	**100.00%**	**1,040,412**	**6,339**	**100.00%**	**100.00%**

BAD LOANS - BREAKDOWN BY AGEING Exposure	31/12/2018				31/12/2017			
	Amount	No. posit.	% of tot. No.	% of tot. Amt	Amount	No. posit.	% of tot. No.	% of tot. Amt
arising in 2018	63,190	864	17.14%	12.94%	0	0	0.00%	0.00%
arising in 2017	24,164	275	5.46%	4.95%	82,988	438	6.91%	7.98%
arising in 2016	115,150	463	9.19%	23.57%	203,445	690	10.88%	19.55%
arising in 2015	50,445	566	11.23%	10.33%	133,006	885	13.96%	12.78%
arising in 2014	53,925	515	10.22%	11.04%	180,316	923	14.56%	17.33%
arising in 2013	49,118	378	7.50%	10.05%	135,078	787	12.42%	12.98%
arising in 2012	25,325	351	6.96%	5.18%	73,208	661	10.43%	7.04%
arising in 2011	17,172	304	6.03%	3.52%	46,223	401	6.33%	4.44%
arising in 2010	16,618	327	6.49%	3.40%	45,584	400	6.31%	4.38%
arising in 2009	15,997	301	5.97%	3.27%	44,309	396	6.25%	4.26%
arising until the end of 2008	57,400	696	13.81%	11.75%	96,255	758	11.96%	9.25%
Total	**488,504**	**5,040**	**100.00%**	**100.00%**	**1,040,412**	**6,339**	**100.00%**	**100.00%**

The tables above do not include interest on arrears considered entirely non-recoverable for € 72,155 thousand.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, VALUE ADJUSTMENTS, CHANGES AND BREAKDOWN BY BUSINESS SECTOR

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	54,072	0	0	40,550	33,787	74,718	12,043	5,309	476,657
2. Financial assets measured at fair value through other comprehensive income	0	0	0	0	8,857	0	1,422	990	6,087
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	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs
Opening balance	**23,468**	**350**	**0**	**24,747**	**54,469**	**0**	**0**	**54,468**
Increases from purchased or originated credit impaired financial assets	0	0	0	0	0	0	0	0
Derecognitions other than write-offs	0	0	0	0	0	0	0	0
Net losses/recoveries for credit risk	6,076	2,414	0	8,712	-11,981	132	0	-11,849
Contractual changes without derecognition	0	0	0	0	0	0	0	0
Changes in estimation method	0	0	0	0	0	0	0	0
Write-offs	0	0	0	0	0	0	0	0
Other changes	-29	-156	0	0	-7	0	0	-7
Closing balance	**29,515**	**2,608**	**0**	**33,459**	**42,481**	**132**	**0**	**42,612**
Recoveries from collections of financial assets subject to write-off	0	0	0	0	0	0	0	0
Write-offs directly recorded in the income statement	0	0	0	0	0	0	0	0

(Continued)

Type/risk stages	Overall value adjustments					Total provisions for commitments to disburse funds and financial guarantees given			Total
	Assets included in stage 3				Of which: purchased or originated credit impaired financial assets				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive	of which: individual write-downs	of which: collective write-downs		Stage 1	Stage 2	Stage 3	
Opening balance	**883,405**	8,949	882,531	497	0	1,395	2,204	2,669	**976,940**
Increases from purchased or originated credit impaired financial assets	2710	0	2,710	0	2,499	0	0	0	**2,710**
Derecognitions other than write-offs	-227	-3,404	0	0	0	0	0	0	**-3,631**
Net losses/recoveries for credit risk	114,676	1,449	114,436	247	27	-339	-420	391	**112,367**
Contractual changes without derecognition	0	0	0	0	0	0	0	0	**0**
Changes in estimation method	0	0	0	0	0	0	0	0	**0**
Write-offs	-522598	0	-522,598	0	0	0	0	0	**-522,598**
Other changes	-878	0	-881	0	0	0	0	0	**-1070**
Closing balance	**477,088**	**6,994**	**476,198**	**744**	**2,526**	**1,056**	**1,784**	**3,060**	**564,718**
Recoveries from collections of financial assets subject to write-off	0	0	0	0	0	0	0	0	**0**
Write-offs directly recorded in the income statement	0	0	0	0	0	0	0	0	**0**

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	472,094	284,850	166,710	8,491	116,029	1,580
2. Financial assets measured at fair value through other comprehensive income	9,196	119	103	42	9,101	64
3. Commitments to disburse funds and financial guarantees given	13,847	1,749	468	2,248	4,641	560
Total 2018	**495,137**	**286,718**	**167,281**	**10,781**	**129,771**	**2,204**

The tables above were introduced by the 5th update of Bank of Italy Circular 262 and therefore this is the first time that they are populated; the comparison period, when required, is not populated as, when the previous accounting standard was in force, there was no breakdown into stages (IFRS 9 staging allocation).

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	0	X	0	0	0
- of which: forborne exposures	0	X	0	0	0
b) Unlikely to pay	0	X	0	0	0
- of which: forborne exposures	0	X	0	0	0
c) Non-performing past due exposures	0	X	0	0	0
- of which: forborne exposures	0	X	0	0	0
d) Performing past due exposures	X	0	0	0	0
- of which: forborne exposures	X	0	0	0	0
e) Other performing exposures	X	153,819	0	153,819	0
- of which: forborne exposures	X	0	0	0	0
Total (A)	**0**	**153,819**	**0**	**153,819**	**0**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	0	X	0	0	0
b) Performing	X	35,352	0	35,352	0
Total (B)	**0**	**35,352**	**0**	**35,352**	**0**
Total (A+B)	**0**	**189,171**	**0**	**189,171**	**0**

** Value to be presented for disclosure purposes*

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	488,508	X	334,456	154,052	260
- of which: forborne exposures	13,743	X	7,179	6,564	0
b) Unlikely to pay	406,331	X	134,679	271,652	0
- of which: forborne exposures	126,392	X	37,421	88,971	0
c) Non-performing past due exposures	91,751	X	14,947	76,804	0
- of which: forborne exposures	23,278	X	3,724	19,554	0
d) Performing past due exposures	X	221,231	9,298	211,933	0
- of which: forborne exposures	X	20,624	1,151	19,473	0
e) Other performing exposures	X	9,654,705	65,438	9,589,267	0
- of which: forborne exposures	X	155,002	7,696	147,306	0
Total (A)	**986,590**	**9,875,936**	**558,818**	**10,303,708**	**260**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	47,815	X	3,060	44,755	0
b) Performing	X	2,002,518	2,893	1,999,625	0
Total (B)	**47,815**	**2,002,518**	**5,953**	**2,044,380**	**0**
Total (A+B)	**1,034,405**	**11,878,454**	**564,771**	**12,348,088**	**260**

** Value to be presented for disclosure purposes*

The table includes loans already written down in previous years for € 5,223 thousand.

A.1.6 Balance sheet credit exposures to banks: changes in gross non-performing loans

There are no items of this type.

A.1.6 bis Balance sheet credit exposures to banks: changes in gross forborne exposures by credit quality

There are no items of this type.

1.1 CREDIT RISK

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	**1,040,421**	**274,348**	**107,128**
- of which: transferred but not derecognised	44,732	5,725	16,719
B. Increases	**173,215**	**394,135**	**120,008**
B.1 transfers from performing loans	15,493	238,260	109,639
B.2 transfers from purchased or originated credit impaired financial assets	36	3,809	2,199
B.3 transfers from other categories of non-performing exposures	151,986	72,747	848
B.4 contractual changes without derecognition	0	411	0
B.5 other increases	5,700	78,908	7,322
C. Decreases	**725,128**	**262,152**	**135,385**
C.1 transfers to performing loans	20,340	15,100	48,056
C.2 write-offs	522,598	0	0
C.3 collections	181,499	97,767	10,363
C.4 amount realised upon disposal of positions	0	0	8
C.5 losses on disposal	0	0	167
C.6 transfers to other categories of non-performing exposures	375	149,057	76,525
C.7 contractual changes without derecognition	191	36	0
C.8 other decreases	125	192	266
D. Gross exposure, closing balance	**488,508**	**406,331**	**91,751**
- of which: transferred but not derecognised	(36,093)	(13,279)	(14,857)

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	**118,659**	**185,220**
- of which: transferred but not derecognised	3,343	29,829
B. Increases	**130,937**	**134,783**
B.1 transfers from performing loans not forborne	10,218	107,300
B.2 transfers from performing loans forborne	66,032	X
B.3 transfers from non-performing loans forborne	X	15,120
B.4 other increases	54,687	12,363
C. Decreases	**86,183**	**144,377**
C.1 transfers to performing loans not forborne	X	16,682
C.2 transfers to performing loans forborne	15,120	X
C.3 transfers to non-performing loans forborne	X	89,399
C.4 write-offs	7,004	X
C.5 collections	64,059	15,763
C.6 amount realised upon disposal of positions	0	0
C.7 losses on disposal	0	0
C.8 other decreases	0	22,533
D. Gross exposure, closing balance	**163,413**	**175,626**
- of which: transferred but not derecognised	9,660	32,973

A.1.8 Balance sheet non-performing credit exposures to banks: changes in overall value adjustments

There are no items of this type.

A.1.9 PRUDENTIAL CONSOLIDATION - BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN OVERALL VALUE ADJUSTMENTS Source/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of overall adjustments	**733,563**	**12,375**	**132,806**	**28,880**	**25,985**	**5,557**
- of which: transferred but not derecognised	15,927	73	928	41	1,755	269
B. Increases	**146,592**	**2,524**	**82,478**	**16,352**	**6,977**	**1,375**
B.1 value adjustments purchased or originated credit impaired assets	39	X	390	X	96	X
B.2 other value adjustments	46,583	508	64,639	15,606	4,848	1,295
B.3 losses on disposal	31,025	0	9,354	0	1,476	0
B.4 transfers from other categories of non-performing exposures	68,885	2,012	7,985	536	209	12
B.5 contractual changes without derecognition	0	X	0	X	0	X
B.6 other increases	60	4	110	210	348	68
C. Decreases	**545,699**	**7,720**	**80,605**	**7,811**	**18,015**	**3,208**
C.1 write-backs from valuation	13,236	533	10,633	2,462	3,245	1,071
C.2 write-backs from collection	7,440	183	4,350	4,466	1,881	459
C.3 gains on disposal	1,958	0	0	0	112	0
C.4 write-offs	522,598	7,004	0	0	0	0
C.5 transfers to other categories of non-performing exposures	388	0	63,512	883	12,667	1,678
C.6 contractual changes without derecognition	0	X	0	X	0	X
C.7 other decreases	79	0	2,110	0	110	0
D. Closing 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

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	**253,491**	**888**	**2,118,123**	**0**	**47,069**	**0**	**7,777,294**	**10,196,865**
- Stage 1	253,491	888	2,118,123	0	47,069	0	5,879,387	8,298,957
- Stage 2	0	0	0	0	0	0	926,810	926,810
- Stage 3	0	0	0	0	0	0	971,097	971,097
B. Financial assets measured at fair value through other comprehensive income	**0**	**0**	**322,666**	**0**	**94,858**	**0**	**396,487**	**814,011**
- Stage 1	0	0	322,666	0	94,858	0	371,942	789,466
- Stage 2	0	0	0	0	0	0	9,053	9,053
- Stage 3	0	0	0	0	0	0	15,492	15,492
Total (A+B)	**253,491**	**888**	**2,440,789**	**0**	**141,927**	**0**	**8,173,781**	**11,010,876**
of which: purchased or originated credit impaired financial assets	0	0	0	0	0	0	19,322	19,322
C. Commitments to disburse funds and financial guarantees given	**0**	**0**	**0**	**0**	**0**	**0**	**1,693,562**	**1,693,562**
- Stage 1	0	0	0	0	0	0	1,595,227	1,595,227
- Stage 2	0	0	0	0	0	0	50,520	50,520
- Stage 3	0	0	0	0	0	0	47,815	47,815
Total (C)	**0**	**0**	**0**	**0**	**0**	**0**	**1,693,562**	**1,693,562**
Total (A+B+C)	**253,491**	**888**	**2,440,789**	**0**	**141,927**	**0**	**9,867,343**	**12,704,438**

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	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6	Rating 7	Rating 8
A. Financial assets measured at amortised cost	**149,183**	**565,034**	**808,703**	**1,543,222**	**1,038,000**	**848,179**	**381,284**	**297,889**
- Stage 1	149,164	561,352	792,876	1,497,479	940,824	681,222	167,806	88,302
- Stage 2	19	3,682	15,827	45,743	97,176	166,957	213,478	209,587
- Stage 3	0	0	0	0	0	0	0	0
B. Financial assets measured at fair value through other comprehensive income	**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)	**149,183**	**565,034**	**808,703**	**1,543,222**	**1,038,000**	**848,179**	**381,284**	**297,889**
of which: purchased or originated credit impaired financial assets	0	0	35	785	430	259	133	164
C. Commitments to disburse funds and financial guarantees given	**216,637**	**338,108**	**345,337**	**411,459**	**162,172**	**59,980**	**26,596**	**9,715**
- Stage 1	216,621	335,261	341,973	406,860	154,862	53,681	19,504	3,618
- Stage 2	16	2,847	3,364	4,599	7,310	6,299	7,092	6,097
- Stage 3	0	0	0	0	0	0	0	0
Total (C)	**216,637**	**338,108**	**345,337**	**411,459**	**162,172**	**59,980**	**26,596**	**9,715**
Total (A+B+C)	**365,820**	**903,142**	**1,154,040**	**1,954,681**	**1,200,172**	**908,159**	**407,880**	**307,604**

(Continued)

1.1 CREDIT RISK

Exposures	Internal rating classes			No rating	Total
	Rating 9	Rating 10	Rating 11		
A. Financial assets measured at amortised cost	**111,642**	**64,070**	**965,094**	**3,424,564**	**10,196,864**
- Stage 1	14,618	3,583	0	3,401,731	8,298,957
- Stage 2	97,024	60,487	0	16,830	926,810
- Stage 3	0	0	965,094	6,003	971,097
B. Financial assets measured at fair value through other comprehensive income	**0**	**0**	**0**	**814,011**	**814,011**
- Stage 1	0	0	0	789,466	789,466
- Stage 2	0	0	0	9,053	9,053
- Stage 3	0	0	0	15,492	15,492
Total (A+B)	**111,642**	**64,070**	**965,094**	**4,238,575**	**11,010,875**
of which: purchased or originated credit impaired financial assets	62	3,929	13,525	0	19,322
C. Commitments to disburse funds and financial guarantees given	**7,786**	**2,419**	**44,532**	**68,821**	1,693,562
- Stage 1	892	705	0	61,250	1,595,227
- Stage 2	6,894	1,714	0	4,288	50,520
- Stage 3	0	0	44,532	3,283	47,815
Total (C)	**7,786**	**2,419**	**44,532**	**68,821**	**1,693,562**
Total (A+B+C)	**119,428**	**66,489**	**1,009,626**	**4,307,396**	**12,704,437**

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:	79,842	79,841	0	0	66,610	0	0	0
1.1 totally secured	79,842	79,841	0	0	66,610	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

(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	**66,610**
1.1 totally secured	0	0	0	0	0	0	0	**66,610**
- 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:	6,733,243	6,273,575	3,869,756	0	116,916	70,723	0	0
1.1 totally secured	5,899,940	5,530,759	3,810,752	0	84,594	60,781	0	0
- of which non-performing	707,293	396,314	321,060	0	1,019	2,389	0	0
1.2 partially secured	833,303	742,816	59,004	0	32,322	9,942	0	0
- of which non-performing	137,534	54,168	17,827	0	773	120	0	0
2. Secured off-balance sheet credit exposures:	610,500	606,761	5,784	0	14,909	14,673	0	0
2.1 totally secured	501,078	497,723	5,452	0	7,736	12,445	0	0
- of which non-performing	17,403	15,741	150	0	29	351	0	0
2.2 partially secured	109,422	109,038	332	0	7,173	2,228	0	0
- of which non-performing	1,543	1,465	0	0	86	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	369,956	30,506	134,355	1,108,783	**5,700,995**
1.1 totally secured	0	0	0	154,862	16,244	134,249	786,888	**5,048,370**
- of which non-performing	0	0	0	9,040	2,122	0	51,846	**387,476**
1.2 partially secured	0	0	0	215,094	14,262	106	321,895	**652,625**
- of which non-performing	0	0	0	3,837	2,953	0	17,845	**43,355**
2. Secured off-balance sheet credit exposures:	0	0	0	1,981	6,388	37,681	490,912	**572,328**
2.1 totally secured	0	0	0	1,128	2,106	37,681	431,566	**498,114**
- of which non-performing	0	0	0	0	30	2,808	12,372	**15,740**
2.2 partially secured	0	0	0	853	4,282	0	59,346	**74,214**
- of which non-performing	0	0	0	0	23	0	835	**944**

A.4 Financial and non-financial assets obtained through enforcement of guarantees received

There are no items of this type.

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	0	0	10	50	0	0
- of which: forborne exposures	0	0	0	0	0	0
A.2 Unlikely to pay	0	0	1,670	1,350	0	0
- of which: forborne exposures	0	0	1,171	342	0	0
A.3 Non-performing past due exposures	0	0	332	178	0	0
- of which: forborne exposures	0	0	0	0	0	0
A.4 Performing exposures	3,028,381	7,317	231,208	517	207	0
- of which: forborne exposures	0	0	188	1	0	0
Total (A)	**3,028,381**	**7,317**	**233,220**	**2,095**	**207**	**0**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	0	0	251	0	0	0
B.2 Performing exposures	294,318	0	44,278	124	0	0
Total (B)	**294,318**	**0**	**44,529**	**124**	**0**	**0**
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	78,291	219,870	75,751	114,536
- of which: forborne exposures	4,161	4,983	2,403	2,196
A.2 Unlikely to pay	221,395	109,352	48,587	23,977
- of which: forborne exposures	69,157	28,700	18,643	8,379
A.3 Non-performing past due exposures	23,553	3,642	52,919	11,127
- of which: forborne exposures	6,973	1,262	12,581	2,462
A.4 Performing exposures	2,715,258	35,828	3,826,146	31,074
- of which: forborne exposures	98,210	5,673	68,381	3,173
Total (A)	**3,038,497**	**368,692**	**4,003,403**	**180,714**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	40,496	2,494	4,008	566
B.2 Performing exposures	1,412,887	2,242	248,142	527
Total (B)	**1,453,383**	**4,736**	**252,150**	**1,093**
Total (A+B) 2018	**4,491,880**	**373,428**	**4,255,553**	**181,807**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

BANKING GROUP: BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURES TO CUSTOMERS BY BUSINESS SEGMENT (BOOK VALUES)	Governments			Other public entities			Financial companies		
Exposures/Counterparties	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Balance sheet exposures									
A.1 Bad loans	0	0	X	0	0	X	5,538	15,281	X
- of which: forborne exposures	0	0	X	0	0	X	0	0	X
A.2 Unlikely to pay	0	0	X	0	0	X	507	312	X
- of which: forborne exposures	0	0	X	0	0	X	0	0	X
A.3 Non-performing past due exposures	2	0	X	0	0	X	901	106	X
- of which: forborne exposures	0	0	X	0	0	X	0	0	X
A.4 Performing exposures	1,401,650	X	0	47,612	X	191	48,390	X	170
- of which: forborne exposures	0	X	0	0	X	0	1,681	X	44
Total (A)	**1,401,652**	**0**	**0**	**47,612**	**0**	**191**	**55,336**	**15,699**	**170**
B. Off-balance sheet exposures									
B.1 Bad loans	0	0	X	0	0	X	0	0	X
B.2 Unlikely to pay	0	0	X	0	0	X	0	0	X
B.3 Other non-performing assets	0	0	X	0	0	X	0	0	X
B.4 Performing exposures	325	X	0	575	X	5	6,188	X	10
Total (B)	**325**	**0**	**0**	**575**	**0**	**5**	**6,188**	**0**	**10**
Total (A+B) 2017	**1,401,977**	**0**	**0**	**48,187**	**0**	**196**	**61,524**	**15,699**	**180**

(Continued)

Exposures/Counterparties	Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Balance sheet exposures									
A.1 Bad loans	0	0	X	350,328	481,649	X	97,627	231,392	X
- of which: forborne exposures	0	0	X	8,964	8,006	X	3,274	1,667	X
A.2 Unlikely to pay	0	0	X	166,533	52,828	X	41,166	12,993	X
- of which: forborne exposures	0	0	X	51,978	10,970	X	8,800	2,762	X
A.3 Non-performing past due exposures	0	0	X	54,976	6,450	X	40,304	4,356	X
- of which: forborne exposures	0	0	X	0	1,579	X	6,445	760	X
A.4 Performing exposures	3,192	X	2	3,260,711	X	31,880	3,052,135	X	11,858
- of which: forborne exposures	0	X	0	124,942	X	2,718	55,014	X	821
Total (A)	**3,192**	**0**	**2**	**3,832,548**	**540,927**	**31,880**	**3,231,232**	**248,741**	**11,858**
B. Off-balance sheet exposures									
B.1 Bad loans	0	0	X	1,787	20	X	513	245	X
B.2 Unlikely to pay	0	0	X	15,899	820	X	4,036	428	X
B.3 Other non-performing assets	0	0	X	7,599	0	X	2,782	29	X
B.4 Performing exposures	0	X	0	278,052	X	906	311,816	X	73
Total (B)	**0**	**0**	**0**	**303,337**	**840**	**906**	**319,147**	**702**	**73**
Total (A+B) 2017	**3,192**	**0**	**2**	**4,135,885**	**541,767**	**32,786**	**3,550,379**	**249,443**	**11,931**

B.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURES TO CUSTOMERS 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	153,962	334,370	87	81	3	5	0	0	0	0
A.2 Unlikely to pay	263,421	132,282	8,230	2,397	0	0	0	0	1	0
A.3 Non-performing past due exposures	76,172	14,859	632	88	0	0	0	0	0	0
A.4 Performing exposures	9,608,869	73,794	191,337	935	122	0	361	5	511	2
Total (A)	**10,102,424**	**555,305**	**200,286**	**3,501**	**125**	**5**	**361**	**5**	**512**	**2**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	44,425	3,060	330	0	0	0	0	0	0	0
B.2 Performing exposures	1,997,999	2,893	556	0	1,010	0	54	0	6	0
Total (B)	**2,042,424**	**5,953**	**886**	**0**	**1,010**	**0**	**54**	**0**	**6**	**0**
Total (A+B) 2018	**12,144,848**	**561,258**	**201,172**	**3,501**	**1,135**	**5**	**415**	**5**	**518**	**2**
Total (A+B) 2017 (book value)	**9,186,038**	**850,097**	**13,978**	**1,875**	**184**	**0**	**431**	**3**	**513**	**28**

B.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURES TO CUSTOMERS BY GEOGRAPHIC AREA 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	148,697	319,893	1,261	1,962	2,403	9,141	1,601	3,374
A.2 Unlikely to pay	236,510	115,628	2,331	1,344	21,315	13,280	3,265	2,030
A.3 Non-performing past due exposures	72,506	14,259	1,158	148	813	151	1,695	301
A.4 Performing exposures	6,114,465	64,775	159,958	999	3,163,272	6,930	171,174	1,090
Total (A)	**6,572,178**	**514,555**	**164,708**	**4,453**	**3,187,803**	**29,502**	**177,735**	**6,795**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	35,017	2,668	614	87	7,844	141	950	164
B.2 Performing exposures	1,918,101	2,814	37,862	18	31,137	44	10,899	17
Total (B)	**1,953,118**	**5,482**	**38,476**	**105**	**38,981**	**185**	**11,849**	**181**
Total (A+B) 2018	**8,525,296**	**520,037**	**203,184**	**4,558**	**3,226,784**	**29,687**	**189,584**	**6,976**
Total (A+B) 2017 (book value)	**7,305,162**	**792,988**	**137,764**	**4,396**	**1,587,423**	**15,806**	**155,502**	**6,048**

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	0	0	0	0	0	0	0	0	0	0
A.2 Unlikely to pay	0	0	0	0	0	0	0	0	0	0
A.3 Non-performing past due exposures	0	0	0	0	0	0	0	0	0	0
A.4 Performing exposures	91,900	0	54,975	0	3,294	0	506	0	3,144	0
Total (A)	**91,900**	**0**	**54,975**	**0**	**3,294**	**0**	**506**	**0**	**3,144**	**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	31,152	0	4,200	0	0	0	0	0	0	0
Total (B)	**31,152**	**0**	**4,200**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total (A+B) 2018	**123,052**	**0**	**59,175**	**0**	**3,294**	**0**	**506**	**0**	**3,144**	**0**
Total (A+B) 2017 (book value)	**395,585**	**0**	**69,001**	**0**	**293**	**0**	**104**	**0**	**63**	**0**

B.3 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHIC AREA	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	0	0	0	0	0	0	0	0
A.2 Unlikely to pay	0	0	0	0	0	0	0	0
A.3 Non-performing past due exposures	0	0	0	0	0	0	0	0
A.4 Performing exposures	47,591	0	0	0	44,309	0	0	0
Total (A)	**47,591**	**0**	**0**	**0**	**44,309**	**0**	**0**	**0**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	0	0	0	0	0	0	0	0
B.2 Performing exposures	30,836	0	4	0	312	0	0	0
Total (B)	**30,836**	**0**	**4**	**0**	**312**	**0**	**0**	**0**
Total (A+B) 2018	**78,429**	**0**	**4**	**0**	**44,621**	**0**	**0**	**0**
Total (A+B) 2017 (book value)	**75,435**	**0**	**222**	**0**	**129,633**	**0**	**278**	**0**

B.4 LARGE EXPOSURES	2018 - Cassa di Risparmio di Asti S.p.A. Group Consolidation
Number of positions	7
Amount (nominal value)	4,673,071
Amount (weighted value)	545,635

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 its subsidiary Biverbanca S.p.A., Cassa di Risparmio di Asti S.p.A. also performed two multi-originator securitisation transactions: the first in 2015 (first multi-originator 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 (second multi-originator 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 company Pitagora Finanziamenti Contro Cessione del Quinto S.p.A. has carried out six 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.
With the exception of the Madeleine and Lake 2 transactions, as the results/benefits of the securitisation transactions were not fully transferred to the loan transferee (SPV), the Group, in compliance with IAS 39, paragraph 29, 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.

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 4 - “Liquidity risk”.
For all securitisations, with the exception of the Maggese Project transaction, 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.

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 - Group 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. Dedicated minutes are taken at each meeting.

In the course of 2018, 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 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.
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 40b "Loans to customers").
Details on the transactions carried out by the Group are provided below.

INFORMATION RELATING TO THE SECOND SECURITISATION TRANSACTION

On 23 April 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 31/12/2018 S&P/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2018	Residual value as at 31/12/2018
Class A	AA/Aa2	6M Euribor + 0.60%	23/05/2008	27/05/2050	479,750	427,433	52,317
Class B	no rating	6M Euribor + 2.00%	23/05/2008	27/05/2050	33,350	0	33,350
Total					**513,100**	**427,433**	**85,667**

(*) 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 31/12/2018, 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 2018 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 to customers" in the amount of € 97,792 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	1,629	interest expense on notes issued	803
other revenues	35	interest expense on derivative contract	615
		servicing fee expense	90
		other interest expense	381
		other expenses	128
		losses on loans	1,864
Total	**1,664**	**Total**	**3,881**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 4,687 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 1,562 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 585 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 Cassa di Risparmio di Asti S.p.A. income statement of € 775 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 € 775 thousand in capital losses, as well as interest income of € 615 thousand.

INFORMATION RELATING TO THE THIRD SECURITISATION TRANSACTION

On 29 June 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 31/12/2018 S&P/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2018	Residual value as at 31/12/2018
Class A	AA/A2	3M Euribor + 0.60%	17/11/2010	27/05/2052	427,000	330,664	96,336
Class B	No rating	3M Euribor + 2.00% (*)	17/11/2010	27/05/2052	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 first two transactions, 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 31/12/2018, 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 31/12/2018 amount to:

- notes repurchased (accounting balance) € 46,400 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 14,824 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand;
- receivable from the SPV for excess spread accrued € 9,707 thousand.

As for the first two securitisation transactions, 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 to customers" in the amount of € 156,695 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	3,218	interest expense on notes issued	1,098
other revenues	20	interest expense on derivative contract	1,114
		servicing fee expense	154
		other interest expense	472
		other expenses	113
		losses on loans	1,750
Total	**3,238**	**Total**	**4,701**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 6,080 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 1,553 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 792 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 Cassa di Risparmio di Asti S.p.A. income statement of € 2,511 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 € 2,511 thousand in capital losses, as well as interest income of € 1,114 thousand.

INFORMATION RELATING TO THE FIFTH SECURITISATION TRANSACTION

On 13 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.
The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools. 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 31/12/2018 S&P/Fitch	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2018	Residual value as at 31/12/2018
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**

(*) 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 31/12/2018, it amounts to € 26,632 thousand.

As at 31/12/2018, 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 2018 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 € 26,632 thousand.

The securitised loan assets were recognised in these financial statements under the item “Loans to customers” in the amount of € 276,982 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	5,724	interest expense on notes issued	2,675
		servicing fee expense	283
		other interest expense	153
		other expenses	146
		losses on loans	532
Total	**5,724**	**Total**	**3,789**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 6,585 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 672 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 1,047 thousand, was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE FIRST MULTI-ORIGINATOR SECURITISATION TRANSACTION

On 29 June 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 31/12/2018 Fitch/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2018	Residual value as at 31/12/2018
Class A	AA/Aa2	3M Euribor + 0.90%(*)	12/08/2015	31/12/2074	456,600	280,094	176,506
Class B	No rating	3M Euribor + 1.00%	12/08/2015	31/12/2074	96,800	0	96,800
Total					**553,400**	**280,094**	**273,306**

(*) 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.

In this transaction, 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 31/12/2018, it amounts to € 20,423 thousand for Cassa di Risparmio di Asti S.p.A. and € 12,543 thousand for Biverbanca S.p.A.
As at 31/12/2018, 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 to customers” in the amount of € 311,939 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	9,249	interest expense on notes issued	2,058
		servicing fee expense	333
		other expenses	245
		loan losses	14
Total	**9,249**	**Total**	**2,650**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 2,435 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 984 thousand for Biverbanca S.p.A.
The receivables for interest on arrears on bad loans amount to € 79 thousand for Cassa di Risparmio S.p.A. and € 26 thousand for Biverbanca S.p.A., and were written off in full.
Interest income on repurchased notes, amounting to € 342 thousand for Cassa di Risparmio di Asti S.p.A. and € 320 thousand for Biverbanca S.p.A., 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. 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 2018 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.	553,496	391,719	161,776	161,135
Biverbanca S.p.A.	141,050	105,234	35,816	35,549
Total	**694,546**	**496,953**	**197,592**	**196,684**

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 31/12/2018 DBRS/Moody's/Scope	Return	Payment date	Notes subscribed by C.R.Asti	Notes subscribed by Biverbanca	Total
Class A senior notes	BBB(low) (sf)/Baa3 (sf)/ BBB (sf)	6M Euribor + 0.5%	25 July 25 January	139,738	31,071	170,809
Class B mezzanine notes	-	6M Euribor + 6%	25 July 25 January	19,962	4,439	24,401
Class J junior notes	-	Variable	-	9,342	2,078	11,420
Total				**169,042**	**37,588**	**206,630**

At the issue date, the notes were subscribed in full by the two banks, pending the sale in the market of the mezzanine and junior tranches and the provision by the Ministry of Economy and Finance (MEF) of the "GACS" guarantee in favour of the senior note subscribers.

On 10 September 2018, 95% of the mezzanine and junior notes were sold, in order to enable Cassa di Risparmio di Asti and Biverbanca to derecognise the loans and obtain the GACS on the senior class, with payment guarantee by the State for interest and principal.

By decree of 5 September 2018, the MEF granted the "GACS" state guarantee in favour of senior noteholders; as a result, in these financial statements Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. have recognised the above-mentioned note, backed in its entirety by the Italian State guarantee, in asset item 40b "Loans to customers" with a book value as at 31 December 2018 of € 139,738 thousand for Cassa di Risparmio di Asti S.p.A. and € 31,071 thousand for Biverbanca S.p.A.

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 Group Banks (asset item 40b "Loans 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 for Cassa di Risparmio di Asti S.p.A. of € 25,313 thousand and for Biverbanca S.p.A. of € 5,712 thousand, accounted for in Income Statement item 100 a) "Gains (losses) on disposal or repurchase of financial assets measured at amortised cost".

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%.
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 2018.

The details of the senior tranche are provided below:

Note	Listing Market	Rate/Spread	Rating as at 31/12/2018 DBRS/Moody's/Scope	Final repayment date	Nominal value issued	Residual value at year end	Subscriber
Senior	Unlisted	6M Euribor + 0.5%	DBRS BBB(low) (sf), Moody's Baa3 (sf), Scope BBB (sf)	July 2037	139,738	139,738	Cassa di Risparmio di Asti S.p.A.
Senior	Unlisted	6M Euribor + 0.5%	DBRS BBB(low) (sf), Moody's Baa3 (sf), Scope BBB (sf)	July 2037	31,071	31,071	Biverbanca S.p.A.
Total					**170,809**	**170,809**	

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 € 145,354 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.

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).

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-.
As at 31 December, the senior notes were repaid in full, simultaneously paying off the REPO loan.
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.

C.1 Prudential consolidation - exposures arising from major own securitisation transactions broken down by type of securitised assets and exposures

Type of securitised assets/Exposures	Balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/recoveries	Book value	Adjustments/recoveries	Book value	Adjustments/recoveries
A. Fully derecognised	**197,592**	**428,919**	**12,054**	**0**	**14,886**	**0**
- GACS securitisation	197,592	428,919	0	0	0	0
- salary and pension assignment loans	0	0	12,054	0	14,886	0
B. Partially derecognised	**0**	**0**	**0**	**0**	**0**	**0**
C. Not derecognised	**881,264**	**20,772**	**5,783**	**0**	**6,525**	**0**
- performing mortgage loans	781,192	5,401	0	0	0	0
- non-performing mortgage loans	39,354	15,371	0	0	0	0
- salary and pension assignment loans	60,718	0	5,783	0	6,525	0

(Continued)

Financial guarantees given						Credit facilities					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	Adjustments/ recoveries	Net exposure	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	254,457	0	33,736	148,653	0	79,750
Asti RMBS S.r.l.	Rome	Yes	276,908	0	11,552	149,403	0	87,900
Asti GROUP PMI S.r.l. (*)	Rome	Yes	1,084,625	0	152,521	700,000	0	485,339
Asti GROUP RMBS	Rome	Yes	311,755	0	12,716	176,506	0	96,800
Maggese S.r.l.	Rome	No	189,620	0	24,316	170,809	24,401	11,420
Madeleine spv S.r.l.	Milan	No	26,865	0	3,778	0	14,188	17,522
Annette srl	Milan	Yes	311,642	0	17,367	266,792	0	105,070
Geordie S.r.l.	Conegliano	Yes	98,982	0	5,259	127,815	0	0
Manu SPV S.r.l.	Conegliano	Yes	73,316	0	1,835	61,923	5,897	6,655
Dyret spv S.r.l.	Milan	No	103,022	0	3,147	86,515	10,178	8,479

The item “Liabilities” includes the notes issued.
(*) Self-securitisation transaction.
(**) Group self-securitisation transaction.

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.	1,196	25,744	2,333	30,7
YES	Dyret SPV S.r.l.	480	34,662	813	6,545

(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	100.00%	0	9%	0	0
YES	*Lake securitisation* SPV	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 E.1 and E.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	**0**	**0**	**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	0	0	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	**124,877**	**0**	**124,877**	**0**	**185,384**	**0**	**140,838**
1. Debt securities	124,877	0	124,877	0	185,384	0	140,838
2. Equity securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
E. Financial assets measured at amortised cost	**950,765**	**820,546**	**130,219**	**0**	**144,300**	**0**	**144,300**
1. Debt securities	130,219	0	130,219	0	144,300	0	144,300
2. Loans	820,546	820,546	0	0	0	0	0
Total 2018	**1,075,642**	**820,546**	**255,096**	**0**	**329,684**	**0**	**285,138**

For comparison purposes, the tables drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) are provided below.

BANKING GROUP - FINANCIAL ASSETS SOLD AND NOT DERECOGNISED: BOOK VALUE AND FULL VALUE Instrument type/ Portfolio	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total 2017
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Balance sheet assets	**0**	**0**	**0**	**0**	**0**	**0**	**152,875**	**0**	**0**	**1,941**	**0**	**0**	**0**	**0**	**0**	**962,205**	**0**	**0**	**1,117,021**
1. Debt securities	0	0	0	0	0	0	152,875	0	0	1,941	0	0	0	0	0	0	0	0	154,816
2. Equity securities	0	0	0	0	0	0	0	0	0	X	X	X	X	X	X	X	X	X	0
3. UCITS	0	0	0	0	0	0	0	0	0	X	X	X	X	X	X	X	X	X	0
4. Loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	962,205	0	0	962,205
B. Derivatives	**0**	**0**	**0**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**X**	**X**	**X**	**0**
Total 2017	**0**	**0**	**0**	**0**	**0**	**0**	**152,875**	**0**	**0**	**1,941**	**0**	**0**	**0**	**0**	**0**	**962,205**	**0**	**0**	**1,117,021**
of which non-performing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41,704	0	0	41,704

Key:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
C= Financial assets sold and partially recognised (full value)

BANKING GROUP - FINANCIAL LIABILITIES SOLD AND NOT DERECOGNISED: BOOK VALUE AND FULL VALUE Type/Portfolio	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Deposits from customers	**0**	**0**	**174,342**	**1,941**	**0**	**649,462**	**825,745**
a) related to fully recognised assets	0	0	174,342	1,941	0	649,462	**825,745**
b) related to partially recognised assets	0	0	0	0	0	0	**0**
2. Deposits from banks	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) related to fully recognised assets	0	0	0	0	0	0	**0**
b) related to partially recognised assets	0	0	0	0	0	0	**0**
3. Debt securities issued	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) related to fully recognised assets	0	0	0	0	0	0	**0**
b) related to partially recognised assets	0	0	0	0	0	0	**0**
Total 2017	**0**	**0**	**174,342**	**1,941**	**0**	**649,462**	**825,745**

Key
A = Financial assets sold and fully recognised
B = Financial assets sold and partially recognised

D.2 Prudential consolidation - financial assets sold and partially recognised and associated financial liabilities: book values

There are no items of this type.

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 2018
A. Financial assets held for trading	**0**	**0**	**0**
1. Debt securities	0	0	0
2. Equity securities	0	0	0
3. Loans	0	0	0
4. Derivatives	0	0	0
B. Other financial assets mandatorily measured at fair value	**0**	**0**	**0**
1. Debt securities	0	0	0
2. Equity securities	0	0	0
3. Loans	0	0	0
C. Financial assets designated at fair value	**0**	**0**	**0**
1. Debt securities	0	0	0
2. Loans	0	0	0
D. Financial assets measured at fair value through other comprehensive income	**0**	**0**	**0**
1. Debt securities	0	0	0
2. Equity securities	0	0	0
3. Loans	0	0	0
E. Financial assets measured at amortised cost (fair value)	**820,546**	**0**	**820,546**
1. Debt securities	0	0	0
2. Loans	820,546	0	820,546
Total financial assets	**820,546**	**0**	**820,546**
Total associated financial liabilities	**264,449**	**0**	**X**
Net value 2018	**556,097**	**0**	**556,097**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

SALES TRANSACTIONS RELATING TO LIABILITIES WITH REPAYMENT EXCLUSIVELY BASED ON ASSETS SOLD: FAIR VALUE Type/Portfolio	Financial assets held for trading		Financial assets measured at fair value		Financial assets available for sale		Financial assets held to maturity	
	A	B	A	B	A	B	A	B
A. Balance sheet assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Debt securities	0	0	0	0	0	0	0	0
2. Equity securities	0	0	0	0	0	0	X	X
3. UCITS	0	0	0	0	0	0	X	X
4. Loans	0	0	0	0	0	0	**0**	**0**
B. Derivatives	**0**	**0**	X	X	X	X	X	0
Total assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. Associated liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Deposits from customers	0	0	0	0	0	0	0	0
2. Deposits from banks	0	0	0	0	0	0	0	0
3. Debt securities issued	0	0	0	0	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Continued)

SALES TRANSACTIONS RELATING TO LIABILITIES WITH REPAYMENT EXCLUSIVELY BASED ON ASSETS SOLD: FAIR VALUE Type/Portfolio	Loans to banks		Loans to customers		Total
	A	B	A	B	2017
A. Balance sheet assets	**0**	**0**	**961,978**	**0**	**961,978**
1. Debt securities	0	0	0	0	0
2. Equity securities	X	X	X	X	0
3. UCITS	X	X	X	X	0
4. Loans	0	0	961,978	0	961,978
B. Derivatives	X	X	X	X	**0**
Total assets	**0**	**0**	**0**	**961,978**	**961,978**
C. Associated liabilities	**0**	**0**	**264,449**	**0**	X
1. Deposits from customers	0	0	264,449	0	X
2. Deposits from banks	0	0	0	0	X
3. Debt securities issued	0	0	0	0	X
Total liabilities	**0**	**0**	**0**	**264,449**	**264,449**
Total 2017	**0**	**0**	**0**	**697,529**	**697,529**

B. Financial assets sold and fully derecognised with recognition of "continuing involvement"

There are no items of this type.

D.4 Prudential consolidation – Covered bond transactions

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 2019 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**	**57**	**0**	**0**	**1**	**0**	**0**
1.1 Debt securities	0	0	52	0	0	1	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	52	0	0	1	0	0
1.2 Other assets	0	0	5	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	7,939	34,076	4,854	0
+ Short positions	0	0	0	0	8,516	33,827	4,525	0
- Other derivatives								
+ Long positions	0	366,594	280,181	2,494	1,128	0	0	0
+ Short positions	0	11,721	2,499	0	0	480,000	150,000	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	58	0	0	0	0	0	0
+ Short positions	0	6,291	0	0	0	0	0	0

2. Regulatory trading book: breakdown of exposures in equity instruments and stock indices by major listing market country

There are no items of this type.

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.

QUANTITATIVE INFORMATION

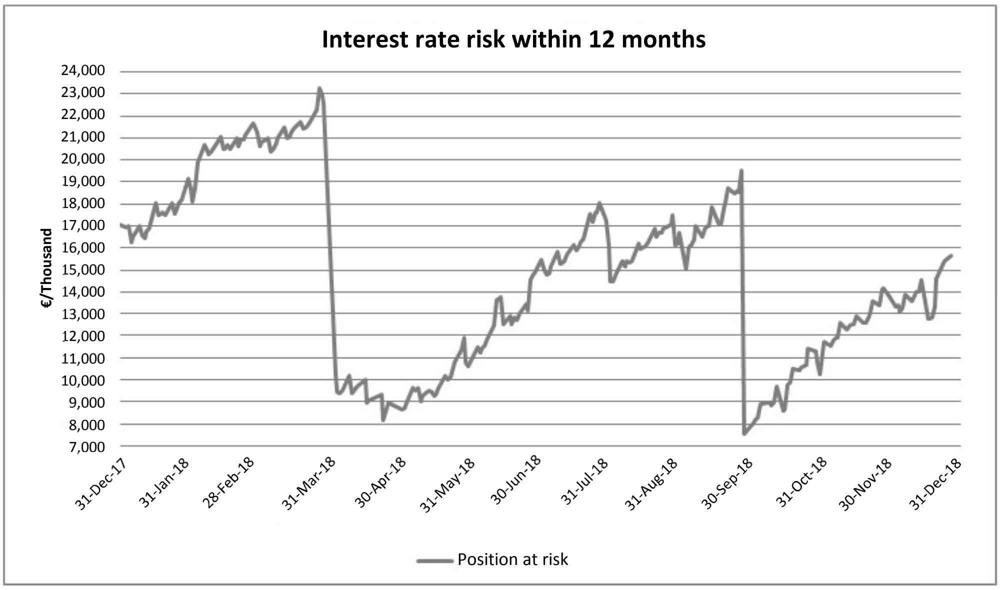
1. BANKING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES : EURO Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**3,098,636**	**1,674,391**	**1,583,783**	**132,712**	**1,050,938**	**1,770,973**	**1,083,245**	**0**
1.1 Debt securities	0	497,118	626,001	635	241,360	1,124,425	630,605	0
- with early repayment option	0	0	152	635	1,905	1,338	0	0
- other	0	497,118	625,849	0	239,455	1,123,087	630,605	0
1.2 Loans to banks	85,479	48,122	0	0	0	0	0	0
1.3 Loans to customers	3,013,157	1,129,151	957,782	132,077	809,578	646,548	452,640	0
- c/a	634,141	0	0	3	3,576	26,280	0	0
- other loans	2,379,016	1,129,151	957,782	132,074	806,002	620,268	452,640	0
- with early repayment option	2,104,417	930,512	915,521	96,910	612,992	525,628	444,968	0
- other	274,599	198,639	42,261	35,164	193,010	94,640	7,672	0
2. Balance sheet liabilities	**5,795,343**	**881,799**	**741,337**	**258,646**	**2,303,682**	**567,222**	**22,243**	**0**
2.1 Deposits from customers	5,453,636	179,148	666,106	24,070	466,333	29,562	0	0
- c/a	5,331,084	16,321	22,518	21,320	440,547	0	0	0
- other liabilities	122,552	162,827	643,588	2,750	25,786	29,562	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	122,552	162,827	643,588	2,750	25,786	29,562	0	0
2.2 Deposits from banks	79,953	0	0	0	1,450,113	0	0	0
- c/a	30,510	0	0	0	0	0	0	0
- other liabilities	49,443	0	0	0	1,450,113	0	0	0
2.3 Debt securities	261,754	702,651	75,231	234,576	387,236	537,660	22,243	0
- with early repayment option	0	0	42,914	0	0	141,701	0	0
- other	261,754	702,651	32,317	234,576	387,236	395,959	22,243	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	**28**	**1,935,232**	**539,041**	**79,002**	**170,101**	**828,855**	**276,456**	**0**
3.1 With underlying security	28	551	322	50	8	0	0	0
- Options	0	0	0	0	0	0	0	0
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other	28	551	322	50	8	0	0	0
+ Long positions	28	94	300	50	8	0	0	0
+ Short positions	0	457	22	0	0	0	0	0
3.2 Without underlying security	0	1,934,681	538,719	78,952	170,093	828,855	276,456	0
- Options	0	96,055	16,577	1,757	40,361	114,953	25,796	0
+ Long positions	0	31,318	2,808	1,757	27,460	63,881	20,525	0
+ Short positions	0	64,737	13,769	0	12,901	51,072	5,271	0
- Other derivatives	0	1,838,626	522,142	77,195	129,732	713,902	250,660	0
+ Long positions	0	1,352,740	305,036	55,664	43,465	17,833	15,035	0
+ Short positions	0	485,886	217,106	21,531	86,267	696,069	235,625	0
4. Other off-balance sheet transactions	**262,364**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
+ Long positions	131,182	0	0	0	0	0	0	0
+ Short positions	131,182	0	0	0	0	0	0	0

1.2 MARKET RISKS

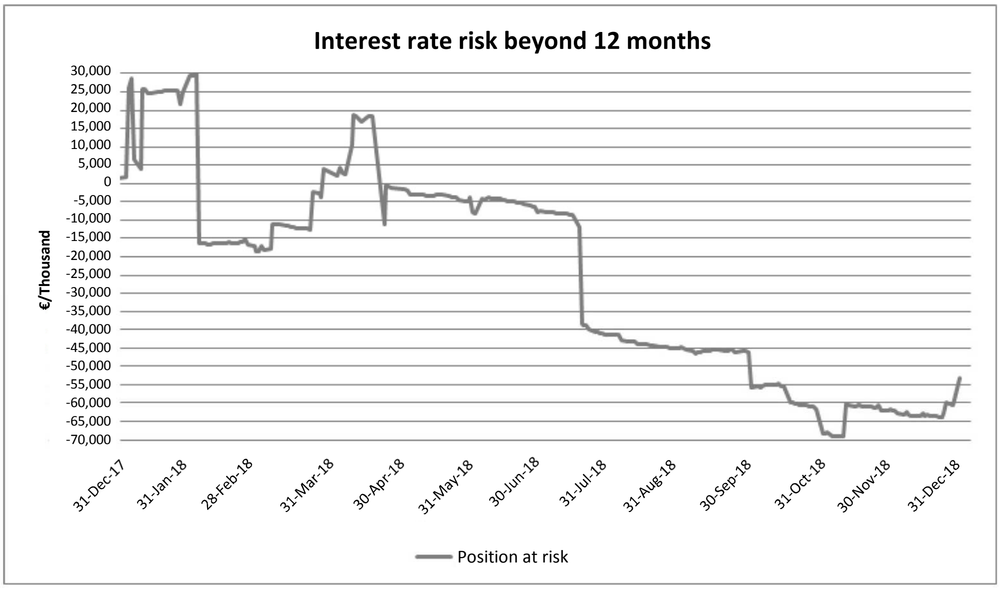
1. BANKING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES: OTHER CURRENCIES Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**12,598**	**9,422**	**482**	**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 to banks	12,488	0	0	0	0	0	0	0
1.3 Loans to customers	110	9,422	482	0	0	0	0	0
- c/a	69	0	0	0	0	0	0	0
- other loans	41	9,422	482	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	41	9,422	482	0	0	0	0	0
2. Balance sheet liabilities	**20,091**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Deposits from customers	19,962	0	0	0	0	0	0	0
- c/a	19,962	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	129	0	0	0	0	0	0	0
- c/a	129	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	**0**	**280,704**	**54,070**	**22,914**	**0**	**0**	**0**	**0**
3.1 With underlying security	0	0	0	0	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other	0	0	0	0	0	0	0	0
+ 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	0	280,704	54,070	22,914	0	0	0	0
- Options	0	0	0	0	0	0	0	0
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives	0	280,704	54,070	22,914	0	0	0	0
+ Long positions	0	130,050	18,456	7,784	0	0	0	0
+ Short positions	0	150,654	35,614	15,130	0	0	0	0
4. Other off-balance sheet transactions	**0**	**184**	**0**	**0**	**0**	**0**	**0**	**0**
+ Long positions	0	92	0	0	0	0	0	0
+ Short positions	0	92	0	0	0	0	0	0

2. Banking book: internal models and other sensitivity analysis methods

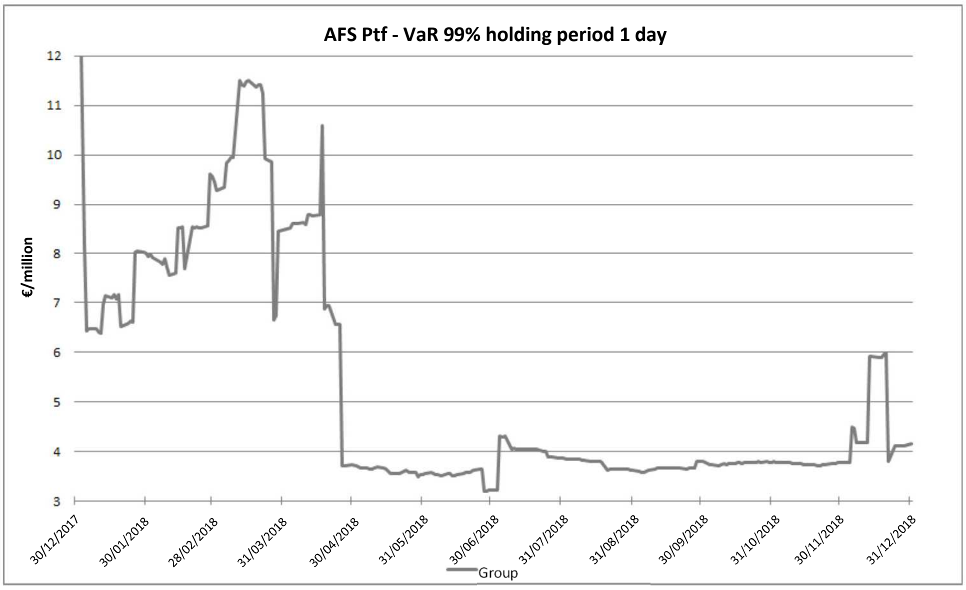
The Gap Analysis and Shift Sensitivity model, which as noted previously uses duration gap techniques, calls for the treatment of only principal flows according to the most documented practice in the market.
The value at risk within 12 months at Group level, measured through the Shift Sensitivity Analysis and based on an assumption of a parallel rate shock equal to 100 basis points, was equal to € 15.2 million as at 31 December 2018; in the course of 2018, there was an average value of € 14.8 million, with a minimum value of € -7.6 million and a maximum value of € 23.2 million.



The value at risk beyond 12 months amounted to € -52 million as at 31 December 2017; in the course of 2018, there was an average value of € -25.4 million, with a minimum value of € -69.2 million and a maximum value of € 30.5 million.



At the end of the year 2018, the historical simulation VaR calculated on the bank-owned portfolio in the held to collect and sell category amounted to € 4.2 million; in the course of the year the average value was € 5.3 million, the minimum value was € 3.2 million and the maximum value was € 11.5 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 FOREIGN EXCHANGE 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	US dollar	Pound	Swiss Franc	Australian dollar	Yen	Other Currencies
A. Financial assets	15,123	3,947	1,489	1,007	1,217	4,034
A.1 Debt securities	0	0	0	0	0	0
A.2 Equity securities	0	0	0	0	0	0
A.3 Loans to banks	5,330	3,899	1,350	974	1,217	4,034
A.4 Loans to customers	9,793	48	139	33	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	738	453	438	94	24	1,064
C. Financial liabilities	16,061	2,174	1,081	387	1,857	2,847
C.1 Deposits from banks	1,652	738	0	369	0	1,686
C.2 Deposits from customers	14,409	1,436	1,081	18	1,857	1,161
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	337	0	851	0	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	102,690	35,259	67	32,762	617	40,900
+ Short positions	102,326	37,527	62	32,959	4	42,111
Total assets	118,551	39,659	1,994	33,863	1,858	45,998
Total liabilities	118,724	39,701	1,994	33,346	1,861	44,958
Difference (+/-)	(173)	(42)	0	517	(3)	1,040

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 Underlying assets/ Types of derivatives	Total 2018				Total 2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**0**	**0**	**1,243,682**	**0**	**0**	**0**	**707,293**	**0**
a) Options	0	0	6,843	0	0	0	11,212	0
b) Swaps	0	0	1,236,839	0	0	0	696,081	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**	**134,195**	**0**	**0**	**0**	**189,409**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	63,518	0	0	0	77,956	0
c) Forwards	0	0	70,677	0	0	0	111,453	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**	**1,377,877**	**0**	**0**	**0**	**896,702**	**0**

1.3 DERIVATIVES AND HEDGING POLICIES

A.2 FINANCIAL TRADING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT	Total 2018				Total 2017			
	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	12	0	0	0	16	0
b) Interest rate swaps	0	0	19,580	0	0	0	25,844	0
c) Cross currency swaps	0	0	234	0	0	0	1,109	0
d) Equity swaps	0	0	0	0	0	0	0	0
e) Forwards	0	0	1,120	0	0	0	756	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**20,946**	**0**	**0**	**0**	**27,725**	**0**
2. Negative fair value								
a) Options	0	0	12	0	0	0	16	0
b) Interest rate swaps	0	0	37,451	0	0	0	34,628	0
c) Cross currency swaps	0	0	996	0	0	0	377	0
d) Equity swaps	0	0	0	0	0	0	0	0
e) Forwards	0	0	319	0	0	0	1,487	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**38,778**	**0**	**0**	**0**	**36,508**	**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	1,236,904	0	6,778
- positive fair value	X	19,451	0	141
- negative fair value	X	37,453	0	10
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	68,374	0	65,821
- positive fair value	X	347	0	1,007
- negative fair value	X	1,047	0	268
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	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	480,313	64,235	699,135	1,243,683
A.2 Financial derivatives on equity securities and stock indices	0	0	0	0
A.3 Financial derivatives on currencies and gold	134,195	0	0	134,195
A.4 Financial derivatives on commodities	0	0	0	0
A.5 Other financial derivatives	0	0	0	0
Total 2018	**614,508**	**64,235**	**699,135**	**1,377,878**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

OTC FINANCIAL DERIVATIVES – RESIDUAL LIFE: NOTIONAL AMOUNTS Underlying/Residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	**46,325**	**4,620**	**382,631**	**433,576**
A.1 Financial derivatives on debt securities and interest rates	11,199	4,620	382,631	398,450
A.2 Financial derivatives on equity securities and stock indices	0	0	0	0
A.3 Financial derivatives on exchange rates and gold	35,126	0	0	35,126
A.4 Financial derivatives on other instruments	0	0	0	0
B. Banking book	**684,128**	**196,214**	**574,673**	**1,455,015**
B.1 Financial derivatives on debt securities and interest rates	529,846	196,214	574,673	1,300,733
B.2 Financial derivatives on equity securities and stock indices	0	0	0	0
B.3 Financial derivatives on exchange rates and gold	154,282	0	0	154,282
B.4 Financial derivatives on other instruments	0	0	0	0
Total 2017	**1,063,039**	**730,453**	**200,834**	**957,304**

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 possible 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 do not allow for a more reliable representation of information in the financial statements.

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

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 (indeed, 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 banks have decided to adopt 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.

This type of hedge and the relative accounting treatment are also addressed in the policy noted above, which defines the roles and responsibilities of the company figures involved.

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 2018				Total 2017			
	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**	**998,724**	**0**	**0**	**0**	**981,889**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	998,724	0	0	0	981,889	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**	**998,724**	**0**	**0**	**0**	**981,889**	**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 2018				Total 2017				Total 2018	Total 2017
	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			
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	57,502	0	0	0	55,678	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**	**57,502**	**0**	**0**	**0**	**55,678**	**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	898,724	100,000	0
- positive fair value	X	0	0	0
- negative fair value	X	56,737	765	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

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	30,054	66,838	901,832	998,724
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	**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 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 162.65% and 158.44%, 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 2018. 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.
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 2019 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 the new regulations contained in EU Regulation no. 575/2013 ("CRR") and in Directive 2013/36/EU ("CRD IV"), which transpose within the European Union the standards defined by the Basel Committee (more commonly known as Basel 3) and the subsequent EU Regulations on liquidity.

QUANTITATIVE INFORMATION

See tables below

1.4 LIQUIDITY RISK

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. Balance sheet assets	**843,858**	**67,858**	**21,097**	**66,072**	**486,349**	**407,598**	**455,689**	**2,634,007**	**6,086,224**	**30,012**
A.1 Government securities	0	60,000	0	4,388	14,538	131,346	18,913	531,200	2,187,500	0
A.2 Other debt securities	3	0	0	760	1,004	1,717	3,879	1,875	673,887	52
A.3 Units of UCITS	12,879	0	0	0	0	0	0	0	0	0
A.4 Loans	830,976	7,858	21,097	60,924	470,807	274,535	432,897	2,100,932	3,224,837	29,960
- Banks	86,162	0	0	0	3,281	0	0	0	0	24,070
- Customers	744,814	7,858	21,097	60,924	467,526	274,535	432,897	2,100,932	3,224,837	5,890
B. Balance sheet liabilities	**5,563,959**	**133,142**	**30,319**	**36,541**	**120,080**	**718,221**	**323,882**	**2,991,231**	**715,776**	**0**
B.1 Deposits and current accounts	5,513,942	853	730	6,308	8,134	22,834	21,474	439,195	0	0
- Banks	75,982	0	0	0	0	0	0	0	0	0
- Customers	5,437,960	853	730	6,308	8,134	22,834	21,474	439,195	0	0
B.2 Debt securities	483	690	21,589	19,440	100,884	51,650	299,678	1,076,137	686,214	0
B.3 Other liabilities	49,534	131,599	8,000	10,793	11,062	643,737	2,730	1,475,899	29,562	0
C. Off-balance sheet transactions										
C.1 Physically settled fin. derivatives										
- Long positions	0	84,199	4,981	20,386	14,198	18,425	7,638	97	0	0
- Short positions	0	80,559	4,979	20,372	14,128	18,100	7,604	0	25	0
C.2 Cash settled fin. derivatives										
- Long positions	141	0	0	93	1,337	3,666	16,315	17,800	0	0
- Short positions	17,990	5,500	3	19,236	16,212	4,033	9,825	0	0	0
C.3 Deposits and loans to be settled										
- 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	0	0	0	1,995	81	2,812	46,247	80,047	0
- Short positions	131,182	0	0	0	0	0	0	0	0	0
C.5 Financial guarantees given	3	0	0	21	40	57	103	326	7	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

1.4 LIQUIDITY RISK

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. Balance sheet assets	**12,594**	**0**	**1,269**	**551**	**7,739**	**610**	**266**	**1,592**	**6,188**	**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	12,594	0	1,269	551	7,739	610	266	1,592	6,188	0
- Banks	12,488	0	0	0	0	0	0	0	0	0
- Customers	106	0	1,269	551	7,739	610	266	1,592	6,188	0
B. Balance sheet liabilities	**20,091**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	20,091	0	0	0	0	0	0	0	0	0
- Banks	129	0	0	0	0	0	0	0	0	0
- Customers	19,962	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 Physically settled fin. derivatives										
- Long positions	0	82,094	5,537	20,774	14,362	18,386	7,783	0	0	0
- Short positions	0	85,196	5,029	2,077	14,403	18,397	7,783	0	0	0
C.2 Cash settled fin. 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.3 Deposits and loans to be settled										
- 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	92	0	0	0	0	0	0	0	0
- Short positions	0	92	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 loans transferred, notes totalling € 1,185,339 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 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 eighth securitisation (second multi-originator) 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 31/12/2018 Moody's/DBRS	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2018	Residual value as at 31/12/2018
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 31/12/2018, it amounts to € 20,191 thousand for Cassa di Risparmio di Asti S.p.A. and € 7,421 thousand for Biverbanca S.p.A.

As at 31/12/2018, 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 to customers" in the amount of € 814,957 thousand for Cassa di Risparmio di Asti S.p.A. and € 272,774 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	29,586	interest expense on notes issued	8,961
		servicing fee expense	1,133
		other expenses	756
		losses on loans	26
Total	**29,586**	**Total**	**10,876**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 10,373 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 3,117 thousand for Biverbanca S.p.A.

Interest income on repurchased notes, amounting to € 6,366 thousand for Cassa di Risparmio di Asti S.p.A. and € 2,443 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.
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 Annette SPV Srl at the collection custodian bank (Cassa di Risparmio di Asti S.p.A.).

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 Srl, 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 Srl 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.

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 Geordie SPV Srl at the collection custodian bank.

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 includes "legal risk" or the risk deriving from violations of or non-compliance with laws or regulations, or the lack of transparency with respect to the legal rights and duties of the counterparties in a transaction; this risk also includes 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 2018, 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 2018 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:

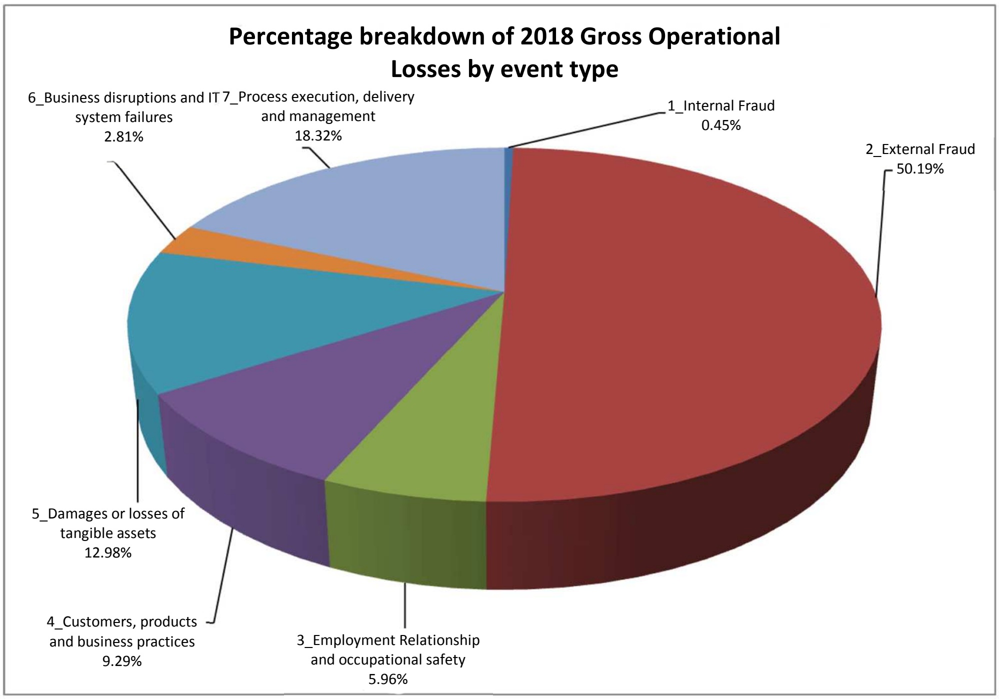
- internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the Group;
- external fraud: losses due to fraud, embezzlement or violation of laws by subjects external to the Group;
- employment 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.

The breakdown of losses taking place in 2018 between the different event types, while confirming the limited overall extent of the phenomenon, shows the predominant weight of the "External fraud" component linked to criminal events occurring during the year, moreover for the most part covered by insurance; this is followed by the "Process execution, delivery and management" component, linked to errors, anomalies or malfunctioning in the course of work processes, and the component linked to damages or losses of tangible assets, also for the most part covered by insurance.
The incidence of prudential provisions assumes a significant weight on the total.

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.
The chart below summarises the breakdown of gross operational losses of the Group Companies in 2018.



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.

Corporate bond risk and investor protection

In past years, particular attention was focused on the possible repercussions of the default at national and international level of government and corporate bonds, which impacted investor portfolios and caused the Group to take several measures to protect its Customers.
Assistance was provided to Customers who had acquired the bonds involved in the Parmalat, Cirio, Lehman Brothers and General Motors defaults, for the performance of the activities required to obtain full recognition of their credit claims.

In general, with respect to the customers involved in the bond defaults, the Group decided to carefully monitor any requests for reimbursement presented, analysing them on a case by case basis.

Italian Legislative Decree no. 231/2001
Regulations on the administrative liability of legal entities

The functions of the Supervisory Body established pursuant to Italian Legislative Decree 231/2001 are assigned to the Board of Statutory Auditors, in compliance with the provisions of art. 6 of Italian Legislative Decree 231/01 as well as the Prudential Supervision Regulations of the Bank of Italy (Circular 285/13 - Title IV - Chapter 3).
In the course of 2017, the Supervisory Body continued its 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 Group within company operations, in order to have overall tracking available of the risks of offences that impact the business organisation. The Supervisory Body also updated the Organisational Model in order to incorporate the new offences subject over time to the regulations pursuant to Italian Legislative Decree 231/2001. No critical issues worthy of note emerged from the overall activities performed.

IT risks

The Group Bank information system is based on an operating platform provided and managed by the outsourcer Cedacri S.p.A., which is capable of guaranteeing the security, quality and reliability required for all services used. The accuracy of the description of the outsourcer’s control environment, the adequacy of the control design and the operating effectiveness of the controls themselves are periodically audited by independent auditors according to the procedures set forth in the “ISAE” 3402 - Type II International Standard.
The installation and management of other application packages used is directly overseen by the Structures identified as Owners of the relative processes, under the supervision of the ICT Function.

The security levels of the information system under the direct responsibility of the Group Banks as well as the procedures and data processed are constantly updated in light of the evolution of technological knowledge acquired and changes in potential operational risks. All personnel are constantly updated on the evolution of regulations, risk conditions and the behaviour to be adopted to prevent harmful events.

In the course of 2018, the IT risk assessment was updated with reference to all components of the Group Bank information system, taking into consideration those managed by the outsourcer, the infrastructural services provided by the ICT Function and the applications created internally, recognising in general low levels of exposure to threats and high levels of effectiveness of the countermeasures in place.

In compliance with the measure of the Personal Data Protection Authority of 27 November 2008 as amended, the list of “System Administrators”, identifying, in the IT realm, those parties responsible for the management and maintenance of a computer system or its components, was updated in relation to the review of the organisational structure of the ICT Function.

In line with the regulatory evolution represented by the recent provisions of the Bank of Italy, including update no. 19 of 2 November 2016 of Circular 285/2013, as well as the Final Guidelines on the security of internet payments published by the European Banking Authority, the Group has formalised the Company Policy on IT Security, which defines the general principles, objectives, processes, roles, responsibilities and regulations linked to the management of IT Security, as well as regulatory provisions on the security of internet payments.

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 € 818,286 as at 31 December 2018. 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 € 951,874 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	370,197	0	70	0	370,267
2. Share premium reserve	283,358	0	0	0	283,358
3. Reserves	154,978	0	0	0	154,978
4. Equity instruments	0	0	0	0	0
5. (Treasury shares)	(6,522)	0	0	0	(6,522)
6. Valuation reserves:	10,327	0	0	0	10,327
- Equity securities designated at fair value through other comprehensive income	28,607	0	0	0	28,607
- 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	17,618	0	0	0	17,618
- 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	(22,927)	0	0	0	(22,927)
- 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)	2,957	0	0	0	2,957
- Actuarial gains (losses) on defined benefit pension plans	(15,928)	0	0	0	(15,928)
- Share of valuation reserves of equity investments carried at equity	0	0	0	0	0
- Special revaluation laws	0	0	0	0	0
7. Profit (Loss) for the year (+/-) attributable to the group and non-controlling interests	5,878	0	0	0	5,878
Shareholders' equity	**818,216**	**0**	**70**	**0**	**818,286**

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	243	3,317	0	0	0	0	0	0	243	3,317
2. Equity securities	30,061	1,454	0	0	0	0	0	0	30,061	1,454
3. Loans	20,692	0	0	0	0	0	0	0	20,692	0
Total 2018	**50,996**	**4,771**	**0**	**0**	**0**	**0**	**0**	**0**	**50,996**	**4,771**

For comparison purposes, the table drafted in compliance with IAS 39, presented according to the provisions of the previous Bank of Italy Circular 262 (4th update of 15 December 2015) is provided below.

VALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN	Banking Group		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	237	43,684	0	0	0	0	0	0	237	43,684
2. Equity securities	30,953	0	0	0	0	0	0	0	30,953	0
3. Units of UCITS	526	61,477	0	0	0	0	0	0	526	61,477
4. Loans	0	0	0	0	0	0	0	0	0	0
Total 2017	**31,716**	**105,161**	**0**	**0**	**0**	**0**	**0**	**0**	**31,716**	**105,161**

The breakdown of item 1. Debt securities is provided below, relating to securities of European Union countries.

	Total 2018	Issuer European Country		
		Italy	Portugal	Greece
Positive reserve	243	243	0	0
of which debt securities of EU countries	243	243	0	0
of which other debt securities	0	0	0	0
Negative reserve	3,317	110	0	3,207
of which debt securities of EU countries	3,317	110	0	3,207
of which other debt securities	0	0	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	**237**	**32,150**	**0**
2. Positive changes	**951**	**21**	**20,692**
2.1 Fair value increases	293	22	20,692
2.2 Losses for credit risk	570	X	0
2.3 Reversal to income statement of negative reserves from disposals	0	X	0
2.4 Transfers to other components of shareholders' equity (equity securities)	0	0	0
2.5 Other changes	88	0	0
3. Negative changes	**4,262**	**3,565**	**0**
3.1 Fair value decreases	4,140	2,629	0
3.2 Recoveries for credit risk	21	0	0
3.3 Reversal to income statement from positive reserves: realised	101	0	0
3.4 Transfers to other components of shareholders' equity (equity securities)	0	936	0
3.5 Other changes	0	0	0
4. Closing balance	**(3,074)**	**28,607**	**20,692**

The opening balance in the table includes the change in the opening balances due to the FTA of IFRS 9.

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	**(4,625)**	**(11,582)**	**-202**
2. Positive changes	**444**	**275**	**8**
2.1 Actuarial gains	444	275	0
2.2 Other changes	0	0	8
3. Negative changes	**146**	**76**	**24**
3.1 Actuarial losses	0	0	24
3.2 Other changes	146	76	0
4. Closing balance	**(4,327)**	**(11,383)**	**(218)**

2.1 Own Funds

A. QUALITATIVE INFORMATION

As set forth in the 5th 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. 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.

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 95% of the increase in adjustments for expected losses on performing and non-performing loans, taking place during the first-time adoption of the standard.
Non-controlling 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

Additional Tier 1 capital is represented by instruments issued by the subsidiaries Biverbanca and Pitagora that can be included in AT1.

3. Tier 2 (TIER2 - T2) capital

Tier 2 capital is represented by eligible instruments issued by the subsidiaries Biverbanca and 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 27 June 2018, 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 2018 equal to 1.875%; 7.575% for the CET1 Ratio, 9.313% for the TIER1 Ratio and 11.625% for the Total Capital Ratio.

The consolidated capitalisation indicators as at 31 December 2018: CET1 Ratio of 11.71%, TIER1 Ratio of 11.86% and Total Capital Ratio of 14.86% 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	78,192,321
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	63,509,154
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	24,225,478
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	18,688,936
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	1,241,909

B. QUANTITATIVE INFORMATION

	Total 2018	Total 2017
A. Common Equity Tier 1 (CET1) before application of prudential filters	704,571	891,825
of which CET1 instruments subject to transitional provisions	0	0
B. CET1 prudential filters (+/-)	20,085	26,885
C. CET1 gross of items to be deducted and transitional regime effects (A+/-B)	724,656	918,710
D. Items to be deducted from CET1	141,528	98,823
E. Transitional regime – Impact on CET1 (+/-), including non-controlling interests subject to transitional provisions	**167,324**	**66,012**
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	750,452	885,899
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	9,409	11,330
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	(8,026)
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**9,409**	**3,304**
M. Tier 2 (T2) gross of items to be deducted and transitional regime effects	199,916	232,580
of which T2 instruments subject to transitional provisions	0	30,000
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	(31,716)
P. Total Tier 2 (T2) (M - N +/- O)	**192,013**	**192,961**
Q. Total Own Funds (F + L + P)	**951,874**	**1,082,164**

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

	Non weighted assets		Weighted amounts/requirements	
Categories / Values	2018	2017	2018	2017
A. RISK ASSETS				
A.1 Credit and counterparty risk	**12,256,864**	**11,879,688**	**5,718,046**	**6,648,369**
1. Standardised approach	12,256,864	11,879,688	5,713,798	6,644,871
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	4,248	3,498
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**457,444**	**531,870**
B.2 Credit valuation adjustment risk			**4,020**	**4,103**
B.3 Settlement risk			**0**	**0**
B.4 Market risks			**530**	**702**
1. Standardised approach			530	702
2. IRB approach			0	0
3. Concentration risk			0	0
B.5 Operational risk			**50,497**	**46,972**
1. Basic approach			50,497	46,972
2. Standardised approach			0	0
3. Advanced approach			0	0
B.6 Other calculation elements			**0**	**0**
B.7 Total capital requirements			**512,491**	**583,647**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**6,406,133**	**7,295,588**
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			**11.71%**	**12.14%**
C.3 Tier 1 capital/Risk-weighted assets (Total capital ratio)			**11.86%**	**12.19%**
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			**14.86%**	**14.83%**

PART G - BUSINESS COMBINATIONS

SECTION 1 – BUSINESS COMBINATIONS DURING THE YEAR

During 2018 no business combinations were carried out which resulted in the acquisition of control as envisaged by IFRS 3.

However, it is noted that on 26 July 2018, the merger by incorporation of the company - already fully-owned by the Parent Company Cassa di Risparmio di Asti S.p.A. - S.A.R.T. Società Astigiana Riscossione Tributi S.p.A. was finalised.

Those Companies decided to carry out the merger by incorporation without any related share capital increase or consequent modification of the Articles of Association of the merging company “Cassa di Risparmio di Asti S.p.A.”, as it held 100% of the share capital of the merged company “S.A.R.T – Società Astigiana Riscossione Tributi S.p.A.”

On 2 August 2018, the date the merger took legal effect, the deed of merger by incorporation was recorded in the Asti Register of Companies. The accounting and tax effects of the merger began on 22 March 2018.

SECTION 2 – BUSINESS COMBINATIONS COMPLETED AFTER THE END OF THE YEAR

There are no items of this type.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

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

	4,489
a) short-term benefits for employees and directors	3,766
b) post-employment benefits	117
c) other long-term benefits	243
d) termination indemnities	-
e) share-based payments	-
other compensation	363

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 Steering Committee and 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 2018 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	9,159	116,638	0	0	0	79	4,521	86	0
Subsidiaries (a)	625	0	0	0	142	0	2	0	13	0
Companies exercising Significant Influence (a)	935	1,407	0	0	0	26	1,265	0	0	3
Officers (d)	1,362	3,707	255	1	14	21	50	5	0	896
Other Related Parties (e, f)	19,832	20,680	156	2,488	4,048	924	489	5	583	20
Pension Plans (g)	0	8,374	785	0	0	0	142	30	0	0
TOTAL	**22,754**	**43,327**	**117,834**	**2,489**	**4,204**	**971**	**2,027**	**4,561**	**682**	**919**

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.

PART L
SEGMENT
REPORTING

DISTRIBUTION BY OPERATING SEGMENT - BALANCE SHEET FIGURES

	BALANCE SHEET – ASSETS	2018	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
	ASSETS					
20	Financial assets measured at fair value through profit and loss	41,286	0	35,465	0	5,821
a	Financial assets held for trading	21,002	0	21,002	0	0
b	Financial assets designated at fair value	0	0	0	0	0
c	Other financial assets mandatorily measured at fair value	20,284	0	14,463	0	5,821
30	Financial assets measured at fair value through other comprehensive income	1,072,546	0	724,552	0	347,994
40	Financial assets measured at amortised cost	9,645,843	6,158,676	3,248,007	1,687	237,472
a	Loans to banks	152,533	0	150,341	50	2,142
b	Loans to customers	9,493,310	6,158,676	3,097,666	1,637	235,330
50	Hedging derivatives	0	0	0	0	0
70	Equity investments	0	0	0	0	0

	BALANCE SHEET – LIABILITIES	2018	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
	LIABILITIES					
10	Deposits from banks	1,530,194	0	1,509,015	0	21,179
20	Deposits from customers	6,867,016	6,292,723	506,075	68	68,149
30	Debt securities issued	2,103,007	2,103,007	0	0	0
40	Financial liabilities held for trading	20,818	80	20,738	0	0
50	Financial liabilities measured at fair value	118,345	118,345	0	0	0
60	Hedging derivatives	75,461	35,630	39,831	0	0

	BALANCE SHEET – ASSETS	2017	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
	ASSETS					
20	Financial assets held for trading	27,829	0	27,829	0	0
40	Financial assets available for sale	2,233,291	0	2,231,288	0	2,003
50	Financial assets held to maturity	0	0	0	0	0
60	Loans to banks	239,489	0	222,395	0	17,094
70	Loans to customers	7,178,642	6,493,795	328,765	1,384	354,698
80	Hedging derivatives	0	0	0	0	0
100	Equity investments	461	0	176	0	285

	BALANCE SHEET – LIABILITIES	2017	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
	LIABILITIES					
10	Deposits from banks	1,468,168	0	1,464,311	0	3,857
20	Deposits from customers	5,981,503	5,338,196	631,739	80	11,488
30	Debt securities issued	2,626,557	2,626,557	0	0	0
40	Financial liabilities held for trading	26,020	237	25,783	0	0
50	Financial liabilities measured at fair value	125,833	125,833	0	0	0
60	Hedging derivatives	66,167	42,184	23,983	0	0

DISTRIBUTION BY OPERATING SEGMENT - INCOME STATEMENT FIGURES

	INCOME STATEMENT	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**	**46,019**	**38,962**	**-99,052**	**-669**

	INCOME STATEMENT	2017	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net interest and other banking income (1)	292,062	192,234	48,205	4,753	46,870
-	Operating costs (2)	-240,269	-136,510	-5,103	-74,731	-23,925
=	Gross operating profit	51,793	55,724	43,102	-69,978	22,945
+/-	Net provisions for risks and charges	-13,393	-1,929	-10	-117	-11,337
+/-	Gains/(losses) on equity investments	-17	0	0	-17	0
+/-	Gains/(losses) on disposal of investments	0	0	0	0	0
=	**Profit/(loss) before tax from continuing operations**	**38,383**	**53,795**	**43,092**	**-70,112**	**11,608**

(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 2018 COMPARED WITH 2017	2018/2017	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net interest and other banking income (1)	-46,247	-20,925	-6,403	-939	-17,980
-	Operating costs (2)	-15,804	10,176	2,272	-28,010	-242
=	Gross operating profit	-62,051	-10,749	-4,131	-28,949	-18,222
+/-	Net provisions for risks and charges	8,919	2,973	1	0	5,945
+/-	Gains/(losses) on equity investments	8	0	0	8	0
+/-	Gains/(losses) on disposal of investments	1	0	0	1	0
=	**Profit/(loss) before tax from continuing operations**	**-53,123**	**-7,776**	**-4,130**	**-28,940**	**-12,277**

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	449
Other services	Activities relating to securitisation transactions	PwC S.p.A.	C.R.Asti Group	67
Other services	Other certifications	PwC S.p.A.	Biverbanca S.p.A.	10
Other services	Other certifications	PwC S.p.A.	C.R.Asti S.p.A.	75
Other services	Other support activities	PwC Advisory S.p.A.	C.R.Asti Group	55
Total				**656**

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 2018 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	1,384	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	31/12/2018	31/12/2017
Cash and cash equivalents		64,558	970,893
	Item 10. Cash and cash equivalents	*64,558*	*970,893*
Financial assets (other than loans)		760,302	1,973,674
	Item 20 - Financial assets measured at fair value through profit and loss	*41,286*	*27,829*
	Item 20 c) (partial) - Financial assets measured at fair value through profit and loss	*-5,821*	
	Item 30 - Financial assets measured at fair value through other comprehensive income	*1,072,546*	*2,233,291*
	- Item 30 c) (partial) - Financial assets measured at fair value through other comprehensive income	*-347,709*	*-287,446*
Financial assets measured at amortised cost		9,999,373	7,705,577
	Item 40 a) - Loans to banks	*152,533*	*239,489*
	Item 40 b) (partial) - Loans to customers	*9,493,310*	*7,178,642*
	+ Item 20 c) (partial) - Financial assets measured at fair value through profit and loss	*5,821*	
	+ Item 30 c) (partial) - Financial assets measured at fair value through other comprehensive income	*347,709*	
	- Item 40 b) (partial) - Loans to customers	*-2,687,183*	
	+ Item 40 b) (partial) - Loans to customers - other financial assets measured at amortised cost	*2,687,183*	*287,446*
Hedging derivatives		0	0
	Item 80 - Hedging derivatives	*0*	*0*
Equity investments		0	461
	Item 70 - Equity investments	*0*	*461*
Property, plant and equipment and intangible assets		261,498	263,817
	Item 80 - Property, plant and equipment	*169,628*	*170,054*
	Item 90 - Intangible assets	*91,870*	*93,763*
Tax assets		321,077	252,725
	Item 100 - Tax assets	*321,077*	*252,725*
Other assets		472,098	436,525
	Item 120 - Other assets	*472,098*	*436,525*
Total assets		**11,878,906**	**11,603,672**

Reclassified balance sheet items - Liabilities	Statutory balance sheet items - Liabilities	31/12/2018	31/12/2017
Deposits from banks		1,530,194	1,468,168
	Item 10 a) - Deposits from banks	*1,530,194*	*1,468,168*
Financial liabilities held for trading		20,818	26,020
	Item 20 - Financial liabilities held for trading	*20,818*	*26,020*
Direct funding		9,088,368	8,733,893
	Item 10 b) - Deposits from customers	*6,867,016*	*5,981,503*
	Item 10 c) - Debt securities issued	*2,103,007*	*2,626,557*
	Item 30 - Liabilities designated at fair value	*118,345*	*125,833*
Hedging derivatives		75,461	66,167
	Item 40 - Hedging derivatives	*75,461*	*66,167*
Tax liabilities		3,238	3,935
	Item 60 -Tax liabilities	*3,238*	*3,935*
Other liabilities		257,189	220,293
	Item 80 - Other liabilities	*257,189*	*222,761*
	- Item 100) (partial) - Other liabilities - provisions on guarantees given - IAS 39	*0*	*-2,468*
Provisions for risks and charges		85,352	83,262
	Item 90 - Provision for employee severance pay	*19,671*	*24,064*
	Item 100 - Provisions for risks and charges	*65,681*	*56,730*
	+ Item 100) (partial)- Other liabilities - provisions on guarantees given - IAS 39	*0*	*2,468*
Shareholders' equity		818,286	1,001,934
	Item 120 - Valuation reserves	*6,427*	*-104,307*
	Item 150 - Reserves	*76,919*	*333,828*
	Item 160 - Share premium reserve	*270,139*	*270,139*
	Item 170 - Share capital	*308,368*	*308,368*
	Item 180 - Treasury shares	*-6,522*	*-5,448*
	Item 190 - Non-controlling interests	*158,476*	*169,671*
	Item 200 - Profit (Loss) for the year (+/-)	*4,479*	*29,683*
Total liabilities and shareholders' equity		**11,878,906**	**11,603,672**

RECONCILIATION BETWEEN THE RECLASSIFIED INCOME STATEMENT AND THE STATUTORY INCOME STATEMENT

Reclassified income statement items	Statutory income statement items	31/12/2018	31/12/2017
	Item 10 - Interest income and similar revenues	***259,591***	***275,241***
	Item 10 - Interest income and similar revenues	*261,079*	*254,523*
	+ Item 130 (partial) - Interest income calculated using the effective interest rate method - IAS 39	*0*	*22,245*
	+ Item 80 (partial) - Net profit (loss) from trading	*-1,518*	*-1,567*
	Item 20 - Interest expense and similar charges	***-84,931***	***-86,438***
	Item 20 - Interest expense and similar charges	*-84,931*	*-86,439*
	+ Item 40 (partial) - Fee and commission income T-LTRO2	*2,645*	*1,161*
	+ Item 50 (partial) - Fee and commission expense T-LTRO2	*-2,645*	*-1,161*
	Item 70 (partial) - Dividends and similar income (ETF coupons)	***300***	***7,547***
Interest margin before adjustments		*174,930*	*196,309*
Gains/losses on disposal of loans - Net adjustments for credit risk on financial assets measured at amortised cost		***-96,589***	***-70,927***
	Item 100 a) - Gains (losses) on disposal or repurchase of financial assets measured at amortised cost	***-30,786***	***-729***
	Item 100 a) - Gains (losses) on disposal or repurchase of financial assets measured at amortised cost	*-23,588*	*38,096*
	Item 100 a) (partial) - Profit on bonds: AC	*-7,198*	*0*
	+ Item 100 a) (partial) - gains (losses) on disposal or repurchase of loans - IAS 39	*0*	*-38,825*
	Item 130 a) - Net adjustments/recoveries for credit risk on financial assets measured at amortised cost	***-65,802***	***-70,191***
	130 a) Net adjustments to loans - IAS 39	*0*	*-47,978*
	- Item 130 a) (partial) - Interest income calculated using the effective interest rate method - IAS 39	*0*	*-22,245*
	- Item 130 a) (partial) - Net adjustments to loans - IAS 39	*0*	*32*
Interest margin		***78,342***	***125,389***
Net fee and commission income		***125,524***	***96,030***
	Item 40 - Fee and commission income	***157,096***	***140,585***
	Item 40 - Fee and commission income	*159,892*	*140,998*
	- Item 40 (partial) - Securitisation servicing	*-2,338*	*-2,371*
	- Item 40 (partial) - Fee and commission income T-LTRO2	*-2,645*	*-1,161*
	+ Item 230 (partial) - Other operating income (fast-track facility fee income)	*2,187*	*3,119*
	Item 50 - Fee and commission expense	***-31,572***	***-44,555***
	Item 50 - Fee and commission expense	*-34,217*	*-45,716*
	- Item 50 (partial) - Fee and commission expense T-LTRO2	*2,645*	*1,161*
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		**25,091**	**44,307**
	Item 80 - Net profit (loss) from trading	***24,846***	***16,565***
	Item 80 - Net profit (loss) from trading	*23,328*	*-19,395*
	- Item 80 (partial) - Net profit (loss) from trading	*1,518*	*1,567*
	+ Item 110 (partial) - Net profit (loss) from financial assets and liabilities measured at fair value - IAS 39	*0*	*-4,400*
	- Item 130 a) (partial) - Net adjustments to loans - IAS 39	*0*	*-32*
	+ Item 100 a) (partial) - gains (losses) on disposal or repurchase of loans - IAS 39	*0*	*38,825*
	Item 90 - Net profit (loss) from hedging	***51***	***278***
	Item 100 - Gains (losses) on disposal or repurchase of:	*24,546*	*64,138*
	Item 100 a) - Gains (losses) on disposal or repurchase of financial assets measured at amortised cost	***7,198***	***0***
	Item 100 a) (partial) - Profit on bonds: AC	*7,198*	*0*
	Item 100 b) financial assets measured at fair value through other comprehensive income	***17,297***	***64,765***
	Item 100 b) financial assets measured at fair value through other comprehensive income	*17,297*	*36,937*
	- Item 100 b) (partial) financial assets available for sale - IAS 39	*0*	*27,828*
	Item 100 c) financial liabilities	***51***	***-628***
	Item 130 - Net losses/recoveries for credit risk	*-2,644*	*-10,424*
	Item 130 b) financial assets measured at fair value through other comprehensive income	***-2,644***	***-10,424***
	Item 110 - Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss	*-21,708*	*-26,250*
	110 a) financial assets and liabilities designated at fair value	***3,461***	***1,578***
	110 a) financial assets and liabilities designated at fair value	*3,461*	*-2,822*
	+ Item 110 (partial) - Net profit (loss) from financial assets and liabilities measured at fair value - IAS 39	*0*	*4,400*
	110 b) other financial assets mandatorily measured at fair value	***-25,169***	***-27,824***
	+ Item 100 b) (partial) financial assets available for sale - IAS 39	*-25,169*	*-27,828*

Dividends and similar income		***12,982***	***16,555***
	Item 70 - Dividends and similar income	*13,282*	*24,102*
	- Item 70 (partial) - Dividends and similar income (ETF coupons)	*-300*	*-7,547*
Other operating expenses/income		***3,876***	***9,781***
	Item 230 - Other operating expenses/income	*30,096*	*36,980*
	- Item 230 (partial) - Other operating expenses (amortisation of expenses on leasehold assets)	*949*	*1391*
	- Item 230 (partial) - Other operating income (recoveries of expenses)	*-25,049*	*-25,064*
	- Item 230 (partial) - Other operating expenses (maintenance of civil buildings)	*67*	*53*
	- Item 230 (partial) - Other operating income (fast-track facility fee income)	*-2,187*	*-3,119*
	- Item 230 (partial) - Other operating income		*-5*
	- Item 200 a) commitments and guarantees given	*0*	*-455*
Net interest and other banking income		***245,815***	***292,062***
Operating costs		***-256,073***	***-240,269***
Personnel expenses		***-142,149***	***-134,693***
	Item 190 a) - Personnel expenses	*-144,580*	*-137,068*
	+ Item 190 b) (partial) - Other administrative expenses (directors and statutory auditors)	*2,431*	*2,375*
Other administrative expenses		***-99,481***	***-90,605***
	Item 190 b) - Other administrative expenses	*-124,370*	*-115,612*
	- Item 200 (partial) - Other operating income (recoveries of expenses)	*25,049*	*25,064*
	+ Item 200 (partial) - Other operating expenses (maintenance of civil buildings)	*-67*	*-53*
	- Item 160 b) (partial) - Other administrative expenses (directors and statutory auditors)	*-2,431*	*-2,375*
	+ Item 40 (partial) - Securitisation servicing	*2,338*	*2,371*
Net adjustments to property, plant and equipment/intangible assets		***-14,443***	***-14,971***
	Item 210 - Net adjustments to/recoveries on property, plant and equipment	*-9,149*	*-9,472*
	Item 220 - Net adjustments to/recoveries on intangible assets	*-4,345*	*-4,063*
	+ Item 200 (partial) - Other operating expenses (amortisation of expenses on leasehold assets)	*-949*	*-1391*
	+ Item 270 - Impairment of goodwill		*-45*
Gross operating profit (loss)		***-10,258***	***51,793***
Net provisions for risks and charges		***-4,474***	***-13,393***
	Item 200 - Net provisions for risks and charges	*-4,474*	*-14,135*
	+ Item 200 a) commitments and guarantees given	*0*	*455*
	- Item 130 d) Net losses/recoveries on impairment of other financial transactions - IAS 39	*0*	*287*
Other non-recurring income/charges		*-8*	*-17*
	Item 250 - Gains (losses) on equity investments	*-9*	*-17*
	Item 280 - Gains (losses) on disposal of investments	*1*	*0*
Impairment of goodwill		*0*	*0*
	Item 270 - Impairment of goodwill	*0*	*-45*
	- Item 270 - Impairment of goodwill	*0*	*45*
Profit before tax from continuing operations		***-14,740***	***38,383***
Taxes		***20,618***	***-5,563***
	Item 300 - Tax expense (recovery) on income from continuing operations	*20,618*	*-5,563*
Profit from continuing operations		***5,878***	***32,820***
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***	***5,878***	***32,820***

Country-by-country reporting

Country-by-country reporting (CRD IV) as at 31 December 2018
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 2018 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 2018, the turnover amounted to € 310,527 thousand, all earned in Italy.

Number of full-time equivalent employees

As at 31 December 2018, there were 1,834 full-time equivalent employees, of which 1,089 working for the Parent Company, 580 for Biver Banca S.p.A. and 165 for Pitagora S.p.A.

Profit before tax

As at 31 December 2018 the profit (loss) before tax from continuing operations amounted to € -14,740 thousand. There are no components regarding discontinued operations.

Income taxes

As at 31 December 2018, the item "income tax for the year" showed a positive balance of € 20,618 thousand. These are taxes relating to the posting of DTA on the Group's tax loss.

Government grants received from Fondo Banche Assicurazioni

During 2018, the Group received grants for carrying out personnel training for a total of € 1.4 million.

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.

Independent auditor's report
in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Cassa di Risparmio di Asti SpA

Consolidated financial statements as of 31 December 2018

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of Cassa di Risparmio di Asti SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Cassa di Risparmio di Asti Group (hereinafter also "the Group"), which comprise the consolidated balance sheet as of 31 December 2018, the consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement the article 9 of Legislative Decree No. 38/05 and the article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Cassa di Risparmio di Asti SpA (hereinafter also "the Bank") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
First-time application of international accounting standard IFRS 9 *Notes to the consolidated financial statements:* *Part A – Accounting policies* *Part E – Information on risks and related hedging policies* Starting from 1 January 2018 the Cassa di Risparmio di Asti Group adopted the accounting standard IFRS 9 "Financial instruments", which governs the classification and measurement of financial instruments, as well as the determination of the related impairment. IFRS 9 introduced new rules for the classification and measurement of financial assets, based on the methods whereby these assets are managed (Business Models) and on the characteristics of the related contractual cash flows (Solely Payment of Principal and Interest - SPPI); moreover, with reference to the measurement, for financial assets other than those measured at fair value through profit and loss and for off-balance sheet exposures (guarantees and commitments), the new standard replaced the IAS 39 model for the determination of the impairment losses which was based on the incurred loss, with a model based on the Expected Credit Loss ("ECL"). Accordingly, IFRS 9, by introducing significant changes in the classification and measurement criteria, determined significant operating impacts, requiring new models and an increase in the use of parameters, information and assumptions, which raised the level of professional judgement required and of uncertainty of the estimates performed by the directors. The Group presented the impact on the opening shareholders' equity arising from the adoption of the new standard in appropriate reconciliation statements accompained to the notes to the consolidated financial statements. For the reasons exposed above, we considered the first-time application of IFRS 9 as a key audit matter.	In performing our audit we paid special attention to the understanding and evaluation of the activities planned and performed by the Group for the application of the new accounting standard (including the changes applied to IT systems), as well as the related governance and the whole set of control activities implemented by management and by the control functions. Considering that IFRS 9 was adopted as at 1 January 2018, our audit procedures covered the opening balances in order to verify the effects of the transition from IAS 39. Such procedures were addressed, among other things, to the evaluation of the compliance of the accounting choices made with the new standard, as well as to the verification of the accounting adjustments made in comparison with IAS 39 and of the disclosures provided. With specific regard to classification and measurement, our audit procedures, which were also carried out with the support of our PwC network experts, included, inter alia: • The understanding and the critical analysis of the policies, procedures and solutions adopted by the Group with reference to significant matters (definition of the Business Models for the single companies and at consolidated level, analysis of the contractual cash flows and measurement methods), in order to evaluate their compliance with the new accounting standard; • The review of the completeness and accuracy of the new accounting categories based on the Business Model defined and on the results of the analysis of the contractual cash flows (SPPI – Solely Payments of Principal and Interest – test); • The independent verification of the SPPI test for a sample of financial assets, selected taking into consideration the different products held in portfolio.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	With reference to the new criteria for the determination of impairment, our audit procedures, performed also with the support of our PwC network experts, included *inter alia*: • understanding and critical analysis of the new policies, methods and significant assumptions, as well as of the related models implemented in order to verify if they were reasonable, appropriate and compliant with the accounting standard. This activity covered the methods and models adopted to measure the significant increase in credit risk ("SICR"), for the allocation of the assets to the various risk stages ("Staging"), as well as to determine the expected credit loss ("ECL"); • checks on the new SICR models, allocation to the various risk stages and ECL defined and on the methods to determine the main estimate parameters behind them, in order to verify the adequate implementation and determination thereof; • analyses aimed at verifying the correctness of the data feeding the models, the calculation formulae and the correct determination of the main parameters and estimate elements (Probability of Default, Loss Given Default and Exposure at Default); • control of the correct implementation in the IT systems of the estimate parameters defined together with the verification of the completeness and accuracy of the databases used for the purposes of calculation of the expected credit loss; • critical analysis of the results of the control activities performed by the relevant internal functions and remedial actions implemented, if any. Finally, we verified the completeness and adequacy of the disclosures provided in the financial statements.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of loans to customers valued at amortised cost	
Notes to the consolidated financial statements: *Part A – Accounting policies* *Part B – Information on the consolidated balance sheet, section 4* *Part C – Information on the consolidated income statement, section 8* *Pare E – Information on risks and related hedging policies* Loans to customers as at 31 December 2018, which constitute the main part of item 40 b) “financial assets at amortised cost – loans to customers”, amounted to Euro 6,803 million, corresponding to 57 per cent of total assets. The related net adjustments recorded in the year amounted to Euro 61 million and represent the best estimate made by the directors in order to consider the expected credit losses related to the credit portfolio at the reporting date, based on the applicable accounting standards. As detailed in the key audit matter above, following the implementation of IFRS 9, the measuring models adopted by the Group to determine the expected value adjustments are characterised by high degree of professional judgement, given the presence of complex estimate processes, which require the use of significant assumptions in order to determine the main parameters and estimate elements. As part of our audit activity we paid special attention to the evaluation of the above type of receivables, taking into account their material book value and the changes introduced during the year in the estimate criteria, as a consequence of the new accounting standard IFRS 9. Therefore, such evaluation represented a key audit matter.	In order to address this key matter, our audit strategy entailed a combination of controls and substantive procedures, carried out also with the support of our PwC network experts. More specifically, we performed the following main activities: • analysis of the adequacy of the IT environment and checks of the operating effectiveness of the relevant controls over the IT systems and applications used; • understanding and evaluation of the corporate procedures and processes related to the credit monitoring and valutation and checks on effectiveness of the operating relevant controls; • understanding and analysis of the appropriateness of the policies, procedures and models adopted to measure the significant increase in credit risk (“SICR”), as well as of the methods to determine and estimate the main parameters and estimates used within such models, with regard also to the changes introduced in the year following the adoption of IFRS 9; • evaluation of the reasonableness of the conclusions reached by the directors about the credit assessment, also taking into account their classification in the financial statements according to the categories envisaged by the applicable financial information and the regulatory framework; • for loans classified as performing, review, on a sample basis, of the reasonability of their classification based on the available information on the debtor status and other sources, including external ones, in addition to the correct application of the risk parameters as determined above;

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
	• for loans classified as non-performing, review, on a sample basis, of the measurement and classification in the financial statements according to the categories envisaged by the applicable financial information and the regulatory framework.
Goodwill evaluation	
Notes to the consolidated financial statements: *Part A – Accounting policies* *Part B – Information on the consolidated balance sheet assets, section 10* The goodwill recognised in intangible assets as at 31 December 2018 is equal to Euro 66 million, of which Euro 57 million related to the acquisition of control of Cassa di Risparmio di Biella e Vercelli and Euro 9 million to the acquisition of control of Pitagora. This balance-sheet item is subject to impairment test on an annual basis, or less in case of impairment indicators. The recoverable value of the cash generating units ("CGU") to which the goodwill is allocated, is verified through the determination of the value in use. The results of the models used, based on economic and financial projections developed considering a series of parameters, assumptions and hypotheses defined by the directors, are subject to a significant degree of professional judgement, in addition to be influenceable by exogenous events and factors. This subjectivity and uncertainty elements require the auditors to perform specific in-depth analyses, therefore making the goodwill verification a key audit matter.	As part of our audit activities, in order to address such key matter, we performed the following main activities, also with the support of the PwC network experts: • understanding and evaluation of the process defined by the Group for the preparation of the impairment test; • review of the compliance of the CGUs identified with the Group structure and of the measurement methods used with the professional practice; • critical analysis of the parameters and assumptions underlying the determination of the economic and financial projections, through discussion with management, aimed at understanding the main elements underlying their framing, also taking into account our acquired knowledge of the Group's operations and of the relevant territory; • examination of the sensitivity analysis of the results performed by management upon the change in the key input data used; • review of the accuracy of the mathematical calculations underlying the evaluation model adopted and the arithmetic correctness of the results; • verification of the completeness and adequacy of the information provided in the financial statements in accordance with the accounting standards.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Derecogniton of a bad loan portfolio following an assignment through securitization backed by GACS	
Report on operations *Notes to the consolidated financial statements: Part C – Information on income statement, section 6* As part of the improvement of the asset quality of the Cassa di Risparmio di Asti Group, during the year the multi-originator securitization transaction called "*Maggese*" was completed. This operation is backed by a guarantee issued by the Ministry of Economy and Finance (the Italian "*GACS*", *Fondo Garanzia sulla cartolarizzazione delle sofferenze*, guarantee on bad loan securitization), which concerned a loan portfolio classified as bad loans of Cassa di Risparmio di Asti and the subsidiary Cassa di Risparmio di Biella e Vercelli. In particular, on 16 July 2018, with economic effect from 1 January 2018, a bad loan portfolio was sold to an independent securitization vehicle called Maggese Srl. The total gross book value, at the transaction date, was equal to Euro 695 million (of which Euro 554 million related to Cassa di Risparmio di Asti and Euro 141 million related to Cassa di Risparmio di Biella e Vercelli) with a net book value equal to Euro 198 million (of which Euro 162 million related to Cassa di Risparmio di Asti and Euro 36 million related to Cassa di Risparmio di Biella e Vercelli). On 26 July 2018, the same vehicle issued Senior notes for Euro 171 million, Mezzanine notes for Euro 24 million and Junior notes for Euro 11 million, fully subscribed by Cassa di Risparmio di Asti and Cassa di Risparmio di Biella e Vercelli. Subsequently, on 10 September 2018, the Cassa di Risparmio di Asti Group finalised the sale to institutional investors of 95 per cent of the Mezzanine and Junior tranches originally subscribed, maintaining a net economic interest of 5 per cent of the nominal value of each of these tranches, in order to fulfil the retention obligation envisaged by the relevant regulations.	As part of our audit we performed, among other things, the following main procedures, also with the support of the PwC network experts: • understanding of the structure and methods to realize the sale transaction through securitization, by obtaining and analysing the contracts entered into and the further documents available, as well as through interviews with the Group's management; • review of the existence of the conditions required by the international accounting standard IFRS 9 for the derecognition from the Group's balance sheet of the securitized loans; • review of the completeness and adequacy of the information provided in the financial statements compared to what envisaged by the relevant regulatory framework and accounting standards.

Key Audit Matters	Auditing procedures performed in response to key audit matters
The transaction generated a loss amounting to Euro 31 million on the consolidated financial statements. With the finalisation of the sale of these securities, the conditions required by IFRS 9 applied for the derecognition of the loans sold from the Group's balance sheet were met. In consideration of the complexity of the transaction and the significance of the related accounting effects, we deemed the derecognition of the loans sold through securitization backed by GACS as a key audit matter.	

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, as well as with the regulations issued to implement the article 9 of Legislative Decree No. 38/05 and the article 43 of Legislative Decree No. 136/15 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the parent company Cassa di Risparmio di Asti SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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 the consolidated financial statements.

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

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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;
- We evaluated 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.
- We obtained 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 on the consolidated financial statements.

We communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 26 April 2010, the shareholders of Cassa di Risparmio di Asti SpA in general meeting engaged us to perform the statutory audit of the Bank's and consolidated financial statements for the years ending 31 December 2010 to 31 December 2018.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory 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 capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Cassa di Risparmio di Asti SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Cassa di Risparmio di Asti Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Cassa di Risparmio di Asti Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Cassa di Risparmio di Asti Group as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Cassa di Risparmio di Asti SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 15 April 2019

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.