GRUPPO CASSA DI
RISPARMIO DI ASTI

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MAIN BALANCE SHEET DATA	31/12/2020	31/12/2019	CHANGES	
			Absolute	%
NET LOANS AND ADVANCES TO CUSTOMERS	6,864,429	6,890,068	-25,639	-0.37%
DIRECT FUNDING (1)	9,913,066	10,013,055	-99,989	-1.00%
INDIRECT FUNDING	6,404,422	6,179,457	224,965	3.64%
TOTAL BALANCE SHEET ASSETS	13,972,494	12,962,617	1,009,877	7.79%
TOTAL OWN FUNDS(2)	1,171,766	1,054,176	117,590	11.15%

MAIN INCOME STATEMENT DATA	31/12/2020	31/12/2019	CHANGES	
			Absolute	%
NET BANKING INCOME	297,502	327,291	-29,789	-9.10%
OPERATING COSTS	-242,013	-248,232	6,219	-2.51%
NET PROFIT	27,297	40,748	-13,451	-33.01%

OTHER DATA AND INFORMATION	31/12/2020	31/12/2019	CHANGES	
			Absolute	%
EMPLOYEES	1,847	1,863	-16	-0.86%
BANK BRANCHES	221	236	-15	-6.36%
NON-BANKING BRANCHES	80	79	1	1.27%
NUMBER OF CUSTOMERS	488,373	478,184	10,189	2.13%

INDICATORS

PROFITABILITY INDICATORS	31/12/2020	31/12/2019
OPERATING COST INCOME (3)	56.65%	55.90%
ROE	3.31%	5.00%

RISK INDICATORS	31/12/2020	31/12/2019
NET BAD LOANS/NET LOANS AND ADVANCES TO CUSTOMERS	1.64%	1.82%
COVERAGE RATIO FOR BAD LOANS (4)	67.35%	68.24%
COVERAGE RATIO FOR TOTAL NON-PERFORMING LOANS	51.05%	49.72%
TEXAS RATIO (4)	54.26%	70.88%
FINANCIAL LEVERAGE (5)	15.47	17.54

CAPITAL RATIOS	31/12/2020	31/12/2019
CET 1 RATIO (CET1/RWA)	15.55	13.58
TIER 1 RATIO	17.21	13.58
TOTAL CAPITAL RATIO (TOTAL OWN FUNDS/RWA)	19.96	16.38

The schedules have been prepared using the figures of the reclassified balance sheet and reclassified income statement for operating purposes.
For the reconciliation between the reclassified financial statements and the statutory accounts, refer to the schedules shown in the "Annexes".

1) *The figure is influenced by the trend of funding from institutional counterparties, net of which direct funding would be € 9,845 million as at 31/12/2020 and € 9,631 million as at 31/12/2019, recording an increase of € 214 million.*
2) *Following the Bank of Italy recommendation dated 27 March 2020, regarding the distribution of dividends in the current health emergency related to the spread of the Coronavirus, the Board of Directors of the Parent Company Banca di Asti held on 9 April 2020 amended the previously-approved Proposal to the Shareholders' Meeting for the allocation of the profit for the year. Consequently, the Banca di Asti Group recalculated the consolidated regulatory capital and the relative capital ratios as at 31 December 2019, and adjusted the corresponding prudential reports. The value as at 31/12/2019 was therefore updated on the basis of the new proposal.*

KEY CONSOLIDATED OPERATING DATA

3) *The figure for 2019 was restated using the same criteria as for the current year. Excluding the extraordinary charges relating to the banking system, the cost income would be 56.35% as at 31/12/2020 and 55.41% as at 31/12/2019.*
4) *Bad loans are shown net of write-downs made in previous years and of interest on arrears deemed wholly unrecoverable.*
5) *Calculated as the ratio of total assets net of intangible assets (numerator) and shareholders' equity net of intangible assets (denominator).*

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Amounts are shown in €/thousand)	31/12/2020	31/12/2019	CHANGES	
			Absolute	%
ASSETS				
Cash and cash equivalents	63,049	67,739	-4,690	-6.92
Financial assets	579,027	1,415,062	-836,035	-59.08
Financial assets measured at amortised cost	12,255,005	10,444,962	1,810,043	17.33
- of which loans and advances to banks	*1,975,305*	*554,111*	*1,421,194*	*256.48*
- of which loans and advances to customers	*6,864,429*	*6,890,068*	*-25,639*	*-0.37*
- of which other financial assets measured at amortised cost	*3,415,271*	*3,000,783*	*414,488*	*13.81*
Equity investments	82	77	5	6.49.
Property, plant and equipment and intangible assets	291,835	300,920	-9,085	-3.02
Tax assets	288,867	315,288	-26,421	-8.38
Other assets	494,629	418,569	76,060	-18.17
TOTAL ASSETS	**13,972,494**	**12,962,617**	**1,009,877**	**7.79**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits from banks	2,600,388	1,648,569	951,819	57.74
Financial liabilities held for trading	14,523	17,590	-3,067	-17.44
Direct funding	9,913,066	10,013,055	99,989	-1.00
- of which deposits from customers	*8,381,595*	*8,161,813*	*219,782*	*2.69*
- of which debt securities in issue	*1,486,475*	*1,772,360*	*-285,885*	*-16.13*
- of which financial liabilities designated at fair value	*44,996*	*78,882*	*-33,886*	*-42.96*
Hedging derivatives	157,533	126,675	30,858	24.36
Tax liabilities	2,056	3,088	-1,032	-33.42
Other liabilities	227,757	245,083	-17,326	-7.07
Provisions for risks and charges	71,104	85,065	-13,961	-16.41
Shareholders' equity	966,199	805,754	160,445	19.91
Minority shareholders' equity	19,868	17,738	2,130	12.01
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13,972,494**	**12,962,617**	**1,009,877**	**7.79**

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)	31/12/2020	31/12/2019	CHANGES	
			Absolute	%
INTEREST MARGIN	204,936	209,590	-4,654	-2.22
Net fees and commissions	84,933	95,609	-10,676	-11.17
of which Commercial banking	*118,413*	*114,411*	*-4,002*	*-3.50*
of which Pitagora	*-33,480*	*-18,802*	*-14,678*	*78.07*
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)	124,993	125,964	-971	-0.77.
of which Commercial banking	*59,094*	*62,946*	*-3,852*	*-6.12*
of which Pitagora	*65,899*	*63,018*	*2,881*	*4.57*
Dividends and similar income	12,058	10,929	1,129	10.33
Other operating expenses/income	276	1,947	-1,671	-85.82
GROSS INTEREST AND OTHER BANKING INCOME	427,196	444,039	-16,843	-3.79
Gains/Losses on disposal of financial assets measured at amortised cost	-21,793	-23,244	1,451	-6.24
Net adjustments for credit risk on financial assets measured at amortised cost	-107,615	-93,078	-14,537	15.62
Profits/losses from contractual changes without derecognition	-286	-426	140	-32.86
NET INTEREST AND OTHER BANKING INCOME	297,502	327,291	-29,789	-9.10
Operating Costs:	-242,013	-248,232	6,219	-2.51
Personnel expenses	-126,450	-131,627	5,177	-3.93
of which personnel expenses	*-126,471*	*-131,504*	*5,033*	*-3.83*
of which allocations to the Solidarity Fund	*21*	*-123*	*144*	*-117.07*
Other administrative expenses	-91,714	-94,693	2,979	-3.15
of which other administrative expenses	*-80,457*	*-85,483*	*5,026*	*-5.88*
of which contributions to the National Resolution Fund, S.R.F. and D.G.S.	*-11,257*	*-9,210*	*-2,047*	*22.23*
Net value adjustments to property, plant and equipment/intangible assets	-23,849	-21,912	-1,937	8.84
GROSS OPERATING PROFIT (LOSS)	55,489	79,059	-23,570	-29.81
Net provisions for risks and charges	-15,124	-18,459	3,335	-18.07.
Gains (losses) on equity investments	-500	0	-500	n.c.
Other non-recurring income/charges	9	19	-10	-52.63
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**39,874**	**60,619**	**-20,745**	**-34.22**
Taxes	-12,577	-19,871	7,294	-36.71
PROFIT FROM CONTINUING OPERATIONS	**27,297**	**40,748**	**-13,451**	**-33.01**
PROFIT FOR THE YEAR	**27,297**	**40,748**	**-13,451**	**-33.01**

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

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

The macroeconomic scenario

The global economy continues to be heavily conditioned by the health crisis and its serious consequences. The Italian economy has made a significant leap backwards: in mid-2020, GDP had returned to the levels of the early 1990s and, in per capita terms, had even fallen to below the values of the late 1980s. From May onwards, however, the easing of restrictive health measures gave a boost greater than expected to the GDP recovery in all European countries. In particular, Italy recorded a +15.9% increase in the third quarter, after the sudden drop in the second (-13%).

The rapid spread of the autumn wave of the virus, and resulting containment measures, though less restrictive than those adopted in the spring, led to a new decline in GDP in the fourth quarter. Once again, the business activities hardest hit were catering, tourism and entertainment.
Overall, 2020 is expected to close with a decline of around 9% in GDP, according to Prometeia November 2020 estimates.
The restart in 2021 is forecast to be slow: it is unlikely that the launch of the vaccination campaign in the first few months of the year will allow a significant easing of preventive healthcare measures until the spring, and therefore business activity in the first quarter of 2021 is expected to be particularly slow.
Italy's recovery should become stronger in the second half of 2021, also due to budget policy support and the initial effects of the "*Next Generation EU*" (*NGEU*).
In particular, after the decline in GDP in 2020, a recovery is forecast that will approach the pre-crisis values, but these are only likely to be reached at the end of 2023.
In this economic scenario, it is expected that investments - after an unprecedented decline in 2020 - will rise by over 8% in 2021, benefiting from the effects of the NGEU. The stronger impact of these funds should be seen in 2022, the year in which consolidation of the overall growth in investments is forecast.
As regards individual spending, after the steep drop recorded in the first half of 2020, with the decisive increase in an appetite for saving acting as counterbalance, an overall decrease of 10% is expected at the end of 2020. In 2021, in view of the persisting uncertainties for health and the economy, a cautious approach to individual spending is forecast, along with a 3.8% growth in consumption, falling to 3.4% in 2022.
The pandemic's effects on the labour market were highly significant, as confirmed by ISTAT data for the second quarter, both in terms of demand and supply, and to differing levels among the various types of worker and between sectors. It is feared that the effects could be long-lasting. Despite the recovery in the summer months, the new lockdowns imposed by the Government, though diversified by region, caused a great deal of uncertainty in the labour market also in the final quarter, and employment levels in 2020 (measured by full-time equivalent units) fell by 11.7%.
The labour market in 2021 will continue to be burdened by the legacy of the crisis, with the uncertainty of still not being fully out of the health emergency.
However, if business activity recovers, as the forecast scenario suggests, its path to recovery during 2021- when even the natural entry and exit mechanisms of the labour market should be restored - will have impacts on overall employment levels and therefore on the unemployment rates.

Figure 13. Italy: GDP and Components, % changes

Italian macroeconomic scenario - GDP and components					
	2019	2020	2021	2022	2023
Gross Domestic Product	0.3	-9	5	3.5	1.6
Imports of goods and services	-0.4	-14.3	10.1	8.9	5.1
Household and private non-profit institution spending	0.5	-10	3.8	3.4	1.6
Public Administration spending	-0.2	0.7	2.7	0.2	-0.1
Gross fixed investments	1.6	-12.3	8.1	11	4.7
of which: inv. in machinery, equipment and transport vehicles	0.9	-14	4.9	14.6	6.2
of which: inv. in construction	2.5	-10.1	12	7	2.9
Exports	1.3	-16.5	10	6	3.4
Disposable income at constant prices	0.5	-3.7	1.7	1.6	0.6
Unemployment rate (1)	9.5	9.7	10.7	10.3	9.7
Public Administration debt as % of GDP	1.6	10.8	7.4	5.1	4.5
Public debt as % of GDP	134.7	158.2	157	154.9	154.8

(1) period-end figure

Source: Prometeia, November 2020 scenario

Quantitative easing is expected to remain for the next two years, with policy rates stable for the entire projection of the forecast. The BTP-Bund spread, after widening between the end of 2020 - due to the decline in the 10-year German bond, which benefited from the flight to quality - and the first part of 2021, should narrow down to around 100 basis points over the time horizon considered.
Consequently, no tension is expected in the cost of funding for the banking sector. The cost will remain low also because of the strong availability of liquidity guaranteed by the ECB (TLTRO).

Banking sector prospects

The coordination of European and national policies continues. Alongside the monetary policy[1], fiscal policy offers a major contribution to supporting the financial position of households and businesses and their respective credit ratings.

Figure 14. Italian banking scenario, €/million and % change

Italian banking scenario					
Figures in €/million; % change	2019	2020	2021	2022	2023
3M Euribor	-0.3	-0.4	-0.5	-0.5	-0.5
3Y Swap	-0.3	-0.4	-0.6	-0.5	-0.4

[1] As expected, on 10 December the ECB expanded its measures by a further increase of € 500 million in PEPP up to March 2022 and established new TLTRO auctions for 2021.

10Y BTP-Bund spread	215.6	165.8	132.6	115.7	105.3
Loans	1,510,646.30	3.7	0.3	1.6	1.3
Deposits	1,496,625.40	6.9	1.4	0.3	0.1
Gross NPL Ratio	9	7.3	8	7.8	7.4
Net interest margin	31,038.00	2	2.4	-3.8	-1.4
Net fees and commissions	25,555.00	-2.4	3.2	2.5	1.8
Net banking income	71,723.00	1.1	-3.7	-0.8	0.2
Operating Costs	46,852.00	1.7	-7.1	-2.8	-0.8
Adjustments to loans	11,728.00	96.3	-12.8	-19.1	-22.9
Net Profit	7,476.00	-69	49.2	88.3	49.1
ROE	3.2	1	1.4	2.6	3.8
Cost/Income	65.3	65.7	63.4	62.1	61.5
Cost of risk (on active loans)	0.8	1.6	1.3	1.1	0.8

Source: Prometeia, November 2020 scenario

The second wave of the pandemic, however, was likely to generate a significant increase in non-performing loans, which might not emerge in 2020 due to the extraordinary measures adopted at government level and by the various regulatory authorities.
From 2021, as these measures gradually come to an end, an increase is expected in the level of risk with the generation of approximately € 90 billion in NPLs over the two-year period, with an impairment rate forecast to reach 3.6%, though positioned well below the values in excess of 5% seen in the 2008 and 2012 crises. This because, today, businesses are more capitalised, financial expenses are reduced due to very low interest rates and, in recent years, bank exposures have been restructured to include better quality credit.
Overall, it is forecast that at the end of 2022 the banking system will have a gross NPL Ratio of just above that of 2020 (7.8% compared to 7.3% in 2020), due to disposals on the market and increased volumes of household and business loans.
Though an impact in terms of more extensive NPL volumes is expected in 2021, 2020 should see a stronger effect on the cost of credit, also due to the adoption of IFRS 9 which requires the accounting of adjustments based on lifetime economic prospects as well as taking into consideration the extraordinary provisions linked to NPL disposals. The cost of risk, however, should remain above 100 basis points until 2022, when it is still expected to absorb around 50% of the interest margin at system level.
The new challenges imposed by the pandemic are in addition, therefore, to the known challenges of needing to adapt the business model to the digital revolution

and to the macro context which does not offer a significant improvement in the profitability of traditional banking activities. The ROE for the sector, confirmed as down for 2020 and then gradually improving from 2021, should in any event remain lower than forecast in the pre-COVID scenario and below 3% until at least FY 2022.
According to recent Prometeia data, the low interest rates and limited returns on government securities will contribute to keeping banks' traditional profitability under pressure. The leverage for sustaining profit therefore mainly rests on revenue diversification and further containment of operating costs.
Forecasts estimate that revenues from services will support income statements, though less so than in the past. From 2021, a stronger contribution to profitability is expected from revenues from indirect funding, which in any event will remain conditioned by the effects of the pandemic on average stock under management and the intermediaries' capacity to intercept the additional liquidity accumulated in the financial portfolios of households. The forecasts of growing pressure on revenues from liquidity and payments management remain confirmed due to the strong competition from non-banking operators. Added to this are consumers' new preferred payment methods and regulatory intervention to limit the use of cash.
After absorption of extraordinary expenses linked to the pandemic and to a number of restructuring actions, it is expected that from 2021 the streamlining of the branch network will still be the driver for reducing overheads and personnel expense. This could leave more funds for enhancing the investments in technology and human capital, necessary to quickly advancing the remodelling process of the service model and combating increased IT risks.
In the new operating context triggered by COVID-19, the push towards greater operating efficiency pursued through consolidating actions is expected to be a more pressing issue and the focus of regulators, as well as being encouraged also by the tax incentives offered in the 2021 Budget Law.
Forecasts confirm the overall costs trend, which should see an inversion from 2021 (2021-2022 average of -5%), with the cost/income ratio reaching 62% in 2022 at Italian banking system level.

The local economy

According to the Bank of Italy's analysis of the economic situation in Piedmont, the first part of 2020 was critical, as in the rest of the country, due to the effects of the lockdown imposed because of the still ongoing health emergency. In the first half of the year, significant declines in production were recorded in all sectors and for all indicators. Nevertheless, with a backdrop of particularly critical months, there were initial signs at the end of the first half of a partial inversion of the trend due to easing of the restrictive measures, and this led to a third quarter figure much improved on that of the previous quarter which had recorded a steep decline (-15.3% compared to the third quarter of 2019). The business recovery, however, was not even across the sectors. In industry, where the recovery was stronger, the performance was better in the automotive and the rubber and plastics segments, whilst the situation remained difficult for machine tools due to the weak demand for investment goods and, especially for textiles, due to the drop in consumption. Overall, the capacity usage of industrial plants saw an upturn, though remaining at still limited levels, lower than those of 2019. In the service sector, business in the summer months was less intense, particularly in the commercial and tourism service segments which were hardest hit by the pandemic. In construction, after building sites reopened in May, production started to increase in the private segment and in public works, though for 2020 as a whole it is expected to remain below that of the previous year.

On the basis of Unioncamere Piemonte data, industrial production fell by 10.7% overall compared to the same period of 2019, affected by the suspension of non-essential production between the end of March and the beginning of May, and by the marked decline in domestic and foreign demand. According to the Confindustria Piemonte economic survey, the level of production capacity usage dropped suddenly to around 65%, from an average 75% in 2019. Overall, production activities decreased in all the main specialist segments of the region, albeit with different intensities. The decline was strongest in textiles, metalworking and especially the automotive segments. At local level, industrial production recorded a largely negative performance in Piedmont. The most conspicuous after that of Biella (-14.1%) was Vercelli (-6.3%), followed by Verbano Cusio Ossola (-4.3%), Novara (-4.2%), Asti (-3.8%), Turin (-2.9%) and, lastly, Alessandria (-0.9%). The only positive figure was from Cuneo (+2.7%).

The construction segment was strongly affected by the COVID-19 containment measures, which between March and the beginning of May led to stoppages at most private building sites and a high percentage of the public sites. Signs of a gradual recovery began to emerge in late spring. The number of hours worked by employees enrolled in the Piedmont building industry relief funds, lower by 44% in March and by 82% in April, rose again in later months to reach pre-health crisis levels. On the whole, the decrease was in any event almost 16%, compared to the same period of the previous year. For all of 2020, based on the Bank of Italy survey on a sample of regional businesses with at least 10 employees, production in the sector recorded an overall decline.

In the tourism industry, the flow of visitors was practically zero between March and June, also due to travel restrictions between regions and countries. According to data gathered from sector operators, the trend in July and August, though at levels considerably lower than in previous years, was better than forecast at the start of the summer season, albeit with strong regional differences. In particular, the trend was more favourable in out-of-town areas. A contribution to the sector's activities came in the form of vouchers financed by the Piedmont Regional Government, offering a significant discount on stays at hotels adopting the initiative.
The number of hours worked was lower than in 2019. The impact of the crisis on the employment figure was mitigated through exceptionally broad recourse to wage guarantee measures. The employment level fell in the self-employed and employees with fixed-term contracts. Vice versa, those with permanent contracts remained stable, also due to the restrictions on dismissals. The health emergency, along with

travel restriction measures, discouraged participation in the jobs market, especially among young people.
From June onwards, the data on new and terminated employment contracts in the non-agricultural private sector showed that the balance between recruitments and terminations, which declined strongly in the three months prior, returned to levels in line with those recorded in the same period of 2019. The recovery only referred to fixed-term contracts.

From March, the trend for loans to the non-financial private sector saw the end of the slowdown recorded in 2019 and the first two months of 2020, and the credit performance gradually intensified. Growth over the twelve months rose from 1.4% at the end of the first quarter to 5.2% in June. The acceleration continued through the summer quarter (to 9.2% in September). The loans trend recorded from the outbreak of the crisis reflected that relating to business loans, whilst loans to consumer households slowed. According to indications provided by banks operating in Piedmont, participating in the regional bank lending survey (RBLS), the demand for loans from businesses increased considerably in the first half of the year. Loan applications rose in the manufacturing and services industries, whilst those from the construction segment remained essentially stable. The higher demand is mostly attributable to the need to fund working capital, brought about by the greater need for liquidity resulting from the lockdown, and to the need to restructure prior debt positions. For households, however, the demand for home purchase mortgages, and to a greater extent the demand for consumer credit, fell in the first six months of 2020. This trend mirrored the decline in consumption and property sales. The banks indicated that the demand for loans from households started to rise in the second half of the year.

On the supply side, the lending terms and conditions applied to businesses by the banks have become more relaxed. The extraordinary measures imposed by the Government and other national and international authorities had an impact, including the broad programme of public guarantees on loans. The expansionary monetary policy also affected the terms and conditions applied by intermediaries, facilitating a decrease in average spreads, reduced accessory costs and higher quantities offered. For households, on the other hand, the supply policies tend towards greater prudence, though still accommodating overall.

The consumer credit market in Europe

In Europe, according to results of the Quarterly Survey conducted by Eurofinas (European Federation of Finance House Associations), in the third quarter of the year 2020 the total new consumer credit loans, which represent most of the loans granted by the members (71%), recorded a decline of -7.9% compared to the same period of 2019.
The aggregate figures reflect a decrease in most of the national markets of Eurofinas members. These include Italy, which recorded a decline in the period July-September 2020 of -11.6%, a figure in any event higher than the average for the area.

The decrease in new loans disbursed was recorded in all the consumer credit categories.
The personal loans segment continues to be that penalised heavily by the health emergency, falling by -15.4%, whilst in the same period the car purchase loans market saw a 12.8% increase.

The consumer credit market in Italy

In 2020, the pandemic caused a sudden halt in consumer credit in the Italian market, with a strong decrease of -20.9% compared to the previous year.
The first two quarters recorded declines of -11.2% and -45%, respectively, whilst in the third quarter the slowdown was lighter (-11.1%), in line with the gradual improvement in macroeconomic indicators and easing of the restrictive measures during the summer months. This was followed by a new decline of -15.2% when the second wave of infections arrived, albeit limited compared to the steep drop recorded in the spring.

The loans granted to purchase cars and motorcycles, which saw a double-figure growth in the third quarter (+19.4%), mainly due to the boost from incentives and a greater need for personal, sustainable mobility, nevertheless closed the year in negative territory, standing at -12.1%.

Loans for the purchase of other goods/services also recorded an overall -14.4%, despite a positive third quarter. The result is therefore driven by the good performance of loans for furniture and furnishing (+14.4%), thanks to store re-openings and the growing need to make the home more efficient and comfortable. Signs of recovery in the third quarter were also seen in loans for the purchase of "green" systems and energy efficiency goods for the home, in the wake of the extended tax subsidies launched by the Government, and those for the purchase of mopeds and scooters.

Personal loans were the type most affected by the ongoing crisis, recording -33.7% yoy and remaining in negative territory in all quarters of 2020, despite expansion of the product mix offered through digital channels.

In line with household consumption developments, the total disbursements via credit cards and in instalments recorded a -13.6% decrease. This reduction, however, was less pronounced than for other products, due to the increased use of payment cards rather than cash, which intensified during the pandemic for hygiene reasons, and the greater use of e-commerce.

Sources: Eurofinas. Quarterly Survey, Q3 2020; Assofin Observatory; Retail Credit Observatory. Forty-ninth edition produced by Assofin, Crif and Prometeia; Assofin Observatory on Consumer Credit - 2020.

The salary and pension assignment loan market

2020 saw a decrease in cash flows from salary and pension assignment loans, which fell by -9.5% yoy (with a total volume of € 5,490,569,000) compared to the previous year (+1.8%), though to a lesser extent in relation to consumer credit market activities as a whole.

Analysing the quarterly trend in terms of percentage change, salary and pension assignment loans recorded a negative figure in the first part of 2020 (-8.4% in the first quarter and -39.5% in the second), whilst starting to rise again the second half, accelerating slightly in the period July-September (+4.1%) and recording a decisive inversion of the trend in the last three months (+12.1%), also resulting from marketing campaigns by the leading operators, particularly targeting public sector employees, which remained steady (+6.9%) as opposed to the decline for private sector employees (-20.3%) and pensioners (-17.2%).

Sources: Assofin Observatory

COMPANY OPERATIONS

Mission and strategic design

In 2020, companies in the Cassa di Risparmio di Asti Group operated in the economic scenario severely impacted by COVID-19. Nevertheless, they demonstrated enormous resilience and, in continuity with previous years, enhancing their good market positioning, pursuing their mission with determination and strength, and significantly improving their operating efficiency. The capital ratios achieved in 2020 confirm the solidity and solvency, both at individual company and Group level, with a high surplus of liquidity reserves and on the capital requirements of the Supervisory Authority.

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

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

The companies of the Cassa di Risparmio di Asti Group confirm their mission 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.

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

Operational management of the Covid-19 emergency

On 11 March 2020, the World Health Organisation declared the coronavirus (SARS-CoV-2 or COVID-19) a pandemic, causing many countries, including Italy, to adopt restrictive measures to limit its spread. The pandemic triggered an unprecedented global health emergency, and forced countries all over the world to adopt social containment measures, such as closing schools, suspending all public events, limiting the circulation of people and suspending non-essential business activities.

These measures triggered a general economic crisis and the contraction of the stock markets, resulting in a global recession scenario.
In Italy, the spread of the Covid-19 epidemic began in late February 2020, forcing the Italian government, before many other countries in Europe and the world, to adopt strict containment measures to limit contagion and allow access to the national healthcare service by all residents.
In relation to the evolution of the coronavirus emergency, the Banca di Asti Group formed an internal collegial body named the Group Crisis Committee with the aim, in line with the indications provided by the government authorities, of managing the epidemiological event and undertaking initiatives intended to protect the health of the Group's workers and guarantee operational continuity and the provision of services to customers.
In relation to the issue of Prime Ministerial Decree of 8 March 2020 and the subsequent associated Decrees with measures to limit and combat the spread of the Covid-19 virus throughout the country (including the Prime Ministerial Decrees of 26 April and 17 May 2020), the Group Crisis Committee took a series of actions to adopt the regulations issued and mitigate the risks of contagion.

The interventions were organisational as well as operational in nature and were intended to protect worker and customer safety:

- specific instructions were provided already at the end of February 2020 on the health and hygiene rules to be respected in order to limit the pandemic;
- specific instructions were given to employees on the protocol to be observed in the case of current or previous illness linked to coronavirus contagion;
- in-person meetings, meetings with customers for sales and service purposes and in-person classroom training were all suspended, and IT tools were made available to employees for video conferences and conference calls;
- the use of common areas in the workplace was prohibited to avoid crowding, and visitor, supplier and consultant access was limited. Entry into the Group's offices or the branches was permitted only after taking a series of prevention steps, including completing medical history questionnaires;
- the cleaning service was expanded in all locations, with the daily disinfection of work surfaces using hydro-alcoholic solutions and recommendations and instructions were provided to ensure rigorous compliance with hygiene and health measures;
- the air conditioning and/or ventilation systems were sanitised and the systems were cleaned with the extraction of filters, while all areas usable by customers were outfitted with totems with disinfectant gel dispensers for hand sanitisation;
- personal protection equipment (PPE such as gloves, masks and sanitising gel) were distributed to all Group personnel and, to further improve the

safety conditions of workstations, plexiglass screens and free-standing protective tempered plate glass dividers were installed;
- for employees working at the main office, where the staff presence is much higher in number terms, body temperature scanners were installed for use by all employees before accessing the workplace.

The Group Crisis Committee took other prevention and facilitation measures for employees as well, including:
- for work that could be done from home or remotely, smart working and home working arrangements were activated in derogation of individual agreements;
- training platforms usable in smart learning mode were expanded;
- in compliance with the provisions laid out in Prime Ministerial Decree of 11 March 2020 and in subsequent decrees on such matters, including the Prime Ministerial Decrees of 26 April and 17 May 2020, the presence of personnel working at the organisational units was limited to the maximum extent of 50%;
- in order to support parents, those with children under 15 years of age or with disabilities were provided with the possibility to make use of special paid leave;
- pregnant employees were prohibited from coming into direct contact with customers and received incentivised access to leave and holidays.

To support the measures put into place by the Group as part of the business continuity plan:
- fixed telephone channels were activated;
- the licences and software required to manage the emergency situation were acquired, and an RDS (Remote Desktop Services) environment was activated;
- rooms were activated for video conferences and conference calls;
- portable devices were acquired for smart working (including laptops, notebooks, monitors and printers);
- headphones and webcams were acquired to be used with the laptops available to personnel taking advantage of smart working arrangements;
- 100 smartphones were acquired for smart working;
- 583 VPN lines were activated for smart working.

From the very start of the Covid-19 pandemic crisis, the governments of the European Union and the European Central Bank (ECB) adopted exceptional measures to respond to the emergency and limit its effects on the economy.

Some of the measures adopted by the Italian government to support individuals and businesses involved the banking system as a vehicle for their implementation:
- Law Decree no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020, the “Cura Italia” Decree, laying out measures to strengthen the

national healthcare service and economic support for households, workers and businesses connected to the epidemiological emergency;
- Law Decree no. 23 of 8 April 2020, the "Liquidità" Decree, laying out urgent measures on access to credit and tax obligations for businesses, special powers in strategic sectors, as well as interventions concerning health and work, and extending administrative and procedural terms.

To handle the economic consequences of the pandemic, the Italian Banking Association (ABI) also promoted several interventions, including the signing of an agreement with the Trade Unions and the Employers' Associations, based on which the banks participating in the initiative anticipated to entitled employees the supplementary income benefits provided by the "Cura Italia" Decree.

Italian Law Decree no. 104 of 14 August 2020, the "August Decree", automatically extended the Cura Italia Decree's benefits from 30 September 2020 to 31 January 2021 for all SMEs submitting their requests by the date of entry into force of the decree. For other businesses, the deadline for submitting the application was 31 December 2020.
The 2021 Budget Law, Law no. 178 of 30 December 2020, applied a further extension of the suspensions until 30 June 2021. Companies that had not yet requested suspension could do so by 31 January 2021 under the terms and conditions envisaged in the Cura Italia Decree.
The EBA Guidelines extended the aforementioned system of moratoria, initially until 30 September 2020 and then again on 2 December 2020 until 31 March 2021. They also introduced the nine-month limit as the maximum overall period of application of the general payment moratoria relating to legal forbearance or the result of system arrangements.

The interventions applied by the Group in line with the provisions issued by the government as well as those laid out by specific agreements or at the initiative of the Group itself are described in detail below.

Interventions pursuant to Law Decree no. 18 of 17 March 2020, converted into Law no. 27 of 30 April 2020.

Law Decree no. 18 of 17 March 2020, named the "Cura Italia" Decree, establishes in art. 56, paragraph 2, letters a), b) and c), financial support measures for micro, small and medium sized enterprises which temporarily experienced liquidity shortfalls as a direct consequence of the spread of the Covid-19 epidemic.

The interventions originally envisaged in the Decree were:
- The inability to revoke until 30 September 2020 credit facilities subject to revocation and loans granted against advances on receivables existing at the date of 29 February 2020.
- Extension of the terms to 30 September 2020 for non-instalment loans with a contractual expiry prior to that date.

- Legislative moratoria for small and medium sized enterprises which, as at 17 March 2020 had no debt positions classified as non-performing, based on a declaration self-certifying temporary liquidity shortfalls as a direct consequence of the spread of the Covid-19 epidemic, loans to be repaid in instalments could benefit from a suspension of instalments falling due from 17 March to 30 September.

The expiry of the initiative pursuant to Art. 56 was extended to 31 January 2021 by Italian Law Decree no. 104 of 14 August 2020, then further extended to 30 June 2021 by the 2021 Budget Law (Law no. 178 of 30 December 2020).

Art. 54 of the same decree established the "Gasparrini Fund", a solidarity fund for first home mortgages. These are legislative moratoria targeting households, and specifically:

- employees who have been suspended from work for at least 30 consecutive working days or have suffered a reduction in working hours for at least 30 consecutive working days, corresponding to a reduction of at least 20% in total working hours;
- self-employed workers and independent professionals who have self-certified having recorded a reduction in turnover exceeding 33% compared to the last quarter of 2019 as a result of the closure or restriction of their activity in implementation of the provisions adopted by the competent authority for the coronavirus emergency.

Participation in the Fund establishes the possibility for the holders of the above-mentioned loans to benefit from suspension for a period of up to 18 months of the payment of instalments, if certain requirements are met and if authorisation is provided by the Fund itself within the limits of available resources and until they are used in full. At the end of the suspension period, the loan amortisation period will resume with an extension equal to the duration of the period of suspension and the Fund will pay compensatory interest to the extent equal to 50% of the interest accrued on the residual debt during the suspension period. The amount deriving from the difference between the interest accrued on the loan and that paid by the Fund will be paid by the customer, spread out across the remaining repayment instalments for the remaining lifetime of the loan.

Interventions set forth in the Addendum to the 2019 ABI credit agreement “Companies in Recovery 2.0”

The Group has provided relief to microenterprises and small and medium sized enterprises operating in Italy in compliance with the requirements laid out in the Addendum to the 2019 ABI Credit Agreement - Covid-19 emergency. These are non-legislative moratoria offered to all businesses operating in Italy, belonging to any product sector, which when they submitted the moratorium request had not benefitted from analogous facilitations in the previous 24 months and do not have debt positions classified by the bank as non-performing: these businesses may request a suspension of principal payments on loan instalments for a period of up to 12 months provided the loans were in existence as at 31 January 2020.

Interventions set forth in the ABI - Consumers Associations Agreement of 21 April 2020

The Group's Commercial banks decided to participate in the "Agreement on the suspension of principal payments on real estate mortgage loans and unsecured loans with repayment in instalments" entered into on 21 April 2020 by the ABI and the Consumers Associations. According to the agreement, borrowers (holding real estate mortgage loans and unsecured loans with repayment in instalments) disbursed prior to 31 January 2020 may request the suspension of the principal payment on the loan, for a period of up to 12 months, provided one of the following events takes place or has taken place in the two years prior to the request: termination of employment or agency relationship, suspension from work, death or non-self-sufficiency, reduction of turnover for self-employed workers and independent professionals. The intervention does not cover loans already classified as non-performing, those benefitting from public facilitations, loans for which insurance to cover risk has been taken out and salary and pension assignment credit transactions. These interventions can be classified as non-legislative moratoria.

In order to expand the support measures for households, self-employed workers and freelance professionals, and taking into account the provisions of the EBA Guidelines, on 16 December 2020 the ABI and Consumer Associations renewed the agreement to suspend loans repayable in instalments and home mortgages that cannot access the Gasparrini Fund for first home mortgage holders. If requested by 31 March 2021, the suspension is granted for the principal or for the entire instalment for a maximum 9 months (including any COVID moratoria already granted).

Assofin moratorium interventions - Consumer credit

As concerns the activities of the subsidiary Pitagora, these interventions are classified as non-legislative moratoria for which consumer credit borrowers are eligible if, as a result of the COVID-19 emergency, they are in a situation of temporary economic difficulty at the time of the request due to:

- termination of their employment relationship;
- termination of atypical working relationships;
- suspension or reduction in working hours for a period of at least 30 days (unemployment benefits or other social safety nets);
- self-employed workers and independent professionals who have registered in the quarter prior to that in which the suspension is requested a reduction in turnover exceeding 33% compared to what was invoiced in the last quarter of 2019 as a result of the closure or restriction of their activity in implementation of the provisions adopted by the competent authority for the coronavirus emergency;

- heirs with the characteristics listed above of deceased parties who entered into contracts not backed by a credit protection policy which requires the payment of an indemnity equal to the residual capital.

The suspension may last for up to 6 months and may be requested for loans for which at 21 February 2020 there are no payment delays such so as to entail classification of the position as in default or forborne.

Moratorium interventions for Local authorities - ABI (ABI- ANCI-UIP) of 6 April 2020

The Group has decided to participate in the ABI Agreement of 6 April 2020 entered into with the National Association of Italian Municipalities (ANCI) and the Union of Italian Provinces (UPI) according to which Local Authorities as defined in art. 2 of Italian Legislative Decree no. 267 of 18 August 2020 may request the suspension of principal payments in relation to loan instalments falling due in 2020 for twelve months, with the resulting extension of the amortisation schedule. The term of the loan following the suspension cannot exceed 30 years. When the suspension request is submitted, the beneficiary authorities cannot be in default or in a state of crisis, and they should not have been subjected to dissolution procedures due to situations of Mafia-related infiltration and influencing or similar phenomena.

The loans subject to suspension must have the following characteristics:

- entered into according to the technical form of the loan;
- in the name of Local authorities with repayment obligations entirely under their responsibility;
- the borrower and the beneficiary must be the same;
- they should not have been granted on the basis of special laws;
- they should be in repayment;
- they should not have instalments past due and unpaid for more than 90 days when the suspension request is submitted.

Interventions in favour of businesses due to the spread of the Covid-19 epidemic following the publication of Law Decree no. 23 of 8 April 2020.

With Law Decree no. 23 of 8 April 2020, named the “Liquidità” Decree, the government decided to make temporary measures available to businesses to support liquidity through the banking system.

The new credit lines to which the initiative is applied, valid until 31 December 2020, are:

- new credit lines or new loans backed by an 80% direct guarantee of the Central Guarantee Fund and intended to partially or fully replace existing prior exposures.

- Loans with a direct guarantee exceeding 80% of the Central Guarantee Fund. In this case, the partial or full replacement of prior exposures granted by the Group is not permitted.

In this second case, the types of loans established are:

- Loans up to € 30,000, 100% guaranteed by MCC in the simplified procedure. Duration of between 24 and 120 months with pre-amortisation of at least 24 months. Amount alternatively no more than 25% of turnover or revenues in 2019 or double annual expenditure on wages.
- Loans 90% guaranteed by MCC which may reach 100% in the case of the intervention of a credit guarantee consortium.
- Maximum duration of 72 months with maximum pre-amortisation of 24 months. Intended for companies with revenues not exceeding € 3,200,000. The maximum amount of the loan cannot exceed alternatively 25% of turnover or double annual expenditure on wages.
- Credit lines up to € 5,000,000 90% backed by MCC.
- Maximum duration of 72 months. The amount of the loan cannot exceed alternatively 25% of 2019 turnover, double annual expenditure on wages for 2019, the requirement to cover working capital costs and investment costs in the subsequent 18 months or 12 months depending on whether they are SMEs or businesses with more than 499 employees.

In reference to the 100% MCC loan guarantees, the 2021 Budget Law extended the duration to 15 years with regard to transactions granted in the first half of 2021.

Furthermore, the Group offers its customers loans to obtain the liquidity pursuant to art. 13, paragraph 1, letter m) of the “Liquidità” Decree:

- loans up to € 30,000, 100% guaranteed by ISMEA in the simplified procedure. Amount not exceeding alternatively 25% of revenues in 2019 or double annual expenditure on wages. Duration of between 24 and 72 months with pre-amortisation of no more than 24 months.

At European level, the governments of the EU and the European Central Bank (ECB) adopted exceptional measures to respond to the emergency and limit the effects on the economy, and the Regulatory, supervisory and standard setter bodies published a series of interventions intended to clarify the methods for applying the international accounting standards in the current context of the Covid-19 pandemic and adopt measures to handle the effects of the emergency caused by the pandemic on the economy.

As regards monetary policy interventions, to support liquidity conditions and lending for households, businesses and banks and allow for a fluid disbursement of credit to the real economy, the Governing Council of the ECB established on 12 March 2020 an increase in nominal rates for accessing the TLTRO III transactions and a modification improving the economic conditions established for such transactions to be applied in the period from June 2020 to June 2021. The introduction of new refinancing transactions - LTRO established already on that occasion.

Additional interventions by the ECB's Governing Council in April introduced longer term refinancing transactions - PELTRO - to support liquidity conditions of the financial system in the Eurozone and contribute to maintaining the functioning of the money markets, which entered a crisis due to the pandemic emergency. In the same period, the conditions applied to refinancing transactions were once again revised, making them even more favourable and introducing incentive mechanisms.

On 1 April 2020, in the document "IFRS 9 in the context of the coronavirus pandemic", the ECB urged banks to opt for the application of the IFRS 9 transitional provisions laid out in the CRR and provided indications and references aiming to avoid the use of excessively procyclical assumptions in the determination of credit losses.

Lastly, in relation to capital requirements, the ECB granted a temporary facilitation, in relation to market risk, so that banks could maintain the capacity to provide liquidity despite the extraordinary conditions of financial market volatility. Specifically, the interventions of the ECB established the possibility of temporarily operating below the capital level defined by Pillar II and below the liquidity coverage ratio (LCR).

In the document of 25 March 2020 "Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of Covid-19 measures" the EBA clarified the role of the judgemental component and the flexibility of models in the application of prudential requirements on default and forbearance, as well as the IFRS 9 requirements on the determination of credit losses. The document underscores that the classification and measurement of the credit risk of financial instruments must be reflected in the financial statements in consideration of the exceptional context linked to the COVID-19 pandemic and the mechanisms put into place by governments to support the economy.

Against the economic support mechanisms put into place by governments in favour of individuals and businesses in difficulty due to the advent of Covid-19, including moratoria, the EBA also described in detail the criteria that need to be met by the above-mentioned moratoria, both legislative and voluntary, in order for them not to activate the forbearance classification. In relation to moratoria, ESMA provided guidelines on how to consider them in the application of IFRS 9 relating to modification and derecognition, significant increase in credit risk (SICR) and the measurement of expected losses.

Also with reference to the application of the requirements of IFRS 9 on the determination of credit losses in a context characterised by greater economic uncertainty deriving from the outbreak of the Covid-19 pandemic, without modifying existing requirements, the IFRS Foundation clarified that the governmental economic support measures in response to the health emergency should not trigger an automatic significant increase in credit risk.

The European Commission adopted a package for banks to contribute to facilitating lending to households and businesses throughout the European Union, including, inter alia:

- an interpretative communication on the EU's accounting and prudential frameworks;
- more favourable treatment of public guarantees granted during the crisis;
- the postponement of the date of application of the financial leverage ratio buffer;
- the anticipation of the date of application of agreed measures incentivising banks to finance employees, SMEs and infrastructure projects.

Commercial network

As at 31 December 2020, the Sales network of the Banks of the Cassa di Risparmio di Asti Group was comprised of 221 branches, a Private Network with 7 managers and a Business Network with 25 managers.
Of the total number of branches, 190 are located in Piedmont and more specifically: 62 in the Asti area, 32 in the Biella area, 34 in the Vercelli area, 30 in the Turin area, 13 in the Cuneo area, 12 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 12 branches in the Milan area, 2 in the province of Varese, 5 in the province of Monza-Brianza and 2 in the Pavia area, 2 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 for the Liguria Region, and 1 branch in the province of Padua and 1 in the province of Verona for the Veneto Region.
The sales network of Pitagora is mostly characterised by a direct and exclusive arrangement between the Company and the Financial agents, who work in sales outlets located throughout the country, which as at 31 December 2020 totalled 80.

With regard to commercial policy, in 2020, business strategies continued to be applied Group-wide, thanks to the collaboration and coordination between the different operating units.

The role of Banks, particularly the Group banking companies, with deep roots in the local area, is always important, attentive to the needs of households and businesses, particularly small and medium sized enterprises, categories that have unfortunately been the worst hit by crisis in recent years and by the pandemic.

The Group gives priority consideration to the requests of the local communities it operates in, strengthening synergies created over the years with local institutions and associations it works with to support economic and social development.

Corporate product range

As regards lending to businesses, the Group is committed to a maximum focus on the needs of companies, particularly micro-businesses and SMEs, which along with households play an essential role in our social fabric, affected in 2020 by the COVID-19 pandemic. From the first few hours of the crisis, the Banca di Asti Group provided support to its businesses, through a prompt information and advisory service, by adopting government recommendations and introducing its own initiatives.
To this end, in fact, the Group has adopted:

- the "Cura Italia" moratorium, i.e. that introduced by the Italian Law Decree of 17 March 2020, which envisages the option for business customers harmed by COVID-19 to request the suspension of mortgage and loan instalments;
- the ABI moratorium, which envisages the option for businesses affected by COVID-19 to request payment suspension of the interest portion of loan instalments;
- the "Local Authorities" moratorium, which envisages the option for local authorities (Art. 2, Law Decree of 18 August 2000) to request payment suspension of the principal portion of loan instalments.

A service was also activated for remote applications for the suspension of loan instalments, so as to guarantee maximum compliance with travel restriction rules for customers and employees.
On publication of Italian Law Decree no. 23 of 8 April 2020, urgent measures were introduced in favour of businesses, allowing them access to new State-guaranteed loans. In particular, the following were also made available to businesses by the Banca di Asti Group:

- loans of up to € 30,000 with a 100% guarantee from the Central Guarantee Fund or from ISMEA, targeting microbusinesses and SMEs;
- loans with a 90% guarantee from the Central Guarantee Fund, with possible increase to 100% with Confidi intervention, targeting SMEs and mid-caps;
- loans with a 90% guarantee from the Central Guarantee Fund, targeting SMEs and mid-caps.

The opportunity offered by the Guarantee Fund set up with Mediocredito Centrale has allowed businesses to reschedule commitments and obtain new low-cost financing. These measures will remain available to business customers of the Banca di Asti Group also for 2021.

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 for the purchase of new production machinery, systems and equipment, continue to be offered.

In the agriculture segment, subsidised loans under the “2020 Piedmont Region Green Plan” continue to be offered to individual and associated farmers.

The partnership with Turin Polytechnic also continued in 2020, through a product called PMInnova, by means of which the Group Banks and the Polytechnic make themselves available to businesses to promote technological development, providing support to their innovation requirements and providing the opportunity to participate in projects funded by the European Union to help them obtain non-repayable grants and low-interest loans. PMInnova entails a “Subscription” service and other services provided by Turin Polytechnic: “Advice on innovation”, “Registering for tenders” and “Business check-up”. A particularly significant initiative was the "Guide to Phase 2", which allowed distribution to business customers of the Group's banks of recommendations prepared by Turin Polytechnic for reopening safely in June 2020 in compliance with regulations for combating COVID-19.

In addition to the PMInnova initiative, the partnership with a company called Credit Data Research Italia S.r.l. also continued in 2020, providing additional advisory services to businesses, focusing on company finance and competitiveness. The range of services provided by CDR seeks to encourage and stimulate the investment opportunities of companies, through an extensive and diversified array of tools, including subsidised loans, tax credit, vouchers, non-repayable grants or interest rebates. Competitiveness is also supported through the provision of a clear and transparent credit profile for customers, suppliers or business partners and through the issue of certifications, for the environment, occupational health and safety or legislative obligations (e.g. GDPR).

The partnership with CDR also allowed the implementation of initiatives targeting support for business customers during the COVID-19 emergency. In particular, "#RipartiamoInsieme" is an initiative through which business customers could be offered a free check-up of reference market variables in the period March-June 2020, in the form of a questionnaire. The responses provided by the company were analysed by CDR, which in real time sent back a business snapshot to the customer, for use as a starting point in identifying solutions for improving any critical issues that emerged.

2020 also saw the continuation of reporting on the long-term vehicle rental service of the Cassa di Risparmio di Asti Group in partnership with ALD Automotive Italia S.r.l. ALD Automotive Société Anonyme, a company in the Société Générale Group, is the number one operator in Europe, the third largest in the World, and through its subsidiary ALD Automotive Italia S.r.l. is among the leading operators in Italy in terms of market share.

With a view to expanding and updating its range of corporate products and services, following an in-depth survey of the market and of opportunities, in 2019, the Banca di Asti Group gave a positive evaluation to the entry into the market of Minibonds and Short Term Bonds, which Milan Polytechnic, in a dedicated 2018 Annual Report, defines as debt securities issued by non-financial Italian companies, listed or unlisted on the stock market, by virtue of the legislative changes introduced from 2012 onwards. From October 2020, the proposal of Minibond and Short Term Bond products was launched with the Bank's business customers, and likewise an in-house training activity that will continue into 2021 with the Partners identified.

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

In view of the COVID-19 emergency that characterised almost all of 2020, in October 2020 the Banca di Asti Group joined the Elite Basket Loan project, launched by ELITE (London Stock Exchange Group) with FISG (Banca Finint) and ADB Corporate Advisory, using innovative tools to inject new liquidity into the banking system for businesses with the aim of supporting them in this complex phase. The tool consists in disbursing 5-year fixed-rate loans, 90% backed by State guarantees (through the "Cura Italia" Decree), with a partially digital preliminary investigation process and disbursement of the loan by predefined deadlines. Real support for the working capital of businesses through the disbursement of a loan assisted by the Central Guarantee Fund, the proposal of which will also continue in 2021.
The "Rilancio Decree" (converted with amendments by Italian Law no. 77 of 17 July 2020) introduced new measures on deducting expense incurred for specific renovation works and energy requalification of properties, and made it possible to recover the tax credit through assignment from 2020 onwards. Among the interventions, the energy efficiency improvement of buildings activities met with strong interest.

Also with a view to providing real support in private and public infrastructure improvements in our geographical area, the Banca di Asti Group chose to be among the first operators, from October 2020 launching the commercial proposal that allows customers to assign their tax credit and provide financial support to works that ensure maturity of the tax credit.

Private customer product range

With regard to consumer credit, in 2020, the Group once again confirmed its focus on the world of individual and household customers, recording results in terms of disbursements that are in line with the economic context arising from the health crisis.

As early as August 2019, the Group had introduced the new digital signature functions, which allow the submission of applications via the Banca Semplice Home (Internet Banking) service for an "Erbavoglio Online" personal loan, the result of a new way of interpreting the approach to customers and credit management. In line with the development process for the customer service model and the need to simplify the formalisation of remote applications for loans, in 2020 the maximum amount requestable independently online by customers was raised to € 15,000.

Again in reference to the "Erbavoglio" consumer loan, a major review was launched in 2020 of the submission and decision-making process, to optimise it also with a view to improved user experience for 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.).

The Banca di Asti Group confirms its range of products relating to property mortgage lending. In 2020, it demonstrated its proximity to households by continuing to disburse funds and adopting various moratoria initiatives. Pandemic-related developments caused by the spread of COVID-19 generated significant hardship for households and businesses. The Group banks believed they had a duty to reassure their customers who had undertaken financial commitments through firm action, ensuring customers' perception of the value of relations that have always been a Group trademark, adopting all government measures and implementing additional initiatives of their own.

Note that other support actions for private customers include:

- full Banca COVID-19 moratorium;
- "Erbavoglio - Salta la rata COVID-19" consumer credit support actions;
- extended access to the First Home Solidarity Fund, the "Gasparrini Fund";
- company advance in favour of workers entitled to the standard wage supplement and exceptional furlough payments envisaged in the "Cura Italia" Decree;
- participation in the "Agreement on the suspension of principal payments on real estate mortgage loans and unsecured loans with repayment in instalments" entered into by the ABI and the Consumers Associations.

In formalising the documentation of these support measures, preference was given to remote finalisation of contracts.

Again in 2020, the requests from Group customers interested in salary and pension assignment loans continued, offered in collaboration with Pitagora S.p.A., which belongs to the Cassa di Risparmio di Asti Group. In this regard, to meet the needs to Customers, a number of "App days" were organised in collaboration with the trading partner, dedicated to the illustrating the product to Customers, and were held on the premises of the respective branches of Group Banks.

With a view to consolidating its relationship with customers who are Shareholders, the "Progetto Soci della Cassa" project was renewed for 2020. The project envisages exclusive services, especially in the healthcare sector, with the opportunity of accessing preventive medicine schemes free of charge, based on specific check-ups and specialist examinations ("health vouchers"). Agreements continued to be made with new medical centres to further extend the territorial coverage of the offer dedicated to Shareholders.
For shareholders with at least 500 shares and for Young Shareholders between 18 and 28 years of age and owning at least 100 shares, a Nexi Credit Card, with contactless technology that can be used all over the world on the international Visa and Mastercard networks, is available free of charge.
Lastly, the service also includes "museum vouchers", valid for entry into exhibitions located in affiliated Museums and Entities. As an additional benefit for its shareholders, from 2020 the Bank has gifted 12 "full tanks" of electricity per year for electric cars.

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

The Somet Group, comprising So.Met Energia S.r.l. and Piemonte Energy S.p.A., operates mainly on a regional basis. The aim of the partnership is to further enrich the range of services it can offer to private banking customers, who benefit from a special rate, and to facilitate entry into the free market with a view to the end of the higher protection service, currently envisaged for 31 December 2021, for customers who have not yet taken this decision.

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 2020 there was a very strong focus on this segment, particularly in view of the health emergency described above. In this respect, various initiatives were launched to provide support to holders of the "Carta dei Servizi per la Famiglia - Salutissima", such as the allocation of a spending limit dedicated to those who had contracted the COVID-19 virus and the local on-the-road presence of the "Camper della Salute" which allowed numerous serology tests to be carried out, also in partnership with the Piedmont Regional Government, in compliance with the healthcare purpose of the product. Over 400 applications for reimbursement relating to COVID-19 were submitted in 2020.

Furthermore, for new subscribers, the Group banks and FAB S.M.S. offered the option of benefiting from a Wellness Programme included in the catalogue, which allows members an exemption from payment of 5 monthly instalments from the date

of subscription, corresponding to the gap period envisaged in the Wellness Programmes themselves. In addition to this initiative, new subscribers have received the Upgrade Dental Free for the entire household, which allows unlimited dental services to be obtained free of charge at participating centres.
The "Rilancio Decree" introduced new measures on deducting expense incurred, from 1 July 2020 to 31 December 2021, for specific renovation works and energy requalification of properties. To this end, the Group banks have defined a process to allow purchase of the tax credit either directly from the works contracting authorities or from the businesses that executed the works through the issue of "discounted" invoices, pre-financing the interested parties if appropriate.

New Pitagora S.p.A. products

Confirming its objectives of diversifying the products offered to customers through its sales network, during the year the Company launched the direct disbursement of the advance on end-of-service product, with good results.

It also reconfirmed its partnership with Younited S.A., which started in 2018, for the distribution of personal loans through the IT platform made available by the partner, which allows loan transactions to be finalised completely online.

The distribution of the new product allowed the achievement of sales results in line with forecasts and the provision of an additional service to customers, with greater satisfaction of their needs.

During the year, the Company also participated in the selection procedure launched by Iccrea Banca and BCC CreditoConsumo in December 2019 to establish a strategic partnership with an operator specialising in the salary and pension assignment loans segment, with the aim of strengthening the Iccrea Group's positioning in the consumer finance market.
After completion of the selection procedure, Pitagora was chosen for the partnership, reaching an agreement with Iccrea Banca and BCC CreditoConsumo on an integrated industrial project in the salary and pension assignment loans segment.
On 23 December 2020, therefore, the Parent Company and Pitagora signed a plan of arrangements with Iccrea Banca and BCC CreditoConsumo for the promotion/distribution of the CQSP product through the BCCs of the Iccrea Group for the non-recourse assignment of loans. Operating activities began, the effects of which will be seen during the current year.

Direct Channels

As part of sales development and customer relations activities, an OnLine Branch was established, using personnel with past Local Network experience, dedicated to remote trade relations with customers.

The outbreak of the COVID-19 pandemic gave a further boost to continuing the initiative in 2020, allowing a significant expansion of the catalogue of services offered by the OnLine Branch, in effect extending the Bank's vocation to remote P2P relations. The structure, which operates for both banks in the Group, allows customers who use Internet Banking to chat with Bank personnel even beyond working hours, up to 7 pm.

The OnLine Branch mainly provides relator and contact services, through different channels: e-mail, text messages, WhatsApp and phone to assist customers in:

- purchasing Bank products and services via Internet Banking
- remote digital signing of contracts.

At present it is possible to make end-to-end requests for the following products and services:

- Personal loans of up to € 15,000;
- Giramondo Debit Cards operating on the Bancomat® Network;
- Carta&Conto, card that can be topped up via IBAN;
- Activation of the Internet Banking service through video-selfie recognition;
- Activation of the BancaPiù service, which allows extensive operations via a personal Debit Card;
- Remote digital signing of contracts to open credit facilities on a current account for sole traders;
- Remote digital signing of forms and contracts in general (e.g. to change spending limits for Internet Banking or a card);
- Renewal of document details.

Along with other structures in the Cassa di Risparmio di Asti Group, the OnLine Branch is working to expand the catalogue of 100% online services offered, with the aim of being able to adopt this method for all the Bank's main products.

During 2020, in addition to the major new aspects which saw the Banca Semplice (Internet Banking service) to enhance the functions required to manage remote sales and signatures, a new system of Strong Customer Authentication (SCA) was introduced, known as Smart OTP, and used in the access and approval phases. This new approach makes the user experience more streamlined compared to secure calls.

2020 also saw the launch of a project that aims to create a new app for the Banca Semplice Home service and is due for release in 2021. The layout will be fully revised to improve user experience on the mobile channel, now used extensively by our customers.

Another major functional development concerned the retail Internet banking service and cardless withdrawals, which allows use of the app to book a cash withdrawal from our ATMs, even without a debit card. The customer recognition occurs via the app, and it can be completed through all the Bank's touchscreen ATMs that have "Operazioni Più" enabled.

More autonomy has also been given to retail users to manage the SMS Alert service, now with the option of enabling the monitoring of other events and managing the service profiling by Banca Semplice users.

Again with a view to simplifying use of the service, the strong authentication was removed downstream of top-ups for the proprietary Nexi Prepaid and Carta&Conto cards.

To conclude, despite the difficulties it brought us, 2020 still allowed us to continue the process that began some years ago to constantly simplify use of the service.

In trade terms, 2020 once again proposed the campaign granting free access to the service for 6 months, for the first time also extending it to the Corporate service.

As regards e-money, 2020 saw the introduction of the most advanced Carta&Conto card to replace the CartaConto product. The replacement meant that a card with c-less functions, virtualisable in mobile wallets for payments via smartphone (Apple Pay, Google Pay, etc.) could be made available to customers.

The remote sale of payment instruments from the Banca Semplice service (Giramondo and Carta&Conto cards) was launched in 2020, and will continue in the future with extension of the range of products available.

Targeted campaigns were also activated for the dissemination of credit cards (Re-Start and Family Cards campaign) and debit cards (zero cost issue of the Nexi Debit and the first six months free for Giramondo), both in partnership with Nexi and independently. The COVID emergency made greater precaution in the customer segments a necessity, with electronic money becoming the preferred payment method, and the Bank took all action possible to make life easier for customers in this respect.

As regards acquiring, as support for merchants interested in enabling remote sales without launching a real e-commerce business, the Pay by Link service was released (in partnership with Nexi). Buyers of goods and services from participating merchants are therefore able to pay via a link received in an e-mail. This initiative, too, aimed to facilitate operations for merchants and consumers during the COVID-19 emergency.
Throughout 2020, gradual upgrading of the POS terminals continued, to adapt them to new services made available by the payment networks.

The Pago app became available on Android smartPOS, allowing collection on PagoPA payment notices issued by public administrations and other entities required to use this gateway. In this respect, the Group is one of the very few players on the market to provide this service directly via POS, which we consider an element that distinguishes us from competitors and enhances the image of our Group.

Foreign sector

The restrictive measures adopted all over the world to handle the COVID-19 pandemic have not only restricted travel for individuals. International trade has also suffered significantly. The pandemic has caused - and will continue to cause - a major decline in global trade, which according to WTO data will return to levels close to those of the early years of the previous decade, crippling ten years of progress.

In the first eleven months of 2020, compared to the same period in 2019, Italy recorded a -10.8% drop in exports and -13.7% in imports. In Italy's economy, it is the negative performances of four regions - Piedmont (-17.6%), Lombardy (-13.4%), Veneto (-11.0%) and Emilia-Romagna (-10.6%) - that affects over two-thirds of the yoy decline in national exports (Source: MercatoGlobale).

The overall scenario in Italy is characterised by pronounced profile differences. It is largely the intermediate goods sectors such as metals (but also products in rubber and plastic) that have been hardest hit by the effects of the crisis, and also consumer goods - fashion first and foremost - have announced heavy decreases. A positive note comes from Italian exports of agricultural and food products, the production of which did not come to a drastic stop during lockdown, and their demand has in any event remained at steady levels.

In this difficult context, the Bank has updated its financial, credit and commercial product mix, proposing a portfolio of products and services designed to satisfy customer requirements, especially in this delicate phase.
The information activities were important, communicating details of business support initiatives launched on international markets and subsidies promoted by public authorities.

There was a particular focus on the presentation of SACE SIMEST subsidised measures which, enhanced through modifications, decisively expanded the opportunities for access to internationalisation incentives for Italian businesses.

The constant commitment and support in terms of products and services is clear from the performances which, despite being affected by the difficult context, confirm the Bank's strong commitment to supporting its customers.

Financial sector

The economic scenario in 2020 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.

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 support from our 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, since May 2018 the Patrimonium range was extended with the addition of the new Trainer range, which year by year offers different investment lines based on the customer's risk profile.

To demonstrate the quality of the services offered, in 2020, 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.

To complete the range of investment products used by Group customers, the offer of Banca di Asti and Biverbanca bonds was maintained, together with the “Time Deposit Account”, subject to the guarantees envisaged by the Interbank Deposit Protection Fund.
As regards financial and insurance business, proposal of the Helvetia Multimix product continues, a lifetime multi-segment policy that combines the satisfaction of needs for protection and investment growth with the guarantee of welfare, legal and personal tax benefits in the life insurance segment. These are three single-premium insurance solutions, with the option if additional payments, which envisage the investment of the premium in a combination of a traditional insurance component (Segment I) and a Unit Linked component (Segment III).
In 2020, customers once again began 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 Italian households' savings towards Italian and European industrial and commercial enterprises rooted in Italy.

Insurance sector

In 2020, the insurance sector confirmed the positive development trend already recorded in previous years, reaching an annual volume of net premiums purchased of around € 69 million.

The partnerships were consolidated in 2020 with leading insurance companies in the Helvetia Group (through Helvetia Vita for the savings/investment product Helvetia Italian, also including the former Chiara Assicurazioni for the MV and non-life non-MV classes) and with the CNP Group for life/protection segment products. Actions to improve the product range and develop the welfare segment were also undertaken. Premium income was affected by the difficulties associated with the COVID-19 pandemic, but overall the segment remained at positive levels.

During the year, the Company consolidated its relations with its historic partners, leaders in the insurance sector, to cover its credit risks.
More specifically, Pitagora continued to work in partnership with AXA France Vie, AXA France IARD and Net Insurance, Net Insurance Life, MetLife Europe Limited, HDI Assicurazioni, Great American International Insurance Limited and Credit Life International, Aviva Italia, Cardif Assurance, Harmonie Mutuelle, Iptiq Life (Swiss Re Group) and Allianz Global Life, partners that specialise in insurance cover and protection from credit risks and/or life insurance cover, mandatory for the salary and pension assignment loans disbursed.
With regard to the concentration of credit risk, in line with its insurance concentration policy, the Company confirmed the application of rules to assess the policies to be selected for each loan transaction, by conducting ex ante checks to ensure the fulfilment of specific qualitative and solidarity requirements by the partner Insurance companies, such as the assignment of a rating by ECAI agencies Standard & Poor’s, Fitch and Moody’s, recognised by the Bank of Italy, also with a view to assessing “Credit Risk Mitigation” requirements.
Again in reference to 2020, Pitagora performed a market benchmark analysis of the leading insurance companies in the CQ sector, in relation to contractual and economic terms applied by active insurance companies and with the aim of also being able to contain costs for customers. This analysis confirmed that the terms applied by Pitagora's insurance partners are in line with the market and, with specific regard to coverage of loans to private sector employees and pensioners, are among the best with respect to the reference benchmark.

Communications: advertising and PR

Advertising activities continued in 2020 in line with the previous year, with messages featuring the "We like looking after you" concept and centred on promoting investment advisory services. The lead actors in the advertisements were Bank advisors and customers. Later, as the COVID-19-related social and economic situation developed, communications were adapted to the context, with messages mainly addressing the changes in customer service methods, new remote contact tools - set-up of online services with advanced electronic signatures - and the promotion of payment cards and digital payments. The Superbonus 110% campaign was launched in October, making particular use of digital tools and online events. In partnership with Corriere della Sera - Turin edition, two webinars were organised in which the Bank's experts and representatives of the Asti Engineers Association answered local residents' questions through social media - LinkedIn, Facebook, WhatsApp and e-mail. Highlighted in particular was the conspicuous donation raised through the generosity of personnel, who gave up part of their pay, and the sensitivity of the Board of Directors which then doubled the amount, placing the Cassa di Risparmio di Asti Group among Italy's big donors, with € 2,293,000. The donation beneficiaries were authorities operating in the Bank's reference geographical areas, in healthcare and social services, in addition to structures that implemented local initiatives to promote the re-start. In the second half of the year, the new advertising campaign on investment advisory services was launched, using fencing as its cipher, likening this strict sporting discipline to that intrinsic to the Bank's management of investments. The project involved the launch of the campaign in 2020 and two follow-ups with different characters that will conclude in 2021. The "Innovation Days" roadshow, organised in partnership with Il Sole 24 Ore, saw the CEO's participation in the "Il Piemonte che riparte" (The Piedmont reboot) debate with officials from institutions and companies that constitute the region's excellence. The debate had over 1200 attendees, whose details were taken for later marketing contact, in compliance with GDPR provisions. During 2020, the new web site www.bancadiasti.it was constructed, designed in SEO terms and optimised to guarantee improved usability across all devices.

As regards the subsidiary Pitagora, in recent years the company launched a development project for the web channel, with the aim of offering its own products also to Internet user customers, and especially the incentive to use remote communications systems, to the benefit of its customers. More so than ever in 2020, due to the COVID-19 emergency, the company invested strongly in this project with a view to web marketing management and providing the sales network with an alternative to the traditional channel and that of partnerships.
In particular, the company further implemented its web activities through research engines and social media, improving its strategy and web presence, also through advertising videos and brand humanisation. During 2020, the Pitagora brand's exposure volume increased considerably with use of the SEO, social and SEM channels.
The results achieved confirm the effectiveness of the initiatives launched which, combined with efforts to optimise the content (SEO) and search marketing activities to increase the visibility and traceability of the website through search engines (SEM), generated 2 million views and aroused the interest of 1 million potential new customers.

2020 also saw the company's launch of the "WhatsApp Business" product at the Sales Support Office, offering prospective customers a more efficient commercial contact.

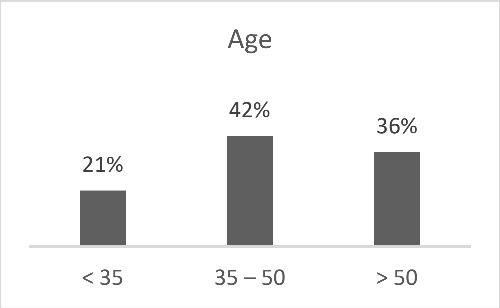
Sponsorships

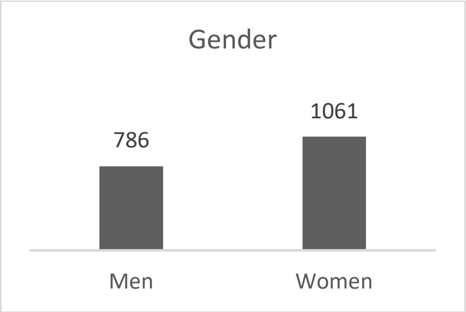
Sponsorships continued in 2020 with the management of proposals in the sports, local community, cultural and social spheres, prioritising entities, associations, businesses of groups that are already customers of the Group; the aim is to provide

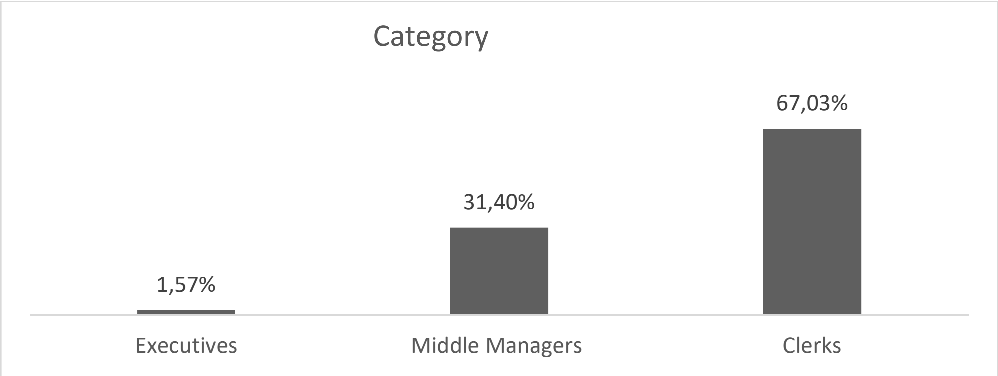
support to activities that improve the lives of the communities in which the Group operates, with good image exposure. Due to restrictions deriving from infection containment measures, we saw an increase in social and local sponsorships and a decline in sports sponsorships.
The Bank's presence at events held locally was guaranteed, even if they were in reduced or alternative formats because of the health emergency.

Human resource management

A breakdown of human resources by age, gender and category is provided below.







Human resource development

The challenges imposed by the market, the level of complexity and professionalism need in the work environment and their continuing evolution, result in a widespread awareness of the central nature and importance of human capital. Training is an aspect of the highest significance in enhancing individual skills and for steering company culture in line with tactical and strategic objectives.
During 2020, in view of the pandemic and given the need to limit the spread of the COVID-19 virus, alternative methods were adopted for providing training.
In-person classroom training was accompanied/replaced by:

- virtual classrooms, through video conferences using the most common platforms available on the web (e.g. MS Teams, Vidyoconnect, Zoom, etc.);
- multimedia/FAD, used through specific e-learning platforms made available by the Group's training partners.

Personnel were therefore able to undertake training in Smart Learning mode, directly from their home or on their Organisational Unit's premises, limiting travel, fostering completion of the training updates and reducing the sense of isolation caused by restrictions imposed by the contingent situation due to the pandemic.

The training was adapted to the need to contain health risks, focusing on topics linked to regulatory developments, procedural innovations and new business methods resulting from remote relations management, though without distracting attention from the strategies outlined in the 2019-2021 Strategic Plan, which contain the aspects for development as identified by the Cassa di Risparmio di Asti Group.

The Academies continued to operate in 2020, until the lockdown restrictions. Inaugurated in 2019 with a series of sessions targeting Top Management, a number of afternoon courses were arranged targeting young people, with the aim of:

- spreading and guiding the company culture of the workforce in line with the mission;
- disseminating the company's guidelines and objectives;
- enhancing the new generation and its specific skills.

Furthermore, in May a distance version of the Top Management Academy was held on the topic of disseminating Cyber Security culture.

In addition to the cited Academies, the 2020 Training Plan was structured into the following Subject areas:

- “Management - Behavioural Training” included in career paths relating to the role of Directors/Deputy Directors and Office Managers of the Head Office;
- “Sales Training” with a view to boosting the action of sales structures, empowering and enhancing individual staff members, the managers dedicated to specific segments and product managers;
- “Specialist Training” addressed to encouraging an understanding of activities and an awareness of the role assigned within the company and to looking deeper into certain topics in order to boost the professional/job profile;
- “Legislative Training” the objective of which is to keep skills constantly updated with respect to legislative provisions. Training in 2020 concentrated in particular on "Occupational health and safety", with the aim of keeping personnel's skills constantly updated, with particular regard to the topics of workplace safety and fire prevention regulations, with a focus on the current COVID-19 issues, sensitising on aspects useful to knowledge of the pandemic and to illustrating the prevention and conduct rules, from a regulatory point of view and as regards health and hygiene, without neglecting operational aspects of work process management.

As regards the subsidiary Pitagora, in consideration of the COVID-19 pandemic, the company arranged the suspension of in-person training, to protect the health of its employees and partners, in accordance with government measures and pursuant to the "Joint Protocol governing measures to combat and contain the spread of the COVID-19 virus in the workplace".
However, in order to guarantee training continuity to its sales network, both in the phase of registration in the List held by the Agents and Brokers Body ("Organismo Agenti e Mediatori" or OAM) and the periodic professional updating for agents involved in financial activities who are already registered, Pitagora has enabled distance training course provided by the Assofin trade association for the two-yearly professional updating envisaged by the OAM.
Specifically, 218 agents/collaborators in service for the company undertook a 30-hour training course in the period 10/09/2020-31/12/2020.

Again as regards training, Pitagora also began work on an evolution of the "Academy" project, with the aim of increasing training activity also at national level (through centres spread across the country in the northern, central and southern areas).
The effectiveness of new recruit training was confirmed in relation to the financial products offered to customers, compliance with applicable regulations and on the internal rules and operating methods defined by Pitagora.
In this respect, in 2020 the Company conducted training sessions for 86 collaborators, following which, 69 successfully passed the OAM exam; of the latter, 55 were formally engaged by the Company as financial agents.

The environment

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

Development strategy and projects

The active management of an extensive project portfolio has strengthened the Group's implementing skills and directed productive energy to the initiatives identified by areas for development envisaged in the strategic plan.
Through guided projects, significant results were obtained, confirming the Group's intention of being a competitive and modern Commercial banking group that focuses on development, overseeing risk, active credit management and operational efficiency.
Important for such a year as 2020 was the speed with which the work groups were organised to work remotely without compromising objectives and work plans, using smart working technologies and seeking to achieve goals in a spirit of context adaptation.
To maintain and develop competitive skills in an environment characterised by profound discontinuity and strong accelerations, numerous experiments were undertaken centred on technological innovation and an extensive portfolio of 2020

projects was built that focused on five key areas, the results of which confirmed the Group's capacity to actually implement them.

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. In order to improve asset quality and capital absorption, efforts relating to two long-term projects continued.
"AIRB Pooled Rating", which designed, implemented and fine-tuned the processes, strengthened the structures and the instrumentation of the risk management and measurement system, based on internal rating models. The project was implemented with the participation of a pool of banks that share the Cedacri information system.
With specific reference to asset quality, 2020 saw the completion of the "NPE Strategy Execution" project which, on the one hand, allowed the relevant company function to better monitor non-performing exposures, and on the other to enhance the array of available management options. This result was possible because of the introduction of assignments with GACS securitisation, small ticket assignments and outsourcing of part of the non-performing exposures. Furthermore, with the aim of maximising the valuation of property guarantees also in reference to Biverbanca, the Parent Company launched the "Alfieri" closed-end real estate fund, managed by REAM SGR with Società Immobiliare Maristella S.r.l. as REOCO.

The project also allowed the enhancement and efficiency improvement, through organisational interventions and expedients and the adoption of dedicated applications, of the internal workout and monitoring processes for credit risk.

Commercial

The Group has developed a series of commercial projects, of note among which is "Erbavoglio", a review and development project for the consumer credit product. The key objective revolves around development of the process and the product itself, giving priority on the one hand to reducing application processing times and, on the other, to defining a new process and a new product centred on the needs of our customers. The application processing times reduced by around 30%, and customers can make use of a more effective credit approval process with enhanced assessment capacity, customer response times and an advanced multi-channel product with the option of digital signing of contracts.
The review of the processes also allowed the development of a new and more complete monitoring model, now including organisational and operational feedback.
Again in commercial terms, the second half of 2020 saw the "Ecobonus" project in the lead role, through which our retail and business customers can use a new service that follows them through energy or seismic requalification works on their owned properties. If requested, the financial support is provided through the opening of a current account credit facility designed to cover all the requalification costs up to the finalised transfer of the tax credit to our bank. The project aims to further enhance

brand awareness in Italy over the course of the next two years, and the achievement of major results in economic terms.
At Pitagora, activation of the "Tutto TAN" product was concluded. In compliance with Supervisory Authority guidelines, this product envisages the use of a payment rates format that incorporates all loan-related charges into the nominal annual interest rate, including the credit brokering fees.
This format is a more simplified guarantee for customers in which, in the event of early settlement, the reduction in the total cost of credit takes into account all the costs of the loan except tax expense.
The "WhatsApp Business" product was also activated at the registered office's call centre, to offer potential customers a more efficient commercial contact.

Efficiency

The focus was on activities relating to the "Strengthening of company control functions and development of the integrated remote controls management system" project to enhance the internal control system. From this perspective, interventions were arranged, including the reorganisation of organisational units and the improvement of processes and support tools.
At Pitagora, the "Customer Portal" activities continued and a number of updates were released concerning company call centre procedures to further improve the efficiency of sales processes.

Laboratories

The laboratories undertake initiatives requiring the study and testing of alternative solutions and innovative responses to strategic challenges.
In continuity with previous years, the "Technologies Laboratory" activities were significant, based on four development areas: paperless and digitisation, analytics, Big Data and remote relations.
In the sphere of paperless and digitisation, the implementation of digital contracts/forms continued with a view to streamlining operating and sales processes of the distribution network.
In the area of analytics, a number of algorithms for customer analyses and to improve the range of products and services offered based on the assessment of current, and even developing, needs were tested.
Important developments were also made as regards Big Data, with the real possibility of using the results. A Big Data Appliance solution was implemented, provided by the IT system outsourcer with a view to achieving advanced and integrated data management.
In line with the development guidelines already defined and in the wake of the additional stimulus generated by the COVID-19 pandemic, the services and processes

were released to simplify remote relations and allow the associated commercial activities with customers via the Home Banking services.

Copious testing continued in the "Quality Laboratory" area, which aims to test and develop processes and organisational models to increase the quality of services through robotics and automation. More specifically, numerous processes have been replaced regarding both the sales network and the head office, which required manual, repetitive activities with a low added value. Automation has also led to an improvement in process quality and the related reduction of operational risk.

The "New Branch New Network Laboratory" also continued, with the objective of assessing the adoption of new customer relationship management solutions, through a specific feasibility study, to improve sales management a more in-depth "know your customer" approach.

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 core business 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 identifies, 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.

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

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

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

Furthermore, with a view to implementing and promoting a culture of legality, adopting appropriate measures to keep the company reputation intact with benefits in terms of reducing losses from potential damage, improving the working environment and promoting the corporate image, the Whistleblowing System is in place throughout the organisational structure. 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 Bank 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.

As regards 2020, note that the activities were influenced by the health emergency associated with the COVID-19 pandemic and the related measures issued by the Government to limit infections.
The travel restrictions imposed on individuals led to the need to reorganise the Control Functions' activities, for the necessary and extensive introduction of smart working and to limit personnel's access to the structures under control.

In line with instructions issued at Group level to mitigate the risk of infection, the methods for conducting branch audits by the Internal Audit Function were reviewed, giving preference to the acquisition of all data necessary for the controls via IT-based solutions and significantly restricting access to the structure being audited.

Similar work reorganisations were carried out by other Company Control Functions with the aim of regular continuity of the activities envisaged in the respective plans.

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

The Group is exposed to the risks of the banking and financial sector, the main ones of which are credit risk, market risk, liquidity risk and operational risk. In line with that provided for in the Group's policy documents, maintaining high standards in terms of monitoring, measuring and managing relevant company risks is considered strategic.
Just as in the past, in 2020, 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, exchange rate 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.
Exchange rate 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 exchange rate 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 exchange rate 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 encompasses “legal risk” (risk resulting from infringements or from failure to comply with laws or regulations, or poor transparency as regards the legal rights and duties of the counterparties to a transaction) and “conduct risk” (risk of losses due to the inappropriate offer of financial services and the related legal costs, including cases of conduct that are intentionally inadequate or negligent).
The sources of operational risk include customers, products and operating practices, external fraud, the performance and management of processes, employment contracts and occupational safety, damages to or losses of 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.

Emerging risks

The Group will assess for the coming years whether to add to its analyses - and consequently its disclosure - relating to the impact generated and suffered by the Group in terms of Climate Change, also based on changes in the relevant legislation. In particular, in 2021 a preliminary analysis of the "as is" situation of the Group will be conducted in reference to the four areas defined in recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), i.e. governance, strategy, risk management, metrics and targets, with the aim of further studying the Group's position in relation to these four aspects.

For all the above-mentioned risks to which the Group is exposed, and for details of related management and control tools, please refer to the Notes to the Consolidated Financial Statements, Part E.

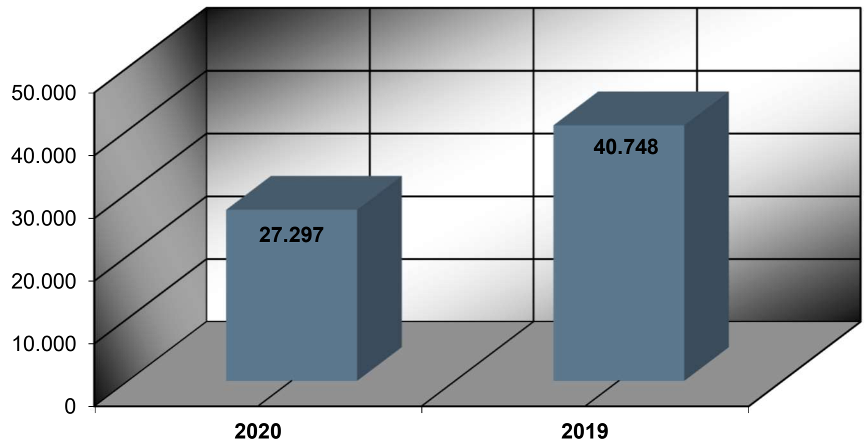
Consolidated non-financial statement

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

Income trends

Confirming the Group's strong capacity for resilience and despite a severe and prudent approach to the potential economic impacts from the COVID-19 pandemic, 2020 closed with a positive result, achieving a consolidated net profit of around € 27.3 million, down compared to the profit recorded last year (€ -13.4 million, -33.01%), also in view of the NPL derisking strategy.

NET PROFIT
(€/thousand)



Excluding non-recurring income items relating to losses on the extraordinary assignments of NPLs and to extraordinary contributions to the S.R.F (Single Resolution Fund - National Resolution Fund) and the D.G.S. (Deposit Guarantee Scheme - Interbank Deposit Protection Fund), the net profit would have amounted to € 42.9 million (-26.29% compared to 2019, recalculated using the same criteria).

Even within an economic scenario highly impacted by Covid-19, the results described above confirm the Group's strong capacity of resilience and adaptation to the changed, severe economic context.

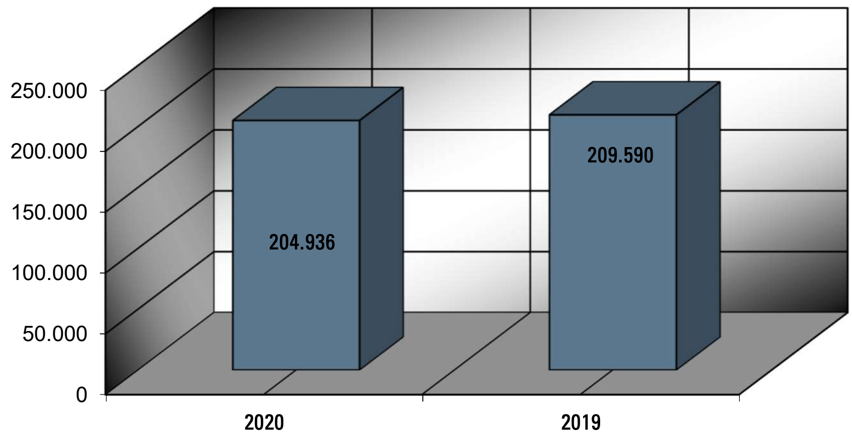
The analyses of income trends, illustrated below, refer to the Consolidated Income Statement, reclassified according to operating criteria, with a view to highlighting, by examining interim results, the subsequent levels of formation of the final economic result.

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

Operating interest margin

The interest margin stood at € 204.9 million, down slightly compared to the 2019 figure (€ -4.6 million, -2.22%).

NET INTEREST MARGIN (€/thousand)



NET INTEREST MARGIN	2020 (€/thousand)	2019 (€/thousand)	% change
Interest income and similar revenues	280,434	294,543	-4.79%
Interest expense and similar charges	-75,498	-84,953	-11.13%
Net interest margin	**204,936**	**209,590**	**-2.22%**

Gross banking income

The gross banking income amounted to around € 427.2 million, compared to € 444 million in 2019 (-3.79%), and included:

- net fees and commissions achieved by the Group's commercial banks for €118.4 million (+3.5% yoy);
- the changes in the treatment of fees and commissions of the subsidiary Pitagora, deriving from the consolidated accounting classification methods for the CQS/CQP product in relation to intercompany sales;
- the positive net result from financial assets and liabilities for € 125.0 million, in line with 2019, includes both the profit (loss) from transactions in financial instruments (amounting to € 59.1 million), and the measurement of financial liabilities designated at fair value, as well as gains from the assignment of loans to third parties by the subsidiary Pitagora (€ 65.9 million).

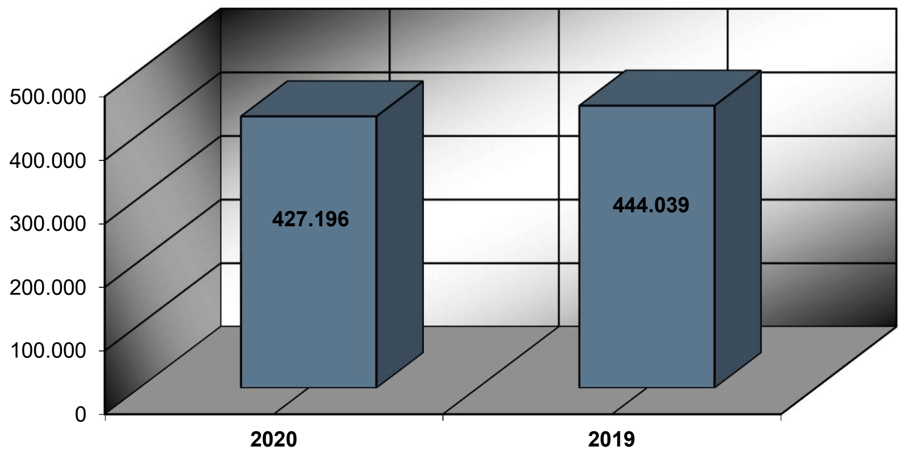
GROSS BANKING INCOME	2020 (€/thousand)	2019 (€/thousand)	% change
Net interest margin	204,936	209,590	-2.22%
Net fees and commissions	84,933	95,609	-11.17%
- management, brokerage and consulting	54,518	52,460	3.92%
- collection and payment services	*19,185*	*19,165*	*0.10%*
- loans and guarantees	*2,238*	*2,332*	*-4.03%*
- management of current accounts and deposits	*26,818*	*24,026*	*11.62%*
- other services	*-17,841*	*-2,374*	*n.s.*
Dividends and similar income	12,057	10,929	10.33%
Other operating income (expenses)	276	1,947	-85.82%
Results of other financial assets and liabilities	124,993	125,964	-0.77%
Gross banking income	**427,195**	**444,039**	**-3.79%**

Net fees and commission income amounted to € 84.9 million, down by 11.17% compared to 2019. Focusing the scope of analysis on the Group's commercial banks, net fees and commission income would instead have recorded an increase yoy of 3.50%.
In particular, the net fees and commission income of the management, brokerage and financial and insurance consulting segment totalled € 54.5 million, up 3.92% on 2019.
In relation to other net fees and commissions, the revenues from collection and payment services amounted to € 19.2 million, essentially in line with 2019, and those received for current accounts and deposits management, which increased considerably from the previous year (+11.62%) to € 26.8 million. The fees and commissions relating to other services stood at € -17.8 million and, for the commercial banks of the Group, mainly included fees on credit transactions and remained essentially stable compared to the previous year. In reference to the subsidiary Pitagora, the decrease is largely due to the application of new company policies which, from this year, call for different management of fees and commissions charged to customers.

The dividends on the Group's equity investments amounted to around € 12.1 million (-10.33%) and were mainly related to the investments held in the Bank of Italy and Cedacri S.p.A.

The significant decline in the balance between operating income and expenses compared to 2019 was due primarily to the contributions amounting to € 2.3 million made in favour of the Asti, Biella and Vercelli Hospitals and other social interventions to help handle the COVID-19 pandemic.

GROSS BANKING INCOME (€/thousand)



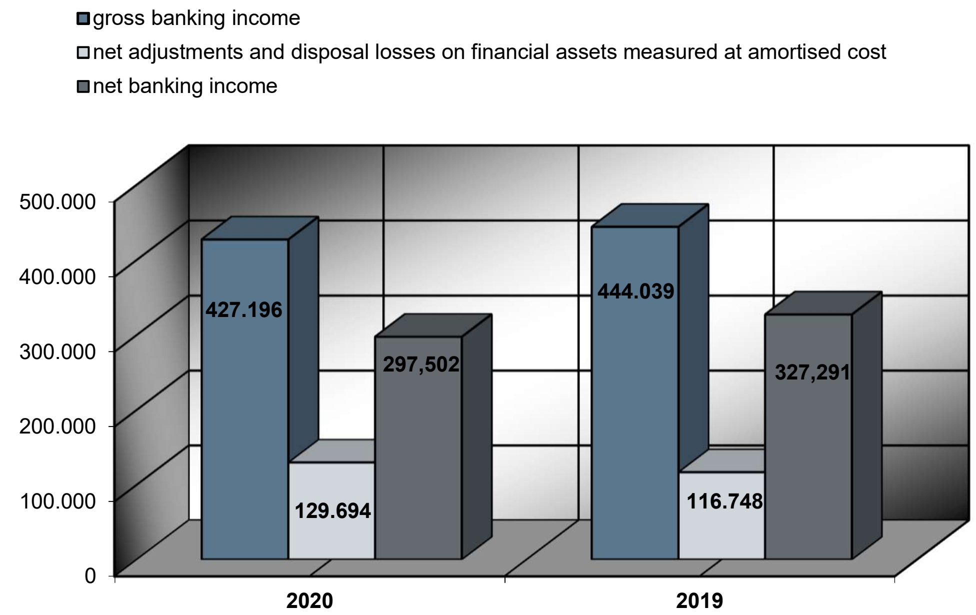
Net banking income

Net banking income was also positive, net of losses on disposal, value adjustments on financial assets measured at amortised cost and losses from contractual changes without derecognition, which amounted to € 297.5 million, down € 29.8 million (-9.10%) against last year.

Losses resulting from the disposal of financial assets measured at amortised cost totalled € 21.8 million and related almost entirely to derisking operations conducted during the year in line with the Group NPL Strategy.

The net adjustments to customer loans, totalling € 108.7 million compared to € 96.3 million in 2019, rose by 12.90% and led to a cost of credit, excluding losses on disposals, of 1.49% of gross loans to customers compared to a value of 1.31% recorded as at 31 December 2019. This trend is linked to prudent provision allocation policies, which in forward-looking terms include the expected economic impact of future NPL derisking transactions and the impact of the persisting health emergency that arose in 2020.

NET BANKING INCOME	2020 (€/thousand)	2019 (€/thousand)	% change
Gross banking income	427,196	444,039	-3.79%
Gains (Losses) on disposal of financial assets measured at amortised cost	-21,793	-23,244	-6.24%
Net adjustments for credit risk on financial assets measured at amortised cost	-107,615	-93,078	15.62%
- of which: net adjustments on customer loans	*-108,673*	*96,261*	*12.90%*
Profits/losses from contractual changes without derecognition	*-286*	*-426*	-32.86%
Net banking income	**297,502**	**327,291**	**-9.10%**



The profit before tax from continuing operations for 2020 amounted to € 39.9 million, down 34.22% on the previous year.

Profit before tax from continuing operations

Operating costs totalled € 242 million, down 2.51% from 2019, despite the extraordinary expense incurred to deal with the COVID-19 emergency.
Personnel expenses, which represent around 53.08% of total operating costs, totalled € 126.5 million, a decrease of 3.83% compared to the corresponding figure of 2019. The component relating to other administrative expenses, net of the contributions to the National Resolution Funds SRF and DGS (€ 11.3 million), amounted to € 80.5 million, recording a decrease of 5.88% compared to 2019.

The management of operating expenses was 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.

In 2020, research and development costs were not included under intangible assets and in the same year, no tax credit was recognised or generated with regard to research and development costs.

The depreciation of property, plant and equipment, and amortisation of intangible assets was € 23.8 million, up against last year (+8.84%).

The allocations to liability provisions include allocations relating to complaints, disputes or reimbursement claims of around € 4.6 million, of which € 3.6 million for out-of-court claims associated with the application of guarantee and indemnity clauses in the securitisation transaction with GACS of the "Maggese" receivables classified as non-performing, finalised in 2018. The same item also includes around € 318 thousand relating to clawback actions.

The net allocations for the year attributable to the subsidiary Pitagora amounted to €10.3 million and refer mainly to:

- potential future expenses, for € 1.2 million, relating to commission expenses calculated *pro-rata temporis*, payable to customers in the event of the early termination of loans disbursed before 2016, and not charged back to agents, in line with the policy adopted by the Company;
- potential future expenses referring to reimbursements of price spreads between the discount rate and the rate applied to customers due to loan transferee companies following early termination for € 2.9 million;
- potential future expenses relating to collection expenses charged by INPS, amounting to € 1.1 million;
- potential future expenses for complaints in relation to compensation to customers following early terminations taking place prior to the Bank of Italy guidelines of 4 December 2019 for € 2.4 million;
- potential future expenses for compensation due to customers following early terminations taking place after the Bank of Italy guidelines of 4 December 2019 for € 2.4 million;
- the agents' leaving indemnities (FIRR) for € 130 thousand.

The Group's cost/income ratio, the key indicator of industrial efficiency, stood at 56.65% (55.90% as at 31 December 2019). Its operational value, recalculated to exclude extraordinary expenses associated with SRF and IDPF contributions, was 56.35%, confirming the high degree of efficiency of the Group, also in consideration of expenses linked to the development strategies designed to achieve medium/long-term targets.

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	2020 (€/thousand)	2019 (€/thousand)	% change
Net banking income	297,502	327,291	-9.10%
Operating costs	-242,013	-248,232	-2.51%
- personnel expenses	-126,450	-131,627	-3.93%
- personnel expenses	-126,471	-131,504	-3.83%
- allocations to the Solidarity Fund	21	-123	-117.07%
- other administrative expenses	*-91,714*	*-94,693*	*-3.15%*
- other administrative expenses	*-80,457*	*-85,483*	*-5.88%*
- contribution to S.R.F. and D.G.S.	*-11,257*	*-9,210*	*22.23%*
- net adjustments on property, plant and equipment and intangible assets	*-23,849*	*-21,912*	*8.84%*
Net provisions for risks and charges	-15,124	-18,459	-18.07%
Gains (losses) on equity investments	-500	0	100.00%
Gains (losses) on disposal of investments	9	19	-52.63%
Profit (loss) from continuing operations	**39,874**	**60,619**	**-34.22%**

OTHER ADMINISTRATIVE EXPENSES	2020 (€/thousand)	2019 (€/thousand)	% change
IT expenses	-29,323	-28,831	1.71%
Property expenses	-10,738	-10,483	2.41%
General expenses	-22,419	-24,004	-6.60%
of which: - securitisation costs	*-1,943*	*-3,397*	*-42.80%*
- contribution to National Resolution Fund and IDPF	*-11,257*	*-9,210*	*22.23%*
Professional and insurance expenses	-18,398	-20,734	-11.27%
Utilities	-3,689	-3,865	-4.55%
Promotional, advertising and marketing expenses	-4,445	-3,847	15.54%
Indirect taxes and duties	-2,702	-2,929	-7.75%
Other administrative expenses	**-91,714**	**-94,693**	**-3.15%**

These types of expenses are shown net of the relative recoveries

Taxes and net profit

The net profit of the Group was € 27.3 million, a decline of € 13.5 million compared to the 2019 result, and included € 24 million in profit pertaining to the Parent Company and around € 3.3 million minority profit.

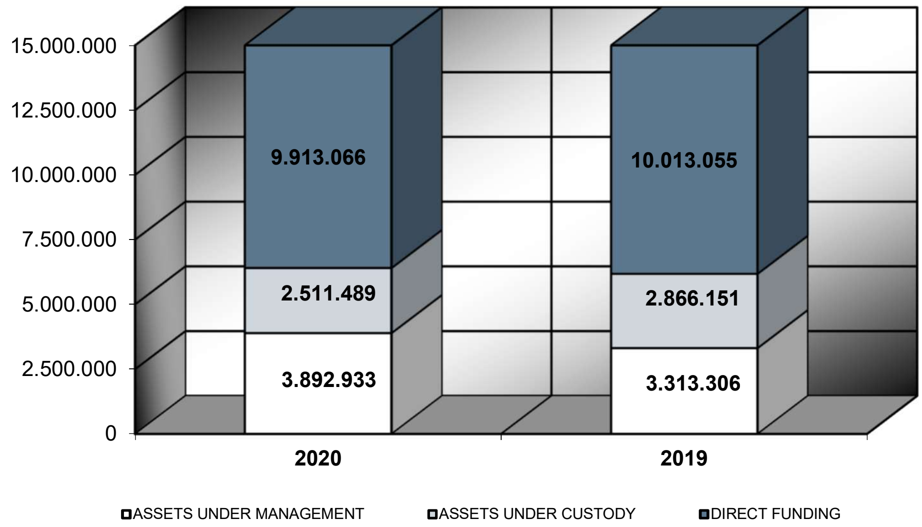
The results as at 31 December 2020, considering the complex and difficult context, confirm the validity of its underlying strategic choices, intended to preserve and improve upon the Group's solid fundamentals without renouncing, thanks to constant attention to operating efficiency and diversification and increases in sources of revenue, the satisfactory creation of value for shareholders which, along with other stakeholders, place their trust in the Group.

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

NET PROFIT	2020 (€/thousand)	2019 (€/thousand)	% change
Profit (loss) from continuing operations	39,874	60,619	-34.22%
Tax expense (recovery) on income from continuing operations	-12,577	-19,871	-36.71%
Net profit	**27,297**	**40,748**	**-33.01%**

Assets managed on behalf of customers

As at 31 December 2020, brokered financial assets amounted to € 16.3 billion, an increase of 0.77% since the start of the year. The managed assets from non-institutional customers totalled € 15.2 billion, up 4.36% on the previous year. Within this aggregate as a whole, direct funding continues to be the most important component, representing around 60.75% of the total.



TOTAL FINANCIAL ASSETS	2020		2019		Change
	Amount	%	Amount	%	%
Direct funding	9,913,066	60.75%	10,013,055	61.84%	-1.00%
of which: from customers	*8,758,231*	*53.67%*	*8,349,416*	*51.56%*	*4.90%*
of which: from market securitisation	*1,086,645*	*6.66%*	*1,281,717*	*7.92%*	*-15.22%*
of which: institutional funding	*68,190*	*0.42%*	*381,922*	*2.36%*	*-82.15%*
Assets under management	3,892,933	23.86%	3,313,306	20.46%	17.49%
Assets under custody	2,511,489	15.39%	2,866,151	17.70%	-12.37%
Total financial assets	**16,317,488**	**100.00%**	**16,192,512**	**100.00%**	**0.77%**
of which: from customers	*15,162,653*	*92.92%*	*14,528,873*	*89.73%*	*4.36%*

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 31/12/2020*

Direct funding At the end of 2020, the Group's direct funding stood at € 9.9 billion, recording a decrease of € 100 million since the start of the year (-1.00%), entirely attributable to institutional counterparties. Funding from ordinary customers reached € 8.8 billion, therefore with a yoy increase of 4.90%.

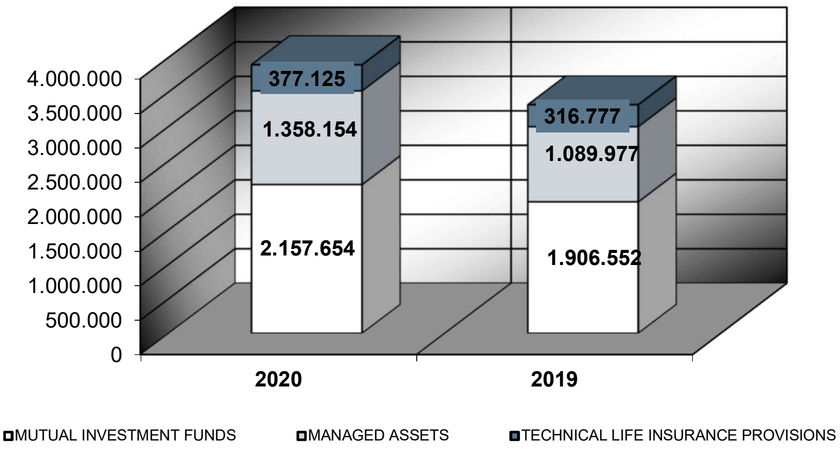
In this segment, investors' interest is largely targeted to current accounts, an aggregate that also includes time deposits, which rose by € 709 million (+11.15%), whilst bonds are in less demand, decreasing by € -544 million (-18.015%).

DIRECT FUNDING FROM CUSTOMERS	2020	2019	Change	
			Absolute	%
Bonds	2,475,764	3,019,583	-543,819	-18.01%
of which: originating from securitisation	944,319	1,148,368	-204,049	-17.77%
of which: measured at fair value	44,996	78,882	-33,886	-42.96%
Current accounts	7,074,887	6,365,274	709,613	11.15%
Repurchase agreements	48,455	343,199	-294,744	-85.88%
Savings deposits	96,631	100,299	-3,668	-3.66%
Banker's drafts	30,536	24,965	5,571	22.32%
Certificates of deposit	26	27	-1	-3.70%
Lease liabilities	38,718	41,456	-2,738	n.c.
Other funding	148,049	118,252	29,797	25.20%
Total direct funding	**9,913,066**	**10,013,055**	**-99,989**	**-1.00%**

Assets under management and under custody Assets under management totalled € 3.9 billion, a considerable increase on the end of 2019 (+17.49%).

Assets under custody stood at € 2.5 billion, recording a decrease as at 31 December 2020 of 12.37%, linked primarily to conversions in favour of assets under management, confirming customers' strong interest in forms of investment assisted by advisory services.

Indirect funding therefore totalled € 6.4 billion, recording an increase against 2019 of 3.64%.



FINANCIAL ASSETS OF CUSTOMERS	2020		2019		Change
	Amount	%	Amount	%	%
Mutual investment funds	2,157,654	55.42%	1,906,552	57.54%	13.17%
Managed assets - securities and funds	1,358,154	34.89%	1,089,977	32.90%	24.60%
Technical life insurance reserves	377,125	9.69%	316,777	9.56%	19.05%
Assets under management	**3,892,933**	**100.00%**	**3,313,306**	**100.00%**	**17.49%**

Loans and advances to customers

As at 31 December 2020, net loans to customers amounted to around € 6.8 billion, down (-0.37%) compared to 31 December 2019 (against a banking industry average of +3.9%; source: ABI), also after the transfer of bad loans completed during the year.

The Group's firm commitment to supporting households and businesses, also in the current difficult context associated with the COVID-19 pandemic, in the constant conviction that recovery can only happen through the real economy as its driver, was confirmed in the disbursement of loans during the year for around € 1.4 billion, of which roughly € 440 million in over 9.5 thousand new loans to businesses under the "Cura Italia" and "Liquidità" Decrees.

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS	2020	2019	Changes	
			Absolute	%
Current accounts	458,665	606,117	-147,452	-24.33%
Mortgages	4,873,487	4,852,546	20,941	0.43%
Credit cards, personal loans, and salary and pension assignment loans	880,970	904,326	-23,356	-2.58%
Other transactions	651,306	527,078	124,228	23.57%
Total loans and advances to customers	**6,864,429**	**6,890,068**	**-25,639**	**-0.37%**

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 the content of its product range, in particular by focusing on specific and innovative products to meet the differing financial and non-financial business needs.

The Group continues to carefully oversee "risk fragmentation" regarding both the distribution by economic activity and concentration by single customer, which stood at fairly contained levels.

STATISTICAL TABLE REGARDING THE CONCENTRATION OF THE LOANS PORTFOLIO*	2020	2019
Top 10 groups	4.45%	4.05%
Top 20 groups	6.62%	6.28%
Top 30 groups	8.44%	8.00%
Top 50 groups	11.79%	10.72%
Top 100 groups	16.89%	15.08%

** including the salary and pension assignment loans of the subsidiary Pitagora S.p.A.*
The percentages shown represent the amount granted as at 31/12/2020.

Credit quality

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

At the end of 2020, the Parent Company and the subsidiary Biverbanca undertook two important derisking operations through the disposal of bad loans.
As regards the first, the Parent Company and the subsidiary Biverbanca and a further 13 banks, pursuant to article 58 of Italian Legislative Decree 385/1993 and articles 1 and 4 of Italian Law 130/1999, finalised a non-recourse transfer for a consideration and en bloc of a portfolio of loans classified and marked as bad loans on the transfer date to the special purpose vehicle Pop NPLs 2020 S.r.l. (SPV), also requesting from the Ministry of Finance and Economy, pursuant to the Decree of 3 August 2016, a guarantee on the senior tranche of the securities issued.
The multi-originator securitisation transaction, with relative derecognition, regarded loans with a gross book value of € 107.9 million.

Subsequently, the Group completed a transfer of NPLs for a total value of € 6.3 million.

At the end of 2020, a significant decrease was recorded in the total non-performing loans, net of value adjustments, falling from € 407 million in 2019 to € 332 million as at 31 December 2020 (-18.57%).

Over and above the extraordinary transaction, the figures confirm the slowing growth trend in the segment that has characterised the last few years.

The incidence of net non-performing assets on total net loans to customers therefore decreased to 4.83%, compared to 5.91% as at 31 December 2019. The same ratio calculated on gross values instead amounts to 9.32%, down from 11.02% at the end of 2019.

The total coverage level of non-performing loans stood at 51.05%, increasing considerably (+133 bps) on the 49.72% as at 31 December 2019, well above the credit sector average of 40.80% recorded by the Bank of Italy (latest available figures as at 30 June 2020).

More specifically, bad loans net of adjustments were € 112 million, down of € 13 million (-10.41%) from the start of the year, representing 1.64% of total loans and a coverage level of 67.35% (banking industry average of 49.50%, source Bank of Italy, figure at June 2020).
Unlikely to pay loans amounted to € 203 million, down by € 36 million (-15.13%) since the start of the year; they represent 2.95% of total loans, and have a coverage level of 35.26% (system average of 34.40%; source Bank of Italy, figure at June 2020).

The Texas Ratio, calculated as the ratio of gross non-performing loans to tangible common equity plus provisions, was 54,26% and confirms a good capacity to absorb any unexpected losses on loans.

Net of value adjustments, the breakdown of loans to customers including those designated as FV and FVOCI attributable to the subsidiary Pitagora S.p.A. was as follows:

	2020		2019		Changes
	Amount	%	Amount	%	%
Bad loans	112,359	1.64%	125,409	1.82%	-10.41%
Unlikely to pay	202,670	2.95%	238,800	3.47%	-15.13%
Past due loans	16,795	0.24%	43,276	0.63%	-61.19%
Non-performing loans	**331,825**	**4.83%**	**407,485**	**5.91%**	**-18.57%**
Performing loans	6,532,604	95.17%	6,482,583	94.09%	0.77%
Loans to customers	**6,864,429**	**100.00%**	**6,890,068**	**100.00%**	**-0.37%**

	2020				2019			
	Gross amount	Value adjustments	Net amount	% coverage	Gross amount	Value adjustments	Net amount	% coverage
Bad loans	344,135	231,776	112,359	67.35%	394,846	269,437	125,409	68.24%
Unlikely to pay	313,073	110,403	202,670	35.26%	362,530	123,730	238,800	34.13%
Past due loans	20,705	3,909	16,795	18.88%	53,097	9,821	43,276	18.50%
Total non-performing loans	**677,913**	**346,088**	**331,825**	**51.05%**	**810,473**	**402,988**	**407,485**	**49.72%**
Performing loans	6,598,718	66,113	6,532,604	1.00%	6,547,003	64,420	6,482,583	**0.98%**
Loans to customers	**7,276,631**	**412,202**	**6,864,429**	**5.66%**	**7,357,476**	**467,408**	**6,890,068**	**6.35%**

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

With reference only to loans to customers classified as HTC, the breakdown is as follows:

	2020				2019			
	Gross amount	Value adjustments	Net amount	% coverage	Gross amount	Value adjustments	Net amount	% coverage
Bad loans	338,025	227,137	110,888	67.20%	388,025	264,752	123,273	68.23%
Unlikely to pay	308,788	109,162	199,626	35.35%	355,642	122,183	233,459	34.36%
Past due loans	19,325	3,753	15,572	19.42%	51,797	9,656	42,141	18.64%
Total non-performing loans	**666,138**	**340,052**	**326,086**	**51.05%**	**795,464**	**396,591**	**398,873**	**49.86%**
Performing loans	9,864,475	66,147	9,798,328	0.67%	9,337,004	65,344	9,271,660	0.70%
Loans to customers	**10,530,613**	**406,199**	**10,124,414**	**3.86%**	**10,132,468**	**461,935**	**9,670,533**	**4.56%**

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

Company liquidity and the securities portfolio

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

As at 31 December 2020, financial assets other than loans to customers amounted to a total of € 3.9 billion, down on the previous year (-9.55%).
The largest component of the owned securities portfolio, equal to € 3 billion, 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 and balance sheet.
The portion of financial assets measured at fair value through other comprehensive income that refers to debt securities - amounting to around € 255.1 million - is mainly composed of government securities from the EU area, mostly Italian.
The management of the securities portfolio has changed over time, adjusting in each case to the need for credit disbursement, the market conditions and the stability of liquidity.
Of the securities portfolio, € 2.6 billion was refinanced through the European Central Bank. Financial instruments eligible as collateral in financing transactions on the market amounted to € 4.4 billion as at 31 December 2020 net of the ECB haircut, of which € 2.6 billion committed. As a result, the eligible amount of financial instruments available comes to € 1.8 billion.

Among the financial assets designated at fair value through other comprehensive income, the component relating to equity participations, note the revaluation of Cedacri S.p.A., for which in 2020 a valuation process was launched through a business combination with a partner which allows the setup of an IT hub that is a leader in Italy, in terms of size and significance, in the financial services sector.
As regards the investee Cedacri S.p.A., in 2020 a valuation process of the Group was launched through a business combination with a partner for the creation of an IT hub that is a leader in Italy, in terms of size and significance, in the financial services sector.
The structure of the transaction envisages the transfer of 100% of Cedacri capital to a newco established under Irish law, named DGB Bidco Holdings Limited, controlled by the ION Group, the acclaimed software house specialising in the development and evolution of high-technology systems for private, institutional, financial and banking group operators. The Transaction is subject to the standard conditions precedent, including in particular the obtaining of antitrust authorisations, issue of the Golden Power authorisation by the Prime Minister's Office and the signing of agreements amending the existing trade agreements between the partner banks and the Cedacri Group.
The price offered by the ION Group company, in this phase of negotiations, is not reliable evidence of the value of the investment in that it instead expresses its

forward-looking fair value, conditioned by strategic decisions and possible economies of scale achievable by the buyer.
As negotiations with the selected partner are still in progress and in consideration of the uncertainty that persists as at the reporting date in reference to the closing date of negotiations and their final outcome, the Bank has opted to assess its interest in Cedacri by taking into consideration the results of application of the two most commonly used measurement approaches:

- the Discounted Cash Flows Model, based on which the value of a company is determined on the present value of expected future cash flows, according to which the total value of Cedacri is in the range of € 445-621 million;
- the Market Multiples approach, which determines the value of a company on the basis of implicit multiples, observed on average on the reference market for comparable listed companies, which gives a total value of Cedacri is in the range of € 482-698 million.

The Group banks therefore measured the investment using the average value of the outcomes of the two methods that estimated, for Cedacri as a whole, a value of € 562 million. This led to the Group portion being revalued for € 21.3 million.

	2020	2019	Changes	
	(€/thousand)	(€/thousand)	Absolute	%
NET INTERBANK POSITION	**-625,083**	**-1,094,458**	**469,375**	**-42.89%**
Loans and advances to banks	1,975,305	554,111	1,421,194	256.48%
Deposits from banks	2,600,388	1,648,569	951,819	57.74%
FINANCIAL ASSETS	**3,994,297**	**4,415,845**	**-421,548**	**-9.55%**
Financial assets measured at fair value through profit and loss	34,777	28,048	6,729	23.99%
of which fair value of derivatives	*12,388*	*15,629*	*-3,241*	*-20.73%*
Financial assets measured at fair value through other comprehensive income	544,250	1,387,014	-842,765	-60.76%
Other financial assets measured at amortised cost	3,415,271	3,000,783	2,399,737	79.97%
FINANCIAL LIABILITIES HELD FOR TRADING	**14,523**	**17,590**	**-3,067**	**-17.44%**
of which fair value of derivatives	*14,523*	*17,590*	*-3,067*	*-17.44%*
DERIVATIVES (NOTIONAL AMOUNTS)	**1,670,066**	**1,856,735**	**-186,668**	**-10.05%**

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 2020 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.

Performance of the main Group companies

Below is a summary of the main consolidated Group companies, with an indication of the most significant balance sheet, income statement and other operating data as at 31 December 2020.

Amounts are shown in €/thousand

MAIN BALANCE SHEET DATA	BANCA DI ASTI S.P.A.	BIVERBANCA S.P.A.	PITAGORA S.P.A.	IMMOBILIARE MARISTELLA S.R.L.
NET LOANS TO CUSTOMERS	5,170,742	1,460,887	273,558	0
DIRECT FUNDING	6,357,167	3,427,677	154,828	0
INDIRECT FUNDING	3,718,757	2,714,083	0	0
TOTAL BALANCE SHEET ASSETS	10,784,941	3,992,827	312,610	7,293
TOTAL OWN FUNDS	1,174,557	345,745	63,732	0

MAIN INCOME STATEMENT DATA	BANCA DI ASTI S.P.A.	BIVERBANCA S.P.A.	PITAGORA S.P.A.	IMMOBILIARE MARISTELLA S.R.L.
NET BANKING INCOME	177,695	85,762	47,564	84
OPERATING COSTS	-148,503	-68,630	-24,101	-336
NET PROFIT	21,770	11,678	8,240	-338

OTHER DATA AND INFORMATION	BANCA DI ASTI S.P.A.	BIVERBANCA S.P.A.	PITAGORA S.P.A.	IMMOBILIARE MARISTELLA S.R.L.
EMPLOYEES	1,104	558	185	0
BRANCHES	130	91	80	0

Shareholders' equity

Shareholders' equity, including profit for the year, came to € 966 million.

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

Evolution of Group shareholders' equity	Amount (€/thousand)
Group shareholders' equity as at 1 January 2020	**805,754**
Increases	**161,927**
- Net profit for the year	23,985
- Net change in available reserves	-625
- Net change in other valuation reserves	41,000
- Changes in equity instruments	97,567
Decreases	**-1,482**
- Net change in purchases and sales of treasury shares	-1,321
- Change in provisions for the share premium reserve	-161
Group shareholders' equity as at 31 December 2020	**966,199**
Non-controlling interests as at 31 December 2020	**19,868**

The Group shareholders' equity increased by € 160 million compared to the end of the previous year. The increase is mainly due to the issue of an Additional Tier 1 instrument, targeting institutional investors, for a total of € 97.6 million net of related transaction costs and taxation.

The change in valuation reserves, a positive € 41 million net of taxation, was primarily attributable to the combined effect of:

- increase in the value of reserves of financial assets designated at fair value through other comprehensive income (FVOCI) of the Group Banks, equal to € 40 million (of which € 21.3 million due to revaluation of the investee Cedacri S.p.A.), and a net decrease referring to the subsidiary Pitagora of € 2.7 million;
- increase in value of the cash flow hedge reserve of € 2.6 million;
- decrease in value of creditworthiness reserves of € 329 thousand;
- increase in value of the reserve for actuarial losses (pursuant to IAS 19) of € 1.5 million.

SHARE CAPITAL ACCOUNTS

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

Shareholders	**%**
Other shareholders	39.95%
Fondazione Cassa Di Risparmio di Asti	31.80%
Fondazione Cassa Di Risparmio di Biella	12.91%
Banca Popolare di Milano	9.99%
Fondazione Cassa Di Risparmio di Vercelli	4.20%
Treasury shares	1.15%

As at 31 December 2020 the share capital amounted to € 363,971 thousand, broken down into 70,537,048 ordinary shares with a nominal value of € 5.16.

Treasury shares

The treasury shares held by the Bank as at 31 December 2020 totalled 814,727, equal to 1.15% of the share capital, with a nominal value of € 4,203,991 and a book value of € 10,184,110.
During 2020, 240,922 treasury shares were purchased using the treasury shares in portfolio reserve, amounting to 0.34% of the share capital and a nominal value of € 1,243,158, at the price of € 2,705,997. Furthermore, 107,894 treasury shares were sold, from the treasury shares in portfolio reserve, amounting to 0.15% of the share capital and a nominal value of € 556,733, at the price of € 1,224,224. At the date of preparation of these financial statements (25 March 2021), the treasury shares in portfolio totalled 836,216, for a book value of € 10,411,572.

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 2020. That report, approved by the Board of Directors on 25 March 2021, was made available to Shareholders and the public on the company website www.bancadiasti.it, as well as in hard copy at the registered offices and at the shareholders' meetings.

Total Bank Own Funds and capital ratios

Total Bank Own Funds of the Cassa di Risparmio di Asti Group came to around € 1,171.7 million.

The CET 1 Ratio (CET1/RWA) amounts to 15.55%, higher than the minimum requirement that the Group must meet as a result of the Supervisory Review and Evaluation Process (SREP) conducted by the Bank of Italy, with the final measure dated 19 June 2019 equal to 9.0% (including the "capital conservation buffer" of 2.5%). The Total Capital Ratio (Total Own Funds/RWA) amounts to 19.96%.

The key factors leading to a 1.97% increase in the CET1 ratio were:

- Reduction in RWA due to the increase in MCC guarantees and the disposal of non-performing loans
- Increase in CET1 due to the profit allocation and recovery of OCI reserves on government bonds
- Revaluation of the interest in Cedacri

OWN FUNDS AND SOLVENCY RATIOS	2020	2019(*)
Own Funds (€/thousand)		
Common Equity Tier 1 (CET1) capital net of regulatory adjustments	913,066	874,051
Additional Tier 1 (AT1) capital net of regulatory adjustments	97,567	0
Tier 1 capital (TIER1)	**1,010,633**	**874,051**
Tier 2 (T2) capital net of regulatory adjustments	161,134	180,125
Total Own Funds	**1,171,766**	**1,054,176**
Risk-weighted assets (€/thousand)		
Portion absorbed for credit and counterparty risk, including the portion absorbed by securitisations	34.75%	43.24%
Portion absorbed for market risk	0.02%	0.03%
- of which:		
a) trading portfolio risk	*0.02%*	*0.03%*
b) exchange rate risk	*0.00%*	*0.00%*
Portion absorbed for credit value adjustment (CVA) risk	0.20%	0.29%
Free portion	65.03%	56.44%
Portion absorbed by Operational Risk	5.12%	5.27%
Free portion	59.91%	51.17%
Total capital requirements	469,722	514,739
Excess	702,044	539,437
Total risk-weighted assets (1)	**5,871,530**	**6,434,242**
Solvency ratios (%)		
CET1 Ratio (CET1/RWA)	15.55%	13.58%
Tier 1 Ratio (Tier1/RWA)	17.21%	13.58%
Total Capital Ratio (Total Own Funds/RWA)	19.96%	16.38%

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

(2) As at 31 December 2020, the Group's fully-phased ratios, calculated without applying the IFRS 9 transitional provisions, amount to: CET1 Ratio 13.13%, Tier 1 14.82%, Total Capital Ratio 17.61%. All ratios are above the requirements established by the Bank of Italy following the Supervisory Review and Evaluation Process (SREP). The OCR (Overall Capital Requirement) to be satisfied, also inclusive of the capital conservation buffer of 2.5%, amount to 9%, 10.5% and 12.5% for the Group.

(*) Following the Bank of Italy recommendation dated 27 March 2020, regarding the distribution of dividends in the current health emergency related to the spread of the Coronavirus, the Board of Directors of the Parent Company Banca di Asti held on 9 April 2020 amended the previously-approved Proposal to the Shareholders' Meeting for the allocation of the profit for the year.
Consequently, the Banca di Asti Group recalculated the consolidated regulatory capital and the relative capital ratios as at 31 December 2019, and adjusted the corresponding prudential reports.

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)	**926,723**	**21,770**
Book value of equity investments	-436,955	
Shareholders' equity book value of equity investments (pro rata)	418,506	
Higher values attributed (definitive goodwill)	66,142	
Lower values attributed (reversal of goodwill of subsidiary)	-34,000	
PPA of property, plant and equipment (buildings and land) and loans	36,223	
Alignment with the Group accounting standards:		
- recording of buildings and land at deemed cost	5,054	
Group securitisation	-15,269	
Consolidation of company under significant influence at equity	-187	
Fair value adjustments to the consolidated financial statements	-37	
Intercompany netting for dividends		-13,951
Pro-rata profit (loss) of subsidiaries		16,166
Consolidated shareholders' equity and profit (loss)	**966,200**	**23,985**
Minority shareholders' equity and profit (loss)	**19,867**	**3,312**

Issue of Additional Tier 1

On 27 November 2020, Banca di Asti issued an Additional Tier 1 instrument for a total nominal value of € 100 million.
The transaction, targeting institutional investors, forms part of the Group's capital structure management. It refers in particular to subordinated instruments classified as Additional Tier 1 capital, pursuant to Regulation 575/2013 (CRR).
These are perpetual securities, with maturity linked to the Parent Company's statutory duration, includes an early redemption option, the exercise of which is

subject to meeting applicable regulatory requirements, in the period 27 November 2025 to 27 May 2026, and on every coupon payment date thereafter.
The coupon is half-yearly, not cumulative and, in reference to the first 5.5 years of the security, is fixed at 9.25%. Thereafter, if the early redemption option is not exercised, it can be reviewed at 5-year intervals based on the swap rate with the same maturity at that time, plus the original spread. The payment of coupons is discretionary and subject to certain limitations.
The 5.125% trigger on Common Equity Tier 1 (CET1) envisages that, if the CET1 ratio of the Group or the Bank falls below this limit, the nominal value of the securities will temporarily drop by the amount required to restore the level, also taking into account other instruments with similar characteristics and the same level of subordination.
The security is listed on the multilateral trading facility of the Dublin Stock Exchange (Global Exchange Market).
In the context of the issue, Morgan Stanley acted as Global Coordinator, Structuring Advisor and Joint Bookrunner, and Banca Akros acted as Joint Bookrunner.
For accounting purposes, the issue in question was considered an "equity instrument" pursuant to the provisions of IAS 32. In these financial statements, the sum collected from the issue is represented in shareholders' equity item "130. Equity instruments" for a total of € 97.6 million. In line with the nature of the instrument, the coupons were recognised as a decrease in shareholders' equity (item "140. Reserves"), if and to the extent they have been paid. As at 31 December 2020, shareholders' equity therefore increased by a total of € 152.2 million.

Evolution of the operating context

The start of the vaccination campaign (launched on 27 December in Italy), though slow due to the delays in delivery of the drugs by the pharmaceutical companies, marks an important milestone in solving the current health crisis. The pandemic continues to pose serious risks, however, to public health and the economies in the Eurozone and the rest of the world. The new surge in infections and the strict containment measures imposed for a prolonged period in many countries is having an enormous impact on business activities.

In the United States, on 20 January 2021, Joe Biden was officially inaugurated as the 46th President of the United States. From the time of his election there were Trump protests, culminating on 6 January in the assault on the Capitol. President Biden put together a moderate-leaning team, but one which brings with it a strong message of change (starting with Kamala Harris, the first female and first Asian-American Vice President). From a financial point of view, all eyes are on Janet Yellen: the former President of the FED and the new Treasury Secretary.
At the end of January, in Italy, the resignation of the Italia Viva ministers forced the Executive to hold a vote of confidence, achieving a marginal victory and resulting in the Prime Minister, Giuseppe Conte, handing back his mandate to the Head of State, who began his consultations and, in early February, appointed Mario Draghi to form a coalition government to handle Italy's health and economic crisis.
The impact of the pandemic remains key. Travel restrictions and business closures are continuing to put various sectors under pressure again in 2021. According to Confesercenti, the extended restrictions in Italy will, in the first quarter, lead to a decline in spending of € 15 billion compared to the same period in 2020, resulting in a € 105 billion value of consumption lost because of the pandemic. This is not only a direct effect of the closures, but also due to a reduced spending capacity and diminished confidence in the future. The restrictions are therefore strongly hindering the recovery. The International Monetary Fund revised its forecasts downwards for growth in Italy in 2021: after closing 2020 with a 9.2% drop in GDP, this year the economy should grow by 3%, no less than 2.2 percentage points lower than previously forecast. In the manufacturing industry, however, the resilience of activities that began in the second half of 2020 is confirmed, whereas the services segment has seen a steep decline, albeit to a lesser extent than in the first wave of the pandemic in early 2020. Inflation is again very low, in a context characterised by weak demand and a significant unused capacity in the labour and goods and services markets. In this context, in order to continue guarantee favourable lending terms to all the business sectors during the pandemic, the continuation of economic stimuli and monetary easing implemented in the EU countries remains a must, also completing the path undertaken in 2020 with the Recovery Plan combined with the NextGenerationEU initiative.
According to the latest ECB Bulletin, the Executive Board has announced it is ready to reconfirm the intense quantitative easing. Firstly, the interest rates on the main refinancing operations, on marginal refinancing operations and on deposits held with the Central Bank will remain unchanged, respectively at 0.00%, 0.25% and -0.50%. The benchmark interest rates will remain at levels equal to or lower than

current rates until inflation prospects converge steadily at a level sufficiently close to, but lower than, 2%. Secondly, the government security purchases will continue as part of the PEPP (pandemic emergency purchasing programme) with total funding of € 1,850 billion at least until the end of March 2022 and, in any event, until the critical phase linked to the coronavirus is considered at an end. Purchases within the PEPP framework will be carried out with the aim of preserving favourable lending terms during the period of the pandemic. The net purchases made as part of the asset purchase programme (APP) will continue at a monthly rate of € 20 billion and the principal repayable on securities reaching maturity in the APP framework will be fully reinvested 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. Lastly, the ECB will continue to provide abundant liquidity through the refinancing operations. In particular, the third series of targeted longer term refinancing operations (TLTRO-III) is confirmed as an affordable source of funding for banks and supports the loans they disburse to businesses and households.

For the banking sector and therefore for the Group, the deterioration in the context caused by the crisis triggered by the health emergency will presumably provoke an increase in default rates and a consequential increase in the cost of credit.
The adoption of measures restricting people's mobility in order to limit the spread of the virus caused an inevitable decline in transactional activities in 2020 and a resulting reduction in the related revenues, especially in terms of commissions.

Outlook on operations

In this context, the Group has activated a series of interventions to increase cost efficiency, both with reference to personnel expenses and as regards other administrative expenses. These interventions made it possible to achieve the savings laid out in the budget and absorb the higher costs incurred during the year which could not be forecast during the budgeting phase. The crisis situation also contributed to postponing the merger between Banca di Asti and Biverbanca to 2021.
Taking into account that the various European and national institutions have introduced a series of important measures to convey liquidity to the production sector through the banking system (TLTRO, PELTRO and additional purchases by the ECB of government bonds), there has been a further flattening of the forward curves of market rates which are expected to remain stable at their currently extremely low levels at least until the end of 2022, with an expected gradual increase only starting from the subsequent year.
In December, the Group reviewed the budget for the final year of the 2019-2021 Strategic Plan and, as required by the Bank of Italy, the Directors focused on activity planning and assessment of the sustainability of the business model in the light of post-COVID-19 scenarios and structural changes under way in the reference market.
Keeping the guidelines of the Group Strategic Plan unchanged, the assessments are based on:

- analysis of the macroeconomic scenario heavily affected by the pandemic;

- regulatory developments expected during 2021 and subsequent significant impacts on lending and credit management processes;
- performing of operating costs and the cost/income ratio; d) updating of parameters underlying the NPE Strategy;
- updating of the extraordinary merger transaction between the Parent Company Banca di Asti and the subsidiary Biverbanca due for completion in 2021;
- examination of the portfolio of projects planned for 2021 (asset quality and capital, commercial, efficiency, regulatory and laboratories).

The sensitivity analyses performed on the loan and securities portfolio, the revision of budget plans and economic and financial projections and the Group's capacity to effectively handle disaster recovery conditions to ensure continuity in operating processes, have confirmed the Group's capacity to continue to operate as a going concern.
The evidence emerging from the aforementioned analyses and the industry budget suggest that significant balance sheet and income statement targets will be possible and achieved, and therefore confirm full sustainability of the Group's business model in the post-COVID-19 scenarios.

From an in-depth analysis of the Bank's "as is" position, which duly considers the significant changes in the reference macroeconomic and financial scenarios (especially those linked to the COVID-19 pandemic), the economic and structural balance as at 2020 was examined, after normalisation of the more volatile components and with a cost of credit normalised on the basis of the Bank's risk profile, with the outlining of actions believed useful to implement and which will be reviewed and further developed as part of the 2022-24 Strategic Plan, as well as in the 2021 budget.
The industrial budget rests essentially on three main areas of action, two of which targeting the enhancement and diversification of revenues (development of wealth management and development of the personal finance segment) and one regarding cost containment (cost efficiency).
The results of the analyses conducted, which for 2021 correspond to budget objectives whilst for 2022 they represent the basis on which the 2022-24 Strategic Plan will be developed, confirm the sustainability and resilience of the Bank's business model and the contribution to interventions from previous years and currently planned, in order to guarantee an adequate technical position combined with an equally strong competitive capacity.
Having considered the 2019-2021 Strategic Plan, the 2022 projections, the Bank's satisfactory level of capitalisation, and considering the 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 Bank will continue to operate in the foreseeable future. Therefore, they have prepared the consolidated financial statements 2020 applying the going concern assumption.

Significant events after the end of the year

For the Group, in the period after the end of the year no significant events arose that resulted in the need to make changes to the figures or information in the 2020 financial statements.
After the end of the year, the transaction expected to enhance the Cedacri investment continued. The structure of the transaction envisages the transfer of 100% of Cedacri capital to a newco established under Irish law, named DGB Bidco Holdings Limited, controlled by the ION Group, the acclaimed software house specialising in the development and evolution of high-technology systems for private, institutional, financial and banking group operators. The price offered by the ION Group company, in this phase of negotiations, is not a reliable evidence of the value of the investment in that it instead expresses its forward-looking fair value, conditioned by strategic decisions and possible economies of scale achievable by the buyer.
The progress of the transaction has not resulted in changes to the figures and disclosures in the financial statements, since the transaction is subject to various conditions precedent, including obtaining Antitrust authorisations, and the signing of existing trade agreements between the partner banks and the Cedacri Group. If the various conditions precedent should materialise, closing of the transaction can be arranged, scheduled for the end of May or by the end of September.

Following the finalisation at the end of 2019 of the acquisition by Banca di Asti of the remaining Biverbanca shares, which resulted in 100% control of the latter's share capital, the Parent Company began a corporate reorganisation that aims to fully integrate the subsidiary into the Parent Company, in line with provisions of the strategic planning documents. The operation will be implemented in 2021 and will allow the achievement of further organisational and economic efficiency objectives at Group level.

Other information

Note that the proceedings relating to an alleged accounting offence regarding the Parent Company Cassa di Risparmio di Asti S.p.A., relating to the years 2015 and 2016 in relation to the audits conducted in 2017 by the Italian Tax Police are still pending before the Court of Asti. In that regard, the Bank specifies that it is firmly convinced that that assumption is unfounded, given that those financial statements were drawn up in rigorous compliance with the accounting rules, as well as audited by the Independent Auditors. It also confirms that it is certain that it operated correctly at all levels and continues to operate on a daily basis in fully compliance with the rules and codes of ethics in force at all times. For the purpose of due transparency, in line with the relationship of correctness it has always had with its Shareholders, Customers and contractors, and with complete trust in the judiciary, the Bank has provided disclosure to the public regarding that investigation by way of the press.
The Bank also confirms that, irrespective of the purely accounting-related aspects audited that merely regard time-based accruals, the pending proceedings have no impact on the Bank's assets as of today and, thus, no impact on Shareholders or, more generally, on customers, save for modest effects on the amount of its tax credit.

With reference to the analysis of Group related party transactions, please refer to Part H of the Notes to the consolidated financial statements.

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET			
Assets		**31/12/2020**	**31/12/2019**
10.	**Cash and cash equivalents**	**63,049**	**67,739**
20.	**Financial assets measured at fair value through profit and loss**	**78,411**	**76,213**
	a) financial assets held for trading	44,503	57,792
	c) other financial assets mandatorily measured at fair value	33,908	18,421
30.	**Financial assets measured at fair value through other comprehensive income**	**655,957**	**1,559,167**
40.	**Financial assets measured at amortised cost**	**12,099,664**	**10,224,644**
	a) Loans and advances to banks	1,975,250	554,111
	b) Loans and advances to customers	10,124,414	9,670,533
70.	**Equity investments**	**82**	**77**
90.	**Property, plant and equipment**	**203,342**	**211,381**
100.	**Intangible assets**	**88,493**	**89,539**
	of which:		
	- goodwill	66,142	66,142
110.	**Tax assets**	**288,867**	**315,288**
	a) current	44,162	43,067
	b) deferred	244,705	272,221
130.	**Other assets**	**494,629**	**418,569**
	Total assets	**13,972,494**	**12,962,617**

CONSOLIDATED
BALANCE
SHEET

CONSOLIDATED BALANCE SHEET			
Liabilities and Shareholders' equity		31/12/2020	31/12/2019
10.	**Financial liabilities measured at amortised cost**	**12,468,458**	**11,582,742**
	a) Deposits from banks	2,600,388	1,648,569
	b) Deposits from customers	8,381,595	8,161,813
	c) Debt securities in issue	1,486,475	1,772,360
20.	**Financial liabilities held for trading**	**14,523**	**17,590**
30.	**Financial liabilities designated at fair value**	**44,996**	**78,882**
40.	**Hedging derivatives**	**157,533**	**126,675**
60.	**Tax liabilities**	**2,056**	**3,088**
	a) current	2,056	3,088
80.	**Other liabilities**	**227,757**	**245,083**
90.	**Provision for employee severance pay**	**19,951**	**20,386**
100.	**Provisions for risks and charges**	**51,153**	**64,679**
	a) commitments and guarantees given	5,334	5,118
	b) post-retirement benefit obligations	5,607	16,601
	c) other provisions for risks and charges	40,212	42,960
120.	**Valuation reserves**	**21,081**	**-19,919**
140.	**Equity instruments**	**97,567**	**0**
150.	**Reserves**	**130,404**	**95,699**
160.	**Share premium reserve**	**339,375**	**339,536**
170.	**Share capital**	**363,971**	**363,971**
180.	**Treasury shares (-)**	**-10,184**	**-8,863**
190.	**Minority shareholders' equity (+/-)**	**19,868**	**17,738**
200.	**Profit (Loss) for the year (+/-)**	**23,985**	**35,330**
	Total liabilities and shareholders' equity	**13,972,494**	**12,962,617**

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT			
Items		31/12/2020	31/12/2019
10.	Interest income and similar revenues	281,631	295,919
	of which: interest income calculated using the effective interest rate method	279,379	291,380
20.	Interest expense and similar charges	(75,498)	(84,953)
30.	Net interest margin	206,133	210,966
40.	Fee and commission income	149,543	154,727
50.	Fee and commission expense	(62,770)	(58,050)
60.	Net fees and commissions	86,773	96,677
70.	Dividends and similar income	12,058	10,929
80.	Net profit (loss) from trading	62,380	77,556
90.	Net profit (loss) from hedging	760	(805)
100.	Gains (losses) on disposal or repurchase of:	37,410	21,596
	a) financial assets measured at amortised cost	(3,787)	(3,179)
	b) financial assets measured at fair value through other comprehensive income	41,714	24,766
	c) financial liabilities	(517)	9
110.	Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss	301	1,889
	a) financial assets and liabilities designated at fair value	852	2,990
	b) other financial assets mandatorily measured at fair value	(551)	(1,101)
120.	Net banking income	405,815	418,808
130.	Net losses/recoveries for credit risk relating to:	(106,463)	(91,970)
	a) financial assets measured at amortised cost	(107,615)	(93,078)
	b) financial assets measured at fair value through other comprehensive income	1,152	1,108
140.	Profits/losses from contractual changes without derecognition	(286)	(426)
150.	Net income from financial activities	299,066	326,412
160.	Net premiums	0	0
170.	Other net insurance income (expense)	0	0
180.	Net income from financial and insurance activities	299,066	326,412
190.	Administrative expenses:	(245,336)	(254,378)
	a) personnel expenses	(128,802)	(133,935)
	b) other administrative expenses	(116,534)	(120,443)
200.	Net provisions for risks and charges	(15,124)	(18,459)
	a) commitments and guarantees given	(219)	748
	b) other net provisions	(14,905)	(19,207)
210.	Net adjustments to/recoveries on property, plant and equipment	(17,559)	(16,538)
220.	Net adjustments to/recoveries on intangible assets	(5,218)	(4,454)
230.	Other operating expenses/income	24,536	28,017
240.	Operating costs	(258,701)	(265,812)
250.	Gains (losses) on equity investments	(500)	0
260.	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	0	0
270.	Impairment of goodwill	0	0
280.	Gains (losses) on disposal of investments	9	19
290.	Profit (loss) before tax from continuing operations	39,874	60,619
300.	Tax expenses (income) for the period from continuing operations	(12,577)	(19,871)
310.	Profit (loss) after tax from continuing operations	27,297	40,748
320.	Profit (loss) after tax from assets held for sale and discontinued operations	0	0
330.	Profit (loss) for the year	27,297	40,748
340.	Minority profit (loss) for the period	3,312	5,418
350.	Parent company's profit (loss) for the year	23,985	35,330

GRUPPO CASSA DI
RISPARMIO DI ASTI

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Item	ITEMS	31/12/2020	31/12/2019
10.	**Profit (loss) for the year**	**27,297**	**40,748**
	Other comprehensive income after tax not reclassified to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income	19,717	1,229
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(328)	(2,133)
40.	Hedging of equity securities designated at fair value through other comprehensive income	0	0
50.	Property, plant and equipment	0	0
60.	Intangible assets	0	0
70.	Defined benefit plans	1,462	(929)
80.	Non-current assets held for sale and discontinued operations	0	0
90.	Share of valuation reserves of equity investments carried at equity	0	0
	Other comprehensive income after tax reclassified to profit or loss		
100.	Foreign investment hedging	0	0
110.	Exchange differences	0	0
120.	Cash flow hedging	2,565	1,352
130.	Hedging instruments (elements not designated)	0	0
140.	Financial assets (different from equity instruments) at fair value through other comprehensive income	16,420	(26,511)
150.	Non-current assets held for sale and discontinued operations	0	0
160.	Share of valuation reserves of equity investments carried at equity	0	0
170.	**Total other income after tax**	**39,836**	**(26,992)**
180.	**Other comprehensive income (Item 10+170)**	**67,133**	**13,756**
190.	**Minority consolidated other comprehensive income**	**2,148**	**2,465**
200.	**Parent Company's consolidated other comprehensive income**	**64,985**	**11,291**

GRUPPO CASSA DI RISPARMIO DI ASTI

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Balance as at 31/12/2019	Changes in opening balances	Balance as at 01/01/2020	Previous year profit (loss) allocation		Changes during the year									Total shareholders' equity as at 31/12/2020	Minority shareholders' equity as at 31/12/2020
							Shareholders' equity transactions									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Advanced dividends	Changes in equity instruments	Treasury shares derivatives	Stock options	Changes in equity interests	Other comprehensive income for 2020		
SHARE CAPITAL																
a) ordinary shares	376,579		376,579	0			0	0					-20		363,971	12,588
b) other shares	0		0	0			0	0					0		0	0
SHARE PREMIUM RESERVE	339,536		339,536	0		0	-161						0		339,375	0
RESERVES																
a) profit	32,7418	0	32,741	40,748		7	0	0	0				0		71,618	1,878
b) other	59,416	0	59,416	0		-630	0		0		0	0	0		58,786	0
VALUATION RESERVES	-16,665	0	-16,665			0							0	39,836	21,081	2,090
EQUITY INSTRUMENTS	0		0							97,567			0		97,567	0
TREASURY SHARES	-8,863		-8,863				1,385	-2,706							-10,184	0
PROFIT (LOSS) FOR THE YEAR	40,748	0	40,748	-40,748	-3,115									27,297	23,985	3,312
GROUP SHAREHOLDERS' EQUITY	805,754	0	805,754	0	-1,972	-825	1,224	-2,706	0	97,567	0	0	0	64,985	966,199	
NON-CONTROLLING INTERESTS	17,738	0	17,738	0	-1,143	2	0	0	0	0	0	0	-20	2,148		19,868

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

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

GRUPPO CASSA DI RISPARMIO DI ASTI

CASH FLOW STATEMENT

CASH FLOW STATEMENT

CASH FLOW STATEMENT	AMOUNT	
Indirect Method	**31/12/2020**	**31/12/2019**
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**-54,714**	**219,808**
- profit (loss) for the year (+/-)	27,297	40,748
- capital gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit and loss (-/+)	24,413	-14,041
- capital gains/losses on hedging activities (-/+)	-20,042	-32,433
- net losses/recoveries for credit risk (+/-)	140,719	115,421
- net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	21,142	18,966
- net provisions for risks and charges and other expenses/income (+/-)	-7,615	11,212
- unpaid duties, taxes and tax credits (+/-)	9,537	16,912
- net losses/recoveries on discontinued operations after tax (+/-)	0	0
- other adjustments (+/-)	-250,165	63,023
2. Liquidity generated/absorbed by financial assets	**-1,682,524**	**-1,093,728**
- financial assets held for trading	48,859	39,329
- financial assets designated at fair value	0	0
- other assets mandatorily measured at fair value	-15,470	1,893
- financial assets measured at fair value through other comprehensive income	282,490	-559,655
- financial assets measured at amortised cost	-1,977,983	-673,244
- other assets	-20,420	97,949
3. Liquidity generated/absorbed by financial liabilities	**1,655,045**	**894,098**
- financial liabilities measured at amortised cost	855,590	1,025,409
- financial liabilities held for trading	65,100	-62,129
- financial liabilities designated at fair value	-33,019	-36,098
- other liabilities	767,374	-33,084
Net liquidity generated/absorbed by operating activities	**-82,193**	**20,178**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**3**	1
- sales of equity investments	0	0
- dividends collected on equity investments	0	0
- sales of property, plant and equipment	3	1
- sales of intangible assets	0	0
- sales of divisions	0	0
2 Cash flow used in	**-18,585**	**-136,542**
- purchases of equity investments	-5,232	-126,181
- purchases of property, plant and equipment	-9,180	-8,238
- purchases of intangible assets	-4,173	-2,123
- purchases of divisions	0	0
Net liquidity generated/absorbed by investment activities	**-18,583**	**-136,541**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-1,482	122,659
- issue/purchase of equity instruments	97,567	0
- dividend distribution and other	0	-3,115
Net liquidity generated/absorbed by funding activities	**96,085**	**119,544**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**-4,690**	**3,181**

RECONCILIATION	AMOUNT	
Item	**31/12/2020**	**31/12/2019**
Cash and cash equivalents at the beginning of the year	67,739	64,558
Net liquidity generated/absorbed in the period	-4,690	3,181
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at the end of the year	63,049	67,739

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

Pursuant to IAS 1 § 16, it is hereby certified that the consolidated financial statements as at 31 December 2020 comply with all the international accounting standards IAS/IFRS applicable, as endorsed by the European Commission and in force as at 31 December 2020, based on the procedure set out in Regulation (EC) no. 1606/2002, including the SIC/IFRIC interpretations.

**Section 2.
General preparation
criteria**

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

The Bank of Italy document "Supplements to the provisions of Circular no. 262 "Banks' financial statements: layout and presentation" in relation to the impacts of COVID-19, support measures for the economy and IAS/IFRS amendments".
This section illustrates the general principles for preparation of the financial statements.
Where applicable, the illustrate has to take into account the interpretations and application support documents for the accounting standards in relation to the impacts of COVID-19, issued by the European regulatory and supervisory authorities and the standard setters. These include, for example:

- the EBA communication of 25 March 2020, "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures";
- the ESMA communication of 25 March 2020, "*Public Statement. Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9*";
- the IFRS Foundation document of 27 March 2020, "IFRS 9 and COVID-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic";
- the ECB letter of 1 April 2020 "IFRS 9 in the context of the coronavirus (Covid-19) pandemic", addressed to all significant entities.
- the EBA guidelines of 2 April 2020, "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis";
- the ESMA communication of 20 May 2020, "Implications of the COVID-19 outbreak on the half-yearly financial reports";
- the EBA guidance of 2 June 2020, "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis";
- the ESMA communication of 28 May 2020, "European common enforcement priorities for 2020 annual financial reports";
- the EBA guidance of 2 December 2020, "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";

- the ECB letter of 4 December 2020, "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", addressed to all significant entities.

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

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

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 (including the communication of 27 March 2020 concerning "IFRS 9 and COVID-19") or the IFRIC (International Financial Reporting Interpretations Committee) to supplement the accounting standards issued;*
- The interpretation documents on the application of IAS/IFRS in Italy prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI);
- The documents and recommendations issued by the European Authorities and referred to by the Bank of Italy and Consob concerning the application of specific provisions in the IFRSs also particularly with reference to the method for accounting for the effects of the Covid-19 pandemic.

New international accounting standards in force at the reporting date of the consolidated financial statements

As required by IAS 8, the new international accounting standards or amendments to standards already in force are shown below, with their related endorsement regulations, whose application became mandatory from 2020 onwards.

- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in the Official Journal L. 316 of 6 December 2019, adopts the amendments to References to the IFRS Conceptual Framework. The amendments aim to update existing references in several standards and interpretations to the previous Conceptual Framework with references to the revised Conceptual Framework, and therefore guarantee that the standards are conceptually coherent and that similar transactions are treated in the same manner. The Conceptual Framework supports companies in the development of accounting policies when none of the IFRS apply to a particular transaction and generally assists interested parties in understanding and interpreting the standards.

- Commission Regulation (EU) 2019/2104 of 29 November 2019, published in the Official Journal L. 318 of 10 December 2019, adopts the amendments to IAS 1 and IAS 8. The amendments clarify the definition of "material" in order to make it easier for companies to formulate opinions on materiality and to improve the relevance of the information in the notes to the financial statements. The amendment to IAS 1 and IAS 8 also introduced the concept of "obscured information", defining such information as having a similar effect on the reader of a financial report to that generated by omitted or incorrect information.
- Commission Regulation (EU) 2020/34 was published in the Official Journal of 16 January 2020, adopting several amendments to IAS 39, IFRS 9 and IFRS 7, establishing temporary and limited derogations to the provisions on accounting for hedging transactions to ensure that companies can continue to respect the provisions presuming that the reference indexes for the determination of existing rates are not modified following the interbank rate reform.
- Commission Regulation (EU) 2020/551 of 21 April 2020 was published in the EU Official Journal L. 127 of 22 April 2020, and adopts the "Definition of a business (Amendments to IFRS 3)". With Regulation (EU) 2020/551, the European Parliament amended IAS 3 Business Combinations. The amendment was necessary in order to respond to concerns regarding the difficulties encountered in the practical application of the definition of "business". The regulation clarifies that a business consists of production factors and processes applied to such factors which are capable of contributing to the creation of outputs. Companies are required to apply the changes, at the latest, from the start date of their first financial year beginning on or after 1 January 2020.
- On 28 May 2020, the IASB published an amendment entitled "COVID-19-related Rent Concessions (Amendment to IFRS 16)". The amendment allows lessees the option of recognising COVID-19-related decreases in instalments, which analysing contracts to assess whether they comply with the IFRS 16 definition of lease modification. Consequently, lessees applying this option can recognise the effects of decreases in lease payments directly in the income statement as at the date the reduction became effective. The IFRS 16 amendment, defined as a "practical expedient", allows lessees to choose not to assess whether the pandemic-related subsidies qualify as lease modifications pursuant to IFRS 16.

With reference to amendments endorsed and applicable as at the date of these consolidated financial statements, their adoption had no significant effects on the Group consolidated financial statements.

During 2020, various international authorities issued documents providing indications, guidelines and clarification as regards the application of IFRS 9 and IFRS 16 in the context of the COVID-19 pandemic, as well as imposing increased disclosure requirements.

- On 25 March 2020, the ESMA published the "*Public Statement. Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9*". The document provided the analysis of accounting implications of the pandemic and indications, for issuers, on the application of IFRS 9 and related disclosure requirements.
- On 27 March 2020, with the document "*IFRS 9 and COVID-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic*", the IFRS Foundation clarified the application methods of IFRS 9 to avoid excessively pro-cyclical assumptions in calculating expected losses.
- On 1 April 2020, the ECB issued the document "IFRS 9 in the context of the coronavirus (COVID-19) pandemic", also referred to by ESMA, providing indications on the identification and measurement of credit risk so as to avoid excessively pro-cyclical assumptions and guarantee prompt representation of the non-performing loan, and avoid sudden deterioration of credit risk when the support measures expire.
- On 2 April 2020, the EBA published the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis", governing the treatment of legislative and non-legislative moratoria and providing clarification on the default and forborne classifications.
- On 2 June 2020, the EBA published the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" with the aim of defining and requiring of operators a set of standard reporting and disclosure templates designed to ensure control and suitable tracking of the effects of COVID-19 on the European banking system.
- On 2 December, the EBA amended the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis", reactivating the moratoria and providing clarification on the default/forborne classifications.
- With a document targeting banks under its direct supervision, "Identification and measurement of credit risk in the contest of the coronavirus pandemic", on 4 December the ECB brought attention back to the adoption of actions for appropriate and prompt management of credit risk.

As at the reporting date, the endorsement process has not yet concluded for the amendments listed below.

- IFRS 17 Insurance Contracts, due to replace IFRS 4 Insurance Contracts. The new standard aims to guarantee that an entity provides relevant information and faithfully represents the rights and obligations deriving from insurance contracts issued. The new standard will apply from 1 January 2023, but early adoption is only permitted to entities that already apply IFRS 9 and IFRS 15.
- The IASB published an amendment entitled "Amendments to IAS 1 Presentation of financial Statements: classification of liabilities as current or non-current”. The aim of the document is to clarify how to classify payables and other current or non-current liabilities. The amendments are due to enter into force from 1 January 2022, but postponement to 1 January 2023 is expected.
- *The Amendment to IFRS 3 Business Combinations aims to update the references in IFRS 3 to the Conceptual Framework.*
- *the Amendment to IAS 16 Property, Plant and Equipment contains amendments that aim to not allow deduction from the cost of property, plant and equipment the amount received from the sale of goods made in the test phase of the asset*. Revenues from sales and the related costs must be recognised in the income statement.
- The Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarifies that all costs directly attributable to the contract must be taken into consideration when estimating any contract-related expense.
- *Annual improvements 2018-2020: these are amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9, to IAS 41 and to the Illustrative Examples of IFRS 16*. All the amendments will enter into force on 1 January 2022.

With reference to the amendments still awaiting endorsement, no significant impact is expected on the Group consolidated financial statements.

This document is comprised of the Consolidated Balance Sheet and Consolidated Income Statement, Statement of Consolidated Comprehensive Income, Statements of Changes in Consolidated Shareholders’ Equity and the Consolidated Cash Flow Statement, as well as these Notes to the consolidated financial statements, all drawn up in thousands of Euro.

1. Investments in wholly-owned subsidiaries.

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

**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 minority interests, in separate items, of their portions of shareholders' equity and profit (loss), the equity investment will be eliminated as an offsetting entry to shareholders' equity of the subsidiary. The assets, liabilities, income and expenses recognised between consolidated companies, as well as dividends collected, are also netted.

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

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

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

In drawing up the consolidated financial statements as at 31 December 2020, 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.

At the end of 2020, the liquidation process for the investee S.I.G.A. S.r.l. (in liquidation), 100% owned by the Parent Company but not included in the scope of consolidation, was completed.

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

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

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

Company Name	% Minority interests	% Voting Rights (1)	Dividends distributed to third parties
A. Companies			
1. Pitagora S.p.A.	30.00	30.00	0
2. Asti Finance S.r.l.	100.00	100.00	0
3. Asti RMBS S.r.l.	100.00	100.00	0
4. Asti Group RMBS S.r.l.	100.00	100.00	0
5. Asti Group PMI S.r.l.	100.00	100.00	0
6. Asti GROUP RMBS II S.r.l.	100.00	100.00	0
7. Manu SPV S.r.l.	100.00	100.00	0

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

3.2 Equity investments with significant minority interests: accounting information

Figures as at 31/12/2020

Company Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity
A. Companies						
1. Pitagora S.p.A.	312,610	7	277,301	13,285	183,554	68,991

Company Name	Net interest margin	Net banking income	Operating costs	Profit (loss) before tax from continuing operations	Profit (loss) after tax from continuing operations
A. Companies					
1. Pitagora S.p.A.	10,295	48,012	(34,139)	13,428	8,240

Company Name	Profit (loss) from discontinued operations	Profit (loss) for the year (1)	Other income after tax (2)	Total income (3) = (1) + (2)
A. Companies				
1. Pitagora S.p.A.	0	8,240	0	8,240

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 individual accounting statements as at 31 December 2020 prepared by the subsidiaries were used for the preparation of the consolidated financial statements as at the same date, adjusted if applicable to align them with the IAS/IFRS adopted by the Parent Company (Immobiliare Maristella S.r.l.).

Section 4. Events subsequent to the reference date of the consolidated financial statements

Note that, after the reporting date of the consolidated financial statements (31.12.2020) and before their preparation, 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.

Risks, uncertainties and impacts of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the coronavirus (SARS-CoV-2 or COVID-19) a pandemic, causing many countries, including Italy, to adopt restrictive measures to limit its spread. The health emergency resulting from the spread of COVID-19 has, amongst other measures, involved the forced stoppage of almost all non-essential production, industrial and commercial, and a ban on meeting in groups, causing a sudden brake on the economy throughout Europe and the rest of the world.

The Covid-19 pandemic has provoked a general downturn in the stock markets and, at the same time, has increased volatility. The drastic decline in production and demand in numerous sectors, and the resulting drop in revenues and cash inflows, have generated a deep liquidity crisis for businesses and households. The European Union responded with a comprehensive package of measures to help businesses, workers and households in difficulty. The banks were called upon to support the production system's liquidity crisis by setting up a channel for access to financial aid from the European Union and the governments of individual countries.

Some of the measures adopted by the Italian government to support individuals and businesses involved the banking system as a vehicle for their implementation:

- Law Decree no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020, the "Cura Italia" Decree, laying out measures to strengthen the national healthcare service and economic support for households, workers and businesses connected to the epidemiological emergency;
- Law Decree no. 23 of 8 April 2020, the "Liquidità" Decree, laying out urgent measures on access to credit and tax obligations for businesses, special powers in strategic sectors, as well as interventions concerning health and work, and extending administrative and procedural terms.

To handle the economic consequences of the pandemic, the Italian Banking Association (ABI) also promoted the signing of an agreement with the Trade Unions and the Employers' Associations, based on which the banks participating in the initiative anticipated to entitled employees the supplementary income benefits provided by the "Cura Italia" Decree.

Italian Law Decree no. 104 of 14 August 2020, the "August Decree", automatically extended the Cura Italia Decree's benefits from 30 September 2020 to 31 January 2021 for all SMEs submitting their requests by the date of entry into force of the decree. For other businesses, the deadline for submitting the application was 31 December 2020.

The 2021 Budget Law, Law no. 178 of 30 December 2020, applied a further extension of the suspensions until 30 June 2021. Companies that had not yet requested suspension could do so by 31 January 2021 under the terms and conditions envisaged in the Cura Italia Decree.

The EBA Guidelines extended the aforementioned system of moratoria, initially until 30 September 2020 and then again on 2 December 2020 until 31 March 2021. They also introduced the nine-month limit as the maximum overall period of application of the general payment moratoria relating to legal forbearance or the result of system arrangements.

The situation of uncertainty and volatility generated by the Covid-19 pandemic, which characterised the financial markets starting from the end of the first quarter of 2020, along with the perception of a generalised economic crisis, required a specific analysis in relation to the application of the international accounting standards and the identification of the accounting repercussions of the government's numerous regulatory interventions, and also reflection regarding sustainable business models. In fact, the provision of more complete and accurate information in the Notes to the financial statements is compulsory with regard to risks and uncertainties deriving from health emergency-related events, both in terms of the company's capacity to continue building a functional business that is expected to generate income.

In this context, the Group, to reflect the uncertainty of the financial markets in compliance with the IAS/IFRS framework and the indications of the Regulators, launched an internal project in April to analyse the accounting impacts of the epidemiological emergency and the impacts on the disclosure present in the financial reports and on the control structures and to manage the extraordinary aspects connected to the emergency.
Developments in the pandemic and the legislative interventions of Regulators and Authorities at national and European levels in the second half of 2020 led to additional verifications and analyses of the accounting impacts of the COVID-19 emergency and extension of the project also into the second part of the year.

An initial area of analysis was the verification of the going concern assumption and the consistency of the business models for the management of financial assets.
The extraordinary crisis situation caused by the pandemic caused the directors to evaluate the existence of events and circumstances limiting the company's capacity to continue to operate as a going concern within a time horizon of at least 12 months, taking into account all available information in relation to customer insolvency, changes and slowdowns in the business, market volatility and as a result the current and future profitability of the company.
Having considered the level of capitalisation to be satisfactory, and considering that the Group has 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 as at 31 December 2020 applying the going concern assumption.
Aware that the effects of the pandemic on business continuity are not particularly easy to define, the Directors used a forward-looking procedure to assess the Group's capacity to continue operating as a going concern.

In December, Management reviewed the budget for the final year of the 2019-2021 Strategic Plan and, as required by the Bank of Italy, the Directors focused on activity planning and assessment of the sustainability of the business model in the light of post-COVID-19 scenarios and structural changes under way in the reference market.
Keeping the guidelines of the Group Strategic Plan unchanged, the assessments are based on:

- analysis of the macroeconomic scenario heavily affected by the pandemic;
- regulatory developments expected during 2021 and subsequent significant impacts on lending and credit management processes;
- performance of operating costs and the cost/income ratio;
- updating of parameters underlying the NPE Strategy;
- updating of the extraordinary merger transaction between the Parent Company Banca di Asti and the subsidiary Biverbanca due for completion in 2021;
- examination of the portfolio of projects planned for 2021 (asset quality and capital, commercial, efficiency, regulatory and laboratories).

The sensitivity analyses performed on the loan and securities portfolio, the revision of budget plans and economic and financial projections and the company’s capacity to effectively handle disaster recovery conditions to ensure continuity in operating processes, have confirmed the business’s capacity to continue to operate as a going concern.
The evidence emerging from the aforementioned analyses and the industry budget suggest that significant balance sheet and income statement targets will be realised and achieved, and therefore full sustainability of the Group's business model in the post-COVID-19 scenarios.
From an in-depth analysis of the Group's "as is" position, which duly considers the significant changes in the reference macroeconomic and financial scenarios (especially those linked to the COVID-19 pandemic), the economic and structural balance as at 2020 was examined, after normalisation of the more volatile components and with a cost of credit normalised on the basis of the Group's risk profile, with the outlining of actions believed useful to implement and which will be reviewed and further developed as part of the 2022-24 Strategic Plan, as well as in the 2021 budget.
The industrial budget rests essentially on three main areas of action, two of which targeting the enhancement and diversification of revenues (development of wealth management and development of the personal finance segment) and one regarding cost containment (cost efficiency).
The results of the analyses conducted, which for 2021 correspond to budget objectives whilst for 2022 they represent the basis on which the 2022-24 Strategic Plan will be developed, confirm the sustainability and resilience of the Group business model and the contribution to interventions from previous years and currently planned, in order to guarantee an adequate technical position combined with an equally strong competitive capacity.

Pursuant to IAS 1, these consolidated financial statements were drawn up under the assumption that the Group will be a going concern for a time period of at least 12 months from the date of their approval.

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 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 used to assess the recoverable amount of goodwill;
- 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.
Within the project mentioned above, it was found that the areas of greatest complexity and intervention were those featuring a consistent estimation component.
With the involvement of the Risk Management function, the Administrative and Accounting function, the Loans function and the Organisation function, the main project areas activated were as follows:

- *Real Estate*
- *Impairment of financial assets*
- *Impairment of non-financial assets*
- *Modification* and *Derecognition*

The Real Estate project, which included the involvement of the Technical Office of the Parent Bank, analysed the impacts of the current market environment on owned real estate assets and rights of use pursuant to IFRS 16.
The economic situation, trends in real estate market prices and transactions in relation to the geographical distribution of the Group's owned real estate and rights of use were analysed.

The analyses performed showed that in the first quarter there was a sudden halt in transactions compared to the same quarter in 2019: the adoption, already beginning in March, of measures to limit the epidemic which resulted in the closure of all non-essential businesses and required people not to leave their homes caused a sudden downturn in sales volumes. The negative shock struck provincial capitals and other towns in a symmetrical fashion, with minimal differences between the various geographical areas. For the residential sector, a focus on the main Italian cities by population, particularly with regard to those situated in the territory of Group operations, shows an overall decline in transactions of -15,8%, aligned with the national figure. For the non-residential segment, the units sold came to -16.5% less than in the same quarter of 2019.
The third quarter saw a decisive attempt to return to normal, given the gradual easing of containment measures that had allowed a near total recovery of business activities. The economic effects on the real estate sector in the third quarter were characterised by this race which showed a new-found dynamism in many forms that, unfortunately was followed by a second sudden slowdown in the fourth quarter from the upsurge of the second wave of the pandemic.
The third quarter of 2020 marked a new inversion of the trend in sales volumes in the residential sector which, after two periods of strong decline, recorded a +3.1% in homes exchanged compared to the third quarter of 2019. The performance differed among the provincial capitals and other cities: for the first, a negative downward trend (-6.7%) persists, albeit slower than in the previous quarter; for other cities, however, growth reached an overall +8.1%.
The latest available Eurostat figures on nominal house prices refer to the second quarter of 2020 and, for the EU, in terms of year-on-year changes (second quarter 2020 compared to second quarter 2019), still show an increase of around 5% in the Eurozone. These statistics encompass those of ISTAT prepared for Italy, as part of a standard recording method established by Eurostat. In Italy, too, house prices in the second quarter of 2020 recorded a positive year-on-year rate.

As regards the Group, as a result of the COVID-19 pandemic, no branches or agencies were closed nor was the space used by or available to them for their operations reduced. In relation to real estate assets and rights of use, there were therefore no trigger events requiring any impairment testing. In 2020, a cost management activity for the renegotiation of lease payables, already envisaged in the strategic plan, was further implemented. The branch or agency closures during the year were envisaged in the strategic plan.

The project for IFRS 9 measurements of financial assets saw the involvement of the Credit Department and the Risk Management Department: the financial market crisis linked to the COVID-19 pandemic had the significant impact of reducing future cash flows and increasing credit risk as well as liquidity risk.
The Authorities took no action in terms of changing models and methodologies for determining fair value linked to the Covid-19 pandemic situation: in light of the lack of changes in the reference accounting standard, the variables to be taken into

consideration in valuations are an increase in credit, interest rate and liquidity risk, an increase in uncertainty in developing short-term economic and financial forecasts and negative exchange rate risk trends.
Of the Group's government securities portfolio at the reporting date, consists entirely of EU member state government bonds (88% Italian) of which 93% classified at amortised cost (HTC) and the remaining 7% in the FVOCI portfolio.
The sensitivity analyses performed did not result in any change in the fair value measurement models, which therefore marked continuity in company policies with no downgrade or further write-down in consideration of elements linked to the Covid-19 pandemic.
The impairment of securities in the portfolio were calculated on the basis of PD and LGD risk parameters from the infoprovider Prometeia. During 2020, the PD value associated with Italy (linked to the 5-year CDS Italy performance) rose significantly in the first few months of the pandemic (particularly in the second quarter), but then recorded a downward trend to close 2020 at values much lower than those at the start of the year.
As concerns hedge accounting, hedges (fair value hedging) consist of IRS type derivatives covering interest rate risk linked to Italian government bonds present in the securities portfolio and bond issues of the Group banks, respectively. There are no macrohedges.
The hedging of performing loans (stages 1 and 2) at the end of 2020 reflects certain elements deriving from the macroeconomic performance observed during the year, influenced by the outbreak of the coronavirus pandemic and subsequent government measures to limit its spread, expectations regarding future developments in the economic cycle and, consequently, actions taken by the Group to overcome these situations, whether systemic or idiosyncratic. These interventions, described in greater detail in later paragraphs, almost exclusively impacted the loans portfolio held by the commercial banks, given the specific characteristics of the CQS product which, as a result of the underlying insurance coverage, were less sensitive to changes in the context. Pitagora in any event adopted the same measurement models used by the Parent Company to incorporate the macroeconomic scenario, with insignificant impacts.

The increase in hedging can be analysed in economic terms using the following elements:

a. A natural reduction effect in the degree of portfolio risk associated with the replacement of loans in a context where it is normal for riskier exposures to be reclassified as default and mature loans are fully repaid, whilst new business normally proves less risky.
b. A general reduction in the degree of risk in the portfolio derives from the refinancing of Group loans with loans backed by state guarantees. During the year, loans backed by state guarantees (e.g. MCC, Sace) were disbursed with subsequent decrease in provision allocations. Note that, during the year, a specific impairment calculation method was adopted on loans backed by state guarantees in order to consider any country risk. In line with IFRS 9,

this method envisages a multi-period allocation on stage 2 positions, even for the portion covered by the State. The improvement in credit risk for the Group loans portfolio, and resulting value reversals, were therefore partially contained by this new method.

c. The development in the staging assignment calculation envisages two new rules for classification in stage 2 and performing exposures. These rules were introduced to anticipate and therefore correctly seize upon the effects that the outbreak of the coronavirus pandemic will have on the Group loans portfolio and will in future be downsized when the economic scenario stabilises. Specifically, these rules involve:
    - classification in stage 2 of all exposures relating to counterparties in business activities of low standing (credit rating ≥ 8). The sectors in question were identified by the Sales Department, Credit Department and Risk Management Department with the aim of understanding which sectors will be most exposed to a gradual downgrading of their credit rating as a result of COVID-19;
    - confirmation of the stage 2 classification for exposures which in 2020 were subject to moratoria. In fact, as regards the government aid, moratoria, liquidity and economic support measures in general, for certain counterparty types a natural improvement in the credit rating could occur, typically coinciding with internal and external rating performance modules. This phenomenon could have a "cure" effect on positions initially in stage 2, which the Group has decided to limit by introducing the rule described.

d. Updating of risk parameters in order to incorporate the most recent forecasts of developments in the macroeconomic scenarios. The update consists in incorporating the Prometeia baseline macroeconomic scenario with a three-year time horizon, as input for the satellite model used to calculate the IFRS 9 compliant LTECL, managed in the usual multi-scenario approach; As for the organisational process, accurate macroeconomic projections as most recently updated by Prometeia (reference date 30 September 2020, released at the end of October 2020) were used. The best and worst case scenarios are in any event suitably weighted to obtain an effect consistent with the expected macroeconomic performance that can also incorporate the most recent forecasts and considerations issued by the banking authorities (e.g. Bank of Italy, EBA). In the case in question, Bank of Italy forecasts in mid-December 2020 and the beginning of January 2021 lowered the GDP and employment figures for 2020 and 2021, and these forecasts were taken into consideration in determining the macroeconomic effect on the Lifetime PD curves through scenario weightings (30% down scenario, 30% up scenario, 40% baseline scenario).

The methods and criteria adopted for preparation of the consolidated financial statements as at 31 December 2020 include, in the credit assessment process, a

reasonable estimate of the impacts of the COVID-19 pandemic and its economic consequences.
The essential halt to court-related activities caused by COVID-19 has so far made it impossible to determine the actual impacts on the judicial recoverable values of properties pledged as guarantees. In addition, also as regards recoveries from internal management of non-performing exposures that are not collateralised, there is insufficient historic data from which to deduce expected recovery curves that reliably take into account the impacts of COVID-19. It was therefore necessary to identify and adopt temporary, alternative solutions to incorporate a reasonable estimate of the impact of the health emergency within the valuations of non-performing loans. The European Supervisory Authorities, confirming the difficulty in forecasting the impact of the COVID-19 pandemic and given the exceptional nature of the situation, have recommended that banks take action to limit pro-cyclical events that could derive from the application of forward-looking logics characteristic of IFRS 9.

For bad loans, the adjustment of the analytical valuation from internal management, after IAS discounting, is determined analytically for each loan on the basis of the following formula:

$$ADJ = min\,\{\,[0\,;CA \cdot max[\,ADJ_{lim}\,;(PR_c - PR_b)]\,\}$$

where:

- ADJ = COVID-19 adjustment, expressed in terms of the reduction in the discounted recoverable amount, to be associated with the internal management scenario;
- CA = carrying amount (book value gross of value adjustments and net of interest on arrears);
- PR_c = present value of the position, expressed as a percentage of the GBV, calculated on the basis of the recovery plan used to analytically determine the transfer price, adopting as a discounting rate the IRR of the position itself and using valuation parameters which include the effects of COVID-19;
- PR_b = present value of the position, expressed as a percentage of the GBV, again calculated on the basis of the recovery plan used to analytically determine the transfer price, and using as a discounting rate the IRR of the position itself, but using valuation parameters which do not include the effects of COVID-19;
- ADJ_{lim} = limit value of the adjustment, expressed as a percentage of the GBV.

For UTP loans with total exposure of more than € 100 thousand, the adjustment is calculated analytically for each case in two measurement steps.
The first step determines the COVID-19 adjustment, expressed as the difference between recoverable amounts in a "Covid Gone-Concern" scenario and recoverable amounts in a "No Covid Gone-Concern". The Gone-Concern approach is based on the assumption that the borrower is not able to generate cash flows to service the

debt and that the associated recovery strategy is centred on liquidation of the pledged assets or other forms of enforcement for unsecured loans.
The second step determines the adjustment value that fairly represents the characteristics of the UTP loans, which unlike bad loans are still "live", by adding the Danger Rate variable to the formula adopted for bad loans. The Danger Rate in effect expresses the probability that the UTP loan deteriorates to bad loan status and consequently the Gone-Concern scenario arises.

$$ADJ = min\{\ [0\ ; CA \cdot max\ \ [ADJ_{lim}\ ; (PR_c - PR_b) \cdot DRsett]$$

where:

- ADJ = COVID-19 adjustment, expressed in terms of the reduction in the IAS discounted recoverable amount, to be associated with the internal management scenario;
- CA = carrying amount (book value gross of value adjustments and net of interest on arrears);
- PR_c = present value of the position, expressed as a percentage of the GBV, calculated on the basis of the recovery plan used to analytically determine a theoretical transfer price, adopting as a discounting rate the IRR of the position itself and using valuation parameters which include the effects of COVID-19;
- PR_b = present value of the position, expressed as a percentage of the GBV, calculated on the basis of the recovery plan used to analytically determine a theoretical transfer price, adopting as a discounting rate the IRR of the position itself and using valuation parameters which include the effects of COVID-19;
- DRsett = danger rate associated with the sector to which the loan belongs (see table in appendix);
- ADJ_{lim} = limit value of the adjustment, expressed as a percentage of the GBV.

In line with what was done for bad loans, and therefore in order to limit the potential distortion effects linked to the use of the analytical/statistical methodology described above, also for loans classified as past due and UTP, limits were identified to be applied to the impact that may derive from the COVID-19 adjustment.

These limits derive directly from those already identified for bad loans after remodelling, based on the average danger rate estimated by the Bank's Risk Management Department when defining the 2021 budget as 28.1%, prudently increased by 25%.

Once the amount of the COVID-19 adjustment (ADJ) is determined, it is incorporated within the multi-scenario valuation formula set forth in the Policy.

$$NPV_m = max\left\{0;\ \boldsymbol{P_d} \cdot \boldsymbol{ADJ} +\ P_d \cdot NPV_d +\ \sum_{k=1}^{n} P_k \cdot\ min\,[NPV_k; NPV_d \cdot (1 - HC)]\right\}$$

NPV_m = multi-scenario recoverable amount;

n = number of transfer scenarios associated with the individual position;

P_k= probability of transfer associated with the individual position for the transfer scenario k;

NPV_k= expected transfer price associated with the individual position for the transfer scenario k;

HC = haircut value to be applied to the recoverable amount by direct management to determine the maximum value attributable to the expected transfer price;

P_d = probability of direct management associated with the individual position;

NPV_d = recoverable amount derived from direct management of the individual position;

ADJ = COVID-19 adjustment value.

Similar to what was defined within the Real Estate project, also for non-financial assets, considering the extraordinary nature of the impacts of the pandemic on the stock markets and the ensuing economic crisis, the Group checked for the presence of elements indicating impairment of non-financial assets.

Specifically, the DTAs recognised in the consolidated financial statement assets were subject to probability testing, taking into account the new plans and economic and financial projections updated as the economic context changed due to COVID-19: the test confirmed that future profitability guarantees the re-absorption of deferred taxation recognised as at 31 December 2020.

Furthermore, in this context, the Group updated the impairment test for intangibles and goodwill recognised under assets, and did not detect any trigger events that would confirm an impairment loss in their book value.

The inclusion of a forward-looking estimate relating to the potential effects of the COVID-19 crisis in the measurement process for loans to customers led in particular to:

- a review of the loans subject to future assignment;
- downward review of expected prices to be associated with the assignment sub-scenarios;
- a negative adjustment, calculated on an analytical-statistical basis to amounts recoverable from internal management (determined using the usual analytical and analytical-statistical valuation approaches);
- updating of the macroeconomic scenarios based on statistical valuation models for performing loans and analytical-statistical valuations of non-performing loans.

The resulting impact on the income statement amounted to € 11.8 million.
For performing loans, the economic impact of performing a sector analysis to incorporate the effects of the pandemic on sectors most exposed and the prudential measures in assignment to the stage of exposures that benefited from moratoria during the year can be quantified as € 9.9 million.
Due to the events and the economic crisis linked to the Covid-19 pandemic, there were economic impacts also in terms of higher costs for sanitisation and the

purchase of PPE of around € 1,378 thousand, increased investments in hardware, software and telephone equipment to enable employees to work remotely, with impacts on the income statement of around € 177 thousand, and interventions to help hospitals, non-profit associations and local groups deal with the Covid-19 emergency, totalling around € 2.332 million. As regards revenues, the deterioration in the context deriving from the pandemic caused a downturn in commission income as well as the interest margin, resulting in a deviation from budget targets of approximately 6.75% and 4.25%, respectively. In relation to the impacts on the balance sheet for gross loans, there was a decline of 1.10% compared to 31 December 2019; for direct funding, the decrease was 1% compared to 31 December 2019.

In reference to IAS 19, the COVID-19 pandemic also had effects on the determination of actuarial gains/losses linked to employee severance indemnities, as an additional element of uncertainty in the Group's assessments. In particular, the actuarial gains and losses associated with employee severance indemnities for 2020 were essentially determined by the changes in financial assumptions, due to the rates trend which in turn reflected the uncertainty caused by the COVID-19 pandemic. Among the main actuarial assumptions (details of which can be found in Part B - Section 10 - Provisions for risks and charges - Item 100), the Banca di Asti Group uses the weighted average of the EUR Composite AA rate curve as at 31 December 2020 as its discount rate, and uses as weights the ratios between amount paid and advance for each due date and the total amount to be paid and advanced up to full settlement of the population considered. The performance of the curve, compared to the previous year, showed an average decline of 0.49% over the various time horizons.

Contractual modifications deriving from COVID-19

1 - Contractual modifications and derecognition (IFRS 9)

The measures adopted by the government in response to the spread of Covid-19 in favour of individuals and businesses were assessed by the Group in light of IFRS 9 also with reference to the matters of Modification and Derecognition.

Through the banks, the government activated moratoria and suspensions on mortgages and loans for individuals and businesses. According to IFRS 9, when there is a modification in the contractual cash flows of a financial asset, the modification may alternatively:

- not result in the derecognition of the financial asset, making it necessary to recalculate the gross book value of the financial asset and recognise a profit or loss in the income statement deriving from the modification. The gross book value to be recalculated is the present value of the modified cash flows discounted at the original effective interest rate of the financial asset;
- result in the derecognition of the financial asset, making it necessary to recognise the financial asset as a new financial asset.

Whether the first or second option is selected depends on how substantial the contractual modification is. A modification can be deemed substantial, changing the rules set forth for financial liabilities, when the value of the cash flows, discounted at

the original IRR of the modified asset, differs by more than 10% from the value of the discounted cash flows of the asset prior to the modification.
As specified by ESMA in its communication of 25 March 2020, when the support measures provide temporary relief to borrowers struck by the pandemic and the net economic value of the loan is not significantly influenced, it is unlikely that the modification is substantial.
In the moratoria granted to customers by the Group, either due to the "Cura Italia" decree or due to the conventions of the trade associations and those provided on a voluntary basis, the Bank did not waive part of the loan or waive the accrual of interest on the deferred instalments. When principal components and interest accrued and to be accrued on the payment deferment/suspension are not waived, the modification loss is minimal or null.
The moratoria were applied under a system of financial equivalence, and therefore the impact of the modification loss is minimal: the analyses performed on several loans subject to legal moratoria and voluntary moratoria confirmed that the impact, calculated as the difference between the gross book value of the loan prior to the modification discounted at the original IRR and the gross book value of the loan after the moratorium discounted at the original IRR is not material. As these are not material amounts, calculated without the support of IT procedures, no "Profits/losses from contractual changes without derecognition" were recognised in income statement item 140.

2 - Amendment to IFRS 16
Regulation (EC) 1126/2008 (IFRS 16) was amended by Commission Regulation no. 1434/2020, envisaging a practical expedient for lease agreements. The amendment to IFRS 16 concerns the assessment of lease changes applied by the lessee and envisages that the latter can, as a practical expedient, opt not to assess whether a suspension of lease payments constitutes a change to the lease if the payment suspension is a direct result of the COVID-19 pandemic.
Opting for the practical expedient means that the difference between the old and new payment plans can be recognised in the income statement.
The practical expedient can only be used if the following conditions are satisfied:
- the change in lease payments due results in a review of the lease consideration, which is essentially equal to or less than the lease consideration immediately prior to the change;
- any reduction in lease payments due refers solely to payments originally due prior to 30 June 2021;
- there is no substantial change to the other terms and conditions of the lease.

In 2020, the Group had no lease payment renegotiations as a direct consequence of the COVID-19 pandemic and therefore did not perform assessments that could have led to application of the practical expedient.

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

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

A.2 – MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 - Financial assets measured at amortised cost

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

- they are held under a business model that envisages the collection of cash flows set out by contract (Hold to Collect);

- the contractual terms and conditions of the financial assets require, at specific dates, the collection of cash flows solely comprised of payment of principal and interest on the amount of principal to be repaid (passing the SPPI test).

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

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

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

Measurement criteria and revenue recognition criteria: following initial recognition, the financial assets are measured at amortised cost using the effective interest rate method. The amortised cost is equal to the value originally recognised - decreased by the repayments of principal and value adjustments, and increased by any recoveries - and the amortisation of the difference between the amount disbursed and that repayable on maturity, attributable to directly attributable

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

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

4 - Hedging transactions

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

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

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

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

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

Measurement criteria: hedging derivatives are measured at fair value.
In cash flow hedges, changes in the fair value of the derivative are charged 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 according to the criteria of the portfolio it is assigned to.
Derivatives which are considered as hedging instruments from an economic viewpoint because they are operationally linked with financial liabilities measured at fair value (Fair Value Option) are classified among trading derivatives; the respective positive and negative differentials or margins accrued until the end of the reporting period are recognised, in accordance with their hedging purpose, as interest income and interest expense, while valuation gains and losses are posted under the income

statement, “Net profit (loss) from financial assets and liabilities measured at fair value”.

5 - Equity investments

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

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

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

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

Measurement criteria and revenue recognition criteria: equity investments in subsidiaries or associates are measured at cost, possibly adjusted due to impairment.
If objective evidence of impairment indicates that there may have been a loss in value of an equity investment, then the recoverable amount of the investment is estimated, taking into consideration the present value of future cash flows that the investment may generate, including the final disposal value of the investment (impairment test).

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

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

6 - Property, plant and equipment

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

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

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

Measurement criteria and revenue recognition criteria: following initial recognition, property, plant and equipment, including properties not used in the business, are posted at cost, net of the total amount of depreciation and accumulated impairment. Property, plant and equipment are systematically depreciated over their useful lives, on a straight-line basis. Land is not depreciated, whether acquired separately or incorporated into the value of the buildings, since it has an indefinite life. Works of art are not depreciated, as their useful life cannot be estimated and the related value is usually bound to increase over time.
In the case of detached properties for which the Group fully owns the land, but whose value is incorporated in the value of the buildings, by virtue of the application of the component approach, these should be considered as assets that can be separated. In that case, the division of the value of the land and the value of the building is carried out based on a specific appraisal conducted by the competent function.

The depreciation process begins when the asset is available and ready for use, i.e. when it is in the place and in the conditions necessary to be operated. In the first year, depreciation is recognised in proportion to the period of actual use of the asset.
Assets subject to depreciation are adjusted for possible impairment each time events or changes in situations indicate that the carrying amount might not be recoverable. Impairment losses are recognised in amounts equal to the excess of the carrying amount over the recoverable amount. Any adjustments are posted to the income statement.
Where the reasons for impairment cease to exist, a reversal is recognised, which shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior periods.

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

7 - Intangible assets

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

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

Measurement criteria and revenue recognition criteria: following initial recognition, intangible assets with finite useful life are recognised at cost, net of the total amount of amortisation and cumulative impairment.

Amortisation is carried out on a straight-line basis, which reflects the long-term use of the asset, based on the estimated useful life.
At each reporting date, it is tested whether the intangible asset can effectively still be used and that the company still intends to use it for the period of time from the reporting date to the date originally planned for the end of its use.
Where the recoverable amount is lower than the carrying amount, the amount of the loss is recognised in the income statement.

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

Derecognition criteria: intangible assets are derecognised from the balance sheet at the time of sale, or when no future economic benefits are expected. Capital gains and losses deriving from the disposal or sale of intangible assets are calculated as the difference between the net sale price and the carrying amount of the asset.
Income taxes are comprised of the balance of current and deferred taxes. These are recorded as costs on an accruals basis, in line with the method of recording of costs and revenues that generated them in the financial statements.

9 - Current and deferred tax

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 Biver Banca S.p.A., Pitagora S.p.A. and Immobiliare Maristella S.r.l., part of the Cassa di Risparmio di Asti Group, renewed the option to adopt the “Domestic Tax Consolidation” also for 2020. This regime is governed by articles 117-129 of the Consolidated Income Tax Act, introduced into tax law by Italian Legislative Decree 344/2003.
Under that regime, the subsidiaries transfer their taxable income (or tax loss) to the parent company, which determines a single taxable income of the Group, as the algebraic sum of the income and/or losses of the single companies, recording a single tax liability/credit due to/from the Tax Authorities.

Deferred tax

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

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

"Taxable temporary differences" indicate a future increase in taxable income and, as a result, generate "deferred tax liabilities", as these differences give rise to a taxable amount in the years following those in which they are posted to the statutory income statement, resulting in a deferral of taxation in relation to its economic and statutory accrual. In substance, the temporary differences generate tax liabilities, as they will result in higher taxes in the future.
"Deferred tax liabilities" are recognised for all taxable temporary differences, with the exception of untaxed reserves charged to capital or for which no distribution to shareholders is planned.
The origin of the difference between the lower taxable income than statutory income is due to:

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

Deferred tax assets and liabilities are recorded using the "balance sheet liability method", based on the temporary differences arising between the carrying amount of assets and liabilities in the balance sheet and their value recognised for tax purposes, and are calculated using the tax rates which, based on the laws in force at the

reporting date, shall be applied in the year in which the asset will be realised or the liability extinguished.
In the event that different tax rates are to be applied to different income levels, deferred tax assets and liabilities are calculated using the average weighted tax rate for the year to which the consolidated financial statements refer.
Deferred tax assets and liabilities are offset when they are due to the same tax authority and when the right to offsetting is recognised by law.
If the deferred tax assets and liabilities relate to items that have affected the income statement, the offsetting entry is represented by income taxes.

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 "Post-retirement benefit obligations". In this case, the benefits that must be paid in the future were valued by an external actuary using the "projected unit credit method".
The consolidated financial statements include an internal fund that provides benefits exclusively for persons no longer working for Biver Banca. The liabilities relating to that plan are included in the category of defined benefits and are determined based on actuarial assumptions. Actuarial gains and losses are recognised as an offsetting entry to a shareholders' equity reserve.

Provisions for risks and charges against commitments and guarantees given

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

Other provisions

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

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

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

Provision for employee severance pay

The employee severance pay is a type of remuneration of personnel, with payment deferred to after termination of employment.
This accrues in proportion to the duration of the employment, constituting an additional element of personnel expenses.
Because the payment is certain, but not the moment at which it will occur, the provision for employee severance pay, equal to defined benefit pension plans, is classified as a post-employment benefit. As a result, the liability already accrued at the closing date of the consolidated financial statements must be projected to

estimate the amount to be paid at the time of termination of employment and then discounted to take account of the time that will pass before the actual payment.
The method used to determine the present value of the liability is the projected unit credit method, also known as the method of accrued benefits in proportion to the work performed or the method of benefits/years of work, which considers each period of service provided by workers to the company as the origin of an additional unit of rights to the benefits, and separately measures each unit to calculate the final obligation.
That method entails the prediction of future disbursements on the basis of statistical historical analysis and the demographic curve, and the financial discounting of such flows according to market interest rates.
The amount recorded as a liability thus equals the present value of the liability at the reporting date, plus the annual interest accrued on the present value of the commitments of the Group at the beginning of the year, calculated using the discount rate for future outlays adopted to estimate the liability at the end of the previous year, and adjusted by the share of actuarial gains/losses. Actuarial gains and losses are posted as an offsetting entry in a shareholders' equity reserve, and are represented in the "Statement of consolidated comprehensive income".
The obligations are assessed annually by an independent actuary.

11 - Financial liabilities measured at amortised cost

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

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

Measurement criteria and revenue recognition criteria: following initial recognition, financial liabilities are measured at amortised cost, using the effective interest rate method. For short-term liabilities, amortised cost is not generally used, given the irrelevance of the effects of applying that criterion.

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

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

12 - Financial liabilities held for trading

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

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

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

13 - Financial liabilities measured at fair value

Classification criteria: financial liabilities with the characteristics set out in the fair value option are classified in this category.
In particular, based on the FVO, financial liabilities may be measured at fair value through profit and loss in cases of:

- elimination or reduction of inconsistencies in valuation, to ensure a more reliable presentation of information;
- valuation of financial instruments containing embedded derivatives;
- valuation of groups of financial assets or liabilities based on documented risk management or investment strategy.

In line with these indications, this category includes:

- financial liabilities subject to "natural hedging" through derivative instruments;
- bonds issued with embedded derivatives.

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

Measurement criteria and revenue recognition criteria: following initial recognition, financial liabilities are aligned with their fair value. Considering that the Group does not have financial liabilities listed on active markets, the determination of the fair value is based on models that discount future cash flows or option valuation models.
Gains and losses realised on redemption and unrealised gains and losses deriving from changes in fair value in relation to the issue price are charged to the income statement for the period in which they arise, under the item "Net profit (loss) from financial assets and liabilities measured at fair value".
The Group opted to designate structured or fixed-rate bonds issued at fair value. Based on the provisions of IFRS 13, the fair value of those liabilities must reflect the creditworthiness of the issuer. Based on the analyses conducted, the Group decided that it could quantify its creditworthiness by referring to the yields recorded on unsecured senior issues of Italian banks with ratings of BBB+, BBB and BBB-, using the specific curve provided by the info-provider Bloomberg (or another equivalent curve, lacking this one).
According to the provisions of IFRS 9:

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

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

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

14 – Foreign currency transactions

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

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

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

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

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

15 – Other information

IFRS 16 - Leases

The accounting standard IFRS 16 – Leases replaced IAS 17, as well as the interpretations IFRIC 4, SIC 15 and SIC 27, starting from 1 January 2019, introducing new rules for the accounting recognition of leases, both for lessors and for lessees.

IFRS 16 establishes principles for the recognition, valuation, presentation of and additional disclosure on leases. The objective is to ensure that lessees and lessors provide appropriate information in a manner that accurately represents the transactions, in order to provide elements to assess the effect of the lease on the balance sheet, income statement results and cash flows of the entity. The standard provided a new definition of lease and introduced 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.

The lessee must recognise a liability based on the present value of future lease payments as an offsetting entry to the recognition of the right-of-use asset pertaining to the lease contract under assets. Following initial recognition, the right of use shall be amortised over the duration of the contract or the useful life of the asset (based on IAS 16) or measured using an alternative criterion – fair value – (IAS 16 or IAS 40). The liability will be gradually decreased due to payment of the lease rentals and interest shall be recognised on such payments, to be posted to the income statement.

With regard to the first-time adoption of IFRS 16 (in 2019), the Group opted to apply the modified retrospective approach - option B - to calculate the lease liability as the present value of future lease payments, and determining the associated right of use based on the value of such liability. Based on the options exercised, there were no impacts on shareholders' equity, as the values of the right of use and the associated liabilities recognised in the accounts match. The standard permits the recognition of the cumulative effect of application of the new standard at the date of first-time adoption, without restating the comparative information. In calculating the amounts under IFRS 16, as permitted by the standard, contracts concerning low-value assets were excluded, as well as leases with a duration equal to or less than 12 months. For the purpose of identifying low-value assets, the Group set € 5,000 (low value) as the limit under which the new standard shall not apply. The share of VAT on lease payments is not considered as a lease component and, as a result, was treated in line with the accounting rules in force prior to IFRS 16.

As regards the interest rate to be used to discount the liability, the Group uses the interest rate referring to the yield curve for senior bank bonds rated BBB+, BBB and BBB- denominated in Euro. In addition to the fact that it can be easily obtained and is updated daily, that curve appropriately represents the interest rate at which the Group should hypothetically issue any senior bonds on the market. The interest rate is redetermined annually, and the new interest rate is applied to new contracts or expired contracts that are renewed. For contracts in force, the lease payments are discounted at the rate originally applied.

The main impacts in the Group are attributable to the right of use for the lease of properties, through rental contracts. The scope of application of the standard includes property leases as well as automobile leases.

The Group has no sub-leases.

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.

Targeted Longer-Term Refinancing Operations - TLTRO III

In March 2019, the Executive Board of the European Central Bank announced a third series of Targeted Longer-Term Refinancing Operations (TLTRO III), conducted quarterly from September 2019 to December 2021 (the ECB decision of 10 December 2020 defined three new operations between June and December 2021 in addition to the seven originally planned).

The financing limit for each bank is 55% (from March 2021) of the respective balances as at the reference date (28 February 2019), less any amount financed through TLTRO II and still existing as at the settlement date for the TLTRO III operation.

From September 2021, on a quarterly basis, each participant can exercise the option of early settlement or reduction of the financing relating to a TLTRO III operation if at least one year has passed since the settlement date.

The interest rate applicable is the prevalent rate applying to each operation, except for the period between 24 June 2020 and 23 June 2022 in which a reduction of 50 basis points will be applied to the rate provided certain benchmark values are reached in reference to the disbursement of net eligible loans. Interest is paid in arrears on expiry of each TLTRO III or at the time of early repayment.

In order to guarantee maximum accounting transparency of the TLTRO III refinancing operations, the ESMA has recommended that participating banks provide specific disclosures on the relevant accounting standards and on changes associated with the TLTRO III operations.
As at 31 December 2020, the ECB funding operations for the Group referred entirely to TLTRO III financing subscribed by the Parent Company, Banca di Asti, and totalled € 2.555 billion.
Taking into account the various mechanisms envisaged for operation settlement, considering that the net lending benchmark for the Group is set at zero and the net eligible loans record developments sufficient to make it probable that the net lending benchmark will be exceeded, in the consolidated financial statements as at 31 December 2020 the amount of € 15.5 million has been recognised under item "10. Interest income and similar revenues".
With reference to the net lending benchmark overshoot, management estimates and reported evidence indicate net lending, at the end of 2020, clearly higher than the net lending benchmark. This value, if confirmed later for the "special reference period" (i.e. up to the 1Q 2021 deadline), would grant the right to a rate equal to the average rate of deposits with the central bank less 50 basis points (for the period 24/06/2020-23/06/2021), and in any event no higher than -1%.
With reference to the accounting recognition methods for interest on the operation in question, IFRS 9 was applied. Specifically, considering that the ECB can change the interest rate on TLTRO III operations at any time, in view of the market rate the operations were treated as variable-rate instruments. In effect, the instruments will have an effective interest rate for each period:

- -0.5% up to 24 June 2020
- -1% up to 23 June 2022
- -0.5% after 23 June 2022 and up to maturity.

Designation of Cedacri S.p.A. security at FVOCI

In the last few months of 2020, a valuation process of the Cedacri Group was launched through a business combination with a partner that allows the setup of an IT hub that is a leader in Italy, in terms of size and significance, in the financial services sector.
The activity involved an assessment phase for the evaluation of the potential partner from among those expressing an interest, with appointment of the financial, industrial-technological and legal advisors.
Subsequently, the evaluation of non-binding bids, the management presentation and due diligence were arranged, after which the shortlist was drawn up and the financial and industrial-technological conditions were defined for continuation of the operation. At present, negotiations with the selected partner are still in progress.
The structure of the transaction outlined thus far envisages the transfer of 100% of Cedacri capital to a newco established under Irish law, named DGB Bidco Holdings Limited, controlled by the ION Group, the acclaimed software house specialising in the development and evolution of high-technology systems for private, institutional, financial and banking group operators.

The Transaction is subject to the standard conditions precedent, including in particular the obtaining of antitrust authorisations, issue of the Golden Power authorisation by the Prime Minister's Office and the signing of agreements amending the existing trade agreements between the partner banks and the Cedacri Group.
The price offered by the ION Group company, in this phase of negotiations, is not reliable evidence of the value of the investment in that it instead expresses its forward-looking fair value, conditioned by strategic decisions and possible economies of scale achievable by the buyer.
As negotiations with the selected partner are still in progress and in consideration of the uncertainty that persists as at the reporting date in reference to the closing date of negotiations and their final outcome, the Bank has opted to assess its interest in Cedacri by taking into consideration the results of application of the two most commonly used measurement approaches:

- the Discounted Cash Flows Model, based on which the value of a company is determined on the present value of expected future cash flows, according to which the total value of Cedacri is in the range of € 445-621 million;
- the Market Multiples approach, which determines the value of a company on the basis of implicit multiples, observed on average on the reference market for comparable listed companies, which gives a total value of Cedacri is in the range of € 482-698 million.

The Group therefore measured the investment using the average value of the outcomes of the two methods that, for Cedacri as a whole, identified a value of € 562 million. The value of the investment was therefore revalued by € 21.1 million.

As the negotiations phase is still in progress and given the underlying conditions precedent, the requirements for classifying the investment among assets held for sale and discontinued operations pursuant to IFRS 5 are not met.

Issue of Additional Tier 1

At the end of November, the Parent Company issued an Additional Tier 1 instrument, targeting institutional investors, for a total of € 100 million. The transaction forms part of the Parent Bank's capital structure management.
These are perpetual securities (with maturity linked to the Parent Bank's statutory duration) includes an early redemption option, the exercise of which is subject to meeting applicable regulatory requirements, in the period 27 November 2025 to 27 May 2026, and on every coupon payment date thereafter.
The coupon is half-yearly, not cumulative and, in reference to the first 5.5 years of the security, is fixed at 9.25%. Thereafter, if the early redemption option is not exercised, it can be reviewed at 5-year intervals based on the swap rate with the same maturity at that time, plus the original spread.
The payment of coupons is discretionary and subject to certain limitations. The 5.125% trigger on Common Equity Tier 1 (CET1) envisages that, if the CET1 ratio of the Group or the Parent Bank falls below this limit, the nominal value of the securities will temporarily drop by the amount required to restore the level, also

taking into account other instruments with similar characteristics and the same level of subordination.
The security is listed on the multilateral trading facility of the Dublin Stock Exchange (Global Exchange Market).
Based on the loan characteristics, the issue can be classified as an equity instrument pursuant to IAS 32. In line with the nature of the instrument, the coupons were recognised as a decrease in item 150 Reserves under shareholders' equity.
In the consolidated financial statements as at 31 December 2020, the consideration collected from the issue is represented in shareholders' equity item "140. Equity instruments" for a total of € 97,567 thousand, less transaction costs directly attributable to the issue which, net of tax, totalled € 2,433 thousand. Considering payment of the current coupon to be highly probable, in order to decrease the reserves an accrual for 2020 of € 630 thousand was recognised, net of tax effects.

Tax credits associated with the "Cura Italia" and "Rilancio" decrees, purchased as a result of disposal by the direct beneficiaries or previous buyers.

The Law Decrees 18/2020 ("Cura Italia") and 34/2020 ("Rilancio" introduced tax incentives to Italian law, relating to investment costs (e.g. Ecobonus and Sismabonus) and to current expense (e.g. lease payments on non-residential premises).
These tax incentives apply to households or businesses, commensurate to a percentage of the expense incurred (which in some cases can even reach 110%), and are disbursed in the form of tax credits or tax deductions (with the option of transforming these into tax credits). For the Ecobonus and Sismabonus, in addition to other incentives for building works, it is also possible to make use of the incentive as a discount on the consideration due to the supplier, to whom a tax credit will be recognised. Most of the tax credits from these incentives can be transferred to third-party buyers, who can use them according to the special rules envisaged. Specifically, the holders of these credits can use them to offset taxes and contributions, in accordance with the same rules as for the original beneficiary, or can again sell all or part of them to third parties.
In the second half of 2020, the Bank launched the "Ecobonus" project, through which retail and business customers can use a new service that follows them through energy or seismic requalification works on their owned properties, without any upfront outlay. The financial support is provided through the opening of a current account credit facility designed to cover all the requalification costs up to the finalised transfer of the tax credit to our Bank. The project was at completion stage at the reporting date of these financial statements. The purchases of the first tax credits from customers will be made from 2021 onwards.

Classification criteria for financial assets - IFRS 9

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

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

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

- financial assets measured at amortised cost: assets that pass the SPPI test and fall under the Hold to Collect business model (HTC);
- financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test (for debt securities issued and loans) and fall under the Hold to Collect and Sell business model (HTCS);
- financial assets measured at fair value through profit and loss (FVTPL): a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of contractual cash flows (SPPI test failed).

Business model

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

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

The business model reflects the methods by which financial assets are managed to generate cash flows for the entity's benefit and is defined by top management through the appropriate involvement of business structures.
It is determined by considering the ways in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual cash flows, from the sale of financial assets, or from both of

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

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

In operational terms, the business model is assessed in line with the company organisation, the specialisation of the business functions and the assignment of delegated powers (limits).
When assessing a business model, all relevant factors available at the assessment date are used. These factors include the strategy, risks and their management, remuneration policies, reporting, and the amount of sales. In analysing the business model, it is crucial that the factors evaluated are consistent amongst themselves and, in particular, are consistent with the strategy pursued. With the view to the significant purpose of drawing up the consolidated financial statements, a consolidated business model was identified that represents the methods with which the Group, understood as a single economic entity, intends to realise the cash flows from the financial assets.
In that regard, and in relation to the operational purposes for which the financial assets are held, a specific document “C.R. Asti Group – Analysis and determination of the individual and consolidated business models for the purposes of IFRS 9 classification” – approved by the Board of Directors – defines and outlines the elements comprising the business model for financial assets included in the portfolios managed in carrying out operations on business structures for the Cassa di Risparmio di Asti Group.
With specific regard to salary and pension assignment loans, where, at the disbursement date, the Group does not possess information regarding the expected methods of realising the cash flows, it classifies those loans as HTCS with measurement at fair value through other comprehensive income (FVOCI).
Conversely, with regard to the same type of loans, if, at the disbursement date, the Group is aware of the method of realising the cash flows, it makes the following classification:

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

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

SPPI and Benchmark tests

The appropriate classification of financial instruments held first requires that the business model intended to be used be analysed, as indicated above, and subsequently the characteristics of the contractual cash flows deriving from the asset be verified. The latter verification is defined through two specific tests:
- the Solely Payment of Principal and Interest – SPPI Test;
- the Benchmark test.

So that a financial asset may be classified at amortised cost or at FVOCI, in addition to the analysis of the business model, it is necessary that the contractual terms of the asset envisage, at specific dates, cash flows that are solely payment of principal and interest on the amount of principal to be repaid (SPPI). That analysis must specifically be conducted for loans and debt securities.
The SPPI test must be conducted on each single financial instrument at the time of recognition. Following initial recognition, and as long as it is recognised, the asset will no longer be subject to new SPPI tests. Where a financial instrument is derecognised from the accounts and a new financial asset is recognised, the SPPI test must be conducted on the new asset.
For the purposes of applying the SPPI test, IFRS 9 provides the following definitions:
- principal: the fair value of the financial assets on initial recognition. That value may change over the life of a financial instrument, for example, as a result of repayments of principal;
- interest: the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

In assessing whether the contractual flows of a financial asset may be defined as SPPI, IFRS 9 refers to the general concept of "basic lending arrangement", which is independent from the legal form of the asset. Where the contractual clauses introduce the exposure to the risk or volatility of contractual cash flows that is inconsistent with the definition of basic lending arrangement, such as exposure to

changes in the prices of shares or commodities, the contractual flows do not meet the definition of SPPI.
In the event that the time value of money is modified ("modified time value of money") - for example, when the financial asset's interest rate is periodically reset but the frequency of that reset or the frequency of the payment of coupons does not reflect the tenor of the interest rate (for example, the interest rate resets every month based on a six-month rate) or when the interest rate is reset periodically based on an average of particular short-term or medium/long-term rates - the entity must assess, using both quantitative and qualitative elements, whether the contractual flows still meet the definition of SPPI (benchmark cash flows test). Where the test shows that the (non-discounted) contractual cash flows are "significantly different" from the (also non-discounted) cash flows of a benchmark instrument (i.e. without a modified time value), the contractual cash flows cannot be considered as meeting the definition of SPPI.
In addition, any contractual clauses that could change the frequency or amount of contractual cash flows must be considered in order to assess whether such cash flows meet the SPPI requirements (e.g., prepayment options, possibility to defer the contractually agreed cash flows, instruments with embedded derivatives, subordinated instruments, etc.).
However, as required by IFRS 9, a single element of contractual cash flows does not affect the classification of the financial asset if it has only a minimal effect on the contractual cash flows of the financial asset (in each year and cumulatively). Similarly, if an element of cash flows is not realistic or genuine, i.e., if it affects the instrument's contractual cash flows only at the occurrence of an extremely rare, highly unusual, and very unlikely event, it does not affect the classification of the financial asset.
In relation to the SPPI test and the Benchmark test, the Group subscribed to the offer of the info-provider Prometeia: on a daily basis, the Group inputs the flows to be sent to the info-provider, which returns the results of the two tests with the same frequency.

Method for determining impairment

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

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

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

- *Stage 1: assets which are performing in line with expectations, for which the value adjustments correspond to the expected losses related to the occurrence of default in the 12 months following the reporting date;*

- Stage 2: exposures whose creditworthiness is concerned by a significant deterioration, but for which the losses cannot yet be observed. *Adjustments are calculated considering the loss expected over the lifetime of the exposure;*
- *Stage 3: includes all non-performing exposures, and must be adjusted using the concept of lifetime loss.*

Specifically as regards loans 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 of staging and measurement, are the following:

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

These adjustments are reviewed at each subsequent reporting date both to periodically check that the continuously updated loss estimates are consistent, as well as to take into account the change in forecast horizon for calculation of expected loss.

As regards the measurement of financial assets and, in particular, the identification of a “significant increase” in credit risk (a necessary and sufficient condition for classification of the asset being assessed in Stage 2), the elements that constitute the main determinants to be taken into consideration by the Group are the following:

- significant increase in the associated Probability of Default during the period from the date the account was opened to the reference date. The PD is

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

The "staging" of securities entails some unique considerations. In fact, unlike loans, for this type of exposure, purchase and sale transactions subsequent to the first purchase (made with reference to the same ISIN) can typically fall under the ordinary activity of position management (with consequent need to identify a methodology to adopt for the identification of sales and reimbursements in order to determine the residual quantities of the individual transactions to which a credit quality/rating is associated that will be compared with that of the reporting date). In this context, using the "first-in-first-out" or "FIFO" methodology (for the transfer to the income statement of the recognised ECL, in the case of sales and reimbursements) contributes to more transparent portfolio management, including from the perspective of front-office operators, allowing, simultaneously, a continuous updating of the assessment of creditworthiness based on new purchases.
Once the assignment of the exposures to the various credit risk stages has been defined, the expected losses (ECL) are calculated, at the level of individual transaction or security tranche, starting from the modelling developed by the Group, based on the parameters of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), to which appropriate adjustments are made, in order to ensure compliance with the specific requirements of IFRS 9.
The PD, LGD, and EAD are defined as follows:
- PD (Probability of Default): likelihood of transferring from a performing status to that of non-performing over a one-year time horizon. In the Cassa di Risparmio di Asti Group, the values of PD derive from the internal rating model, where available, supplemented by external valuations. *For salary and pension assignment loans, the PD is determined based on the past-due ranges;*
- *LGD (Loss Given Default): percentage of loss in the event of default. It is quantified based on past experience of recoveries discounted on accounts transferred to non-performing status;*
- *EAD (Exposure At Default) or credit equivalent: amount of exposure at the time of default.*

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

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

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

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

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

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

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

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

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

- assessments of the opportunities to manage single positions or portfolios of homogeneous loans.

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

A) BALANCE SHEET

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

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

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

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

B) SHAREHOLDERS' EQUITY

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

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

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

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

C) INCOME STATEMENT

Revenues from the sale of goods or provision of services are recognised at the fair value of the consideration received or, in any event, when it is likely that future benefits will be received, and those benefits can be reliable quantified.
Thus, according to that set out in IFRS 15, revenues are recognised, with the exception of revenues from lease contracts, insurance contracts, financial instruments and from non-monetary exchanges between entities in the same branch:

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

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

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

Administrative costs and expenses are recognised on an accruals basis.

A.3 Information on transfers between portfolios of financial assets

There are no items of this type.

A.4 – INFORMATION ON FAIR VALUE

This section provides the fair value disclosure as required by IFRS 13.

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 in issue”, 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.

A.4 – INFORMATION ON FAIR VALUE

Quantitative Information

A.4.5 Fair value hierarchy

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

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	0	21,581	56,830	1	25,763	50,449
a) Financial assets held for trading	0	12,413	32,090	1	15,628	42,163
b) Financial assets designated at fair value	0	0	0	0	0	0
c) Other financial assets mandatorily measured at fair value	0	9,168	24,740	0	10,135	8,286
2. Financial assets measured at fair value through other comprehensive income	255,754	287,400	112,803	1,119,718	266,082	173,367
3. Hedging derivatives	0	0	0	0	0	0
4. Property, plant and equipment	0	0	0	0	0	0
5. Intangible assets	0	0	0	0	0	0
TOTAL	**255,754**	**308,981**	**169,633**	**1,119,719**	**291,845**	**223,816**
1. Financial liabilities held for trading	0	14,523	0	0	17,590	0
2. Financial liabilities designated at fair value	0	44,996	0	0	78,882	0
3. Hedging derivatives	0	157,533	0	0	126,675	0
TOTAL	**0**	**217,052**	**0**	**0**	**223,147**	**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	**181,653**	**0**	**0**	**8,286**	**173,367**	**0**	**0**	**0**
2. INCREASES	**20,702**	**0**	**0**	**17,553**	**3,149**	**0**	**0**	**0**
2.1. Purchases	12,311	0	0	11,025	1,286	0	0	0
2.2. Profits recognised in:	1,010	0	0	13	997	0	0	0
2.2.1. Income statement	705	0	0	13	692	0	0	0
of which: capital gains	13	0	0	13	0	0	0	0
2.2.2. Shareholders' equity	305	0	0	X	305	0	0	0
2.3. Transfers from other levels	0	0	0	0	0	0	0	0
2.4. Other increases	7,381	0	0	6,515	866	0	0	0
3. DECREASES	**64,811**	**0**	**0**	**1,099**	**63,712**	**0**	**0**	**0**
3.1. Sales	24,398	0	0	84	24,314	0	0	0
3.2. Redemptions	27,930	0	0	0	27,930	0	0	0
3.3. Losses recognised in:	11,498	0	0	30	11,468	0	0	0
3.3.1. Income statement	5,326	0	0	30	5,296	0	0	0
of which: capital losses	30	0	0	30	0	0	0	0
3.3.2. Shareholders' equity	6,171	0	0	X	6,171	0	0	0
3.4. Transfers to other levels	0	0	0	0	0	0	0	0
3.5. Other decreases	985	0	0	985	0	0	0	0
4. CLOSING BALANCE	**137,543**	**0**	**0**	**24,740**	**112,803**	**0**	**0**	**0**

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

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	Total 31/12/2020				Total 31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	12,099,664	2,996,069	0	9,103,595	10,224,644	2,805,748	0	7,383,929
2. Property, plant and equipment held for investment purposes	51,523	0	0	73,599	52,894	0	0	76,539
3. Non-current assets and disposal groups classified as held for sale	0	0	0	0	0	0	0	0
TOTAL	**12,151,187**	**2,996,069**	**0**	**9,177,194**	**10,277,538**	**2,805,748**	**0**	**7,460,468**
1. Financial liabilities measured at amortised cost	12,468,458	0	1,424,328	10,982,009	11,582,742	0	1,756,366	9,810,409
2. Liabilities associated with assets classified as held for sale	0	0	0	0	0	0	0	0
TOTAL	**12,468,458**	**0**	**1,424,328**	**10,982,009**	**11,582,742**	**0**	**1,756,366**	**9,810,409**

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.

SECTION 1– CASH AND CASH EQUIVALENTS - ITEM 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN	Total 2020	Total 2019
a) Cash	63,049	67,379
b) Demand deposits at Central banks	0	0
Total	**63,049**	**67,379**

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

2.1 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY TYPE	Total 2020			Total 2019		
Items/Balances	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Financial assets (non-derivatives)						
1. Debt securities	**0**	**25**	**0**	**0**	**30**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	25	0	0	30	0
2. Equity instruments	**0**	**0**	**0**	**0**	**0**	**0**
3. Units of UCITS	**0**	**0**	**0**	**0**	**0**	**0**
4. Loans	**0**	**0**	**32,090**	**0**	**0**	**42,163**
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	32,090	0	0	42,163
Total (A)	**0**	**25**	**32,090**	**1**	**30**	**42,163**
B. Derivatives						
1. Financial derivatives:	0	**12,388**	0	0	**15,598**	0
1.1 Trading	0	9,527	0	0	11,846	0
1.2 Linked to fair value option	0	2,861	0	0	3,752	0
1.3 Other	0	0	0	0	0	0
2. Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Trading	0	0	0	0	0	0
2.2 Linked to fair value option	0	0	0	0	0	0
2.3 Other	0	0	0	0	0	0
Total (B)	**0**	**12,388**	**0**	**0**	**15,598**	**0**
Total (A+B)	**0**	**12,413**	**32,090**	**1**	**15,628**	**42,163**

The item “Financial trading derivatives - Level 2” includes the fair value measurement of the “operational hedge” derivative contracts, of which € 7,802 thousand relating to securitisation transactions.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/COUNTERPARTY Items/Balances	Total 2020	Total 2019
A. Financial Assets (non-derivatives)		
1. Debt securities	**25**	**30**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	0
d) Other financial companies	25	30
of which: insurance companies	0	0
e) Non-financial companies	0	0
2. Equity instruments	**0**	**1**
a) Banks	0	0
b) Other financial companies	0	0
of which: insurance companies	0	0
c) Non-financial companies	0	1
d) Other issuers	0	0
3. Units of UCITS	**0**	**0**
4. Loans	**32,090**	**42,163**
a) Central Banks	0	0
b) Public administration	38	77
c) Banks	0	0
d) Other financial companies	0	40
of which: insurance companies	0	40
e) Non-financial companies	32	58
f) Households	32,020	41,988
Total (A)	**32,115**	**42,194**
B. Derivatives		
a) Central Counterparties	0	0
b) Other	12,388	15,598
Total (B)	**12,388**	**15,598**
Total (A+B)	**44,503**	**57,792**

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE Items/Balances	Total 2020			Total 2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**0**	**0**	**772**	**0**	**0**	**1,241**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	772	0	0	1,241
2. Equity instruments	**0**	**0**	**0**	**0**	**0**	**0**
3. Units of UCITS	**0**	**9,168**	**12,904**	**0**	**10,135**	**1,987**
4. Loans	**0**	**0**	**11,064**	**0**	**0**	**5,058**
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	11,064	0	0	5,058
Total	**0**	**9,168**	**24,740**	**0**	**10,135**	**8,286**

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 € 22 thousand of mezzanine class securities connected with the Pop NPLs 2019 securitisation transaction;
- for € 23 thousand of mezzanine class securities connected with the Pop NPLs 2020 securitisation transaction;
- for € 481 thousand of mezzanine class securities connected with the Madeleine securitisation transaction.

The Units of UCITS consist of:

- an Italian real estate fund, Fondo core nord ovest NM, for a book value of € 7,333 million;
- four Italian securities funds for a book value of € 14,738 million: € 1,781 thousand from Fondo Idea Ccr I Comparto Crediti CL A1 DS NM; € 54 thousand from Fondo NORD OVEST-FCC; € 11,000 from Fondo Alfieri Ret DS NM and € 1,903 thousand from Fondo Atlante Mobiliare Chiuso DIS PT.

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY BORROWER/ISSUER	Total 2020	Total 2019
1. Equity instruments	**0**	**0**
of which: banks	0	0
of which: other financial companies	0	0
of which: non-financial companies	0	0
2. Debt securities	**772**	**1,241**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	0
d) Other financial companies	772	1,241
of which: insurance companies	0	0
e) Non-financial companies	0	0
3. Units of UCITS	**22,072**	**12,122**
4. Loans	**11,064**	**5,058**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	55	32
d) Other financial companies	11,009	5,026
of which: insurance companies	0	0
e) Non-financial companies	0	0
f) Households	0	0
Total	**33,908**	**18,421**

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

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY TYPE	Total 2020			Total 2019		
Items/Balances	L1	L2	L3	L1	L2	L3
1. Debt securities	**255,054**	**0**	**0**	**1,118,970**	**0**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	255,054	0	0	1,118,970	0	0
2. Equity instruments	**700**	**287,400**	**1,096**	**748**	**266,082**	**1,167**
3. Loans	**0**	**0**	**111,707**	**0**	**0**	**172,200**
Total	**255,754**	**287,400**	**112,803**	**1,119,718**	**266,082**	**173,367**

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

The item "Other debt securities" is entirely represented by government securities.

The change compared to 2019 is due to the adoption of an investment reduction strategy implemented using an HTCS business model to achieve a decrease in the risk of value volatility of these instruments on shareholders' equity.

The item "Equity instruments" consists of investments in investee companies. The contribution paid to the voluntary scheme of the IDPF for the intervention in favour of Caricesena was written off.

The change compared to 2019 is essentially due to the revaluation of the equity participations in Cedacri S.p.A.

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY BORROWER/ISSUER Items/Balances	Total 2020	Total 2019
1. Debt securities	**255,054**	**1,118,970**
a) Central Banks	0	0
b) Public administration	255,054	1,118,970
c) Banks	0	0
d) Other financial companies	0	0
of which: insurance companies	0	0
e) Non-financial companies	0	0
2. Equity instruments	**289,196**	**267,997**
a) Banks	225,692	225,808
b) Other issuers:	63,504	42,189
- other financial companies	752	755
of which: insurance companies	0	0
- non-financial companies	62,752	41,434
- other	0	0
3. Loans	**111,707**	**172,200**
a) Central Banks	0	48
b) Public administration	825	978
c) Banks	1	1
d) Other financial companies	345	834
of which: insurance companies	336	834
e) Non-financial companies	693	1,112
f) Households	109,843	169,227
Total	**655,957**	**1,559,167**

As at 31 December 2020, all financial assets measured at fair value through other comprehensive income are linked to Italian borrowers/issuers, with the following exceptions:

- € 35 thousand relating to the investee company SWIFT.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND OVERALL VALUE ADJUSTMENTS	Gross value				Overall value adjustments			*Total partial write-offs**
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	255,124	255,124	0	0	-70	0	0	0
Loans	105,137	105,137	1,836	11,623	-503	-373	-6,013	0
Total 2020	**360,261**	**360,261**	**1,836**	**11,623**	**-573**	**-373**	**-6,013**	**X**
Total 2019	**1,282,572**	**1,282,572**	**2,147**	**14,764**	**-1,546**	**-373**	**-6,394**	**0**
of which: purchased or originated credit impaired financial assets	X	X	80	908	X	-3	-206	**0**

** Value to be presented for disclosure purposes*

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

In compliance with IFRS 9, the bonds present in the FVOCI portfolio were tested for impairment with the recognition of a value adjustment of € 70 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 € 111,707 thousand, of which performing loans of € 106 million. The gross value of these loans was appropriately adjusted by the impairment provision calculated on individual positions.

3.3A LOANS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME SUBJECT TO COVID-19 SUPPORT MEASURES: 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	
1. Forborne loans compliant with the GL	71	0	0	7	0	0	0	0
2. Loans subject to other forbearance measures	0	0	0	0	0	0	0	0
3. New loans	0	0	0	0	0	0	0	0
Total 2020	**71**	**0**	**0**	**7**	**0**	**0**	**0**	**0**

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

4.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN OF LOANS AND ADVANCES TO BANKS	Total 2020						Total 2019					
	Book value			*Fair value*			Book value			*Fair value*		
Type of transaction/Amounts	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
A. Loans and advances to Central Banks	**1,797,733**	**0**	**0**			**1,797,733**	**400,715**	**0**	**0**	**0**	**0**	**400,715**
1. Time deposits	0	0	0	X	X	X	0	0	0	X	X	X
2. Compulsory reserve	1,797,733	0	0	X	X	X	400,715	0	0	X	X	X
3. Repurchase agreements	0	0	0	X	X	X	0	0	0	X	X	X
4. Other	0	0	0	X	X	X	0	0	0	X	X	X
B. Loans and advances to banks	**177,517**	**0**	**0**	**0**	**0**	**177,517**	**153,393**	**3**	**0**	**0**	**0**	**153,396**
1. Loans	177,517	0	0	0	0	177,517	153,393	3	0	0	0	153,396
1.1 Current accounts and demand deposits	16,153	0	0	X	X	X	13,445	0	0	X	X	X
1.2. Time deposits	0	0	0	X	X	X	0	0	0	X	X	X
1.3. Other loans:	161,364	0	0	X	X	X	139,948	3	0	X	X	X
- Reverse repurchase agreements	0	0	0	X	X	X	0	0	0	X	X	X
- Lease loans	0	0	0	X	X	X	0	0	0	X	X	X
- Other	161,364	0	0	X	X	X	139,948	3	0	X	X	X
2. Debt securities	0	0	0	0	0	0	0	0	0	0	0	0
2.1 Structured securities	0	0	0	0	0	0	0	0	0	0	0	0
2.2 Other debt securities	0	0	0	0		0	0	0	0	0	0	0
Total	**1,975,250**	**0**	**0**	**0**	**0**	**1,975,250**	**554,108**	**3**	**0**	**0**	**0**	**554,111**

Key
FV= *Fair value*
BV = Book value

The item “Other loans - Other” consists primarily of the guarantee deposit guaranteeing derivative contracts for € 159,883 thousand.

4.2 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS	Total 2020						Total 2019					
	Book value			*Fair value*			Book value			*Fair value*		
Type of transaction/Amounts	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	**6,366,738**	**326,086**	**15,531**	**0**	**0**	**6,692,824**	**6,268,615**	**398,873**	**15,909**	**0**	**0**	**6,667,488**
1. Current accounts	412,513	29,352	640	X	X	X	561,066	41,815	780	X	X	X
2. Reverse repurchase agreements	0	0	0	X	X	X	0	0	0	X	X	X
3. Mortgages	4,595,438	278,049	12,354	X	X	X	4,520,759	331,787	13,315	X	X	X
4. Credit cards and personal loans, including salary assignment	725,215	13,894	1,897	X	X	X	681,713	14,769	1,025	X	X	X
5. Lease loans	0	0	0	X	X	X	0	0	0	X	X	X
4. Factoring	0	0	0	X	X	X	0	0	0	X	X	X
7. Other loans	633,572	4,791	640	X	X	X	505,077	10,502	789	X	X	X
2. Debt securities	**3,431,590**	**0**	**0**	**2,996,069**	**0**	**435,521**	**3,003,045**	**0**	**0**	**2,805,748**	**0**	**162,330**
2.1. Structured securities	0	0	0	0	0	0	0	0	0	0	0	0
2.2. Other debt securities	3,431,590	0	0	2,996,069	0	435,521	3,003,045	0	0	2,805,748	0	162,330
Total	**9,798,328**	**326,086**	**15,531**	**2,996,069**	**0**	**7,128,345**	**9,271,660**	**398,873**	**15,909**	**2,805,748**	**0**	**6,829,818**

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

Debt securities primarily consist of:

- € 131,609 thousand from senior class securities connected to the Maggese securitisation transaction with derecognition;
- € 2,839,525 thousand from securities issued by the Italian State;
- € 405,301 thousand from securities issued by EU member states;
- € 15,052 thousand from securities representing loans disbursed by Credimi;
- € 14,824 thousand from senior class securities connected to the Pop NPLs 2019 securitisation transaction with derecognition;
- € 24,010 thousand from senior class securities connected to the Pop NPLs 2019 securitisation transaction with derecognition;

The stock of non-performing loans declined with respect to the end of last year following the derisking transactions carried out to transfer bad loans via the "GACS" scheme and the Small Ticket transfer.
Loans and advances to customers are shown net of third-party funds under administration which amount to € 15,274 thousand.

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

4.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN BY BORROWER/ISSUER OF LOANS AND ADVANCES TO CUSTOMERS Type of transaction/Amounts	Total 2020			Total 2019		
	Stage 1 and 2	Stage 3	Of which: purchased or originated credit impaired assets	Stage 1 and 2	Stage 3	Of which: purchased or originated credit impaired assets
1. Debt securities	**3,431,590**	**0**	**0**	**3,003,045**	**0**	**0**
a) Public administration	3,244,826	0	0	2,833,997	0	0
b) Other financial companies	185,496	0	0	166,788	0	0
of which: insurance companies	0	0	0	0	0	0
c) Non-financial companies	1,268	0	0	2,260	0	0
2. Loans to:	**6,366,738**	**326,086**	**15,531**	**6,268,615**	**398,873**	**15,909**
a) Public administration	42,491	74	0	49,500	57	0
b) Other financial companies	48,156	296	0	43,153	1,205	0
of which: insurance companies	4,347	0	0	5,449	0	0
c) Non-financial companies	2,577,151	200,070	10,056	2,557,588	251,517	11,495
d) Households	3,698,940	125,646	5,475	3,618,374	146,094	4,414
Total	**9,798,328**	**326,086**	**15,531**	**9,271,660**	**398,873**	**15,909**

4.4 FINANCIAL ASSETS MEASURED AT AMORTISED COST: GROSS VALUE AND OVERALL VALUE ADJUSTMENTS Type of transaction/Amounts	Gross value				Overall value adjustments			Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	3,432,604	3,432,605	0	0	-1,014	0	0	0
Loans	7,553,899	390,552	853,225	666,309	-17,539	-47,597	-340,223	8,712
Total 2020	**10,986,503**	**3,823,157**	**853,225**	**666,309**	**-18,553**	**-47,597**	**-340,223**	**8,712**
Total 2019	**9,071,800**	**3,640,609**	**819,320**	**795,655**	**-20,668**	**-44,684**	**-396,779**	**-58**
of which: purchased or originated credit impaired financial assets	X	X	7,763	12,607	X	-395	-4,444	0

** Value to be presented for disclosure purposes*

4.4a LOANS MEASURED AT AMORTISED COST SUBJECT TO COVID-19 SUPPORT MEASURES: 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	
1. Forborne loans compliant with the GL	651,922	0	183,104	7,098	-2,509	-11,357	-2,932	0
2. Loans subject to other forbearance measures	0	0	4,909	0	0	-167	0	0
3. New loans	158,382	0	7,116	86	-117	-34	-18	0
Total 2020	**810,304**	**0**	**195,129**	**7,184**	**-2,626**	**-11,558**	**-2,950**	**0**

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 2020	Total 2019
A. Opening balance	**77**	**0**
B. Increases	**5**	**77**
B.1 Purchases	0	77
B.2 Write-backs	0	0
B.3 Revaluations	0	0
B.4 Other changes	5	0
C. Decreases	**0**	**0**
C.1 Sales	0	0
C.2 Value adjustments	0	9
C.3 Write-downs	0	0
C.4 Other changes	0	0
D. Closing balance	**82**	**77**
E. Total revaluations	**0**	**0**
F. Total adjustments	**5,938**	**5,938**

SECTION 8 – INSURANCE RESERVES CHARGED TO REINSURERS - ITEM 80

There are no items of this type.

SECTION 9 – PROPERTY, PLANT AND EQUIPMENT - ITEM 90

9.1 PROPERTY, PLANT AND EQUIPMENT USED IN THE BUSINESS: BREAKDOWN OF ASSETS CARRIED AT COST Asset/Amounts	Total 2020	Total 2019
1. Owned assets	**112,822**	**115,590**
a) land	14,855	15,255
b) buildings	83,103	83,259
c) furniture and furnishings	6,756	7,170
d) electronic equipment	4,270	5,658
e) other	3,838	4,248
2. Rights of use acquired with leases	**38,997**	**42,897**
a) land	0	0
b) buildings	38,281	42,006
c) furniture and furnishings	0	0
d) electronic equipment	0	0
e) other	716	891
Total	**151,819**	**158,487**
of which: obtained by enforcing guarantees received	0	0

The item “Rights of use acquired with leases - other” includes the RoUs referring to the rental of vehicles.

9.2 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: BREAKDOWN OF ASSETS CARRIED AT COST	Total 2020				Total 2019			
	Book value	*Fair value*			Book value	*Fair value*		
Asset/Amounts		L1	L2	L3		L1	L2	L3
1. Owned assets	**51,523**	**0**	**0**	**73,599**	**52,894**	**0**	**0**	**76,539**
a) land	21,445	0	0	23,155	22,358	0	0	24,085
b) buildings	30,078	0	0	50,444	30,536	0	0	52,454
2. Rights of use acquired with leases	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) land	0	0	0	0	0	0	0	0
b) buildings	0	0	0	0	0	0	0	0
Total	**51,523**	**0**	**0**	**73,599**	**52,894**	**0**	**0**	**76,539**
of which: obtained by enforcing guarantees received	0	0	0	0	0	0	0	0

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

9.6 PROPERTY, PLANT AND EQUIPMENT USED IN THE BUSINESS: ANNUAL CHANGES	Land	Buildings	Furniture and furnishings	Electronic equipment	Other	Total
A. Gross opening balance	**16,885**	**181,124**	**41,025**	**37,957**	**47,484**	**324,475**
A.1 Total net decreases	1,630	55,859	33,855	32,299	42,345	165,988
A.2 Net opening balance	**15,255**	**125,265**	**7,170**	**5,658**	**5,139**	**158,487**
B. Increases:	**0**	**8,354**	**758**	**1,010**	**1,656**	**11,778**
B.1 Purchases	0	3,651	758	1,010	1,570	6,989
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	X	X	X	0
B.7 Other changes	0	4,703	0	0	86	4,789
C. Decreases:	**400**	**12,235**	**1,172**	**2,398**	**2,241**	**18,446**
C.1 Sales	0	0	0	0	1	**1**
C.2 Depreciation	0	9,294	1,170	2,398	2,056	**14,918**
C.3 Impairment losses booked to	400	0	0	0	0	400
a) shareholders' equity	0	0	0	0	0	0
b) income statement	400	0	0	0	0	400
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	X	X	X	0
b) non-current assets held for sale and discontinued operations	0	0	0	0	0	0
C.7 Other changes	0	2,941	2	0	184	3,127
D. Net closing balance	**14,855**	**121,384**	**6,756**	**4,270**	**4,554**	**151,819**
D.1 Total net decreases	1,630	63,978	34,905	34,669	44,217	179,399
D.2 Gross closing balance	**16,485**	**185,362**	**41,661**	**38,939**	**48,771**	**331,218**
E. Carried at cost	0	0	0	0	0	0

The cost valuation criterion is used for all asset classes.

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

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

9.2 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT PURPOSES: ANNUAL CHANGES	Total	
	Land	Buildings
A. Opening balance	**22,359**	**30,535**
B. Increases	**0**	**2,046**
B.1 Purchases	0	2,046
B.2 Capitalised expenditure on improvements	0	0
B.3 Increases in fair value	0	0
B.4 Write-backs	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	**914**	**2,503**
C.1 Sales	0	120
C.2 Depreciation	0	1,388
C.3 Decreases in fair value	0	0
C.4 Impairment losses	853	0
C.5 Negative exchange differences	0	0
C.6 Transfers to:	0	898
a) properties used in the business	0	898
b) non-current assets held for sale and discontinued operations	0	0
C.7 Other changes	61	97
D. Closing balance	**21,445**	**30,078**
E. Measured at fair value	0	0

The cost valuation criterion is used for all asset classes.

SECTION 10 – INTANGIBLE ASSETS - ITEM 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE	Total 2020		Total 2019	
Asset/Amounts	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**0**	**66,142**	**0**	**66,142**
A.1.1 attributable to the Group	0	66,142	0	66,142
A.1.2 attributable to minorities	0	0	0	0
A.2 Other intangible assets	**22,351**	**0**	**23,397**	**0**
A.2.1 Assets carried at cost	22,351	0	23,397	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	22,351	0	23,397	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	**22,351**	**66,142**	**23,397**	**66,142**

The item “Finite life” includes application software, the surface rights relating to the area where the Parent Company’s Branch 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.

Impairment test

When preparing the 2020 financial statements, issuers must consider the provisions of the ESMA document "European common enforcement priorities for 2020 annual financial reports" of 28 October 2020 which, in the light of consequences of the COVID-19 pandemic, indicates topics of particular importance to preparation of the financial statements. In particular, among the topics of particular importance, the ESMA document includes the application of IAS 36 "Impairment of Assets", in relation to calculation methods for the recoverable amount of goodwill and of property, plant, equipment and intangible assets that could be impacted by a deterioration in business prospects.
In this context, ESMA emphasised the importance that must be given to the planning process, taking into account potential impacts on objectives and on business risks arising from the pandemic, the use of economy support measures and their possible termination. Issuers must also ensure that the financial statement assessments based on corporate plans are consistent among themselves.
In this respect, impairment testing is performed in consideration of the Supervisory Authority recommendations regarding the ongoing health and economic crisis caused by the COVID-19 pandemic and the relative uncertainty of its future development. In this context, Banca di Asti had already considered it appropriate to arrange impairment testing of the intangibles and goodwill referring to the CGUs of the subsidiaries Biverbanca S.p.A. and Pitagora S.p.A. when preparing the condensed consolidated half-yearly financial statements as at 30 June 2020, taking into account the expected impacts of the pandemic.
In view of the persisting crisis caused by the COVID-19 pandemic and consistent with Supervisory Authority instructions, Banca di Asti considered it appropriate to arrange impairment testing of the intangibles and goodwill also when preparing the consolidated financial statements as at 31 December 2020, taking into account the latest forecasts of impacts expected from the pandemic.

Reference was made to the following baseline information to develop the impairment test:
With reference to Biverbanca:

- Financial statements as at 31 December 2019;
- Draft financial statements as at 31 December 2020, approved by the Biverbanca Board of Directors;
- Economic/capital projections 2021-2025, approved on 26 January 2021 by the Biverbanca Board of Directors;
- Information publicly available in relation to the reference market (volatility ratios, market rates, forecast performance, etc.).

With reference to Pitagora:

- Financial statements as at 31 December 2019;

- Draft financial statements as at 31 December 2020, approved by the Pitagora Board of Directors;
- Economic/capital projections 2021-2023, approved on 22 February 2021 by the Pitagora Board of Directors;
- Information publicly available in relation to the reference market (volatility ratios, market rates, etc.).

The impairment test was developed by taking into account a scenario heavily influenced by the impacts from the spread of the COVID-19 pandemic and resulting high-level uncertainty and volatility seen on the financial markets. This scenario was also characterised by expectations from the vaccination campaign, and from government initiatives to combat the economic crisis, which - in part - had a positive influence on the forecast development in the Italy's main macroeconomic variables.
In this context, the economic/capital projections underlying development of the impairment test derive from the latest strategic plans approved by the Boards of Directors, taking into account the provisional data prepared by Prometeia and updated to November 2020, including the effects of the COVID-19 pandemic and the resulting support measures implemented by the various Authorities. The valuation parameters were updated on the basis of the market situations at the reporting date. Updating of the forecasts for both subsidiaries involved an increase in the loan volumes - mainly from the support measures made available to customers (moratoria) and the expected recovery of the real economy - and the related cost of risk deriving from the restrictions imposed to limit the spread of the pandemic.

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

On 28 December 2012, Cassa di Risparmio di Asti S.p.A. acquired 60.42% of Biverbanca from Banca Monte dei Paschi di Siena for consideration of € 275.25 million, inclusive of the price adjustment linked to the value of the Biverbanca S.p.A. equity investment in the Bank of Italy.
The acquisition of control over Biverbanca S.p.A. entailed the application of IFRS 3 (Business Combinations), which requires assets acquired and liabilities assumed to be accounted for in the consolidated financial statements at their fair value at the acquisition date, including any identifiable intangible assets not recognised in the financial statements of the acquired company, and the determination of goodwill on a residual basis, as the difference between the cost of the business combination and the net fair value of the assets and liabilities acquired.
Cassa di Risparmio di Asti S.p.A. relied on the possibility established by IFRS 3 to perform a provisional purchase price allocation.
Then, in the 2013 consolidated financial statements of the Cassa di Risparmio di Asti Group, definitive goodwill of € 57.25 million was recognised. In 2019, Cassa di Risparmio di Asti acquired the minority interests not yet held by the Bank, thereby achieving a 100% interest in the share capital of Biverbanca S.p.A.

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 2020, 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. This goodwill is allocated to the CGU corresponding to the equity investment in Biverbanca. In this respect, note that, as envisaged in the accounting standards, it remained unchanged after the acquisition by Banca di Asti of full control over Biverbanca.
In relation to what is established in IAS 36 and the considerations set forth above, the impairment test on the above-mentioned goodwill called for the performance of the following activities, also carried out with the assistance of a major consultancy firm:
- determination of the carrying amount of the CGU;
- determination of the recoverable amount of the CGU and comparison with the carrying amount.

1. Determination of the carrying amount of the CGU

As at 31 December 2020, the carrying amount of the CGU is equal to € 423.9 million and was determined on the basis of the sum of:
- Tangible shareholders' equity (excluding software) of Biverbanca as at 31 December 2020 equal to € 329 million;
- Goodwill equal to € 57.25 million. For the purposes of the impairment test, this goodwill was then grossed up, thus reaching a value of € 95 million. As set forth in IAS 36, this step is necessary in order to make the carrying amount consistent with the recoverable amount (both referring to 100% of the CGU).

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

Fair Value

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

In order to determine the recoverable amount of the Biverbanca CGU at the reporting date of 31 December 2020, 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 2020, the data at the end of the year and the economic/capital projections 2021-2025 approved by the Biverbanca Board of Directors on 26 January 2021 prepared on the basis of the Group's 2019-2021 Strategic Plan.

The CGU's value in use was determined by discounting future distributable cash flows, based on the following formula:

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

where:

W = Value in use

D_i = Potentially distributable dividend in the i-th explicit planning period

Ke = Discounting rate represented by the cost of equity

n = Explicit projection period (expressed in number of years)

TV = Terminal Value at the end of the explicit planning period

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

Dividends potentially distributable in the projection period

The potentially distributable dividend flows were defined on the basis of the above-mentioned economic and financial projections, updated in the light of the market scenario as at the reporting date. These projections, consistent with macroeconomic expectations and taking into account the context that is still significantly affected by the COVID-19 pandemic, on the one hand suggest an increase in lending activities of the subsidiary - mainly due to support measures made available to customers (moratoria) and the expected recovery in the real economy - and, on the other, a cost of risk higher than that forecast by the subsidiary prior to the spread of the pandemic. In particular, the projections underlying the estimation of potentially distributable dividends include the following baseline projections:

- growth over the time horizon envisaged in the plan for net loans (CAGR '20-'25 of +6.4%) and a same-time moderate decrease in direct funding (CAGR '20-'25 of -2.4%).
- indirect funding is forecast to increase at an annual average rate of 7.6% to reach around € 3.9 billion in 2025. The contribution from managed funding to the total indirect funding is estimated to reach 69.5% in 2025, from 58.9% in 2020.
- net banking income is forecast to grow at an average annual rate of 6.8% to reach € 141.9 million in 2025. The expected positive performance is attributable to the interest margin (CAGR '20-'25 of +8.4%), resulting from the forecast increase in brokered volumes, and commission revenues are expected to grow at an average annual rate of +4.8%, in line with the forecast growth in indirect funding.
- operating costs are estimated by assuming an increase from € 70.3 million in 2020 to € 77.6 million in 2025, recording a CAGR '20-'25 of +2.0%.

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

<u>Cost of equity</u>
The cost of equity, equal to 8.81%, was estimated on the basis of the Capital Asset Pricing Model (CAPM), considering:
- Risk-free investment rate of return estimated at 1.12%, in line with the average annual yield as at 31 December 2020 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 1.28 - on the basis of the average coefficient reported on a sample of Italian retail banks (average surveys at 5 years, monthly);
- *Market risk premium, equal to 6.0%, in line with current valuation practice in the Italian market.*

<u>Terminal value</u>
The terminal value was determined by assuming:
- a potentially distributable dividend at the end of the plan horizon;
- a long-term growth rate of 1.5%.

<u>Sensitivity analysis</u>
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 DDM method, developed on the basis of the elements described, leads to the estimate of a recoverable amount on average equal to € 525 million against the carrying amount of the Biverbanca CGU in the consolidated financial statements equal to € 424 million and the equity investment in the separate financial statements equal to € 389 million.
The sensitivity analyses determine an indicative interval between € 468 million and € 583 million.

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

	Parameters/amounts used	"Limit" parameters/amounts
		Consolidated CGU
Cost of capital (Ke)	8.81%	11.23% (+242 bps)
Long-term growth rate (g)	1.50%	Negative/not significant
Net profit in the last projection year	€ 33.2 mln	€ 23.3 mln (-29.8%)

Intangible assets with finite useful life

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

As at 31 December 2020, the book value of those intangibles after annual amortisation is as follows:
- *Core deposits linked to current accounts of € 13.6 million;*
- *Assets under management and Assets under custody of € 2.6 million;*
- Biverbanca trademark for € 1.1 million.

Specifically, the core deposits and intangibles linked to Assets under management and custody (which represent roughly 92% of total intangibles) have a residual life of between 10 years for core deposits and 4 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.

As at 31 December 2020, in the light of the effects of the spread of COVID-19, the following were observed:
- Growth in volumes: direct funding relating to current accounts and savings deposits increased by around € 295 million to reach € 2,734 million (+12.1% compared to 31 December 2019). Indirect funding volumes rose from €

2,685 million as at 31 December 2019 to € 2,714 million as at 31 December 2020 (+1.1% compared to 31 December 2019).
- Profitability: core deposits recorded a negative mark-down in 2020. Commission revenues relating to AuM and AuC were 51 bps on average.
- Direct costs: the cost income ratio as at 31 December 2020 stood at 67.4%.
- Discount rate: in 2020, the discount rate, represented by the cost of equity, was in line with the figure recorded as at 30 June 2020.

In particular, the discount rate as at 31 December 2020 (8.81%), represented by the cost of equity, was lower than the PPA (9.73%) mainly due to the decline in the risk free rate (4.53% PPA), partly offset by the increase in the Beta and the Market Risk Premium.

As at 31 December 2020, on the basis of the observation of the trend in the above-mentioned variables, it is deemed that there are no reasons to believe that the intangible assets have suffered from additional impairment beyond their annual amortisation.

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

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

In determining the fair value of the CGU, the consideration used as a reference is equal to € 38.225 million.
In the course of 2016, the activity of valuing the assets, liabilities and contingent liabilities for the determination of definitive goodwill was completed: the activities

performed did not bring to light additional fair values such so as to determine goodwill different from that provisionally determined at the time of the acquisition.
For 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 2020, 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 2019, 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 2020, the carrying amount of the CGU is equal to € 81.7 million and was determined on the basis of the sum of:

- Shareholders' equity of Pitagora as at 31 December 2020 equal to € 69 million;
- Goodwill equal to € 8.9 million. For the purposes of the impairment test, this goodwill was then grossed up, thus reaching a value of € 12.7 million. As set forth in IAS 36, this step is necessary in order to make the carrying amount consistent with the recoverable amount (both referring to 100% of the CGU).

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

Fair Value
Pursuant to IFRS 13, fair value represents the price that would be received for the sale of an asset or which would be paid for the transfer of a liability in an orderly transaction between market participants at the valuation date.
In order to determine the recoverable amount of the Pitagora S.p.A. CGU at the reporting date of 31 December 2020, 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 2020, the data at the end of the year, and the 2021-2023 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.

<u>Dividends potentially distributable in the projection period</u>
The potentially distributable dividend flows were defined on the basis of the financial position as at 31 December 2019 and the economic and financial projections 2021-2023, updated in the light of the market scenario as at the reporting date. These projections, also consistent with macroeconomic expectations and taking into account the context that is still significantly affected by the COVID-19 pandemic, on the one hand suggest an increase in disbursement activities - also from partnership agreements signed during 2020 - and, on the other, a resulting growth in the total losses for credit risk on financial assets measured at amortised cost, compared to that forecast by the subsidiary prior to the spread of the pandemic.
To determine the distributable flows, a capital absorption equal to a Tier 1 ratio of 6% was considered, in line with the current Supervisory provisions for financial entities like Pitagora.

<u>Cost of equity</u>
The cost of equity, equal to 8.81%, was estimated on the basis of the Capital Asset Pricing Model (CAPM), considering:

- Risk-free investment rate of return estimated at 1.12%, in line with the average annual yield as at 31 December 2020 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 1.28 - on the basis of the average coefficient reported on a sample of Italian retail banks (average surveys at 5 years, monthly);
- *Market risk premium, equal to 6.0%, in line with valuation practice in the Italian market.*

<u>Terminal value</u>

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%.

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 an average recoverable amount of € 264 million, against the carrying amount of the Pitagora S.p.A. CGU in the consolidated financial statements equal to € 82 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 € 229 million and € 299 million.
The limit parameters which, individually considered, lead to a recoverable amount corresponding to the carrying amount are:

	Parameters/amounts used	“Limit” parameters/amounts
		Consolidated CGU
Cost of capital (Ke)	8.81%	38.9%
Long-term growth rate (g)	1.50%	Negative/not significant
Net profit in the last projection year	€ 17.5 mln	€ 1.9 mln

10.2 INTANGIBLE ASSETS: ANNUAL CHANGES	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 2020
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**66,142**	**0**	**0**	**55,395**	**0**	**121,537**
A.1 Total net decreases	0	0	0	31,998	0	31,998
A.2 Net opening balance	**66,142**	**0**	**0**	**23,397**	**0**	**89,539**
B. Increases	**0**	**0**	**0**	**4,221**	**0**	**4,221**
B.1 Purchases	0	0	0	4,221	0	4,221
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**	**5,267**	**0**	**5,267**
C.1 Sales	0	0	0	0	0	0
C.2 Value adjustments	0	0	0	5,218	0	5,218
- Amortisation	X	0	0	5,218	0	5,218
- 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	49	0	49
D. Net closing balance	**66,142**	**0**	**0**	**22,351**	**0**	**88,493**
D.1 Total net value adjustments	0	0	0	37,206	0	37,206
E. Gross closing balance	**66,142**	**0**	**0**	**59,557**	**0**	**96,763**
F. Carried at cost	0	0	0	0	0	0

Key
DEF: finite life
INDEF: indefinite life

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

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

11.1 Deferred tax assets: breakdown

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

Reference should be made to the specific paragraph at the end of this section for details of the Probability Test.

The breakdown of this item is as follows:

11.1 DEFERRED TAX ASSETS: BREAKDOWN	Total 2020	Total 2019
- With offsetting entry in profit and loss	292,656	306,830
- With offsetting entry in shareholders' equity	9,419	28,308
Total	**302,075**	**335,138**

(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 2020	Total 2019
- With offsetting entry in profit and loss	29,332	27,778
- With offsetting entry in shareholders' equity	28,038	35,139
Total	**57,370**	**62,917**

(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 2020	Total 2019
1. Opening balance	**306,830**	**310,357**
2. Increases	**27,128**	**16,680**
2.1 Deferred tax assets recognised during the year	13,716	14,247
a) relating to previous years	0	0
b) due to change in accounting principles	0	0
c) write-backs	0	0
d) other	13,716	14,247
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	13,412	2,433
3. Decreases	**41,302**	**20,207**
3.1 Deferred tax assets derecognised during the year	33,630	20,207
a) reversals	33,630	20,207
b) write-downs of non-recoverable items	00	0
c) change in accounting principles	0	0
d) other	0	0
3.2 Decreases in tax rates	0	0
3.3 Other decreases:	0	0
a) changes into tax credits pursuant to Law No. 214/2011	0	0
b) other	7,672	0
4. Closing balance	**292,656**	**306,830**

Item "3.3.b Other decreases: other" records the portion of prior years' losses transformed into tax credits in relation to the transfer of NPLs performed in 2020, making use of the new special system of converting DTAs introduced by the "Cura Italia" Decree (Italian Law Decree 18/2020).

11.4 Deferred tax assets: changes under law 214/2011

11.4 DEFERRED TAX ASSETS: CHANGES UNDER LAW 214/2011	Total 2020	Total 2019
1. Opening balance	**132,091**	**132,091**
2. Increases	**13,412**	**0**
3. Decreases	**14,982**	**0**
3.1 Reversals	14,982	0
3.2 Changes into tax credits	0	0
a) arising from loss for the period	0	0
b) arising from tax losses	0	0
3.3 Other decreases	0	0
4. Closing balance	**130,137**	**132,091**

Item "2. Increases" records the portion of reversals during the year that will be transformed into tax credits arising from the tax loss resulting from filing of the 2021 income tax return.

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

11.5 DEFERRED TAX LIABILITIES: ANNUAL CHANGES (WITH OFFSETTING ENTRY IN PROFIT AND LOSS)	Total 2020	Total 2019
1. Opening balance	**27,778**	**30,704**
2. Increases	**3,294**	**7,730**
2.1 Deferred tax liabilities for the year	0	480
a) relating to previous years	0	480
b) due to change in accounting principles	0	0
c) other	0	6,045
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	3,294	1,205
3. Decreases	**1,740**	**10,656**
3.1 Deferred tax liabilities derecognised during the year	702	1,004
a) reversals	593	277
b) due to change in accounting principles	0	0
c) other	109	727
3.2 Decreases in tax rates	0	0
3.3 Other decreases	1,038	9,652
4. Closing balance	**29,332**	**27,778**

The "Other increases" correspond to taxes arises from offsetting entries in shareholders' equity, including the effects associated with first-time adoption of IAS as envisaged in IFRS 1, and later eliminated due to "reversals" with offsetting entry in the income statement.

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

11.6 DEFERRED TAX ASSETS: ANNUAL CHANGES (WITH OFFSETTING ENTRY IN SHAREHOLDERS' EQUITY)	Total 2020	Total 2019
1. Opening balance	**28,308**	**16,360**
2. Increases	**12**	**12,682**
2.1 Deferred tax assets recognised during the year	10	8,622
a) relating to previous years	0	0
b) due to change in accounting principles	0	0
c) other	10	12,682
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	2	0
3. Decreases	**18,901**	**734**
3.1 Deferred tax assets derecognised during the year	18,901	700
a) reversals	8,948	0
b) write-downs of non-recoverable items	0	0
c) changes in accounting principles	0	0
d) other	9,953	700
3.2 Decreases in tax rates	0	0
3.3 Other decreases	0	34
4. Closing balance	**9,419**	**28,308**

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

11.7 DEFERRED TAX LIABILITIES: ANNUAL CHANGES (WITH OFFSETTING ENTRY IN SHAREHOLDERS' EQUITY)	Total 2020	Total 2019
1. Opening balance	**35,139**	**25,920**
2. Increases	**2,410**	**12,362**
2.1 Deferred tax liabilities for the year	2,410	2,712
a) relating to previous years	0	177
b) due to change in accounting principles	0	0
c) other	2,410	2,535
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	0	9,650
3. Decreases	**9,511**	**3,143**
3.1 Deferred tax liabilities derecognised during the year	0	120
a) reversals	0	120
b) due to change in accounting principles	0	0
c) other	0	0
3.2 Decreases in tax rates	0	0
3.3 Other decreases	9,511	3,023
4. Closing balance	**28,038**	**35,139**

The "other decreases" correspond to taxes arises from offsetting entries in shareholders' equity, including the effects associated with first-time adoption of IAS as envisaged in IFRS 1, and later eliminated due to "reversals" with offsetting entry in the income statement.

11.8 Other information

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

Probability test on deferred taxation

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

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

With respect to the deferred tax assets recognised amongst the bank's assets, an analysis was performed to verify whether the future profitability forecasts of the Group are such so as to guarantee their reabsorption and thus justify their recognition and maintenance in the financial statements ("probability test"). The calculation made showed a sufficient taxable base capable of absorbing the deferred taxes recognised in the financial statements as at 31 December 2020.

SECTION 12 – NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE 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 2020	Total 2019
- loans to SPV	288,976	233,415
- amounts to be charged to banks	14,341	14,307
- charges relating to payment systems in the course of execution	60,778	65,760
- indirect taxes and duties	33,471	25,882
- residual prepayments	25,670	33,356
- transit items	25	31
- costs for setting up leased premises	3,554	3,901
- receivables for the provision of non-financial services	19,721	14,823
- other amounts to be recovered from customers	43,771	18,852
- residual accrued income	1,452	5,322
- unpaid notes and cheques	892	896
- differential for adjustment of owned portfolio	0	0
- other items	1,978	2,024
- adjustments from consolidation of assets (IC elimination), - Adjustments from consolidation of assets - other	0	0
Total	**494,629**	**418,569**

The item “loans to SPV securitisations” includes the Bank's receivables from the special purpose vehicles against securitisation transactions for which it subscribed all securities issued by the SPVs. The securitised loans are recognised under assets in the Bank's financial statements.
For a more detailed disclosure on securitisation transactions, please refer to the specific section of part E.

The increases for the year in other assets are essentially attributable to the increase in receivables from the SPVs for excess spread on the existing securitisation transactions and to mortgage and loan renegotiation charges.

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

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM BANKS	Total 2020				Total 2019			
	Book value	*Fair Value*			BV	*Fair Value*		
Type of transaction/Amounts		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**2,554,999**	X	X	X	**1,459,999**	X	X	X
2. Deposits from banks	**45,389**	X	X	X	**188,570**	X	X	X
2.1 Current accounts and demand deposits	40,477	X	X	X	58,297	X	X	X
2.2 Time deposits		X	X	X	0	X	X	X
2.3 Loans	0	X	X	X	127,159	X	X	X
2.3.1 Repurchase agreements	0	X	X	X	127,159	X	X	X
2.3.2 Other	0	X	X	X	0	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	0	X	X	X	0	X	X	X
2.5 Lease liabilities	802	X	X	X	1,612	X	X	X
2.6 Other liabilities	4,110	X	X	X	1,502	X	X	X
Total	**2,600,388**	**0**	**0**	**2,600,388**	**1,648,569**	**0**	**0**	**1,648,569**

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

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

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

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM CUSTOMERS	Total 2020				Total 2019			
	Book value	*Fair Value*			BV	*Fair Value*		
Type of transaction/Amounts		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	6,668,761	X	X	X	5,748,995	X	X	X
2. Time deposits	496,755	X	X	X	710,091	X	X	X
3. Loans	48,455	X	X	X	343,199	X	X	X
3.1 Repurchase agreements	48,455	X	X	X	343,199	X	X	X
3.2 Other		X	X	X	0	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	0	X	X	X	0	X	X	X
5. Lease liabilities	38,718	X	X	X	41,457	X	X	X
6. Other liabilities	1,128,906	X	X	X	1,318,071	X	X	X
Total	**8,381,595**	**0**	**0**	**8,381,595**	**8,161,813**	**0**	**0**	**8,161,813**

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

The item "Other liabilities" includes € 944,319 thousand for payables linked to securitisation transactions.

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEBT SECURITIES IN ISSUE	Total 2020				Total 2019			
	Book value	Fair Value			BV	Fair Value		
Type of security/Amounts		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	1,486,449	0	1,424,328	0	1,772,333	0	1,756,366	0
1.1 structured	0	0	0	0	0	0	0	0
1.2 other	1,486,449	0	1,424,328	0	1,772,333	0	1,756,366	0
2. Other securities	26	0	0	26	27	0	0	27
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	26	0	0	26	27	0	0	27
Total	**1,486,475**	**0**	**1,424,328**	**26**	**1,772,360**	**0**	**1,756,366**	**27**

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

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

1.4 Details of subordinated liabilities/securities

The amount included in the item "Debt securities in issue" is € 188,063 thousand. See Section F for the relative details.

1.6 Lease liabilities

As at 31 December 2020, the Group has outstanding liabilities of € 39.5 million, of which € 6 million maturing within one year, € 17.8 million maturing between 1 and 5 years and € 15.7 million maturing in more than 5 years. Lease liabilities refer for € 801.7 thousand to bank counterparties and for € 38.7 million to customer counterparties.

	Total 2020	Total 2019
Time band	Lease liabilities	
Up to 1 year	6,025	6,652
1 to 5 years	17,845	20,556
Over 5 years	15,650	15,861
Total lease liabilities	**39,520**	**43,069**

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE Type of transaction/Amounts	Total 2020					Total 2019				
	NV	Fair Value L1	Fair Value L2	Fair Value L3	Fair Value *	NV	Fair Value L1	Fair Value L2	Fair Value L3	Fair Value *
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	X	0	14,523	0	X	0	0	17,590	0	0
1.1 Trading	X	0	14,523	0	X	X	0	17,590	0	X
1.2 Linked to fair value option	X	0	0	0	X	X	0	0	0	X
1.3 Other	X	0	0	0	X	X	0	0	0	X
2. Credit derivatives	X	0	0	0	X	X	0	0	0	X
2.1 Trading	X	0	0	0	X	X	0	0	0	X
2.2 Linked to fair value option	X	0	0	0	X	X	0	0	0	X
2.3 Other	X	0	0	0	X	X	0	0	0	X
Total B	**X**	**0**	**14,523**	**0**	**X**	**X**	**0**	**17,590**	**0**	**X**
Total (A+B)	**X**	**0**	**14,523**	**0**	**X**	**X**	**0**	**17,590**	**0**	**X**

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

The item "Financial trading derivatives - Level 2" includes the fair value measurement of the "operational hedge" derivative contracts, of which € 7,803 thousand relating to securitisation transactions.

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

3.1 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE: BREAKDOWN BY TYPE	Total 2020					Total 2019				
	NV	Fair value			Fair Value *	NV	Fair value			Fair Value *
Type of transaction/Amounts		L1	L2	L3			L1	L2	L3	
1. Deposits from banks	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Structured	0	0	0	0	X	0	0	0	0	X
1.2 Other	0	0	0	0	X	0	0	0	0	X
of which:										
- commitments to disburse funds	0	X	X	X	X	0	X	X	X	X
- financial guarantees given	0	X	X	X	X	0	X	X	X	X
2. Deposits from customers	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Structured	0	0	0	0	X	0	0	0	0	X
2.2 Other	0	0	0	0	X	0	0	0	0	X
of which:										
- commitments to disburse funds	0	X	X	X	X	0	X	X	X	X
- financial guarantees given	0	X	X	X	X	0	X	X	X	X
3. Debt securities	**41,947**	**0**	**44,996**	**0**	**44,996**	**75,042**	**0**	**78,882**	**0**	**78,882**
3.1 Structured	0	0	0	0	X	0	0	0	0	X
3.2 Other	41,947	0	44,996	0	X	75,042	0	78,882	0	X
Total	**41,947**	**0**	**44,996**	**0**	**44,996**	**75,042**	**0**	**78,882**	**0**	**78,882**

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

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

SECTION 4 – HEDGING DERIVATIVES - ITEM 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET	NV 2020	*Fair value* 2020			NV 2019	*Fair value* 2019		
		L1	L2	L3		L1	L2	L3
A. Financial derivatives	**776,599**	**0**	**157,533**	**0**	**793,670**	**0**	**126,675**	**0**
1) Fair value	650,000	0	128,061	0	650,000	0	93,266	0
2) Cash flows	126,599	0	29,472	0	143,670	0	33,409	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	**776,599**	**0**	**157,533**	**0**	**793,670**	**0**	**126,675**	**0**

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

The component of the portfolio in financial instruments consisting of OTC derivatives (Interest Rate Swaps) is intended to hedge interest rate risk on Group asset and liability items when this does not take place through the use of natural hedges. By their very nature, such instruments were impacted by the decline in the rates curve recorded in 2020.

4.2 HEDGING DERIVATIVES: BREAKDOWN BY PORTFOLIOS HEDGED AND BY HEDGING TYPE Transaction/Type of hedge	*Fair Value*							Cash flow		Foreign investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro-hedge	
	Debt securities and interest rates	Equity instruments and stock indices	Currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	4,186	0	0	0	X	X	X	0	X	X
2. Financial assets measured at amortised cost	123,875	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	**128,061**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	0	X	0	0	0	0	X	29,472	X	X
2. Portfolio	X	X	X	X	X	X	0	X	0	X
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**29,472**	**0**	**0**
1. Expected transactions	X	X	X	X	X	X	X	0	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	0	X	0	0

In particular, the value of € 29,472 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 ASSETS CLASSIFIED AS HELD FOR SALE - ITEM 70

There are no items of this type.

SECTION 8 – OTHER LIABILITIES - ITEM 80

8.1 OTHER LIABILITIES: BREAKDOWN	Total 2020	Total 2019
- imbalance of adjustments on the notes portfolios	77,944	73,747
- credits relating to payment systems in the course of execution	30,683	29,455
- amounts to be credited to banks	10,491	7,540
- operating payables not connected to financial services	23,949	30,123
- amounts to be paid to the tax authorities on behalf of third parties	13,076	18,293
- amounts to be paid to personnel	13,306	15,017
- due to SPV	15,140	17,233
- amounts to be recognised to customers	18,519	11,778
- residual deferred income	16,425	31,118
- amounts to be recognised to various institutions	4,906	5,218
- liabilities connected to the impairment of guarantees given	0	0
- insurance premiums collected in the course of processing and to be paid back to companies	673	690
- other tax liabilities	366	362
- items relating to foreign transactions	0	0
- residual accrued liabilities	690	21
- other items	1,589	4,488
Total	**227,757**	**245,083**

The change in "other liabilities" is mainly due to the combined effect of the increase in "amounts to be recognised to customers" for € 6 million, the decrease in "operating payables connected to financial services" for € 6 million and to "amounts to be paid to the tax authorities on behalf of third parties". In the past year, Biverbanca contributed over € 14 million in taxable income to the CNM: € 3.5 million representing IRES payable, 24% net of withholdings. As at 31 December 2020, Biverbanca closed with a tax loss. This loss was reduced to zero by reversing eligible DTAs for an equal amount, to be offset in the income tax return filing.

SECTION 9 – PROVISION FOR EMPLOYEE SEVERANCE PAY - ITEM 90

9.1 PROVISION FOR EMPLOYEE SEVERANCE PAY: ANNUAL CHANGES	Total 2020	Total 2019
A. Opening balance	**20,385**	**19,671**
B. Increases	**320**	**1,259**
B.1 Provisions for the year	0	23
B.2 Other changes	320	1,236
C. Decreases	**-754**	**544**
C.1 Severance payments	-477	446
C.2 Other changes	-277	98
D. Closing balance	**19,951**	**20,386**
Total	**19,951**	**20,386**

9.2 Other information

According to statutory regulations, at 31 December 2020 the provision for employee severance pay amounted to € 17,427 thousand.

Please refer to Section 10 below for information on the characteristics of the provision for employee severance pay and related risks.

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN Items	Total 2020	Total 2019
1. Provisions for credit risk relating to commitments and financial guarantees given	5,334	5,118
2. Provisions on other commitments and other guarantees given	0	0
3. Pensions and other post retirement benefit obligations	5,607	16,601
4. Other provisions for risks and charges	40,212	42,960
4.1 legal and tax disputes	6,630	3,211
4.2 personnel charges	9,293	14,031
4.3 other	24,289	25,718
Total	**51,153**	**64,679**

10.2 PROVISIONS FOR RISKS AND CHARGES: ANNUAL CHANGES	Provisions on other commitments and other guarantees given	Pensions and other post retirement benefit obligations	Other provisions for risks and charges	Total
A. Opening balance	**0**	**16,601**	**42,960**	**59,561**
B. Increases	**0**	**101**	**20,633**	**20,734**
B.1 Provision for the year	0	101	20,323	20,424
B.2 Changes due to the time value of money	0	0	9	9
B.3 Difference due to discount-rate changes	0	0	0	0
B.4 Other changes	0	0	301	301
C. Decreases	**0**	**11,095**	**23,381**	**34,476**
C.1 Use during the year	0	9,128	18,350	27,478
C.2 Difference due to discount rate changes	0	0	0	0
C.3 Other changes	0	1,967	5,031	6,998
D. Closing balance	**0**	**5,607**	**40,212**	**45,819**

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	1,024	497	0	1,521
Financial guarantees given	259	615	2,939	3,813
Total	**1,283**	**1,112**	**2,939**	**5,334**

10.5 DEFINED BENEFIT COMPANY PENSION PLANS

1. Description of funds and related risks

With reference to the subsidiary Biverbanca S.p.A., the pension fund was established against commitments 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 the Bank 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 2018 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 2020" (source: European Central Bank) and the relative breakdown by country where the price growth forecasts are set at 0.5% for 2021, 0.9% for 2022 and 1.2% for 2023. Starting from 2024, the rate of 1.8%, slightly lower than the target established by the ECB of 2% per year, was assumed as the reference value.

As a financial parameter, for the discounting of outflows, the rate of 0.19% 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 42 basis points lower than that used at 31 December 2019.
Lastly, a sensitivity analysis was conducted in order to quantify the effect that would be generated on the determination of the average present value by changes in the discount rate, as this is a variable naturally characterised by a certain degree of

volatility. In the case of a change of +/- 50 basis points in that rate with respect to that used (0.19%), there would be, respectively, a decline/increase in the mathematical reserve of roughly € 200 thousand.

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

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

In 2019, the institutional sources of existing funds in the scope of the Cassa di Risparmio di Asti Group began discussions, with the aim of an achieving overall streamlining of the supplementary pension structure at Group level, though continuing to protect the position of active and retired subscribers. After these discussions, on 25 June 2020 collective agreements were signed which, for the Fondo Integrativo CRAsti, envisaged the proposal, exceptional and unrepeatable, to each pensioner the option of capitalising the existing pension and to each subscriber in service (as well as those accepting the staff leaving incentive and deferred pensions) the option of cashing in their accumulated pension for placement, free of charge to the interested party, in financial products in a format technically operating as a defined contribution plan (identified, at the discretion of each interested party, as PREVIBANK or PREVIP or an open-ended pension fund of their own choosing), with continuity of the flow of contributions (from employer and employee) paid, for the future, on the taxable remuneration for the Compulsory General Insurance and the option of routing all or part of the accrued employee severance pay and stock, where not already transferred to an open individual position with the Supplementary Pension Fund for Personnel of Cassa di Risparmio di Asti S.p.A.

The Fund's Board of Directors ensured that all initiatives designed to rapidly make the assets as liquid as possible were implemented, reserving the right to adopt decisions that could become necessary regarding the disposal of individual assets. The securities in portfolio were disinvested in January 2020, except for two securities maturing February and March 2020 that were collected on maturity and

Banca di Asti Shares sold in October, realising implicit capital gains and neutralising the heavily negative effects on the financial markets brought about by the COVID-19 pandemic.
In relation to the above, a strong decrease was recorded as at 31 December 2020 in the number of subscribers and pensioners. In fact, those using the Fund numbered 1 employee in service, 1 "leaver", 1 "deferred" and 58 holders of supplementary pension plans, whilst as at 31 December 2019 the numbers were 182 subscribers in service, 49 "leavers", 6 "deferred" and 402 holders of supplementary pension plans.

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	2020	2019
	EXTERNAL PLAN Supplementary Pension Fund	EXTERNAL PLAN Supplementary Pension Fund
Opening balance	**100,982**	**98,711**
Financial expenses	177	4,276
Social security cost for service	0	0
Indemnities paid	-96,181	-3,273
Actuarial gains	2,902	810
Plan participant contributions	0	908
Other changes	0	0
Closing balance	**7,880**	**100,982**

3. Information on Fair value of plan assets

ASSETS AND LIABILITIES RECOGNISED	EXTERNAL PLAN
	2020
	Supplementary Pension Fund
Present value of defined benefit obligations	7,880
Fair value of the plan	8,689
Supplementary Pension Fund status	**809**
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
	2020
	Supplementary Pension Fund
Discount rate	1.00%
Expected rates of return	1.00%
Rate of wage increase	3.00%
Annual inflation rate	1.50%
Annual nominal GDP growth rate	2.00%

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

Si è provveduto a disporre un'analisi di sensitività dell'obbligazione, come richiesto dallo IAS 19, relativa ai fondi di quiescenza rispetto alle ipotesi attuariali ritenute più significative, destinata a mostrare di quanto varierebbe la passività di bilancio in relazione alle oscillazioni possibili di ciascuna ipotesi attuariale. Nella seguente tabella viene fornita evidenza della variazione delle consistenze dei fondi di quiescenza, nell'ipotesi di diminuire e aumentare il tasso tecnico di 100 punti base rispetto ai parametri effettivamente utilizzati.

TECHNICAL RATE 0.50%			
ASSETS	**2020**	**LIABILITIES**	**2020**
		Average actuarial valuation of total expenses:	
Net assets	8,689	- immediate expenses	7,121
Contributions	39	- latent expenses	532
Total assets	**8,728**	**Total liabilities**	**7,653**
		Technical surplus	**1,075**

TECHNICAL RATE 1.50%			
ASSETS	**2020**	**LIABILITIES**	**2020**
		Average actuarial valuation of total expenses:	
Net assets	8,689	- immediate expenses	6,477
Contributions	37	- latent expenses	431
Total assets	**8,726**	**Total liabilities**	**6,908**
		Technical surplus	**1,818**

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 2020	Total 2019
1. Provision for risks on claw-backs	308	0
2. Provision for tax dispute	0	30
3. Provision for commission and expense interest adjustments	0	0
4. Provision for bond and default	0	0
5. Other provisions for risks and charges	23,981	25,688
Total	**24,289**	**25,718**

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 2020 the share capital of the Parent Bank amounted to € 363,971 thousand, broken down into 70,537,048 ordinary shares with a nominal value of € 5.16.

As at 31 December 2020, the Bank held 814,727 treasury shares in the portfolio, recognised in the financial statements at the cost of € 12.50 each, equal to a total of € 10,184 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	**70,537,048**	**0**
- fully released	70,537,048	0
- not fully released	0	0
A.1 Treasury shares (-)	-681,699	0
A.2 Shares outstanding: opening balance	**69,855,349**	**0**
B. Increases	**107,894**	**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	33,072	0
B.3 Other changes	74,822	0
C. Decreases	**240,922**	**0**
C.1 Cancellation	0	0
C.2 Purchase of treasury shares	240,922	0
C.3 Business transferred	0	0
C.4 Other changes	0	0
D. Shares outstanding: closing balance	**69,722,321**	**0**
D.1 Treasury shares (+)	814,727	0
D.2 Shares outstanding as at the end of the year	70,537,048	0
- fully released	70,537,048	0
- not fully released	0	0

13.3 SHARE CAPITAL: OTHER INFORMATION

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

- Other shareholders 28,184,319 shares (39.95%) nominal value € 145,431 thousand;
- Fondazione Cassa di Risparmio di Asti 22,427,913 shares (31.80%) nominal value € 115,728 thousand;
- Fondazione Cassa di Risparmio di Biella 9,103,033 shares (12.91%) nominal value € 46,972 thousand;
- Banca BPM S.p.A. 7,047,884 shares (9.99%) nominal value € 36,367 thousand;
- Fondazione Cassa di Risparmio di Vercelli 2,959,172 shares (4.20%) nominal value € 15,269 thousand;
- 814,727 treasury shares (1.15%) nominal value € 4,204 thousand.

13.4 PROFIT RESERVES: OTHER INFORMATION

Items/Balances	Total 2020
Legal and statutory reserves	300,960
- legal reserve	29,607
- ordinary reserve	104,409
- extraordinary reserve	169,454
- treasury share dividend reserve	0
- expenses for share capital increase	-2,510
Treasury shares reserve	10,184
Other reserves	-180,740
- consolidation reserve	103,685
- 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)	-6,862
- reserves recognised in the transition to IAS/IFRS (2018 FTA)	-300,354
- reserves recognised in the transition to IAS/IFRS (recalculation of profit for the year 2005)	479
- reserves recognised in the transition to IAS/IFRS (modification of 2008 tax rates)	172
- allocation to retained earnings of depreciation of real estate recognised at “deemed cost”	2,341
- recognition in profit reserves of the "Additional Tier" security	-630
Total	**130,404**

13.5 EQUITY INSTRUMENTS: BREAKDOWN AND ANNUAL CHANGES

On 27 November 2020, Banca di Asti issued an Additional Tier 1 instrument for a total nominal value of € 100 million. It refers in particular to subordinated instruments classified as Additional Tier 1 capital, pursuant to Regulation 575/2013 (CRR).

The issue can be classified as an equity instrument pursuant to IAS 32. The amount collected from the issue was recognised in item "130. Equity instruments" for a total of € 97.6 million, less transaction costs of € 0.7 million and those relating to buffer risk for € 1.8 million, net of the related tax effect.

SECTION 14 – NON-CONTROLLING INTERESTS - ITEM 190

14.1 MINORITY SHAREHOLDERS' EQUITY: BREAKDOWN Items/Balances	Total 2020
1) Share capital	12,588
2) Share Premium Reserve	0
3) Reserves	1,880
4) (Treasury shares)	0
5) Valuation reserves	2,089
6) Equity instruments	0
7) Minority profit (loss) for the period	3,311
Total	**19,868**

DETAILS OF ITEM 190 "NON-CONTROLLING INTERESTS" Company Name	Total 2020	Total 2019
Equity investments with significant minority interests		
1) Biverbanca	0	0
2) Pitagora Contro Cessione del Quinto S.p.A.	19,783	17,635
Other equity investments	85	103
Total	**19,868**	**17,738**

OTHER INFORMATION

1. COMMITMENTS AND GUARANTEES GIVEN	Nominal value on commitments and guarantees given			Total	Total
	Stage 1	Stage 2	Stage 3	2020	2019
1. Commitments to disburse funds	**1,672,040**	**42,406**	**17,158**	**1,731,604**	**1,444,952**
a) Central Banks	0	0	0	0	0
b) Public administration	226,512	0	0	226,512	212,571
c) Banks	0	0	0	0	0
d) Other financial companies	48,256	36	0	48,292	34,202
e) Non-financial companies	1,201,194	34,218	16,398	1,251,810	1,009,779
f) Households	196,078	8,152	760	204,990	188,400
2. Financial guarantees given	**46,101**	**857**	**2,156**	**49,114**	**68,989**
a) Central Banks	0	0	0	0	0
b) Public administration	90	0	0	90	229
c) Banks	20,137	0	0	20,137	20,219
d) Other financial companies	295	0	0	295	384
e) Non-financial companies	11,049	318	1,103	12,470	17,225
f) Households	14,530	539	1,053	16,122	30,932

2. OTHER COMMITMENTS AND OTHER GUARANTEES GIVEN	Nominal value	
	Total 2020	Total 2019
Other guarantees given	**108,284**	**127,303**
of which: non-performing credit exposures	3,718	4,191
a) Central Banks	0	0
b) Public administration	507	609
c) Banks	0	0
d) Other financial companies	1,231	1,270
e) Non-financial companies	95,906	114,857
f) Households	10,640	10,567
Other commitments	**0**	**0**
of which: non-performing credit exposures	0	0
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	0
d) Other financial companies	0	0
e) Non-financial companies	0	0
f) Households	0	0

3. ASSETS PLEDGED AS COLLATERAL ON OWN LIABILITIES AND COMMITMENTS Portfolios	Amount 2020	Amount 2019
1. Financial assets designated at fair value through profit or loss	0	0
2. Financial assets designated at fair value through other comprehensive income	150,680	449,664
3. Financial assets measured at amortised cost	1,476,775	1,094,156
4. Property, plant and equipment	0	0
of which: property, plant and equipment considered inventory	0	0

5. ASSET MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES Type of services	Amount 2020
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. Portfolio management	**1,753,656**
a) individual	1,753,656
b) collective	0
3. Custody and administration of securities	**19,349,790**
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	7,436,295
1. securities issued by the bank drafting the financial statements	1,797,635
2. other securities	5,638,660
c) third party securities deposited with third parties	7,606,067
d) own securities deposited with third parties	4,307,428
4. Other transactions	**77,443**

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 2020	Total 2019
1. Financial assets measured at fair value through profit and loss	630	901	830	2,361	4,206
1.1 Financial assets held for trading	551	901	830	2,282	3,756
1.2 Financial assets designated at fair value	0	0	0	0	0
1.3 Other financial assets mandatorily measured at fair value	79	0	0	79	450
2. Financial assets measured at fair value through other comprehensive income	7,788	5,413	X	13,201	28,118
3. Financial assets measured at amortised cost	33,754	214,426	X	248,180	256,539
3.1 Loans and advances to banks	0	29	X	29	66
3.2 Loans and advances to customers	33,754	214,397	X	248,151	256,473
4. Hedging derivatives	X	X	0	0	0
5. Other assets	X	X	81	81	333
6. Financial liabilities	X	X	X	17,808	6,723
Total	**42,172**	**220,740**	**911**	**281,631**	**295,919**
of which: interest income from impaired financial assets	0	8,521	0	8,521	10,169
of which: interest income on finance lease	0	0	0	0	0

Of the item "6. Interest income on financial liabilities" € 16,868 thousand refers to the benefit deriving from the application of negative borrowing rates on the part of the total credit facility assigned by the Eurosystem to the Cassa di Risparmio di Asti Group as part of the "TLTRO II", "TLTRO III" and "LTRO" transactions.

The default interest accrued during the year on positions classified as bad loans as at 31 December 2020 totalled € 11,894 thousand.

1.2 Interest income and similar revenues: other information

Under loans and advances to customers "Loans", € 65,814 thousand is recognised for interest income on securitised mortgages and € 1,113 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 linked to 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 € 967 thousand and loans to credit institutions of roughly € 1,000, for a total of € 968 thousand.

1.3 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN Item/Type	Payables	Securities	Other transactions	Total 2020	Total 2019
1. Financial liabilities measured at amortised cost	(22,665)	(28,498)	X	(51,163)	(54,739)
1.1 Deposits from central banks	0	X	X	0	0
1.2 Deposits from banks	(3,074)	X	X	(3,074)	(911)
1.3 Deposits from customers	(19,591)	X	X	(19,591)	(18,508)
1.4 Debt securities in issue	X	(28,498)	X	(28,498)	(35,320)
2. Financial liabilities held for trading	0	0	0	0	0
3. Financial liabilities designated at fair value	0	(1,059)	0	(1,059)	(3,450)
4. Other liabilities and funds	X	X	(12)	(12)	(2,288)
5. Hedging derivatives	X	X	(23,264)	(23,264)	(24,476)
6. Financial assets	X	X	X	0	0
Total	**(22,665)**	**(29,557)**	**(23,276)**	**(75,498)**	**(84,953)**
of which: interest expense relating to lease liabilities	(762)	0	0	(762)	(785)

The item "Deposits from customers - Payables" includes € 5,423 thousand referring to interest generated by the securitisation and € 1,048 thousand for interest expense for repurchase agreements.

1.4 Interest expense and similar charges: other information

The item "Debt securities in issue" includes interest on subordinated loans for € 6,148 thousand.

1.4.1 Interest expense on liabilities denominated in foreign currency

Interest expense and similar charges on liabilities denominated in foreign currency relates to interest expense on payables to credit institutions for roughly € 10 thousand and interest expense to customers for around € 1,000 for a total of roughly € 11 thousand.

1.5 SPREADS ON HEDGING TRANSACTIONS Items	Total 2020	Total 2019
A. Positive spreads on hedging transactions:	0	0
B. Negative spreads on hedging transactions:	(23,264)	(24,476)
C. Net spread (A-B)	**(23,264)**	**(24,476)**

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

2.1 FEES AND COMMISSION INCOME: BREAKDOWN Services/Amounts	Total 2020	Total 2019
a) guarantees given	2,237	2,331
b) credit derivatives	0	0
c) management, brokerage and advisory services:	67,137	60,391
1. trading in financial instruments	35	45
2. currency trading	563	630
3. individual portfolio management	16,417	14,189
3.1 individual	16,417	14,189
3.2 collective	0	0
4. securities custody and administration	864	905
5. custodian bank	0	0
6. placement of securities	19,102	16,594
7. reception and transmission of orders	2,048	1,798
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	28,108	26,230
9.1 asset management	0	0
9.1.1 individual	0	0
9.1.2 collective	0	0
9.2 insurance products	22,943	21,637
9.3 other products	5,165	4,593
d) collection and payment services	19,895	20,722
e) securitisation servicing	2,971	2,329
f) factoring services	1	3
g) tax collection services	0	0
h) management of multilateral trading facilities	0	0
i) management of current accounts	26,811	24,016
j) other services	30,491	44,935
Total	**149,543**	**154,727**

Item “j) other services” includes € 12,666 thousand relating to commissions for the provision of sums.

2.2 FEE AND COMMISSION EXPENSE: BREAKDOWN Services/Amounts	Total 2020	Total 2019
a) guarantees received	(85)	(249)
b) credit derivatives	0	0
c) management and brokerage services:	(3,364)	(2,665)
1. trading in financial instruments	(2,518)	(1,778)
2. currency trading	0	0
3. portfolio management:	(56)	(32)
3.1 own portfolio	0	0
3.2 third-party portfolios	(56)	(32)
4. custody and administration of securities	(790)	(855)
5. financial instruments placement	0	0
6. off-site distribution of financial instruments, products and services	0	0
d) collection and payment services	(3,093)	(3,815)
e) other services	(56,228)	(51,321)
Total	**(62,770)**	**(58,050)**

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 2020		Total 2019	
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	570	0	158
C. Financial assets measured at fair value through other comprehensive income	11,488	0	10,771	0
D. Equity investments	0	0	0	0
Total	**11,488**	**570**	**10,771**	**158**

ANALYSIS OF ITEM 70 - DIVIDENDS AND SIMILAR INCOME	Total 2020	Total 2019
A. Financial assets held for trading	0	0
B. Other financial assets mandatorily measured at fair value:	570	158
- Similar income	570	158
C. Financial assets measured at fair value through other comprehensive income	11,488	10,771
- Bank of Italy	10,200	10,200
- Cedacri S.p.A.	1,288	556
- Biverbroker S.p.A.	0	3
- Cassa di Risparmio di Bolzano S.p.A.	0	12
D. Equity investments	0	0
Total	**12,058**	**10,929**

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	**21,030**	**88,249**	**(502)**	**(24,311)**	**84,466**
1.1 Debt securities	0	21,929	(1)	(9)	21,919
1.2 Equity instruments	0	0	0	(2)	(2)
1.3 Units of UCITS	0	0	0	0	0
1.4 Loans	21,030	66,320	(501)	(24,300)	62,549
1.5 Other	0	0	0	0	0
2. Financial liabilities held for trading	**0**	**0**	**0**	**0**	**0**
2.1 Debt securities	0	0	0	0	0
2.2 Deposits	0	0	0	0	0
2.3 Other	0	0	0	0	0
Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**386**
3. Derivatives	**16,854**	**6,900**	**(16,498)**	**(29,713)**	**(22,457)**
3.1 Financial derivatives:	16,854	6,900	(16,498)	(29,713)	(22,457)
- On debt securities and interest rates	16,854	5,646	(16,498)	(7,872)	(1,870)
- On equity instruments and stock indices	0	1,241	0	(18,426)	(17,185)
- On currencies and gold	X	X	X	X	(15)
- Other	0	13	0	(3,415)	(3,402)
3.2 Credit derivatives	0	0	0	0	0
of which: natural hedges related to fair value option	X	X	X	X	0
Total	**37,884**	**95,149**	**(17,000)**	**(54,024)**	**62,380**

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

5.1 NET PROFIT (LOSS) FROM HEDGING: BREAKDOWN Income/Amounts	Total 2020	Total 2019
A. Gains on:		
A.1 Fair value hedging derivatives	1,117	3,248
A.2 Hedged financial assets (fair value)	54,882	82,057
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)	**55,999**	**85,305**
B. Losses on:		
B.1 Fair value hedging derivatives	(54,198)	(82,926)
B.2 Hedged financial assets (fair value)	(1,041)	(3,184)
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)	**(55,239)**	**(86,110)**
C. Net profit from hedging activities (A - B)	**760**	**(805)**
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 2020			Total 2019		
Items/Income	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	18,103	(21,890)	(3,787)	20,427	(23,606)	(3,179)
1.1 Loans and advances to banks	0	0	0	0	0	0
1.2 Loans and advances to customers	18,103	(21,890)	(3,787)	20,427	(23,606)	(3,179)
2. Financial assets measured at fair value through other comprehensive income	47,979	(6,265)	41,714	44,563	(19,827)	24,766
2.1 Debt securities	42,552	(3,816)	38,736	44,593	0	44,593
2.2 Loans	5,427	(2,449)	2,978	0	(19,827)	(19,827)
Total assets (A)	**66,082**	**(28,155)**	**37,927**	**65,020**	**(43,433)**	**21,587**
B. Financial liabilities measured at amortised cost						
1. Deposits from banks	0	0	0	0	0	0
2. Deposits from customers	726	(1,661)	(935)	451	(1,033)	(582)
3. Debt securities in issue	695	(277)	418	747	(156)	591
Total liabilities (B)	**1,421**	**(1,938)**	**(517)**	**1,198**	**(1,189)**	**9**

The gains on "Loans to customers" derive from the partial disinvestment of government securities measured at amortised cost (HTC business model).

The losses on “Loans to customers” mainly refer to losses originating from transfers of NPLs as part of the segment derisking strategy for € 20,743 thousand.

The gains on “Financial assets designated at fair value through other comprehensive income” includes income from the non-recourse transfer of loans.

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

7.1 NET CHANGES IN FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS: BREAKDOWN OF ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE Transactions/Income	Capital gains (A)	Realised profits (B)	Capital losses (C)	Realised losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0
1.2 Loans	0	0	0	0	0
2. Financial liabilities	**595**	**257**	**0**	**0**	**852**
2.1 Debt securities in issue	595	257	0	0	852
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	X
Total	**595**	**257**	**0**	**0**	**852**

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	**39**	**3**	**(593)**	**0**	**(551)**
1.1 Debt securities	13	0	(28)	0	(15)
1.2 Equity instruments	0	0	0	0	0
1.3 Units of UCITS	26	3	(565)	0	(536)
1.4 Loans	0	0	0	0	0
2. Financial assets denominated in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**0**
Total	**39**	**3**	**(593)**	**0**	**(551)**

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 2020	Total 2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
Transactions/Income		*Write-offs*	Other				
A. Loans and advances to banks	**0**	**0**	**0**	**1**	**1**	**2**	0
- Loans	0	0	0	1	1	2	0
- Debt securities	0	0	0	0	0	0	0
of which: purchased or originated credit impaired	0	0	0	0	0	0	0
B. Loans and advances to customers	**(3,490)**	**(13,967)**	**(115,214)**	**2,546**	**22,508**	**(107,617)**	**(93,078)**
- Loans	(3,490)	(13,967)	(115,214)	1,578	22,508	(108,585)	(96,264)
- Debt securities	0	0	0	968	0	968	3,186
of which: purchased or originated credit impaired	0	0	(1,944)	75	93	(1,776)	(1,192)
Total	**(3,490)**	**(13,967)**	**(115,214)**	**2,547**	**22,509**	**(107,615)**	**(93,078)**

8.1a NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT AMORTISED COST SUBJECT TO COVID-19 SUPPORT MEASURES: BREAKDOWN	Net impairment (1)			Total 2020
	Stage 1 and 2	Stage 3		
Transactions/Income		*Write-offs*	Other	
1. Forborne loans compliant with the GL	(990)	0	(4,750)	(5,740)
2. Loans subject to other forbearance measures	(122)	0	(2)	(124)
3. New loans	(115)	0	(54)	(169)
Total 2020	**(1,227)**	**0**	**(4,806)**	**(6,033)**

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 2020	Total 2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
Transactions/Income		*Write-offs*	Other				
A. Debt securities	0	0	0	764	0	764	117
B. Loans	(51)	0	(1,282)	247	1,474	388	991
- customers	(50)	0	(1,282)	208	1,472	348	991
- banks	(1)	0	0	39	2	40	0
of which: purchased or originated financial assets	0	0	0	0	0	0	0
Total	**(51)**	**0**	**(1,282)**	**1,011**	**1,474**	**1,152**	**1,108**

The item recoveries on loans relating to loans to customers includes € 14,856 thousand in recoveries from collection.

8.2a NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME SUBJECT TO COVID-19 SUPPORT MEASURES: BREAKDOWN	Net impairment (1)			Total 2020
	Stage 1 and 2	Stage 3		
Transactions/Income		*Write-offs*	Other	
1. Forborne loans compliant with the GL	0	0	0	0
2. Loans subject to other forbearance measures	0	0	0	0
3. New loans	0	0	0	0
Total 2020	**0**	**0**	**0**	**0**

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

The item includes the adjustment made to the carrying amounts of loans to customers which underwent modifications to the contractual cash flows without giving rise to derecognition, pursuant to par. 5.4.3 and Appendix A of IFRS 9. As at 31 December 2020, this item amounted to around € 286 thousand.

SECTION 10 – NET PREMIUMS – Item 160

There are no items of this type.

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

There are no items of this type.

SECTION 12 - ADMINISTRATIVE EXPENSES - Item 190

12.1 PERSONNEL EXPENSES Type of expense/Sectors	Total 2020	Total 2019
1) Employees	(125,977)	(131,071)
a) wages and salaries	(89,851)	(92,304)
b) social security charges	(22,904)	(24,379)
c) severance pay	(5,342)	(5,206)
d) social security expenses	(9)	0
e) provision for employee severance pay	193	(23)
f) provision for pension fund and similar obligations:	(101)	(226)
- defined contribution	0	0
- defined benefit*	(101)	(226)
g) contributions to external pension fund:	(3,631)	(3,463)
- defined contribution	(3,160)	(2,764)
- defined benefit	(471)	(699)
h) costs related to share-based payments	0	0
i) other employee benefits	(4,332)	(5,470)
2) Other staff	(438)	(595)
3) Directors and Statutory Auditors	(2,387)	(2,269)
4) Retired personnel	0	0
Total	**(128,802)**	**(133,935)**

*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 the income statement amounted to € 1,967 thousand, while in 2019 such actuarial losses totalled € 365 thousand.

12.2 AVERAGE NUMBER OF EMPLOYEES PER CATEGORY	Total 2020	Total 2019
1) Employees	**1,853**	**1,872**
a) executives	30	31
b) middle managers	564	559
c) remaining staff	1257	1,282
2) Other staff	**2**	**0**
Total	**1,853**	**1,872**

12.3 DEFINED BENEFIT COMPANY PENSION PLANS: COSTS AND REVENUES	
Costs and revenues	
Revenues relating to employee severance pay	1,842
Costs for contributions to the Supplementary Pension Fund for Cassa di Risparmio di Asti personnel	(471)

	EXTERNAL PLANS	
	2020	2020
	Employee severance pay	Supplementary Pension Fund
Costs and revenues recognised	**1,842**	**(471)**
Social security cost relating to service	0	0
Financial income from discounting	1,974	0
Financial expenses from discounting shown in other comprehensive income	0	0
Financial expenses recognised in profit and loss	(132)	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	(471)

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN	Total 2020	Total 2019
Expenses for data processing and archiving	(25,285)	(24,263)
Rent payable on real estate and rental of moveable assets	(1,291)	(1,325)
Expenses for the maintenance of real estate and moveable assets	(3,708)	(3,966)
Legal expenses	(4,563)	(8,183)
Building management expenses	(5,633)	(4,481)
Phone, data transmission and postal expenses	(3,689)	(4,474)
Advertising and promotional expenses	(4,521)	(3,847)
Expenses for commercial information, records, appraisals	(5,139)	(5,148)
Costs for the provision of services regarding personnel	(423)	(923)
Securitisation costs	(4,639)	(6,192)
Expenses for transportation of valuables	(2,639)	(2,791)
Other professional and advisory expenses	(6,792)	(5,226)
Expenses for office materials	(682)	(811)
Membership fees	(12,864)	(10,891)
Electronic banking	(1,065)	(1,774)
Travel and transportation expenses	(954)	(1,255)
Machine rental expenses	(1,633)	(1,741)
Expenses for the acquisition of treasury services	(9)	(31)
Customer insurance	(10)	(6)
Other expenses	(3,719)	(4,874)
INDIRECT TAXES AND DUTIES		
Stamp duties	(23,772)	(23,982)
Substitute tax	(1,413)	(2,084)
IMU/ICI tax	(1,371)	(1,343)
Municipal solid waste disposal fee	(285)	(245)
Advertising tax	(226)	(158)
Registration tax	(82)	(268)
Other taxes and duties	(127)	(161)
Total	**(116,534)**	**(120,443)**

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 2020	Total 2019
Commitments to disburse funds and financial guarantees given stage 1-2	(491)	969
Commitments to disburse funds and financial guarantees given stage 3	272	(221)
Total	**(219)**	**748**

13.3 NET ALLOCATIONS TO OTHER PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN	Total 2020	Total 2019
Provisions and reallocations to provisions for risks due to claw-backs	(318)	(773)
Provisions and reallocations to provisions for personnel expenses	(641)	(619)
Provisions and reallocations for other disputes	(3,790)	(446)
Other provisions and reallocations to provisions for risks and charges	(10,156)	(17,369)
Total	**(14,905)**	**(19,207)**

The allocations to liability provisions include allocations relating to complaints, disputes or reimbursement claims of around € 4.6 million, of which € 3.6 million for out-of-court claims associated with the application of guarantee and indemnity clauses in the securitisation transaction with GACS of the “Maggese” receivables classified as non-performing, finalised in 2018. The same item also includes around € 318 thousand relating to clawback actions.

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

- potential future expenses, for € 1,235 thousand, relating to commission expenses calculated *pro-rata temporis*, acknowledged to customers in the event of the early termination of loans disbursed before 2016, and not recharged to agents, in line with the policy adopted by the Company;
- potential future expenses referring to reimbursements of price spreads between the discount rate and the rate applied to customers due to loan transferee companies following early termination for € 2,910 thousand;
- potential future expenses relating to collection expenses charged by INPS, equal to € 1,127 thousand;
- potential future expenses for complaints in relation to compensation to customers following early terminations taking place prior to the Bank of Italy guidelines of 4 December 2019 for € 2,416 thousand;
- potential future expenses for complaints in relation to compensation to customers following early terminations taking place prior to the Bank of Italy guidelines of 4 December 2019 for € 2,406 thousand;
- other potential future expenses, including those relating to legal proceedings pending for € 5 thousand and drawdowns for € 49 thousand;
- the agents’ leaving indemnities (FIRR) for € 130 thousand.

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

14.1 NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT: BREAKDOWN Asset/Income	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment				
1. Used in the business	(14,918)	(400)	0	(15,318)
- Owned	(8,035)	(400)	0	(8,435)
- Rights of use acquired with leases	(6,883)	0	0	(6,883)
2. Held for investment purposes	(1,388)	(853)	0	(2,241)
- Owned	(1,388)	(853)	0	(2,241)
- Rights of use acquired with leases	0	0	0	0
3. Inventory	X	0	0	0
Total	**(16,306)**	**(1,253)**	**0**	**(17,559)**

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	(5,218)	0	0	(5,218)
- Generated internally by the company	0	0	0	0
- Other	(5,218)	0	0	(5,218)
A.2 Rights of use acquired with leases	0	0	0	0
Total	**(5,218)**	**0**	**0**	**(5,218)**

SECTION 16 - OTHER OPERATING EXPENSES/INCOME - ITEM 230

16.1-16.2 OTHER OPERATING EXPENSES/INCOME: BREAKDOWN	Total 2020	Total 2019
Other operating income	**29,435**	**32,199**
Tax recovery	24,243	25,062
Charges to third parties for costs on deposits and c/a	527	759
Rent and fee income	1,012	1,006
Other income from contingent assets	2,356	3,437
Recoveries of other expenses	1,297	1,935
Other operating expenses	**(4,899)**	**(4,182)**
Amortisation on improvements on third party assets	(1,072)	(921)
Other expenses and contingent liabilities	(3,827)	(3,261)
Total other operating expenses/income	**24,536**	**28,017**

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

17.1 GAINS (LOSSES) ON EQUITY INVESTMENTS: BREAKDOWN Income/Sectors	Total 2020	Total 2019
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	(500)	0
1. Write-downs	0	0
2. Impairment losses	(500)	0
3. Losses on disposal	0	0
4. Other charges	0	0
Net profit (loss)	**(500)**	**0**
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	**(500)**	**0**

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 2020	Total 2019
A. Property	3	19
- Gains on disposal	3	19
- Losses on disposal	0	0
B. Other assets	6	0
- Gains on disposal	6	0
- Losses on disposal	0	0
Net profit (loss)	**9**	**19**

SECTION 21 – TAX EXPENSES (INCOME) FOR THE PERIOD FROM CONTINUING OPERATIONS - ITEM 300

21.1 TAX EXPENSES (INCOME) FOR THE PERIOD FROM CONTINUING OPERATIONS: BREAKDOWN Income/Sectors	Total 2020	Total 2019
1. Current tax (-)	(4,584)	(17,893)
2. Changes of current tax of previous years (+/-)	105	279
3. Decreases in current tax for the year (+)	5,650	9,973
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 (+/-)	(15,054)	(12,123)
5. Changes in deferred tax liabilities (+/-)	1,306	(107)
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(12,577)**	**(19,871)**

21.2 RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX CHARGE Items/Balances	Total 2020
Profit before tax (item 250)	39,874
THEORETICAL TAXES (IRES 27.5% - IRAP 5.57%)	**(13,186)**
DEFINITIVE TAX INCREASES	**(16,703)**
- non-deductible costs and expenses	(1,060)
- non-deductible write-downs	(4,993)
- higher tax base and effective IRAP rate	(5,558)
- IMU tax and other non-deductible costs and taxes	(5,092)
DEFINITIVE TAX DECREASES	**17,312**
- exempt share of dividends and pex	3,981
- Aid to economic growth (ACE)	2,163
- changes of current tax of previous years	259
- other decreases	10,909
INCOME TAXES IN INCOME STATEMENT	**(12,577)**

SECTION 22 – PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - ITEM 320

There are no items of this type.

SECTION 23 – MINORITY PROFIT (LOSS) FOR THE PERIOD - ITEM 340

23.1 DETAILS OF ITEM 340 MINORITY PROFIT (LOSS) FOR THE PERIOD Company Name	Total 2020	Total 2019
Equity investments with significant minority interests		
1. Biverbanca S.p.A.	0	0
2. Pitagora Contro Cessione del Quinto S.p.A.	3,312	5,418
Other equity investments	0	0
Total	**3,312**	**5,418**

SECTION 24 – OTHER INFORMATION

There are no items of this type.

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of diluted ordinary shares

As there are no preference shares or financial instruments which could entail the issue of shares, there are no dilutive effects on the share capital.

25.2 Other information

The consolidated earnings per share, calculated by dividing the net profit by the 70,537,048 ordinary shares outstanding, are € 0.39.

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME Items		Total 2020	Total 2019
10.	**Profit (loss) for the year**	**27,297**	**40,748**
	Other income without reversal to income statement	**20,851**	**(1,833)**
20.	Equity securities designated at fair value through other comprehensive income:	21,197	1,231
	a) change in fair value	21,197	(97)
	b) transfers to other components of shareholders' equity	0	1,328
30.	Financial liabilities designated at fair value through profit and loss (changes to own credit rating):	(491)	(3,187)
	a) change in fair value	(491)	(3,187)
	b) transfers to other components of shareholders' equity	0	0
40.	Hedging of equity securities designated at fair value through other comprehensive income:	0	0
	a) change in fair value (hedged instrument)	0	0
	b) change in fair value (hedging instrument)	0	0
50.	Property, plant and equipment	0	0
60.	Intangible assets	0	0
70.	Defined benefit plans	2,021	(1,358)
80.	Non-current assets held for sale and discontinued operations	0	0
90.	Share of valuation reserves of equity investments carried at equity	0	0
100.	Income tax relating to other income without reversal to income statement	(1,876)	1,481
	Other income with reversal to income statement	**18,985**	**(25,159)**
110.	Foreign investment hedges:	0	0
	a) changes in fair value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
120.	Exchange differences:	0	0
	a) changes in value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
130.	Cash flow hedges:	3,832	2,019
	a) changes in fair value	3,832	2,019
	b) reversal to income statement	0	0
	c) other changes	0	0
	of which: result of net positions	0	0
140.	Hedging instruments (elements not designated):	0	0
	a) changes in value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
150.	Financial assets (other than equity securities) designated at fair value through other comprehensive income:	24,534	(39,609)
	a) changes in fair value	(5,027)	(28,267)
	b) reversal to income statement	29,561	(8,771)

	- losses for credit risk	(764)	(117)
	- realised gains/losses	30,325	(8,654)
	c) other changes	0	(2,571)
160.	Non-current assets held for sale and discontinued operations:	0	0
	a) changes in fair value	0	0
	b) reversal to income statement	0	0
	c) other changes	0	0
170.	Share of valuation reserves of equity investments carried at equity:	0	0
	a) changes in fair value	0	0
	b) reversal to income statement	0	0
	- impairment losses	0	0
	- realised gains/losses	0	0
	c) other changes	0	0
180.	Income tax relating to other income with reversal to income statement	(9,381)	12,431
190.	**Total other income**	**39,836**	**(26,992)**
200.	**Other comprehensive income (Item 10+190)**	**67,133**	**13,756**
210.	Minority consolidated other comprehensive income	2,148	2,465
220.	**Consolidated comprehensive income attributable to Parent Company**	**64,985**	**11,291**

SECTION 1 - RISKS OF THE ACCOUNTING CONSOLIDATED PERIMETER

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, WRITE-DOWNS, CHANGES, DISTRIBUTION BY BUSINESS ACTIVITY

A.1.1 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (BOOK VALUES) Portfolios/quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Other non-performing exposures	Performing exposures	Total
1. Financial assets measured at amortised cost	110,888	199,626	15,572	97,133	11,676,445	12,099,664
2. Financial assets measured at fair value through other comprehensive income	1,448	2,954	1,208	1,463	359,688	366,761
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	11,836	11,836
5. Financial assets held for sale	0	0	0	0	0	0
Total 2020	**112,336**	**202,580**	**16,780**	**98,596**	**12,047,969**	**12,478,261**
Total 2019	**125,423**	**238,549**	**43,274**	**166,357**	**10,948,510**	**11,522,113**

** Value to be presented for disclosure purposes*

A.1.2 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)	Non-performing				Performing			Total (net exposure)
Portfolios/quality	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	666,309	340,223	326,086	8713	11,839,728	66,150	11,773,578	12,099,664
2. Financial assets measured at fair value through other comprehensive income	11,623	6,013	5,610	0	362,097	946	361,151	366,761
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	11,836	11,836
5. Financial assets held for sale	0	0	0	0	0	0	0	0
Total 2020	**677,932**	**346,236**	**331,696**	**8,713**	**12,201,825**	**67,096**	**12,146,565**	**12,478,261**
Total 2019	**810,419**	**403,173**	**407,246**	**58**	**11,175,839**	**67,271**	**11,114,867**	**11,522,113**

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	23	154	44,349
2. Hedging derivatives	0	0	0
Total 2020	**23**	**154**	**44,349**
Total 2019	**7**	**295**	**57,497**

SECTION 2 - RISKS OF THE PRUDENTIAL CONSOLIDATED PERIMETER

RISK MANAGEMENT POLICIES

In observance of the Prudential Supervision Regulations and the strategies established in the various planning documents, the Cassa di Risparmio di Asti Group considers the process of continuously refining and reinforcing the overall Internal Control System and the verification of current and outlook capital adequacy to be strategic in nature.

In continuity with previous years, also in 2020, 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 2020 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 2020 the Bank prepared the ICAAP/ILAAP Report referring to 31 December 2019 for the overall scope of the Group, then sent it to the Supervisory Body. According to what emerged, the overall capital available was adequate to handle current and forward-looking total internal capital in the COVID-19 scenario (referring to 2020 and 2021, taking into account the provisional plans over that time horizon, as indicated in the company planning documents prepared by the Strategic Planning Service - in particular the Strategic Plan, 2020 annual budget, NPE Strategy), i.e. 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.

CREDIT RISK SECTION

QUALITATIVE INFORMATION

1. General aspects

Considering its nature as a local commercial bank, the Group's credit policy is oriented towards supporting the disbursement of loans to retail customers, SMEs and small and mid-corporate businesses operating in the reference geographical market; substantially to the retail market consisting of parties with which it is possible to personalise the relationship.
The company's lending strategy therefore remains to work with counterparties whose strategic decisions and decisive economic and financial factors it can be familiar with, placing the protection of credit risk above an increase in volumes.
The subsidiaries Biverbanca and Pitagora made it possible to further improve overall lending activities, with the possibility to achieve greater returns on loans, greater diversification and granularity of the loan portfolio, to expand the market and the area of operations with a view to increasing and diversifying sources of revenue and development also thanks to a company specialised in salary and pension assignment loans.
For further details, please refer to the public disclosure of the Cassa di Risparmio di Asti Group ("Third Pillar").

2. Credit risk management policies

2.1. Organisational aspects

At Group level, the Credit Policies Committee supports the Parent Company's General Manager, in line with the strategic decisions made by the Board of Directors, in defining and coordinating the credit policy guidelines of the individual Companies and the Group overall and optimising the risk/return profile of the loan portfolio.
Within the Group Banks, credit risk management is assigned, to a different extent depending on the mission and activities assigned by the "Internal Regulation", to the following Organisational Units:

- Credit Committee: guides and optimises the Bank's credit policy, within the scope of the strategies established by the Board of Directors;
- Credit Department: supervises and coordinates the overall activity of the Bank in assuming and managing credit risk. Operationally, the Credit Director relies on the Credit Lines Office, the Private Parties Lending Office, the Loans under Observation Department (centralised within the Parent Company) and the Loan Operational Management Office, each within the scope of its own responsibilities;
- Non-Performing Loans Department: optimises the management of non-performing loans (NPE) in line with the objectives of NPE Ratio reduction, debt collection and active management of the NPE portfolio and supervises

the non-performing loan classification and measurement processes. The operating units within this Department are represented by the Credit Monitoring & Collection Management Office, the Anomalous Loans Management Office and the Bad Loans Management Office;

- Sales Network: handles the systematic acquisition of quantitative and qualitative information on the customers managed, in order to favour adequate assessments of creditworthiness or identify their subsequent deterioration, promptly reporting this to the Credit Lines Office, the Loans under Observation Department and the Non-Performing Loans Department;
- Disputes Function: handles the legal and administrative management of bad loans and loans involved in disputes;
- Compliance Function: prevents the risk of non-compliance with external and internal regulations;
- Finance Function: ensures, within the strategies defined by the Board of Directors in the "Group financial investment policies" and the limits established in the "Regulation of delegated powers on financial transactions", as well as the operational guidelines of the General Manager, the effective management of the owned portfolio of the Bank in terms of the risk/return;
- Risk Management Function: oversees the functions of assessing and controlling overall risks and represents the structure responsible for carrying out the total internal capital determination process in line with the directives approved by the Board of Directors. It oversees the proper rating of customers, indicates to the General Management, the Internal Audit Department, the Risks and ALM Committee and the Credit Department trends in anomalous positions and the loan portfolio on a statistical basis, as well as the riskiness of loans also in terms of technical forms, socioeconomic categories of creditors and rating brackets; 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 Integrated Risk Control Office.

2.2. Credit risk management, measurement and control

The credit facility screening procedure is broken down into two macro-classes of activity:
- acquiring documentation;
- acquiring information and data;
- processing and putting together available information with different levels of detail depending on the type of transaction concerned.

For loans to businesses, the qualitative information from the sales network is integrated by Infocamere reports, sector studies provided by specialised institutions, websites and specialised press (IlSole24Ore and sector journals).
The quantitative analysis aims to provide a snapshot of the customer from the economic, financial and capital perspective, and relies on a broad range of tools, including:
- IT tools for the reclassification of financial statement data and income documentation;
- national and consortium databases as well as position sheets for the analysis of ratios;
- Central Credit Register of the Bank of Italy and Associates for the analysis of trends of relationships with other institutions;
- information provided by the customer and real estate mortgage records to compile records on owned real estate;
- Interbank register of bad cheques and payment cards database, protests database, databases of chamber of commerce and property registry adverse entries to verify the presence or otherwise of adverse events.

Basic instruments used to support the analysis of creditworthiness are the AIRB rating and the internal C.R.S. scoring system for residual counterparties not included within the scope of AIRB models.
In collaboration with the outsourcer Cedacri and with some consortium banks, the Group has undertaken a project for the development of an AIRB (Advanced Internal Rating Based) Pooled Rating system with a view to refining the system for measuring credit risk and making company credit measurement and governance processes more robust.
This project resulted in the adoption, for management purposes, of the AIRB rating in the Corporate, Retail Businesses and Private segments. The AIRB rating, when

applicable, involves a Rating Attribution process which aims to integrate qualitative information which, by its nature, cannot be autonomously drawn from the model.
All of this constitutes the prerequisite for a better analysis of loan portfolio trends (evolution of risk and resulting determination of adjustments on performing loans) and the use of the rating system as an operating tool in terms of delegations and pricing.
For loans to private parties supported by a repayment plan and not intended directly or indirectly for business activities (mortgage loans, takeovers of builders' loans and discharging takeovers of loans to private parties, consumer credit, unsecured loans to private consumers, salary assignment loans) and for credit cards, the Group also relies on the support of credit scoring techniques, through the CRIF analysis, as well as the investigation tools commonly employed for other credit facilities (Central Credit Register of the Bank of Italy and Associates, Protests Control - database provided by Infocamere and Adverse Events - database provided by Infocamere and Ribes) and the internal rating system.
Aside from the granting phase, an additional fundamental moment in the process of managing credit risk is represented, at least for the types concerned, by the renewal of credit facilities, governed by the Regulation on the matter.
Credit facilities subject to revocation must ordinarily be renewed at least every 12 months and each delegated party is responsible for deciding on the basis of the powers established for granting ordinary credit lines.
In derogation of ordinary methods, for credit facilities subject to revocation which meet certain conditions, "automatic renewal" is envisaged, based on the customer rating, with subsequent confirmation by the party to which the commercial relationship is assigned.
In addition, the Credit Director is assigned the power to order the extraordinary review of credit facilities granted to customers, irrespective of renewal frequency. In this case, the decision on the review is under the responsibility of the Delegated bodies and the Head Office Delegated parties.
For the measurement of credit risk, the Group relies, for reporting purposes, on the SDB Matrix procedure, while for trend analyses it uses the CCM - Credit Capital Manager procedure. Both procedures have been made available by the IT outsourcer Cedacri S.p.A.
With respect to Pillar I, the Group adopts the standard method and, as concerns Credit Risk Mitigation techniques, the simplified method.
Within the ICAAP process, the Group periodically performs stress tests 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.
Constant first level monitoring (line and second level controls) is required 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.
Within the Non-performing Loans Division, the Loans Portfolio Monitoring and Collection Management Office is responsible for first-level monitoring of "second level controls", which consists in more extensive monitoring than for the normal "line controls" and, based on reports and periodic audits, focuses on the identification of loan portfolio trends, with the aim of contributing to the prompt application of the Bank's credit policies, verifying the effects of management decisions, monitoring the Bank's capacity to manage and limit the risk, as well as ensuring full compliance with credit risk monitoring regulations and associated management activities.
The Risk Control Function, on the basis of a dedicated regulation adopted following the issue of update XV of Bank of Italy Circular no. 263 of 27 December 2006 (now Bank of Italy Circular no. 285), is responsible for second level monitoring, i.e. verifying the proper execution of performance monitoring on individual exposures, particularly those which are non-performing, and assessing the consistency of classifications, the consistency of provisions and the adequacy of debt collection processes.
Additional loan portfolio monitoring is carried out through quarterly reporting generated by the Integrated Risk Control Office. In particular, analyses are carried out regarding the distribution and performance of credit risk according to various aggregation methods for the variables analysed, such as customer segmentation, the rating bracket and branches of business activities; concentration by customer/groups of customers and by business sector; the performance of risk parameters (EAD, PD and LGD) and other portfolio risk indicators; the composition and performance of risk-weighted assets.

2.3. Measurement methods for expected losses

Based on the provisions of IFRS 9 on impairment, financial assets are divided into three stages as summarised below:

- *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;
- *stage 3: non-performing financial assets.*

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 Bank, from a forward-looking perspective, took into account, amongst others, the aggravation of the macroeconomic scenario following the Covid-19 pandemic crisis, as well as the NPE Strategy approved at Group level.

Stage 1 and stage 2

With reference to performing loans, the Bank performs an overall assessment on the basis of information and historical series of known data. These loans were included in groups of financial assets with analogous characteristics in terms of credit risk, customer segments and sectors of economic activity, and were valued on a collective basis. The Lifetime PD measurement model adopted by the Group is based on a transition matrix approach (Markov Chain), suitably adjusted with forward-looking and multi-scenario estimates of macroeconomic performance as envisaged in IFRS 9.
In line with AIRB segmentation specifications, a Lifetime PD measurement model was developed, with a related satellite model, for each AIRB segment: Corporate, Business, Retail and Private. After defining the multi-variable model, it is applied to the forecast scenarios for macroeconomic variables projected over a 3-year forward-looking horizon. The macroeconomic variables considered (differentiated according to the reference model) are: EMU GDP, taxes paid by households, unemployment rate, 20Y IRSs, domestic consumption, per capita industry income in the strictest sense, disposable income of consumer households and the 30Y BTP rate.
For the definition of macroeconomic aspects used to adjust the Lifetime PD, the Group has subscribed to the Forecast Reports service of the infoprovider Prometeia.
Starting from Prometeia's baseline scenario, Up and Down scenarios are derived which represent the best case and worst case forecasts, respectively, for the macroeconomic performance.

The satellite model is then applied to all three of the scenarios described above, calculating the multi-scenario macroeconomic effect resulting from weighting of the three scenarios based on their probability of occurrence. These probabilities are adjusted as necessary to best interpret the phases of the economic cycle in which the credit assessment is being made, and to incorporate the latest updates (if any) from economic institutions (e.g. Bank of Italy, EBA, ECB, etc.).
In the case in question, the probabilities of occurrence of the macroeconomic scenarios as at the reporting date were 40% for the baseline scenario and 30% for the up and down scenarios. The LGD parameters are determined on the basis of the templates of models estimated internally as part of the Pooled AIRB project.
The estimation process for the LGD parameter envisaged risk differentiation (calculation of opening variables on the matrix) at the level of pools of Banking Groups that participated in the Pooled AIRB project, and a specific risk calibration for the Cassa di Risparmio di Asti Group.
Starting from the AIRB LGD estimate using a number of components typically required by prudential regulations, for which the Cassa di Risparmio di Asti Group intends to request authorisation from the Supervisory Authority for use in the capital requirements calculation, specific correctors were adopted so as to allow their use in the expected credit loss calculation. The components adjusted for this purpose were the downturn corrector, the transfers corrector and the indirect costs corrector.
Lastly, in line with the initial design of the IFRS 9 project of the IT outsourcer, Cedacri, the multi-period LGD was prudentially set at a constant value over the entire residual life of the loan, without adjustments for the decrease in exposure envisaged from settlement of the loan via a repayment plan, where envisaged.

Stage 3

The competent offices responsible for non-performing loans, except those previously indicated in relation to COVID-19, 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. The values intrinsic to the transfer scenarios were provided by the Risk Management Function, which made use of an external valuation company.
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, broken down by counterparty (retail and business) and distinguishing between exposures backed by guarantees and other exposures.

Intervention and mitigation measures relating to the COVID-19 pandemic

In the collective impairment calculation, arrangements were made from 30 June 2020 to include a provisional estimate of the potential negative effects of the COVID-19 crisis in the measurement process for loans to customers (non-performing and performing). This analysis led in particular to:

- a review of the scope of loans subject to future assignment;
- downward review of expected prices to be associated with the assignment sub-scenarios;
- a negative adjustment, calculated on an analytical-statistical basis, applied to amounts recoverable from internal management (determined using the usual analytical and analytical-statistical valuation approaches);
- updating of the macroeconomic scenarios based on statistical valuation models for performing loans and analytical-statistical valuations of non-performing loans;
- a sector analysis being performed to incorporate - in reference to performing loans - the potential additional effects of the pandemic on the sectors with highest exposure;
- prudential measures for the stage assignment of positions benefiting from moratoria during the year.

Following the issue of legislative decrees relating to support measures for the economy in 2020, the objective of which was to assist in the economic crisis generated by the Coronavirus outbreak, there was a natural increase in the incidence of loans backed by state guarantees (e.g. Mediocredito Centrale, SACE) in the Group portfolio.
For the portion of the loan covered by the aforementioned guarantees, the Group opted to define a prudential allocation of provisions against any country risk. The PD (12M and Lifetime) and LGD values for Italy are provided by Prometeia.

2.4. Credit risk mitigation techniques

To mitigate credit risk, during the credit facility granting process, a particular focus is devoted to any guarantees to be requested, the effectiveness of which is checked periodically.
The general principle, correlated with credit risk management, establishes that the analysis of the economic and financial capacity of the loan applicant, as well as the analysis of the financial structure of the transaction, must be accompanied by the valuation of any guarantees (personal and collateral) backing the loan.
In order to evaluate the “weight” of the mortgage security with respect to the guaranteed loan, the following are considered:

- the market value resulting from the appraisal to calculate the maximum LTV (mortgage amount/value of real estate offered as guarantee) differentiated depending on whether the mortgage is on residential real estate or on commercial real estate;
- the present value and the type of titles pledged, to determine the percentage of actual coverage of the credit facility.

Real estate collateral allows for a mitigation of the capital absorption of credit risk when the conditions established by Supervisory Provisions are met.

In deciding on the application, the correlation between the borrower's repayment capacity and the cash flows generated by the real estate used as guarantee is verified, on the basis of the shared criteria laid out in the "Operating Rules for respect for the Prudential Supervision Regulations for Banks on exposures secured by mortgages on real estate".

Alongside this oversight mechanism, the above-mentioned document establishes the guidelines and actions to ensure adequate surveillance and the periodic review of the property subject to the guarantee. These activities are also performed through the "Collateral" procedure provided by the IT outsourcer Cedacri in order to help manage the real estate acquired as guarantee.

In evaluating the guarantee each structure, within its own delegation scope, takes into account the market value of the title pledged and analyses its type, which is a decisive factor for evaluating its risk.

In the analysis of personal guarantees, the financial capacity of the guarantor is evaluated on a priority basis, relying on a series of investigation tools such as: real estate records, mortgage and property registry records, adverse event databases, analysis of indebtedness to the system through the Central Credit Register, internal databases for evaluating portfolios of financial investments.

During the periodic credit facility review, the financial situation of the guarantors is updated by verifying the changes taking place in the real estate and financial assets (relying on the investigation tools outlined above) and the debt position (with the consultation of internal databases and the Central Credit Register).

As regards the amount of the guarantee with respect to the guaranteed position, the "Regulation of delegated powers on credit transactions" establishes that guarantees (omnibus and/or specific) acquired to back credit facilities must be provided on an ordinary basis for an amount of no less than 130% of the guaranteed facilities, to cover any expenses correlated with the principal obligation.

3. Non-performing credit exposures

3.1 Management strategies and policies

The "Group Policies on the classification and valuation of loans 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.

The International Accounting Standards lay out a series of risk elements the occurrence of which entails the classification of the loan as non-performing, such as significant financial difficulties of the borrower or the violation of contractual agreements, such as a breach or non-payment of interest or principal.

The Supervisory Instructions identify the elements characterising each classification category, and in particular:

- the category of bad loans includes all on-balance sheet exposures to parties in a state of insolvency, even if not declared by a court, or in substantially equivalent situations, irrespective of any loss forecasts formulated by the company. Therefore, this is irrespective of the existence of any guarantees (collateral or personal) backing the loans;
- the category of unlikely to pay includes all on-balance sheet and "off-balance sheet" exposures to borrowers for which the full satisfaction of credit obligations, including principal and interest, is deemed unlikely without recourse to specific actions such as in particular the enforcement of guarantees.

  The inclusion of a position in "unlikely to pay loans" is carried out on the basis of a judgement concerning the unlikeliness of a borrower to meet its credit obligations in full. The classification of loans in the category of "unlikely to pay" is therefore the result of a specific assessment, accompanied by suitable internal documentation, intended to confirm the fulfilment of the relative requirements. This assessment is performed irrespective of the presence of any explicit symptoms of difficulty, such as failure to repay the loan or the failure to pay instalments, if there are other elements implying a situation of high likelihood of the borrower's risk of breach.

  In order to identify situations of "unlikely to pay", the following are symptoms of the unlikelihood of the borrower to be capable of fully meeting its obligations, especially if they take place simultaneously:
    - the presence of bad loans identified in the Central Credit Register;
    - the presence of protests, foreclosures, mortgage by order of the court or other adverse enforcement actions by other lenders;
    - the request for negotiations from the banking sector regarding renegotiations or moratoria;
    - the presence of overdue amounts or past-due debts of significant amounts;
    - the classification of the borrower in the last Rating Class of performing loans or in the category of past-due and overdue loans;
- the category of non-performing past-due and/or overdue loans includes exposures to customers other than those classified as bad loans or as unlikely to pay which have been past due or overdue for more than 90 consecutive days and have the characteristics specified below.

  A position is included in the category of "non-performing past-due and/or overdue exposures", in compliance with what is established by Supervisory regulations, by making reference to the individual borrower and by applying the following rules:
    - presence of loans past due or overdue by more than 90 days (if the same customer has multiple past-due and/or overdue exposures, the greatest delay is considered);
    - in order to determine the amount of the past-due and/or overdue exposure, past-due positions and overdrafts existing on some credit

lines may be offset with the available margins existing on other credit lines granted to the same borrower;
- surpassing the significant reporting threshold of 5% for at least one of the following situations:
    - average of past-due and/or overdue amounts on the entire exposure reported daily in the previous quarter;
    - past-due and/or overdue amount on the entire exposure at the reference date of the report.

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

Loans are evaluated by the competent organisational structures on the basis of internal regulations and with the application of the valuation criteria and standards set forth in the "Group Policies on the classification and valuation of loans to ordinary customers".
The proposals for provisions for losses are submitted by the Managers of the competent Organisational Units, authorised by the General Manager of the competent Bank and subject to the assessment of the relative Board of Directors on a quarterly basis for confirmation or possibly modification.

3.2 Write-offs

The extinction of a bad loan may take place through the full collection of the debt or when one of the following takes place:
- partial collection of the debt, with the write-off of the remainder, as part of a settlement agreement with the principal borrower or with other obligors;
- write-down of the residual loan once the possible judicial or out-of-court recovery actions deemed appropriate have been carried out, based on an assessment of convenience, with respect to all obligors;
- closure of bankruptcy proceedings in the absence of other possibilities for recovery through actions against any co-obligors;
- total write-off of loans of small amounts for which starting or continuing legal actions is not considered cost effective.

Thus also the removal of the classification of "unlikely to pay loan" may take place, inter alia, when the debt is partially collected, with the write-off of the remainder, as part of a settlement agreement with the principal borrower or with other obligors.

3.3 Purchased or originated impaired financial assets

According to IFRS 9, in certain cases, a financial asset is deemed impaired on initial recognition since it has very high credit risk and, if purchased, it is acquired with significant discounts (with respect to the initial disbursement value). If the financial assets in question, on the basis of the application of classification drivers, are classified under assets measured at amortised cost or at fair value through other comprehensive income, they are qualified as "Purchased or Originated Credit Impaired Assets" (POCI) and subject to specific treatment. In particular, as of the date of initial recognition and for their entire lifetime, they are accounted for with value adjustments equal to their lifetime Expected Credit Loss (ECL). POCI financial assets are initially recognised in stage 3, without prejudice to the possibility of being subsequently transferred to performing loans, stage 2, with the recognition of the expected loss again equal to the lifetime ECL. This qualification is also applied for reporting purposes.

4. Financial assets subject to commercial renegotiations and forborne exposures

The nature of commercial renegotiations consists in the purpose of consolidating relations with the borrower which, as a result of hardship conditions being verified as defined in the policy, in any event proves to be able to promptly satisfy the financial obligations originally assumed. A forbearance measure is instead represented by a change in contractual terms in favour of borrowing customers which, also due to events of a temporary nature, are considered no longer able to satisfy the financial obligations originally agreed unless forbearance is granted.
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, and requires automatic inclusion of the account concerned in stage 2.
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.
In compliance with instructions in the Bank of Italy Communication of 15 December 2020, with regard to the impact, on the SICR assessment process and
expected loss measurement, of the economic support measures implemented by the Government and by the trade associations, taking into account the instructions provided by the Regulatory and Supervisory
Authorities, please refer to the contents of paragraph 2.3 of this section.

Renegotiations granted in response to the COVID-19 pandemic

Lending activities in 2020 were strongly conditioned by the emergency in Italy arising from the spread of the COVID-19 pandemic. To limit recessionary impacts on the country, a programme of credit subsidies was arranged, updated during the year on the basis of regulatory measures as and when issued by the Government as support for the economy and based on various trade agreements.

In addition, in the first phase of the emergency, the Group prepared measures at its own initiative with characteristics similar to the government measures but suited to guaranteeing an immediate response to customer needs. The Bank's own measures were concluded as at 30 September 2020 and were not extended, whilst the trade association and government measures were extended in compliance with instructions received.

As regards the "forborne" qualification assigned as appropriate to transactions resulting from support measures imposed by the Government and trade associations in relation to the COVID-19 pandemic, the Group aligned with the EBA Guidelines on "General Payment Moratoria" issued and updated during 2020.

BAD LOANS - BREAKDOWN BY EXPOSURE	31/12/2020				31/12/2019			
Exposure	Amount	No. Posit.	% of tot. No.	% of tot. Amt	Amount	No. Posit.	% of tot. No.	% of tot. Amt
up to € 10 thousand	3,620	2,017	51.47%	1.05%	6,027	2,708	57.03%	1.53%
from € 10 to € 50 thousand	27,255	1,076	27.46%	7.92%	27,412	1,138	23.97%	6.94%
from € 50 to € 250 thousand	67,770	587	14.98%	19.68%	73,028	672	14.15%	18.49%
from € 250 to € 500 thousand	40,258	116	2.96%	11.69%	43,791	127	2.67%	11.09%
from € 500 to € 2,500 thousand	97,449	101	2.58%	28.31%	68,378	75	1.58%	17.31%
more than € 2,500 thousand	107,928	22	0.56%	31.35%	176,410	28	0.59%	44.66%
Total	**344,280**	**3,919**	**100.00%**	**100.00%**	**395,046**	**4,748**	**100.00%**	**100.00%**

BAD LOANS - BREAKDOWN BY AGEING	31/12/2020				31/12/2019			
Exposure	Amount	No. posit.	% of tot. No.	% of tot. Amt	Amount	No. posit.	% of tot. No.	% of tot. Amt
arising in 2020	157,891	867	22.12%	45.86%				
arising in 2019	44,799	508	12.96%	13.01%	107,256	1067	22.47%	27.15%
arising in 2018	22,765	411	10.49%	6.61%	39,373	899	18.93%	9.97%
arising in 2017	6,672	198	5.05%	1.94%	15,855	248	5.22%	4.01%
arising in 2016	44,622	316	8.06%	12.96%	97,829	427	8.99%	24.76%
arising in 2015	14,443	238	6.07%	4.20%	27,714	327	6.89%	7.02%
arising in 2014	17,918	210	5.36%	5.20%	26,497	280	5.90%	6.71%
arising in 2013	12,450	144	3.67%	3.62%	26,188	195	4.11%	6.63%
arising in 2012	6,269	154	3.93%	1.82%	9,527	201	4.23%	2.41%
arising in 2011	5,192	149	3.80%	1.51%	6,338	210	4.42%	1.60%
arising in 2010	11,259	724	18.47%	3.27%	38,469	894	18.84%	9.74%
Total	**344,280**	**3,919**	**100.00%**	**100.00%**	**395,046**	**4,748**	**100.00%**	**100.00%**

The tables above do not include interest on arrears considered entirely non-recoverable for € 41,190 thousand.

QUANTITATIVE INFORMATION
A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, WRITE-DOWNS, CHANGES, DISTRIBUTION BY BUSINESS ACTIVITY

1.1 CREDIT RISK

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	30,884	0	24	28,799	28,137	9,313	5,801	12,161	308,124
2. Financial assets measured at fair value through other comprehensive income	0	0	0	384	1,033	46	830	530	4,250
Total 2020	**30,884**	**0**	**24**	**29,183**	**29,170**	**9,359**	**6,631**	**12,691**	**312,374**
Total 2019	**44,229**	**0**	**0**	**29,988**	**26,823**	**65,317**	**4,871**	**10,833**	**391,542**

A.1.2 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN: CHANGES IN OVERALL VALUE ADJUSTMENTS AND TOTAL PROVISIONS Type/risk stages	Overall value adjustments									
	Assets included in stage 1					Assets included in stage 2				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Opening balance	**20,665**	**1,608**	**0**	**0**	**22,273**	**44,687**	**311**	**0**	**0**	**44,998**
Increases from purchased or originated credit impaired financial assets	4,468	364	0	0	4,832	1,250	0	0	0	1,250
Derecognitions other than write-offs	-671	-5	0	0	-676	-654	0	0	0	-654
Net losses/recoveries for credit risk	-5,909	-1,394	0	0	-7,303	2,314	62	0	0	2,376
Contractual changes without derecognition	0	0	0	0	0	0	0	0	0	0
Changes in estimation method	0	0	0	0	0	0	0	0	0	0
Write-offs not directly recorded in the income statement	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0
Closing balance	**18,553**	**573**	**0**	**0**	**19,126**	**47,597**	**373**	**0**	**0**	**47,970**
Recoveries from collections of financial assets subject to write-off	0	0	0	0	0	0	0	0	0	0
Write-offs directly recorded in the income statement	-148	0	0	0	-148	-97	0	0	0	-97

(Continued)

1.1 CREDIT RISK

Overall value adjustments - Assets included in stage 3: Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Of which: purchased or originated credit impaired financial assets	Total provisions for commitments to disburse funds and financial guarantees given: Stage 1	Stage 2	Stage 3	Total
396,779	**6,394**	**0**	**403,173**	**0**	**5,148**	**1,093**	**767**	**3,258**	**475,562**
193	0	0	193	0	168	503	158	0	6,936
-462	-188	0	-650	0	0	-286	-317	-87	-2,670
15,652	-193	0	15,459	0	-657	-18	504	-236	10,782
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
-71,939	0	0	-71,939	0	0	-2	0	-3	-71,944
0	0	0	0	0	0	-7	0	7	0
340,223	**6,013**	**0**	**346,236**	**0**	**4,659**	**1,283**	**1,112**	**2,939**	**418,666**
0	0	0	0	0	0	0	0	0	0
-13,511	0	0	-13,511	0	0	0	0	0	-13,756

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	298,028	91,076	81,012	6,235	30,746	3,428
2. Financial assets measured at fair value through other comprehensive income	355	0	74	0	1,616	0
3. Financial assets held for sale	0	0	0	0	0	0
4. Commitments to disburse funds and financial guarantees given	19,863	20,015	1,008	37	3,186	291
Total 2020	**318,246**	**111,091**	**82,094**	**6,272**	**35,548**	**3,719**
Total 2019	**1,991,233**	**296,666**	**51,370**	**29,915**	**44,086**	**1,149**

A.1.3a PRUDENTIAL CONSOLIDATION - LOANS SUBJECT TO COVID-19 SUPPORT MEASURES: TRANSFERS BETWEEN THE DIFFERENT CREDIT RISK STAGES (GROSS 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
A. Loans measured at amortised cost	**53,893**	**4,019**	**3,692**	**989**	**2,795**	**55**
A.1 forborne exposures compliant with the GL	43,645	3,035	3,686	972	2,740	30
A.2 subject to other forbearance measures	4,524					
A.3 new loans	5,724	984	6	17	55	25
B. Loans measured at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
B.1 forborne exposures compliant with the GL	0	0	0	0	0	0
B.2 subject to other forbearance measures	0	0	0	0	0	0
B.3 new loans	0	0	0	0	0	0
Total 2020	**53,893**	**4,019**	**3,692**	**989**	**2,795**	**55**

A.1.4 PRUDENTIAL CONSOLIDATION - BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET AMOUNTS	Gross exposure		Overall value adjustments and total provisions	Net Exposure	*Total partial write-offs**
Type of exposure/amounts	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	1,975,260	4	1,975,256	0
- of which: forborne exposures	X	0	0	0	0
Total (A)	**0**	**1,975,260**	**4**	**1,975,256**	**0**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	0	X	0	0	0
b) Performing	X	32,099	0	32,099	0
Total (B)	**0**	**32,099**	**0**	**32,099**	**0**
Total (A+B)	**0**	**2,007,359**	**0**	**2,007,355**	**0**

** Value to be presented for disclosure purposes*

The balance sheet exposures include loans to banks recorded in items 20 a), 20 c), 30 and 40 a).

The off-balance sheet exposures include all financial transactions other than on a cash basis (financial guarantees, commitments, derivatives) which involve the assumption of credit risk.

A.1.5 PRUDENTIAL CONSOLIDATION - BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS Type of exposure/amounts	Gross exposure		Overall value adjustments and total provisions	Net exposure	*Total partial write-offs**
	Non-performing	Performing			
A. BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	344,280	X	231,944	112,336	8,713
- of which: forborne exposures	59,189	X	38,649	20,540	0
b) Unlikely to pay	312,967	X	110,387	202,580	0
- of which: forborne exposures	161,031	X	53,020	108,011	0
c) Non-performing past due exposures	20,685	X	3,905	16,780	0
- of which: forborne exposures	6,571	X	1,092	5,479	0
d) Performing past due exposures	X	104,056	5,262	98,794	0
- of which: forborne exposures	X	18,406	1,299	17,107	0
e) Other performing exposures	X	10,166,433	61,853	10,104,580	0
- of which: forborne exposures	X	278,669	17,152	261,517	0
Total (A)	**677,932**	**10,270,489**	**413,351**	**10,535,070**	**8,713**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	23,032	X	2,938	20,094	0
b) Performing	X	1,896,185	2,395	1,893,790	0
Total (B)	**23,032**	**1,896,185**	**5,333**	**1,913,884**	**0**
Total (A+B)	**700,964**	**12,166,674**	**418,684**	**12,448,954**	**8,713**

** Value to be presented for disclosure purposes*

The table includes loans already written down in previous years for € 187 thousand.

The balance sheet exposures include loans to customers recorded in items 20 a) and 20 c), 30 and 40 b), as well as other financial assets comprised of non-banking securities included in items 20 c) and 30 of balance sheet assets; excluding equity securities and UCITS units.

The off-balance sheet exposures include all financial transactions other than on a cash basis (financial guarantees, commitments, derivatives).

A.1.5a PRUDENTIAL CONSOLIDATION - BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS SUBJECT TO COVID-19 SUPPORT MEASURES: GROSS AND NET AMOUNTS Type of exposure/amounts	Gross exposure	Overall value adjustments and total provisions	Net exposure	*Total partial write-offs**
A. Bad loan credit exposures:	**0**	**0**	**0**	**0**
a) Forborne exposures compliant with the GL	0	0	0	0
b) Subject to other forbearance measures	0	0	0	0
c) New loans	0	0	0	0
B. Unlikely to pay credit exposures:	**7,088**	**2,925**	**4,163**	**0**
a) Forborne exposures compliant with the GL	7,033	2,913	4,120	0
b) Subject to other forbearance measures			0	0
c) New loans	55	12	43	0
C. Non-performing past due credit exposures:	**104**	**26**	**78**	**0**
a) Forborne exposures compliant with the GL	73	20	53	0
b) Subject to other forbearance measures			0	0
c) New loans	31	6	25	0
D. Performing past due exposures:	**18,417**	**968**	**17,449**	**0**
a) Forborne exposures compliant with the GL	18,066	967	17,099	0
b) Subject to other forbearance measures	0	0	0	0
c) New loans	351	1	350	0
E. Other performing exposures	**987,086**	**13,215**	**973,871**	**0**
a) Forborne exposures compliant with the GL	817,030	12,898	804,132	0
b) Subject to other forbearance measures	4,909	167	4,742	0
c) New loans	165,147	150	164,997	0
Total (A+B+C+D+E)	**1,012,695**	**17,134**	**995,561**	**0**

1.1 CREDIT RISK

A.1.6 PRUDENTIAL CONSOLIDATION - BALANCE SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS NON-PERFORMING LOANS Source/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Gross exposure, opening balance	**16**	**5**	**1**
- of which: transferred but not derecognised	0	0	0
B. Increases	**0**	**0**	**0**
B.1 transfers from performing loans	0	0	0
B.2 transfers from purchased or originated credit impaired financial assets	0	0	0
B.3 transfers from other categories of non-performing exposures	0	0	0
B.4 contractual changes without derecognition	0	0	0
B.5 other increases	0	0	0
C. Decreases	**16**	**5**	**1**
C.1 transfers to performing loans	0	0	0
C.2 write-offs	0	0	0
C.3 collections	0	0	0
C.4 amount realised upon disposal of positions	0	0	0
C.5 losses on disposal	0	0	0
C.6 transfers to other categories of non-performing exposures	0	0	0
C.7 Contractual changes without derecognition	0	0	0
C.8 other decreases	16	5	1
D. Gross exposure, closing balance	**0**	**0**	**0**
- of which: transferred but not derecognised	0	0	0

A.1.7 PRUDENTIAL CONSOLIDATION - BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS NON-PERFORMING LOANS Source/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Gross exposure, opening balance	**395,031**	**362,272**	**53,094**
- of which: transferred but not derecognised	36,209	32,699	11,483
B. Increases	**178,538**	**195,957**	**61,763**
B.1 transfers from performing loans	951	79,864	57,595
B.2 transfers from purchased or originated credit impaired financial assets	0	0	166
B.3 transfers from other categories of non-performing exposures	176,963	65,813	917
B.4 contractual changes without derecognition	0	0	0
B.5 other increases	624	50,280	3,085
C. Decreases	**229,289**	**245,262**	**94,172**
C.1 transfers to performing loans	186	8,257	23,428
C.2 write-offs	175,273	0	0
C.3 collections	53,082	59,440	5,282
C.4 amount realised upon disposal of positions	0	0	0
C.5 losses on disposal	0	0	0
C.6 transfers to other categories of non-performing exposures	488	177,488	65,395
C.7 Contractual changes without derecognition	0	0	0
C.8 other decreases	260	77	67
D. Gross exposure, closing balance	**344,280**	**312,967**	**20,685**
- of which: transferred but not derecognised	36,209	32,699	11,483

A.1.7 bis 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	**198,749**	**260,583**
- of which: transferred but not derecognised	13,666	60,354
B. Increases	**75,525**	**194,490**
B.1 transfers from performing loans not forborne	587	103,215
B.2 transfers from performing loans forborne	52,186	X
B.3 transfers from non-performing loans forborne	X	7,074
B.4 transfers from non-performing loans not forborne	17,947	916
B.5 other increases	4,805	83,285
C. Decreases	**47,483**	**157,998**
C.1 transfers to performing loans not forborne	X	40,106
C.2 transfers to performing loans forborne	7,074	X
C.3 transfers to non-performing loans forborne	X	52,186
C.4 write-offs	17,796	X
C.5 collections	22,613	57,176
C.6 amount realised upon disposal of positions	0	0
C.7 losses on disposal	0	0
C.8 other decreases	0	8,530
D. Gross exposure, closing balance	**226,791**	**297,075**
- of which: transferred but not derecognised	13,624	80,283

1.1 CREDIT RISK

A.1.8 PRUDENTIAL CONSOLIDATION - BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO BANKS: CHANGES IN OVERALL VALUE ADJUSTMENTS	Bad loans		Unlikely to pay		Non-performing past due exposures	
Source/Categories	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of overall adjustments	**2**	**0**	**1**	**0**	**0**	**0**
- of which: transferred but not derecognised	0	0	0	0	0	0
B. Increases	**0**	**0**	**0**	**0**	**0**	**0**
B.1 value adjustments purchased or originated credit impaired assets	0	X	0	X	0	X
B.2 other value adjustments	0	0	0	0	0	0
B.3 Losses on disposal	0	0	0	0	0	0
B.4 transfers from other categories of non-performing exposures	0	0	0	0	0	0
B.5 contractual changes without derecognition	0	0	0	0	0	0
B.6 other increases	0	0	0	0	0	0
C. Decreases	**2**	**0**	**1**	**0**	**0**	**0**
C.1 write-backs from valuation	2	0	1	0	0	0
C.2 write-backs from collection	0	0	0	0	0	0
C.3 gains on disposal	0	0	0	0	0	0
C.4 write-offs	0	0	0	0	0	0
C.6 transfers to other categories of non-performing exposures	0	0	0	0	0	0
C.6 contractual changes without derecognition	0	0	0	0	0	0
C.7 other decreases	0	0	0	0		0
D. Closing balance of overall adjustments	**0**	**0**	**0**	**0**	**0**	**0**
- of which: transferred but not derecognised	0	0	0	0	0	0

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	**269,622**	**14,882**	**123,727**	**49,240**	**9,821**	**3,225**
- of which: transferred but not derecognised	16,481	411	6,968	2297	2,088	712
B. Increases	**159,542**	**42,195**	**57,537**	**32,783**	**3,517**	**940**
B.1 value adjustments purchased or originated credit impaired assets	1454	X	100	X	10	X
B.2 other value adjustments	75,920	19257	51,118	27,681	3,479	940
B.3 Losses on disposal	21,792	36	0	0	0	0
B.4 transfers from other categories of non-performing exposures	60,376	22,902	6,319	5102	28	0
B.5 contractual changes without derecognition	0	0	0	0	0	0
B.6 other increases	0	0	0	0	0	0
C. Decreases	**197,220**	**18,428**	**70,877**	**29,003**	**9,433**	**3,073**
C.1 write-backs from valuation	11,119	132	6,536	2,657	899	306
C.2 write-backs from collection	9,918	500	4,514	1,025	424	85
C.3 gains on disposal	0	0	0	0	0	0
C.4 write-offs	175,273	17,796	0	0	0	0
C.6 transfers to other categories of non-performing exposures	175	0	58,437	25321	8,109	2,682
C.6 contractual changes without derecognition	0	0	0	0	0	0
C.7 other decreases	735	0	1,390	0	1	0
D. Closing balance of overall adjustments	**231,944**	**38,649**	**110,387**	**53,020**	**3,905**	**1,092**
- of which: transferred but not derecognised	14,782	1044	5,423	1,768	666	108

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	**5,520**	**497**	**2,920,203**	**188,038**	**0**	**0**	**9,391,730**	**12,505,988**
- Stage 1	5,520	497	2,920,203	188,038	0	0	7,872,196	10,986,454
- Stage 2	0	0	0	0	0	0	853,225	853,225
- Stage 3	0	0	0	0	0	0	666,309	666,309
B. Financial assets measured at fair value through other comprehensive income	**190**	**38**	**255,265**	**0**	**0**	**0**	**118,227**	**373,720**
- Stage 1	190	38	255,265	0	0	0	104,768	360,261
- Stage 2	0	0	0	0	0	0	1,836	1,836
- Stage 3	0	0	0	0	0	0	11,623	11,623
C. Financial assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Stage 1	0	0	0	0	0	0	0	0
- Stage 2	0	0	0	0	0	0	0	0
- Stage 3	0	0	0	0	0	0	0	0
Total (A+B+C)	**5,710**	**535**	**3,175,468**	**188,038**	**0**	**0**	**9,509,957**	**12,879,708**
of which: purchased or originated credit impaired financial assets	0	0	0	0	0	0	21,358	21,358
D. Commitments to disburse funds and financial guarantees given								
- Stage 1	981	1,393	0	0	0	0	1,715,767	1,718,141
- Stage 2	0	11	0	0	0	0	43,252	43,263
- Stage 3	0	0	0	0	0	0	19,314	19,314
Total (D)	**981**	**1,404**	**0**	**0**	**0**	**0**	**1,778,333**	**1,780,718**
Total (A+B+C+D)	**6,691**	**1,939**	**3,175,468**	**188,038**	**0**	**0**	**11,288,290**	**14,660,426**

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

1.1 CREDIT RISK

A.2.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BY INTERNAL RATING CLASS (GROSS VALUES)	Internal rating classes					
Exposures	class 1	class 2	class 3	class 4	class 5	class 6
A. Financial assets measured at amortised cost	**331,089**	**524,027**	**1,007,688**	**1,209,367**	**1,327,755**	**852,822**
- Stage 1	330,103	521,928	996,854	1,187,568	1,206,741	724,055
- Stage 2	986	2,099	10,834	21,799	121,014	128,767
- Stage 3	0	0	0	0	0	0
B. Financial assets measured at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
- Stage 1	0	0	0	0	0	0
- Stage 2	0	0	0	0	0	0
- Stage 3	0	0	0	0	0	0
C. Financial assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**
- Stage 1	0	0	0	0	0	0
- Stage 2	0	0	0	0	0	0
- Stage 3	0	0	0	0	0	0
Total (A+B+C)	**331,089**	**524,027**	**1,007,688**	**1,209,367**	**1,327,755**	**852,822**
of which: purchased or originated credit impaired financial assets	0	56	25	102	3,866	1,107
D. Commitments to disburse funds and financial guarantees given						
- Stage 1	310,577	264,524	340,776	404,971	150,619	83,512
- Stage 2	20	220	545	974	10,590	7,514
- Stage 3						
Total (D)	**310,597**	**264,744**	**341,321**	**405,945**	**161,209**	**91,026**
Total (A+B+C+D)	**641,686**	**788,771**	**1,349,009**	**1,615,312**	**1,488,964**	**943,848**

(Continued)

1.1 CREDIT RISK

Internal rating classes						Total
class 7	class 8	class 9	class 10	class 11	no rating	
425,826	**2,022,206**	**178,951**	**138,249**	**662,817**	**3,825,191**	**12,505,988**
289,020	1,885,308	19,795	4,475	0	3,820,607	10,986,454
136,806	136,898	159,156	133,774	0	1,092	853,225
0	0	0	0	662,817	3,492	666,309
0	**0**	**0**	**0**	**0**	**373,720**	**373,720**
0	0	0	0	0	360,261	360,261
0	0	0	0	0	1,836	1,836
0	0	0	0	0	11,623	11,623
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
425,826	**2,022,206**	**178,951**	**138,249**	**662,817**	**4,198,911**	**12,879,708**
301	952	525	716	11,626	2,082	21,358
						0
27,074	8,644	2,649	718		124,077	1,718,141
7,098	4,548	6,810	4,689		255	43,263
				15,587	3,727	19,314
34,172	**13,192**	**9,459**	**5,407**	**15,587**	**128,059**	**1,780,718**
459,998	**2,035,398**	**188,410**	**143,656**	**678,404**	**4,326,970**	**14,660,426**

Internal ratings are not used in the capital requirements calculation.

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	
			Property - mortgages	Property - Lease loans	Securities	Other collateral	CLN	Other derivatives
								Central Counterparties
1. Secured balance sheet credit exposures:	**8**	**4**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 totally secured	8	4	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0
1.2 partially secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0
Secured off-balance sheet credit exposures:	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 totally secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0
2.2 partially secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0

(Continued)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature loans				
	Other derivatives							
	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	
1. Secured balance sheet credit exposures:	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 totally secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0
1.2 partially secured	0	0	0	0	0	0	0	0
- of which non-performing	0	0	0	0	0	0	0	0
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

1.1 CREDIT RISK

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 - Lease loans	Securities	Other collateral	CLN	Central Counterparties
1. Secured balance sheet credit exposures:	**6,530,375**	**6,166,169**	**3,721,663**	**0**	**100,173**	**308,949**	**0**	**0**
1.1 totally secured	5,696,175	5,422,628	3,661,279	0	78,765	302,460	0	0
- of which non-performing	496,145	276,016	234,533	0	827	4,504	0	0
1.2 partially secured	834,200	743,541	60,384	0	21,408	6,489	0	0
- of which non-performing	118,721	34,400	19,068	0	431	89	0	0
2. Secured off-balance sheet credit exposures:	**637,005**	**633,994**	**7,181**	**0**	**16,778**	**11,794**	**0**	**0**
2.1 totally secured	495,121	492,494	7,142	0	10,155	10,083	0	0
- of which non-performing	11,973	10,548	9	0	36	734	0	0
2.2 partially secured	141,884	141,500	39	0	6,623	1,711	0	0
- of which non-performing	369	344	0	0	20	45	0	0

(Continued)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature loans				
	Other derivatives							
	Banks	Other financial	Other entities	Public administration	Banks	Other financial companies	Other entities	
1. Secured balance sheet credit exposures:	**0**	**0**	**0**	**813,632**	**77**	**11,350**	**832,533**	**5,788,377**
1.1 totally secured	0	0	0	501,814	0	7,144	585,002	5,136,464
- of which non-performing	0	0	0	6,454	0	944	19,748	267,010
1.2 partially secured	0	0	0	311,818	77	4,206	247,531	651,913
- of which non-performing	0	0	0	2,633	0	1190	6,809	30,220
2. Secured off-balance sheet credit exposures:	**0**	**0**	**0**	**64,816**	**0**	**16,922**	**480,117**	**597,608**
2.1 totally secured	0	0	0	34,036	0	12,823	417,668	491,907
- of which non-performing	0	0	0	4	0	874	8,891	10,548
2.2 partially secured	0	0	0	30,780	0	4099	62,449	105,701
- of which non-performing	0	0	0	0	0	12	253	330

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	Public administration		Financial companies		Financial companies (of which: insurance companies)	
Exposures/Counterparties	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures						
A.1 Bad loans	205	150	171	716	0	0
- of which: forborne exposures	0	0	0	0	0	0
A.2 Unlikely to pay	14	6	127	694	0	9
- of which: forborne exposures	0	0	0	0	0	0
A.3 Non-performing past due exposures	39	18	2	0	0	0
- of which: forborne exposures	0	0	0	0	0	0
A.4 Performing exposures	3,543,050	2,501	245,799	1,054	4,683	90
- of which: forborne exposures	0	0	119	4	0	0
Total (A)	**3,543,308**	**2,675**	**246,099**	**2,464**	**4,683**	**99**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	0	0	0	0	0	0
B.2 Performing exposures	227,099	10	50,872	111	51	3
Total (B)	227,099	10	50,872	111	51	3
Total (A+B) 2020	**3,770,407**	**2,685**	**296,971**	**2,575**	**4,734**	**102**
Total (A+B) 2019	**4,216,975**	**4,210**	**594,180**	**3,449**	**1,990**	**136**

(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	65,088	163,639	46,872	67,439
- of which: forborne exposures	12,060	28,580	8,480	10,069
A.2 Unlikely to pay	130,773	79,838	71,666	29,849
- of which: forborne exposures	80,274	40,815	27,737	12,205
A.3 Non-performing past due exposures	3,273	801	13,466	3,086
- of which: forborne exposures	2,018	301	3,461	791
A.4 Performing exposures	2,580,080	32,432	3,834,445	31,128
- of which: forborne exposures	136,208	8,981	142,297	9,466
Total (A)	**2,779,214**	**276,710**	**3,966,449**	**131,502**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	18,463	2,601	1,631	337
B.2 Performing exposures	1,386,642	1,730	229,177	544
Total (B)	1,405,105	4,331	230,808	881
Total (A+B) 2020	**4,184,319**	**281,041**	**4,197,257**	**132,383**
Total (A+B) 2019	**3,950,702**	**307,799**	**4,204,473**	**160,057**

B.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURES TO CUSTOMERS BY GEOGRAPHIC AREA	Italy		Other European countries		America		Asia		Rest of the world	
Exposures/Geographic areas	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures										
A.1 Bad loans	112,099	231,816	237	128	0	0	0	0	0	0
A.2 Unlikely to pay	201,262	108,992	1,318	1,395	0	0	0	0	0	0
A.3 Non-performing past due exposures	16,778	3,904	2	1	0	0	0	0	0	0
A.4 Performing exposures	9,785,115	66,846	417,745	263	35	0	209	6	270	0
Total (A)	**10,115,254**	**411,558**	**419,302**	**1,787**	**35**	**0**	**209**	**6**	**270**	**0**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	20,094	2,938	0	0	0	0	0	0	0	0
B.2 Performing exposures	1,890,946	2,395	1,727	0	1,009	0	102	0	6	0
Total (B)	**1,911,040**	**5,333**	**1,727**	**0**	**1,009**	**0**	**102**	**0**	**6**	**0**
Total (A+B) 2020	**12,026,294**	**416,891**	**421,029**	**1,787**	**1,044**	**0**	**311**	**6**	**276**	**0**
Total (A+B) 2019	**12,944,696**	**473,993**	**19,888**	**1,508**	**1,053**	**5**	**394**	**8**	**299**	**1**

B.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURES TO CUSTOMERS 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	99,841	222,024	1,281	2,319	9,190	4,552	1,787	2,921
A.2 Unlikely to pay	192,978	104,815	2,262	1,317	2,669	911	3,353	1,949
A.3 Non-performing past due exposures	15,027	3,629	486	69	462	84	803	122
A.4 Performing exposures	6,006,510	62,410	193,795	806	3,394,568	2,479	190,242	1,151
Total (A)	**6,314,356**	**392,878**	**197,824**	**4,511**	**3,406,889**	**8,026**	**196,185**	**6,143**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	19,120	2,656	182	31	300	107	492	144
B.2 Performing exposures	1,821,845	2,227	27,591	43	33,657	66	7,853	59
Total (B)	1,840,965	4,883	27,773	74	33,957	173	8,345	203
Total (A+B) 2020	**8,155,321**	**397,761**	**225,597**	**4,585**	**3,440,846**	**8,199**	**204,530**	**6,346**
Total (A+B) 2019	**8,246,685**	**430,173**	**190,019**	**3,998**	**4,322,405**	**34,094**	**185,587**	**5,728**

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	
A.3 Non-performing past due exposures	0	0	0	0	0	0	0	0	0	
A.4 Performing exposures	1,858,819	4	112,359	0	2,650	0	44	0	1,384	0
Total (A)	**1,858,819**	**4**	**112,359**	**0**	**2,650**	**0**	**44**	**0**	**1,384**	**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	29,612	0	2,487							
Total (B)	29,612	0	2,487	0	0	0	0	0	0	0
Total (A+B) 2020	**1,888,431**	**4**	**114,846**	**0**	**2,650**	**0**	**44**	**0**	**1,384**	**0**
Total (A+B) 2019	**490,164**	**52**	**94,569**	**0**	**3,979**	**0**	**75**	**0**	**777**	**0**

B.3 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS 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	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	6,384	1	4	1	1,852,397	1	34	1
Total (A)	**6,384**	**1**	**4**	**1**	**1,852,397**	**1**	**34**	**1**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	0	0	0	0	0	0	0	0
B.2 Performing exposures	29,611	0	0	0	1	0	0	0
Total (B)	29,611	0	0	0	1	0	0	0
Total (A+B) 2020	**35,995**	**1**	**4**	**1**	**1,852,398**	**1**	**34**	**1**
Total (A+B) 2019	**74,944**	**2**	**6**	**0**	**415,148**	**35**	**66**	**15**

B.4 LARGE EXPOSURES	2020 - Cassa di Risparmio di Asti S.p.A. Group Consolidation
Number of positions	6
Amount (nominal value)	6,977,722
Amount (weighted value)	552,637

The large risks reported to the Bank of Italy consist of:

- exposures to the Italian State relating to the nominal value of € 4,476,738 in securities held in the portfolio and DTA, with an overall weighting of € 185,188;
- exposures to credit institutions, financial institutions and SGRs for a nominal amount of € 448,887, with an overall weighting of € 29,066;
- exposure to the Bank of Italy for a nominal amount of € 625,715 and with an overall weighting of € 225,000;
- exposure to Cassa Compensazione e Garanzia for a nominal amount of € 307,717 and with a weighting of zero.

C. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

QUALITATIVE AND QUANTITATIVE INFORMATION

Cassa di Risparmio di Asti S.p.A. (originator) has carried out six securitisation transactions on its own behalf: the first three were carried out with the same special purpose vehicle named Asti Finance S.r.l., with registered office in Rome, Via Curtatone no. 3, 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 Curtatone no. 3, 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 Curtatone no. 3, 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 Curtatone no. 3, registered in the Rome Register of Companies no. 11663011002, registered in the list of special purpose securitisation vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35012.4 (hereinafter, all referred to as “SPV”).

Along with Biverbanca S.p.A., Cassa di Risparmio di Asti S.p.A. also performed three multi-originator securitisation transactions: the first in 2015 (first multi-originator transaction), with the special purpose vehicle named Asti Group RMBS S.r.l., with registered office in Rome, Via Curtatone no. 3, 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 was concluded in March 2017, with the special purpose vehicle named Asti Group PMI S.r.l., with registered office in Rome, Via Curtatone no. 3, 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. 33533.0. The third multi-originator securitisation transaction was concluded in June 2019, with the special purpose vehicle named Asti Group RMBS II S.r.l., with registered office in Rome, Via Curtatone no. 3, registered in the Rome Register of Companies no. 152897710 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35584.2.

The second multi-originator transaction (self-securitisation), for which the two Group Banks subscribed all liabilities issued at the time of issue, is not described in this part. For a description of that transaction, please refer to section 1.4 - "Liquidity risk".

For the securitisations, each Originator signed a specific servicing agreement with the SPV, have been entered into between the Group companies and the SPVs, in which Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. (Servicers) were engaged to perform, in the name and on behalf of the SPV, the activity of administration and collection of loans transferred, as well as manage any debt collection procedures.

As the results/benefits of the above-mentioned securitisation transactions were not fully transferred to the loan transferee (SPV), the Group banks, in compliance with IAS 9, has recognised amongst its assets 100% of the securitised loans, likewise recording a financial liability for the consideration, when received, net of notes repurchased as well as cash reserves. Income from the transferred assets and the expenses of the financial liability net of interest relating to repurchased notes are recognised in the income statement. Therefore, as concerns the monitoring and assessment of the risks connected to securitisations, please refer to the analyses performed in Part E of the Notes to the consolidated financial statements relating to Credit Risk.

For the purposes of the application of the accounting standards endorsed with Regulation no. 1254 by the European Commission, IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28, applicable on a compulsory basis as of 1 January 2014, the SPVs were included in the scope of line-by-line consolidation of the Group starting from the year 2014.
From the organisational perspective, the Credit Department is responsible for managing administrative/accounting activities relating to securitisation transactions and the periodic production of all reporting required by the servicing agreements.
The servicing activities are subject to controls by the Internal Audit Function - Bank Internal Auditing Office, the results of which are submitted to the Board of Directors which reviews them during special meetings with the participation of the Board of Statutory Auditors.

In the course of 2018, Cassa di Risparmio di Asti S.p.A. finalised along with Biverbanca S.p.A., pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer of a portfolio of bad loans to the special purpose vehicle Maggese S.r.l., with registered office in Rome, Via Curtatone no. 3, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, at no. 35475.3.

In the course of 2019, Cassa di Risparmio di Asti S.p.A. also finalised along with Biverbanca S.p.A., pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer of a portfolio of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., with registered office in Conegliano (TV), Via Vittorio Alfieri no. 1, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35670.9.

In the course of 2020, Cassa di Risparmio di Asti S.p.A. also finalised along with Biverbanca S.p.A., pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer of a portfolio of bad loans to the special purpose vehicle POP NPLs 2020 S.r.l., with registered office in Rome, Via Piemonte no. 38, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35758.2.

The company Pitagora Finanziamenti Contro Cessione del Quinto S.p.A. has carried out seven securitisation transactions on salary and pension assignment loans.
The first transaction was concluded with the special purpose vehicle Madeleine SPV S.r.l., with registered office in Conegliano Veneto (TV), via Vittorio Alfieri 1, registered in the Treviso-Belluno Register of Companies at no. 04559650264, registered in the list of special purpose securitisation vehicles established at the Bank of Italy at no. 35070.2.
The second transaction (closed in February 2017) was concluded with the special purpose vehicle Frida SPV S.r.l. with registered office in Milan, via Fara Gustavo no. 26, registered in the Milan Register of Companies at no. 08566680966, registered in the list of special purpose securitisation vehicles established at the Bank of Italy at no. 35147.8.
The third transaction (closed in November 2019) 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 securitisation vehicles established at the Bank of Italy at no. 35297.1, which was later taken over by Dyret SPV S.r.l., with registered office in Milan,

via Fara Gustavo no. 26, registered in the Milan Register of Companies at no. 08575290963 and registered in the list of securitisation vehicles established at the Bank of Italy no. 35125.4.
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 (closed in October 2019) was concluded with the special purpose vehicle Geordie SPV S.r.l., with registered office in Conegliano Veneto (TV), via Vittorio Alfieri 1, 31015, registered in the Treviso-Belluno Register of Companies at no. 04956000261, registered in the list of special purpose vehicles established at the Bank of Italy at no. 35476.1.
The seventh transaction was concluded with the special purpose vehicle Petilia Finance S.r.l., with registered office in Milan (MI), via Vittoria Betteloni 2, 20131, registered in the Milan Monza Brianza Lodi Register of Companies at no. 11024420967, registered in the list of special purpose vehicles established at the Bank of Italy at no. 35671.7.

As part of the transactions described above, the Company performs servicing activities on the loans transferred to the SPVs and sub-servicers for the Dyret SPV S.r.l. transaction, collecting on their behalf the loan repayment instalments, managing past-due recovery activities and requests for compensation from Insurance Companies following loss events. The collections received on the transferred loans are transferred daily to the SPVs, in their respective current accounts.

Details are provided below of transactions performed by the Group, except the first and fourth transactions referring to the Parent Company, as these closed in 2017 and 2014, respectively, and the second, third and sixth transactions referring to the subsidiary Pitagora S.p.A., which closed in 2017 and 2019, respectively.

INFORMATION RELATING TO THE SECOND SECURITISATION TRANSACTION

On 22 May 2008, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out the second traditional securitisation transaction through the non-recourse transfer to the SPV of real estate mortgages and residential mortgages for a total of € 513,122 thousand, all belonging to the “performing” category. The loans were transferred at their carrying amount. On the same date, the servicing agreement was entered into between Cassa di Risparmio di Asti S.p.A. and the SPV.
Notes totalling € 513,100 thousand were issued against the transferred loans. On the notes issued by the SPV, a repayment plan has been established which began in November 2009, determined on the basis of the availability of sums collected on the loans.

The aim of the securitisation transaction is to diversify the sources of funds and funding pools (institutional rather than retail) and create matching between assets and liabilities, balancing average funding and lending times.
The senior notes, issued and originally repurchased by Cassa di Risparmio di Asti S.p.A., were transferred in part to institutional investors; the remainder, which remained owned, which was periodically used as collateral in financing transactions with the European Central Bank, providing Cassa di Risparmio di Asti S.p.A. with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial requirements, was transferred in 2014.

Type of Note	*Rating as at 31/12/2020 S&P/Moody's*	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2020	Residual value as at 31/12/2020
Class A	AA/Aa3	6M Euribor + 0.60%	23/5/2008	27/5/2050	479,750	468,488	11,262
Class B	no rating	6M Euribor + 2.00% (*)	23/5/2008	27/5/2050	33,350	0	33,350
Total					**513,100**	**468,488**	**44,612**

(*) The excess spread is also paid to class B as an additional coupon.

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 33,350 thousand.

In the second securitisation, Cassa di Risparmio di Asti S.p.A. disbursed a loan with limited enforceability, of € 12,878 thousand, crediting to the SPV the amount of € 12,828 thousand for the cash reserve and € 50 thousand for the provision for operating expenses.
The SPV pays the excess spread to Cassa di Risparmio di Asti S.p.A. on a half-yearly basis, as additional remuneration on the class B note (junior note); this is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.
As at 31 December 2020, 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 2020 amount to:

- notes repurchased (accounting balance) € 33,350 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 12,828 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand.

In order to guarantee to noteholders the regularity of coupon flows, indexed to different parameters than the loans, 3 derivative contracts ("amortising" interest rate

swaps) were entered into with a maximum maturity of 2042; the swaps were entered into between Cassa di Risparmio di Asti S.p.A. and Citibank N.A.
The swap agreements substantially mirror those which Citibank N.A. entered into with the SPV. The flows of the swaps entered into are calculated taking into account three types of cash flows present on the loans: the transferred loan portfolio indeed consists of fixed and variable rate real estate mortgages and residential mortgages and, in turn, the variable rate mortgages call for two repricings at different dates.
On a half-yearly basis, the SPV pays interest accrued on the loans, net of the spread, to Citibank N.A. and receives the 6M Euribor (against the swap entered into); Citibank N.A. in turn pays the amount received from the SPV to Cassa di Risparmio di Asti S.p.A. and receives the 6M Euribor; the offsetting swaps enable the SPV to collect the 6M Euribor, which is the calculation basis for the coupon on the notes. The nominal value of the swaps reduces in proportion with reductions in the securitised loans. The specular nature of the 3 swap agreements became necessary as Cassa di Risparmio di Asti S.p.A. does not have a public rating; Citibank N.A. has a long-term rating from Moody's of A1.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 53,112 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	985	interest expense on notes issued	699
other revenues	60	interest expense on derivative contract	315
		servicing fee expense	52
		other interest expense	410
		other expenses	90
		losses on loans	937
Total	**1,045**	**Total**	**2,503**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 4,283 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 1,420 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 584 thousand, was fully allocated against a reduction in interest expense on the notes issued.
The valuations of derivative contracts entered into by the SPV with Citibank N.A. resulted in the recognition in the Bank income statement of € 519 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 € 519 thousand in capital losses, as well as interest income of € 315 thousand.

INFORMATION RELATING TO THE THIRD SECURITISATION TRANSACTION

On 16 November 2010, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out the third securitisation transaction through the non-recourse transfer to the SPV Asti Finance S.r.l. of real estate mortgages and residential mortgages for a total of € 473,449 thousand, all belonging to the "performing" category. The loans were transferred at their carrying amount. Also in this third transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as servicer.
Against the mortgages transferred, notes were issued for € 473,400 thousand, originally entirely repurchased by Cassa di Risparmio di Asti S.p.A. The amount was settled on 17/11/2010 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.
The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.
The third securitisation was originally a "self-securitisation": the relative senior notes issued and not transferred to institutional investors but directly repurchased by Cassa di Risparmio di Asti S.p.A., were used as collateral in financing transactions with the European Central Bank, providing the Bank with a liquidity reserve available for short-term ordinary operations as well as to handle temporary unexpected financial requirements and were transferred in the month of November 2014.

Type of Note	*Rating as at 31/12/2020 S&P/Moody's*	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2020	Residual value as at 31/12/2020
Class A	AA/Aa3	3M Euribor + 0.60%	17/11/2010	27/5/2052	427,000	392,493	34,507
Class B	no rating	3M Euribor + 2.00% (*)	17/11/2010	27/5/2052	46,400	0	46,400
Total					**473,400**	**392,493**	**80,907**

(*) The excess spread is also paid to class B as an additional coupon.

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 46,400 thousand.
Like in the second transaction, also the third securitisation, Cassa di Risparmio di Asti S.p.A. disbursed a loan with limited enforceability, of € 18,986 thousand, crediting to the SPV the amount of € 18,936 thousand for the cash reserve and € 50 thousand for the provision for operating expenses.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

The SPV pays the excess spread to Cassa di Risparmio di Asti S.p.A. on a quarterly basis, as additional remuneration on the class B note (junior note); this is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs, interest expense relating to the bond loans paid during the same period and any other priority outlay in the payment waterfall.

As at 31 December 2020, Cassa di Risparmio di Asti S.p.A. essentially retains the credit risk connected to the securitised loans, which the Bank continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserve and the provision for expenses disbursed to the vehicle and the excess spread to be collected, which as at 31 December 2020 amount to:

- notes repurchased (accounting balance) € 46,400 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 8,030 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand.
- receivable from the SPV for excess spread accrued € 7,464 thousand.

As for the second securitisation transaction, in order to guarantee to noteholders the regularity of coupon flows, indexed to different parameters than the loans, 3 derivative contracts (“amortising” interest rate swaps) were entered into with a maximum maturity of 2052; the swaps were entered into between Banca di Asti and Intesa Sanpaolo. The swap agreements substantially mirror those which Banca Intesa San Paolo 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 Intesa Sanpaolo and receives the 3M Euribor (against the swap entered into); Intesa Sanpaolo 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; Intesa Sanpaolo has a long-term rating from S&P of BBB, from Moody’s of A3 and from Fitch of BBB.

The securitised loan assets were recognised in these financial statements under the item “Loans and advances to customers” in the amount of € 93,206 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	1,800	interest expense on notes issued	877
other revenues	12	interest expense on derivative contract	506
		servicing fee expense	97
		other interest expense	281
		other expenses	114
		losses on loans	971
Total	**1,812**	**Total**	**2,846**

The valuation of the securitised loans at their estimated realisable value entailed the recognition of € 5,010 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 1,355 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 731 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 Intesa Sanpaolo resulted in the recognition in the Bank income statement of € 2,484 thousand in capital gains, while the derivative contracts entered into between Intesa Sanpaolo and Cassa di Risparmio di Asti S.p.A. resulted in the recognition of € 2,484 thousand in capital losses, as well as interest income of € 506 thousand.

INFORMATION RELATING TO THE FIFTH SECURITISATION TRANSACTION

On 20 November 2012, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out its fifth securitisation transaction on its own behalf, with the special purpose vehicle Asti RMBS S.r.l., with registered office in Rome, via Curtatone no. 3, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35045.4. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, for a total of € 498,929 thousand, all belonging to the “performing” category. The loans were transferred at their carrying amount. Also in this transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as servicer.

Against the mortgages transferred, notes were issued for € 498,900 thousand, entirely repurchased by Cassa di Risparmio di Asti S.p.A. The amount was settled on 21/12/2012 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.
The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.
The fifth securitisation was originally a “self-securitisation”: the relative notes issued and not transferred to institutional investors but directly repurchased by Cassa di Risparmio di Asti S.p.A., were used as collateral in financing transactions with the

European Central Bank, providing the Bank with a liquidity reserve available for short-term ordinary operations as well as to handle temporary unexpected financial requirements, and were transferred in the month of February 2014.

Type of Note	*Rating as at* 31/12/2020 S&P/Fitch	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 31/12/2020	Residual value as at 31/12/2020
Class A	AA/AA-	3M Euribor + 1.25% (*)	21/12/2012	27/12/2060	411,000	319,339	91,661
Class B	no rating	3M Euribor + 1.50% (**)	21/12/2012	27/12/2060	87,900	0	87,900
Total					**498,900**	**319,339**	**179,561**

(*) Cap equal to 5%

(**) The excess spread is also paid to class B as an additional coupon (additional remuneration).

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 87,900 thousand.

Like in the other transactions, also the fifth securitisation, Cassa di Risparmio di Asti S.p.A. disbursed a loan with limited enforceability of € 15,050 thousand, crediting to the SPV the amount of € 15,000 thousand for the cash reserve and € 50 thousand for the provision for operating expenses.

In view of the spread of the COVID-19 pandemic, supplementing the moratoria envisaged in Art. 54 and Art. 56 of the "Cura Italia" Decree, Cassa di Risparmio di Asti S.p.A. offered all its customers - including borrowers of loans transferred - the option of requesting suspension of the instalments due. To overcome the consequences of voluntary suspensions, Cassa di Risparmio di Asti S.p.A. was willing to transfer additional loans with limited enforceability to the SPV, to be disbursed in one or more tranches for a maximum equal to the amount of the voluntary suspensions granted up to 31 December 2020. During the year, therefore, an "additional loan" of around € 1,590 thousand was disbursed.

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 Cassa di Risparmio di Asti S.p.A., based on available financial resources, when the notes are repaid; at 31 December 2020, it amounts to € 29,197 thousand.

As at 31 December 2020, Cassa di Risparmio di Asti S.p.A. essentially retains the credit risk connected to the securitised loans, which the Bank continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserve and the provision for expenses disbursed to the vehicle and the excess spread to be collected, which as at 31 December 2020 amount to:

- notes repurchased (accounting balance) € 87,900 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 16,640 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand;
- receivable from the SPV for excess spread accrued € 29,197 thousand.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 225,830 thousand.
The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	4,355	interest expense on notes issued	1,890
		servicing fee expense	225
		other interest expense	158
		other expenses	150
		losses on loans	1,160
Total	**4,355**	**Total**	**3,583**

The valuation of the securitised loans at their estimated realisable value entailed the recognition of € 7,876 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 837 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 981 thousand, was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE FIRST MULTI-ORIGINATOR SECURITISATION TRANSACTION

On 11 August 2015, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. carried out the first multi-originator securitisation transaction, with the special purpose vehicle Asti Group RMBS S.r.l., with registered office in Rome, via Curtatone no. 3, 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. and Biverbanca S.p.A. as servicers.

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 first multi-originator securitisation was originally a "self-securitisation" transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, were 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	*Rating as at* 31/12/2020 Fitch/Moody's	Rate	Date of issue	Expected maturity date	Total amount issued	Total amount repaid as at 31/12/2020	Residual value as at 31/12/2020
Class A	AA/Aa3	3M Euribor + 0.90% (*)	12/8/2015	31/12/2074	456,600	371,457	85,143
Class B	no rating	3M Euribor + 1.00%	12/8/2015	31/12/2074	96,800	0	96,800
Total					**553,400**	**371,457**	**181,943**

(*) 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 S.p.A. to € 46,800 thousand.

Like in the other transactions, a loan with limited enforceability was disbursed for € 15,000 thousand (€ 7,779 thousand by Cassa di Risparmio di Asti S.p.A. and € 7,271 thousand by Biverbanca S.p.A.), crediting the amount of € 15,000 thousand to the SPV for the cash reserve, broken down as follows: € 7,753 thousand for Cassa di Risparmio di Asti S.p.A. and € 7,247 thousand for Biverbanca S.p.A. and € 50 thousand for the provision for operating expenses, broken down as follows: € 26 thousand for Cassa di Risparmio di Asti S.p.A. and € 24 thousand for Biverbanca S.p.A.

In this transaction, to overcome the consequences of voluntary suspensions granted to its customers following the spread of the COVID-19 pandemic, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. were willing to transfer additional loans with limited enforceability to the SPV, to be disbursed in one or more tranches for a maximum equal to the amount of the voluntary suspensions granted up to 31 December 2020. During the year, therefore, an "additional loan" of around € 2,072 thousand was disbursed (€ 1,226 thousand by Cassa di Risparmio di Asti S.p.A. and € 846 thousand by 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; as at 31/12/2020, it amounts to € 27,014 thousand for Cassa di Risparmio di Asti S.p.A. and € 16,243 thousand for Biverbanca S.p.A.
As at 31/12/2020, the Group essentially retains the credit risk connected to the securitised loans, which the Group continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.

The securitised loan assets were recognised in these financial statements under the item “Loans and advances to customers” in the amount of € 126,306 thousand for Cassa di Risparmio di Asti S.p.A. and € 109,420 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	6,623	interest expense on notes issued	1,282
		servicing fee expense	246
		other expenses	300
		losses on loans	99
Total	**6,623**	**Total**	**1,927**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 3,344 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 991 thousand for Biverbanca S.p.A.
The receivables for interest on arrears on bad loans amount to € 226 thousand for Cassa di Risparmio S.p.A. and € 29 thousand for Biverbanca S.p.A., and were written off in full.
Interest income on repurchased notes, amounting to € 297 thousand for Cassa di Risparmio di Asti S.p.A. and € 278 thousand for Biverbanca S.p.A., was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE THIRD MULTI-ORIGINATOR SECURITISATION TRANSACTION

In June 2019, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. carried out the third multi-originator securitisation transaction with the special purpose vehicle Asti Group RMBS II S.r.l., with registered office in Rome, Via Curtatone no. 3, registered in the Rome Register of Companies no. 152897710 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35584.2. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, fixed, variable and option, for a total of € 988,008 thousand (of which € 862,439 thousand of Cassa di Risparmio di Asti S.p.A. and € 125,570 thousand of Biverbanca S.p.A.), all belonging to the "performing" category. The loans were transferred at their carrying amount.
Against the loans transferred, notes totalling € 988,008 thousand were issued, repurchased in full by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. Ownership of the notes was obtained on 28/06/2019 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The third multi-originator securitisation was originally a "self-securitisation" transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, were initially used as collateral in refinancing transactions with the European Central Bank, providing the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets. In the course of 2019, the senior class was sold to institutional investors.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

Type of Note	Rating as at 31/12/2020 Moody's/ DBRS	Rate	Date of issue	Expected maturity date	Total issue value	Total amount repaid as at 31/12/2020	Total residual value as at 31/12/2020
Class A	Aa3/AAL	3M Euribor + 0.90% (*)	28/6/2019	29/12/2072	825,000	169,884	655,116
Class B	NR/BBBH	3M Euribor + 2.00% (**)	28/6/2019	29/12/2072	64,300	0	64,300
Class C	no rating	3M Euribor + 3.00%	28/6/2019	29/12/2072	98,708	0	98,708
Total					**988,008**	**169,884**	**818,124**

(*) Floor equal to 0% and Cap 2.5% up to the Interest Payment Date of June 2021, 3.5% after June 2021
(**) Floor equal to 0% and Cap 3.5% up to the Interest Payment Date of June 2021, 4.5% after June 2021

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 142,296 thousand and by Biverbanca S.p.A. to € 20,712 thousand.

Like in the other transactions, also in the third multi-originator securitisation, a loan with limited enforceability was disbursed for € 17,850 thousand (€ 15,581 thousand by Cassa di Risparmio di Asti S.p.A. and € 2,269 thousand by Biverbanca S.p.A.), crediting the amount of € 17,806 thousand to the SPV for the cash reserve, broken down as follows: € 15,538 thousand for Cassa di Risparmio di Asti S.p.A. and € 2,269 thousand for Biverbanca S.p.A., and € 50 thousand for the provision for operating expenses, broken down as follows: € 44 thousand for Cassa di Risparmio di Asti S.p.A. and € 6 thousand for Biverbanca S.p.A.

As for the fifth and first multi-originator securitisation transactions, to overcome the consequences of voluntary suspensions granted to its customers following the spread of the COVID-19 pandemic, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. were willing to transfer additional loans with limited enforceability to the SPV, to be disbursed in one or more tranches for a maximum equal to the amount of the voluntary suspensions granted up to 31 December 2020. During the year, therefore, an "additional loan" of around € 6,723 thousand was disbursed (€ 5,781 thousand by Cassa di Risparmio di Asti S.p.A. and € 942 thousand by 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 2% of the residual debt of the rated note and € 8,893 thousand; when at the interest payment date Class A will have been repaid in full, the Cash Reserve will be reduced to zero.

For this securitisation transaction, there is no rate hedging through swap transactions. The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in

order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.
The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 31/12/2020, it amounts to € 17,760 thousand for Cassa di Risparmio di Asti S.p.A. and € 2,738 thousand for Biverbanca S.p.A.

As at 31/12/2020, the Group Banks essentially retain the credit risk connected to the securitised loans, which the Group Banks continue to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 734,750 thousand for Cassa di Risparmio di Asti S.p.A. and € 106,460 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	21,115	interest expense on notes issued	7,438
		servicing fee expense	886
		other expenses	12
		losses on loans	415
Total	**21,115**	**Total**	**8,751**

The valuation of the securitised loans at their estimated realisable value entailed the recognition of € 7,272 thousand in overall value adjustments on the principal.

Interest income on repurchased notes, amounting to € 3,635 thousand, was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE MAGGESE PROJECT TRANSACTION

On 16 July 2018, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. finalised, pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer for valuable consideration and en bloc of a portfolio of bad loans to the special purpose vehicle Maggese S.r.l., with registered office in Rome, Via Curtatone no. 3, 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 30/06/2017, at no. 35475.3.

In particular, 5,313 loans originated by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. were transferred to the SPV, with a gross book value of € 694,546 thousand at the transfer date. Against the acquisition of the above-mentioned loans, on 26 July 2018 Maggese S.r.l. issued the following classes of notes pursuant to and in accordance with art. 5 of Italian Law 130/1999:

Type of Note	Rating as at 31/12/2020 Moody's/DBRS/ Scope	Rate	Date of issue	Expected maturity date	Total amount issued	*Pool Factor*	Total amount repaid as at 31/12/2020	Total residual amount as at 31/12/2020
Class A	Ba1/BBB/BBB	6M Euribor + 0.5% (*)	26/07/2018	25/07/2037	170,809	0.874	39,208	131,601
Class B	no rating	6M Euribor + 6% (**)	26/07/2018	25/07/2037	24,401	1.000	0	24,401
Class C	no rating	Variable	26/07/2018	25/07/2037	11,420	1.000	0	11,420
Total					**206,630**		**39,208**	**167,422**

(*) Floor 0%

(**) Cap on Euribor equal to: 0.50 until July 2019; 0.75 from January 2020 to July 2021; 1 from January 2022 to July 2023; 1.25 from January 2024 to July 2025; 1.50 from January 2026 to July 2027; 2 from January 2028 to July 2029; 2.50 from January 2030 to July 2030; 3 until January 2031.

The residual amount of the notes repurchased and still on the possession of Cassa di Risparmio di Asti S.p.A. as at 31/12/2020 is equal to € 109,129 thousand and Biverbanca S.p.A. equal to € 24,265 thousand.

The structure benefits from a cash reserve equal to 4% of the class A notes (at the moment of the closing equal to € 6,832 thousand), which will begin to be repaid in July 2020 in the sum of € 975 thousand.

This reserve was funded by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. through a subordinated loan bearing interest at a fixed rate of 1%; the interest collected as at 31/12/2020 amounted to roughly € 53 thousand for Cassa di Risparmio di Asti S.p.A. and around € 11 thousand for Biverbanca S.p.A.

INFORMATION RELATING TO THE POP NPLS 2019 S.R.L. TRANSACTION

On 10 December 2019, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A., along with another ten banks (defined as "Transferors") finalised, pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer for valuable consideration and en bloc of a portfolio of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., with registered office in Conegliano (TV), Via Vittorio Alfieri no. 1, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35670.9.

In particular, a portfolio of credit positions originated by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. was transferred to the SPV, with a gross book value of € 62,490 thousand at the transfer date.

Against the acquisition of the above-mentioned loans, on 23 December 2019 POP NPLs 2019 S.r.l. issued the following classes of notes pursuant to and in accordance with art. 5 of Italian Law 130/1999:

Type of Note	*Rating* as at 31/12/2020 Moody's/Scope Ratings	Return	Date of issue	Expected maturity date	Total amount issued	*Pool Factor*	Total amount repaid as at 31/12/2020	Total residual amount as at 31/12/2020
Class A	BBB/BBB	6M Euribor + 0.30% (*)	23/12/2019	6/02/2045	173,000	0.843	27,234	145,766
Class B	CCC/CCC	6M Euribor + 9.50%	23/12/2019	6/02/2045	25,000	1.000	0	25,000
Class J	no rating	6M Euribor + 12.00%	23/12/2019	6/02/2045	5,000	1.000	0	5,000
Total					**203,000**		**27,234**	**175,766**

** Cap equal to the Euribor*

The residual amount of the notes repurchased and still in the possession of Cassa di Risparmio di Asti S.p.A. as at 31/12/2020 is equal to € 12,380 thousand and Biverbanca S.p.A. equal to € 2,091 thousand.

The notes were subscribed in full by the Transferring Banks and, also on 23 December 2019, 94.61% of the nominal value of the Mezzanine Notes and 94.61% of the nominal value of the Junior Notes was transferred to JP Morgan Securities plc.

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 balance sheet assets of the Group Banks (asset item 40 “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.

As part of this transaction, on 16 December 2019, the SPV entered into two cap agreements with J.P. Two Morgan AG caps on rates to hedge interest rate risk relating to the notes.

The structure also benefits from a cash reserve equal to 4.70% of the total nominal value of the senior notes (€ 8,085 thousand), intended to manage the risk of any misalignments between the funds deriving from collections and the sums due against senior costs of the transaction and interest on the senior notes. This reserve was funded at the time of issue of the notes, by a limited recourse loan disbursed by the transferors, amounting to around € 680 thousand for Cassa di Risparmio di Asti S.p.A. and roughly € 115 thousand for Biverbanca S.p.A.

On 27 April 2020, the MEF released the state guarantee on liabilities issued (GACS) in favour of the holders of senior notes, obtained after submission of an application on 8 January 2020.

INFORMATION RELATING TO THE POP NPLS 2020 S.R.L. TRANSACTION

On 22 December 2020, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A., along with another thirteen banks (defined as "Transferors") finalised, pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer for valuable consideration and en bloc of a portfolio of bad loans to the special purpose vehicle POP NPLs 2020 S.r.l., with registered office in Rome, Via Piemonte no. 38, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35758.2.

In particular, a portfolio of credit positions originated by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. was transferred to the SPV, with a gross book value of € 113,182 thousand at the transfer date. Against the acquisition of the above-mentioned loans, on 23 December 2020 POP NPLs 2020 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 31/12/2020 Moody's/Scope Ratings	Return	Date of issue	Expected maturity date	Total amount issued	*Pool Factor*	Total amount repaid as at 31/12/2020	Total residual amount as at 31/12/2020
Class A	BBB/BBB	6M Euribor + 0.3%	23/12/2020	29/12/2045	241,500	1.000	0	241,500
Class B	CCC/CCC	6M Euribor + 12%	23/12/2020	29/12/2045	25,000	1.000	0	25,000
Class J	no rating	Variable	23/12/2020	29/12/2045	10,000	1.000	0	10,000
Total					**276,500**		**0**	**276,500**

The residual amount of the notes repurchased and still in the possession of Cassa di Risparmio di Asti S.p.A. as at 31/12/2020 is equal to € 18,748 thousand and Biverbanca S.p.A. equal to € 4,586 thousand.

The notes were subscribed in full by the Transferring Banks and, also on 23 December 2020, 94.6% of the nominal value of the Mezzanine Notes and 94.6% of the nominal value of the Junior Notes was transferred to JP Morgan Securities plc.

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 balance sheet assets of the Group Banks (asset item 40 "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.

As part of this transaction, on 22 December 2020, the SPV entered into two rate cap agreements with J.P. Morgan AG to hedge interest rate risk relating to the notes.

The structure also benefits from a cash reserve equal to 4.10% of the total nominal value of the senior notes (€ 9,910 thousand), intended to manage the risk of any misalignments between the funds deriving from collections and the sums due against senior costs of the transaction and interest on the senior notes. This reserve was funded at the time of the issue of the notes, by a limited recourse loan disbursed by the transferors, amounting to around € 762 thousand for Cassa di Risparmio di Asti S.p.A. and roughly € 186 thousand for Biverbanca S.p.A.

On 25 January 2021, a petition was submitted to the MEF to obtain the "GACS" in favour of the senior noteholders.

INFORMATION RELATING TO THE MADELEINE TRANSACTION

In May 2013, the company completed a self-securitisation of salary and pension assignment loans, with transfers on a quarterly basis from 2013 to 31 December 2014 for a total of € 197.7 million in loans. The loan transfers took place through the payment of an acquisition price "at par".
To fund the acquisition of the loans transferred by the company, the SPV issued "asset backed" (partially paid) notes in an amount equal to the value of the loans transferred plus the Cash Reserve and the Prepayment Reserve, broken down into two classes on the basis of the tranching assigned by Moody's when it assigned the private rating:

- 82% "Senior" Notes (Class A Asset Backed);
- 18% "Junior" Notes (Class B Asset Backed).

At the time of the issue of the notes, Pitagora signed the Master Repurchase Agreement (hereinafter the "REPO") with Duomo funding plc, the Banca Intesa Sanpaolo Group, for the € 125 million loan for the acquisition of the senior notes.
In the course of 2013 and 2014, in relation to the transaction, the company entered into the following agreements:

- "Class A Notes Purchase and Additional Agreement", for the sale, in several tranches, to Goldman Sachs of 94.25% of the senior notes, previously used to back the REPO. The company maintained, again in compliance with legal provisions, a net economic interest to the extent of 5.75% of the nominal value of the senior notes tranche. The senior notes, held by Pitagora in compliance with the "retention rule", remained to back the REPO previously entered into;
- "Class B Notes Purchase Agreement" with the Luxembourg-based vehicle Hermes Trade Receivables s.ar.l. (through the intervention and guarantee of the Christofferson Robb &C. investment fund) for the sale of 94.93% of the junior notes. The company maintained, in compliance with legal provisions, a net economic interest to the extent of 5.07% of the nominal value of the junior notes tranche.
- "Restructuring Transaction" intended to issue two subordinate classes of Notes: fixed rate and rated mezzanine (for an amount equal to 8.5% of the total notes) and new variable rate unrated junior notes, to replace the original junior class (for an amount equal to 9.5% of the total notes). The company maintained, also in line with the "retention rule" set forth for the transaction, in compliance with the provisions pursuant to art. 122 bis of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 ("Capital Requirements Directive I" – CRD I), as amended by Directive

2009/111/EC of the European Parliament and of the Council of 16 September 2009 ("Capital Requirements Directive II" – CRD II), the net economic interest on all classes of notes, according to the vertical slice method.

In 2014, the company requested and obtained the transformation of the rating from private to public from the company Moody's, which on 11 March 2014 confirmed the A3 rating and the maintenance of the tranching assigned previously. On 17 July 2014, the company obtained a second public rating issued by the rating agency DBRS for the class A (senior) notes, which confirmed the tranching noted above, as assigned by Moody's, and recognised a rating of A-.

In the course of 2019, the REPO loan was paid off, in line with the full repayment of the senior notes, held in the portfolio by Pitagora and provided as a guarantee.
In 2020, also the mezzanine notes relating to the transaction were fully reimbursed, and therefore only the unrated junior notes remain.

INFORMATION RELATING TO THE DYRET SPV TRANSACTION

On 11 May 2017, the company 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 aims of the transfer agreed with the lead investor envisaged a commitment of between € 50-100 million per year as the price, for a maximum 24 months.

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.

In June 2018, in agreement with the investors on the basis of contractual provisions, Pitagora suspended the transfer flows, having transferred a total of around € 50.7 million.
On 6 December 2018, pursuant to the combined provisions of Articles 1 and 4 of the Securitisation Law, Lake SPV transferred the securitised loans to Dyret SPV S.r.l., with Banca IMI as the Senior Notes investor and Golden Tree as the Junior Notes investor.

In this transaction, as well as being the Originator, Pitagora also acts as Sub-servicer.

INFORMATION RELATING TO THE PETILIA TRANSACTION

On 19 December 2019, the company entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle Petilia SPV Srl, as part of a new securitisation transaction with derecognition pursuant to Italian Law 130, structured by Banca Popolare Puglia e Basilicata, with no notes tranching.
The total maximum value of the notes that may be issued is € 270 million, with a 24-month ramp-up period. The notes have a "partly paid" structure and were subscribed in full by Banca Popolare di Puglia e Basilicata.
The company has no obligation to retain the notes issued by the vehicle established pursuant to Italian Law 130, considering the fact that the transaction cannot be considered a securitisation pursuant to Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 - Capital Requirements Regulation (CRR), since the requirements established therein are not met.

The transaction refers to the assignment of performing CQS/CQP exposures (consumer credit segment).
The transfers of loans were carried out by paying a purchase price according to a transfer rate differentiated by product type (spread + 5Y IRS). The purchase price is above par.
Overall, during 2020 loans amounting to a total € 90,688,918 in principal terms were transferred.
Pitagora, in addition to being Originator, took on the Servicer role of managing the collection and recovery of loans transferred in the name and on behalf of the SPV. This activity enables Pitagora to maintain direct relations with its customers, transferring principal and interest collections to accounts opened in the name of Petilia SPV Srl at the collection custodian bank.

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

Quality of underlying assets/Exposures	Balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	value adjustments	Book value	value adjustments	Book value	value adjustments
A. Fully derecognised	**42,140**	**65,805**	**0**	**0**	**9,540**	**0**
- 2020 GACS securitisation	42,140	65,805	0	0	0	0
- salary and pension assignment loans	0	0	0	0	9,540	0
B. Partially derecognised	**0**	**0**	**0**	**0**	**0**	**0**
C. Not derecognised	**1,550,344**	**28,791**	**13,620**	**0**	**15,342**	**0**
- performing mortgage loans	1,370,040	11,017	0	0	0	0
- non-performing mortgage loans	38,931	17,774	0	0	0	0
- salary and pension assignment loans	141,373	0	13,620	0	15,342	0

(Continued)

Financial guarantees given						Credit facilities					
Senior		*Mezzanine*		*Junior*		*Senior*		*Mezzanine*		*Junior*	
Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries	Net exposure	Net value adjustments/recoveries
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0

C.3 Prudential consolidation - Stakes in special purpose securitisation vehicles

Securitisation name/Special purpose vehicle name	Registered Office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	*Senior*	*Mezzanine*	*Junior*
Asti Finance S.r.l.	Rome	Yes	146,220	0	32,881	45,769	0	79,750
Asti RMBS S.r.l.	Rome	Yes	225,548	0	11,797	91,661	0	87,900
Asti GROUP RMBS S.r.l.	Rome	Yes	234,941	0	12,197	85,143	0	96,800
Asti GROUP PMI S.r.l. (*)	Rome	Yes	1,077,048	0	163,837	700,000	0	485,339
Asti GROUP RMBS II S.r.l.	Rome	Yes	836,910	0	30,504	655,116	64,300	98,708
Maggese S.r.l.	Rome	No	143,231	0	21,195	131,601	24,401	11,420
POP NPLS 2019 S.r.l.	Conegliano (TV)	No	57,162	0	138	14,323	123	25
POP NPLs 2020 S.r.l.	Rome	No	40,582	0	0	23,118	154	62
MADELEINE SPV S.r.l.	Conegliano (TV)	No	9,391	0	126	0	0	10,364
MANU SPV SRL	Conegliano (TV)	Yes	169,767	0	5,030	0	0	0
DYRET SPV SRL	Milan	No	269,112	0	7,669	229,699	27,786	27,371
PETILIA FINANCE SRL	Milan	No	189,165	0	6,192	203,876	0	0

The item "Liabilities" includes the notes issued.
(*) Self-securitisation transaction.

C.4 Prudential consolidation - Non-consolidated special purpose securitisation vehicles

Maggese S.r.l.

Following the securitisation transaction on bad loans transferred to the special purpose vehicle Maggese S.r.l., Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. hold the entire senior tranche issued by the SPV, backed by the Italian State GACS guarantee, with a total value of € 131,601 thousand as at 31 December 2020.

The details of the senior tranche are provided below:

Note	Listing Market	Rate/ Spread	Rating as at 31/12/2020 Moody's/Scope/DBRS	Final repayment date	Total amount issued	Residual amount of notes repurchased and still owned as at 31/12/2020	Subscriber
Senior	Unlisted	6M Euribor + 0.5%	Ba1/BBB/BBB-	July 2037	139,738	107,662	Cassa di Risparmio di Asti S.p.A.
Senior	Unlisted	6M Euribor + 0.5%	Ba1/BBB/BBB-	July 2037	31,071	23,939	Biverbanca S.p.A.
Total					**170,809**	**131,601**	

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 € 113,251 thousand and for Biverbanca S.p.A. it is equal to € 25,182 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 Group banks to a loss are indeed neutralised by the presence of the Italian State “GACS” guarantee backing the entire senior tranche exposure.

POP NPLS 2019 S.r.l.

Following the securitisation of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., the Transferring Banks subscribed pro rata the senior tranche issued by the SPV, for a total value of € 173,000 thousand and for which the Ministry of Economy and Finance on 27 April 2020 granted admission to the state guarantee scheme on the issued liabilities (GACS).

The details of the senior tranche held by Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. are provided below:

Note	Listing Market	Rate/ Spread	*Rating* as at 31/12/2020 Moody's/Scope Ratings	Final repayment date	Nominal value issued	Residual value as at 31/12/2020	Subscriber
Senior	Unlisted	6M Euribor + 0.30%	BBB	February 2045	14,543	12,254	Cassa di Risparmio di Asti S.p.A.
Senior	Unlisted	6M Euribor + 0.30%	BBB	February 2045	2,456	2,069	Biverbanca S.p.A.
Total					**16,999**	**14,323**	

On 20 December 2019, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. disbursed a limited recourse loan, for € 680 thousand and € 115 thousand, respectively, in favour of the SPV, in order to allow for the establishment of the required cash reserve. This reserve is equal to 4.7% of the total nominal value of the senior notes (€ 8,085 thousand) and is intended to guarantee the risk of any misalignments between the funds deriving from collections and the sums due against senior costs of the transaction and interest on the senior notes.

POP NPLS 2020 S.r.l.

Following the securitisation of bad loans to the special purpose vehicle POP NPLs 2020 S.r.l., the Transferring Banks subscribed pro rata the senior tranche issued by the SPV, for a total value of € 241,500 thousand as at 31 December 2020 and for which a request was submitted to the Ministry of Economy and Finance on 25 January 2021 for admission to the state guarantee scheme on the issued liabilities (GACS).

The details of the senior tranche held by Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. are provided below:

Note	Listing Market	Rate/ Spread	*Rating* as at 31/12/2020 Moody's/Scope Ratings	Final repayment date	Nominal value issued	Residual value as at 31/12/2020	Subscriber
Senior	Unlisted	6M Euribor + 0.30%	BBB	December 2045	18,574	18,574	Cassa di Risparmio di Asti S.p.A.
Senior	Unlisted	6M Euribor + 0.30%	BBB	December 2045	4,544	4,544	Biverbanca S.p.A.
Total					**23,118**	**23,118**	

On 22 December 2020, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. disbursed a limited recourse loan, for € 762 thousand and € 186 thousand, respectively, in favour of the SPV, in order to allow for the establishment of the required cash reserve. This reserve is equal to 4.1% of the total nominal value of the senior notes (€ 9,910 thousand) and is intended to guarantee the risk of any misalignments between the funds deriving from collections and the sums due against senior costs of the transaction and interest on the senior notes.

C.5 Prudential consolidation - Servicer activities - own securitisations: collections of securitised loans and repayments of notes issued by the special purpose securitisation vehicle

Servicer	Special purpose vehicle	Securitised assets (period-end figure)		Loan collections during the year	
		Non-performing	Performing	Non-performing	Performing
YES	Madeleine SPV S.r.l.	769	8,771	637	6,159
YES	Dyret SPV S.r.l.	569	24,623	646	7,050
YES	Petilia Finance S.r.l.	2,303	144,759	1,583	24,937

(Continued)

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
0	0	0	100%	0	44%
0	0	0	0	0	0
0	0	0	0	0	0

D. DISPOSALS

A. Financial assets sold and not fully derecognised

QUALITATIVE INFORMATION

For a description of the transactions contained in tables D.1 and D.2 below, please refer to the footnotes of the tables themselves.

QUANTITATIVE INFORMATION

D.1 PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS SOLD AND FULLY RECOGNISED AND ASSOCIATED FINANCIAL LIABILITIES: BOOK VALUES	Financial assets sold and fully recognised				Associated financial liabilities		
	Book value	of which: subject to securitisation transactions	of which: subject to contracts of sale with repurchase obligation	of which non-performing	Book value	of which: subject to securitisation transactions	of which: subject to contracts of sale with repurchase obligation
A. Financial assets held for trading	**1,289**	**1,289**	**0**	**X**	**-937**	**-937**	**0**
1. Debt securities	0	0	0	X	0	0	0
2. Equity instruments	0	0	0	X	0	0	0
3. Loans	1,289	1,289	0	X	-937	-937	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 instruments	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	**82,105**	**81,899**	**0**	**1,140**	**-77,726**	**-59,677**	**-18,049**
1. Debt securities	0	0	0	0	-18,049	0	-18,049
2. Equity instruments	0	0	0	X	0	0	0
3. Loans	82,105	81,899	0	1,140	-59,677	-59,677	0
E. Financial assets measured at amortised cost	**1,551,138**	**1,520,826**	**30,312**	**40,227**	**-539,164**	**-508,758**	**-30,406**
1. Debt securities	30,312	0	30,312	0	-30,406	0	-30,406
2. Loans	1,520,826	1,520,826	0	40,227	-508,758	-508,758	0
Total 2020	**1,634,532**	**1,604,014**	**30,312**	**41,367**	**-617,827**	**-569,372**	**-48,455**
Total 2019	**2,268,222**	**1,791,158**	**477,050**	**0**	**-897,826**	**-427,457**	**-470,369**

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	
			2020	2019
A. Financial assets held for trading	**1,289**	**0**	**1,289**	**53**
1. Debt securities	0	0	0	0
2. Equity instruments	0	0	0	0
3. Loans	1,289	0	1,289	53
4. Derivatives	0	0	0	0
B. Other financial assets mandatorily measured at fair value	**0**	**0**	**0**	**0**
1. Debt securities	0	0	0	0
2. Equity instruments	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets designated at fair value	**0**	**0**	**0**	**0**
1. Debt securities	0	0	0	0
2. Loans	0	0	0	0
D. Financial assets measured at fair value through other comprehensive income	**81,899**	**0**	**81,899**	**99,400**
1. Debt securities	0	0	0	0
2. Equity instruments	0	0	0	0
3. Loans	81,899	0	81,899	99,400
E. Financial assets measured at amortised cost (fair value)	**1,520,826**	**0**	**1,520,826**	**1,691,714**
1. Debt securities	0	0	0	0
2. Loans	1,520,826	0	1,520,826	1,691,714
Total financial assets	**1,604,014**	**0**	**1,604,014**	**1,791,158**
Total associated financial liabilities	**-569,372**	**0**	**X**	**X**
Net value 2020	**1,034,642**	**0**	**1,604,014**	**X**
Net value 2019	**1,363,710**	**0**	**X**	**1,363,701**

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

There are no items of this type.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

The AIRB internal rating system and the Credit Rating System constitute valid management tools supporting both the sales network and the central structures in lending decisions, renewals and management.

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 2021 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 Integrated Risk Control 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.

Impacts deriving from the COVID-19 pandemic

With reference to market risk, no changes were made to the measurement and control approaches and systems in place prior to the pandemic. The system of limits in force prior to the spread of COVID-19 also remained the same.

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**	**25**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	25	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	25	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	**0**	**325,066**	**281,473**	**1,328**	**280,420**	**200,682**	**100,223**	**0**
3.1 With underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security								
- Options								
+ Long positions	0	12	17	33	211	332	122	0
+ Short positions	0	17	17	33	209	350	101	0
- Other derivatives								
+ Long positions	0	314,749	281,396	1,262	0	0	0	0
+ Short positions	0	10,288	43	0	280,000	200,000	100,000	0

1. REGULATORY TRADING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF BALANCE SHEET FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES: OTHER CURRENCIES Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Debt securities	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0
1.2 Other assets	0	0	0	0	0	0	0	0
2. Balance sheet liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Repurchase agreements	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0
3. Financial derivatives	**0**	**4,214**	**1,304**	**1,222**	**0**	**0**	**0**	**0**
3.1 With underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other derivatives								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
3.2 Without underlying security								
- Options								
+ Long positions	0	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	4,214	1,304	1,222	0	0	0	0

3. Regulatory trading book: internal models and other sensitivity analysis methods

Given the low amounts and as these are positions that are basically offset, it was not deemed appropriate to proceed with further sensitivity analyses.

1.2.2 INTEREST RATE AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for interest rate risk and price risk

Interest rate risk, understood as the potential decline in the economic value of items as a result of changes in the level of market rates, derives from the mismatching of maturities and/or repricing between assets and liabilities in the banking book.
The banking book includes:

- assets and liabilities generated by treasury operations and therefore interbank deposits given and received, repurchase agreements, bonds held in the bank-owned portfolio, derivative contracts hedging interest rate risk (IRS, OIS and FRA), etc.;
- assets and liabilities generated by operations with ordinary customers; in this case, the risk is strictly linked to the Group's commercial funding and lending policies, and is allocated to the Treasury through an internal transfer rates system.

Price risk is related to the typical volatility in the value of financial instruments such as equity instruments, 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 Integrated Risk Control 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 Bank 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.
As envisaged in Circular no. 285 and again as part of the ICAAP, the Bank arranges measurement of the effects of market rate changes in terms of the interest margin, calculated over a three-year time horizon for parallel shocks on the rate curve of +/- 200 basis points, according to the simplified approach proposed in Annex C-bis.
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 rate curve on the basis of the shock scenarios illustrated in Annex III, EBA GL 2018/02.

Impacts deriving from the COVID-19 pandemic

With reference to market risk, no changes were made to the measurement and control approaches and systems in place prior to the pandemic. The system of limits in force prior to the spread of COVID-19 also remained the same.

B. Fair value hedging

The adoption of the Fair Value Option and the Fair Value Hedge has the objective of eliminating or reducing valuation inconsistencies deriving from changes in the fair value of funding and lending instruments caused by interest rate curve fluctuations, in cases in which the application of the ordinary accounting rules established for the applicable category does not allow for a more reliable representation of information in the financial statements.
The hedge is linked only to interest rate risk.
The "Group Policies on interest rate risk and hedge accounting" define the model of responsibilities and processes for the management and control of interest rate risk and the relative accounting treatment (hedge accounting), consistent with the nature of

the Group and its degree of complexity, in compliance with Supervisory regulations and internal regulations.
As set forth by IFRS 9, the Group has currently decided to opt out, with the resulting maintenance of the rules relating to hedge accounting governed by IAS 39, therefore without applying the new General Hedge principle (possible until the IASB is able to provide a consolidated and shared regulatory framework on macro hedges).
The types of derivatives used consist of "over the counter" interest rate swap (IRS) contracts. The precisely identified assets and liabilities hedged include bonds acquired or issued by the Group Banks and fixed rate loans.

C. Cash flow hedging

Cash flow hedge is the accounting model for the hedging of exposure to the variability of flows associated with assets or liabilities or highly likely future transactions depending on a specific risk. The risk hedged, in this case, is interest rate risk, consisting of the possibility that future changes in the level of market rates may negatively influence company results.
Keeping in mind that a derivative used for risk management on a net basis may be considered indistinctly as a Fair Value Hedge or a Cash Flow Hedge instrument (an IRS, which pays fixed and receives variable, may be considered a hedge of a fixed rate asset or a variable rate liability), the Group adopts the Cash Flow Hedge methodology for the accounting treatment of OTC derivatives (interest rate swaps) entered into for the hedging of net positions.
The objective pursued by the hedge is to stabilise the interest flow from variable rate deposits to the extent that the latter finances fixed rate loans.
As also noted previously, the Group has developed a specific internal policy that defines the roles and duties of the company figures involved.

QUANTITATIVE INFORMATION

1. BANKING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES: EURO Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**2,859,161**	**3,745,002**	**1,445,483**	**151,607**	**1,428,768**	**2,161,621**	**999,774**	**0**
1.1 Debt securities	0	753,295	695,562	634	304,872	1,428,271	504,782	0
- with early repayment option	0	14,844	0	634	634	0	0	0
- other	0	738,451	695,562	0	304,238	1,428,271	504,782	0
1.2 Loans to banks	167,680	1,797,864	0	0	0	0	0	0
1.3 Loans to customers	2,691,481	1,193,843	749,921	150,973	1,123,896	733,350	494,992	0
- c/a	430,298	0	0	0	95	10,119	0	0
- other loans	2,261,183	1,193,843	749,921	150,973	1,123,801	723,231	494,992	0
- with early repayment option	2,007,154	995,948	687,848	75,385	621,381	465,007	487,788	0
- other	254,029	197,895	62,073	75,588	502,420	258,224	7,204	0
2. Balance sheet liabilities	**6,789,497**	**609,826**	**1,013,950**	**38,375**	**3,790,603**	**215,199**	**4,872**	**0**
2.1 Deposits from customers	6,657,976	95,430	950,224	33,943	518,728	68,154	4,865	0
- c/a	6,549,059	41,214	419	23,267	433,187	0	0	0

1.2 MARKET RISK

- other liabilities	108,917	54,216	949,805	10,676	85,541	68,154	4,865	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	108,917	54,216	949,805	10,676	85,541	68,154	4,865	0
2.2 Deposits from banks	45,734	2	6	96	2,555,481	81	7	0
- c/a	19,372	0	0	0	0	0	0	0
- other liabilities	26,362	2	6	96	2,555,481	81	7	0
2.3 Debt securities	85,787	514,394	63,720	4,336	716,394	146,964	0	0
- with early repayment option	0	0	43,001	0	140,999	0	0	0
- other	85,787	514,394	20,719	4,336	575,395	146,964	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**	**1,491,901**	**224,390**	**125,503**	**107,145**	**579,004**	**138,862**	**0**
3.1 With underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other								
+ Long positions	0	17	38	95,104	40	5	0	0
+ Short positions	0	95,205	0	0	0	0	0	0
3.2 Without underlying security								
- Options								
+ Long positions	0	46,025	415	1,892	22,008	10,778	10,263	0
+ Short positions	0	72,617	18,048	34	216	341	125	0
- Other derivatives								
+ Long positions	0	1,019,077	103,546	10,255	15,653	3,161	8,196	0
+ Short positions	0	258,960	102,343	18,218	69,228	564,719	120,278	0
4. Other off-balance sheet transactions	**172,898**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
+ Long positions	86,449	0	0	0	0	0	0	0
+ Short positions	86,449	0	0	0	0	0	0	0

1.2 MARKET RISK

1. BANKING BOOK: BREAKDOWN BY RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES: OTHER CURRENCIES Type/Residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Unspecified maturity
1. Balance sheet assets	**11,679**	**8,639**	**357**	**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	9,763	0	0	0	0	0	0	0
1.3 Loans to customers	1,916	8,639	357	0	0	0	0	0
- c/a	1,916	0	0	0	0	0	0	0
- other loans	0	8,639	357	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0
- other	0	8,639	357	0	0	0	0	0
2. Balance sheet liabilities	**21,780**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2.1 Deposits from customers	21,780	0	0	0	0	0	0	0
- c/a	21,780	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	0	0	0	0	0	0	0	0
- c/a	0	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**	**81,239**	**31,018**	**17,278**	**0**	**0**	**0**	**0**
3.1 With underlying security								
- Options								
+ Long positions	0	0	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0	0	0
- Other								
+ 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	32,452	12,139	7,389	0	0	0	0
+ Short positions	0	48,787	18,879	9,889	0	0	0	0
4. Other off-balance sheet transactions	**0**	**148**	**0**	**0**	**0**	**0**	**0**	**0**
+ Long positions	0	74	0	0	0	0	0	0
+ Short positions	0	74	0	0	0	0	0	0

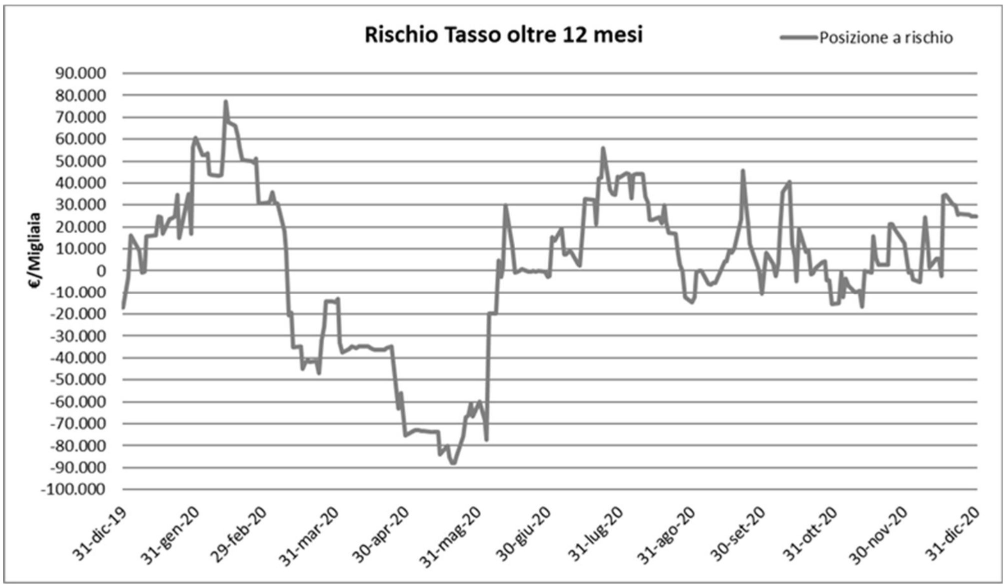
2. Banking book: internal models and other sensitivity analysis methods

SENSITIVITY ANALYSIS METHODOLOGIES

The Gap Analysis and Shift Sensitivity model, which as noted previously uses duration gap techniques, calls for the treatment of only principal flows according to the most documented practice in the market.
The value at risk within 12 months at Group level, measured through the Shift Sensitivity Analysis and based on an assumption of a parallel rate shock equal to 100 basis points, was equal to € -7.1 million as at 31 December 2020; in the course of 2020, there was an average value of € -6.7 million, with a minimum value of € -15.1 million and a maximum value of € 1.7 million.

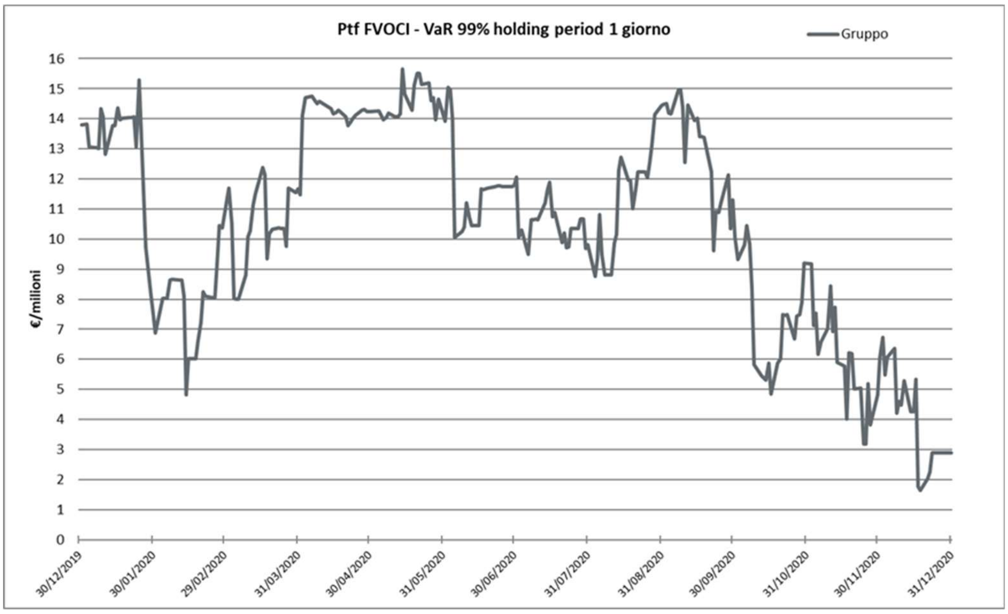
Key:
Rischio Tasso entro 12 mesi – Interest rate risk within 12 months; €/migliaia - € thousand; Posizione a rischio – Position at risk; dic, gen, feb, mar, apr, mag, giu, lug, set, ott, nov – Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov.

The value at risk beyond 12 months amounted to € 24.7 million as at 31 December 2020; in the course of 2020, there was an average value of € 1.4 million, with a minimum value of € -87.9 million and a maximum value of € 77.3 million.



Key:
Rischio Tasso oltre 12 mesi – Interest rate risk beyond 12 months; €/migliaia - € thousand; Posizione a rischio – Position at risk; dic, gen, feb, mar, apr, mag, giu, lug, set, ott, nov – Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov.

At the end of 2020, the historical simulation VaR calculated on the bank-owned portfolio in the held to collect and sell category amounted to € 2.8 million; in the course of the year the average value was € 10.3 million, the minimum value was € 1.7 million and the maximum value was € 15.7 million.



Key to above chart: AFS Ptf – Var 99% holding period 1 day – AFS portfolio – 99% Var, 1-day holding period; €/migliaia - € thousand; dic, gen, feb, mar, apr, mag, giu, lug, set, ott, nov – Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov.

The control on other limits set forth in the "Regulation of delegated powers on financial transactions" of the Group Banks is performed by the Risk Control Function with the support of the platform provided by the IT outsourcer Myrios.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for exchange rate risk

The Group is exposed to exchange rate 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 exchange rate 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 Integrated Risk Control 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 exchange rate risk

Hedging of exchange rate risk, under the responsibility of the Parent Company's Integrated Treasury Office, tends towards minimising currency exposure by entering into agreements with credit counterparties intended to hedge the positions at risk.

QUANTITATIVE INFORMATION

1. BREAKDOWN BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES	Currencies					
Items	Japanese Yen	Swiss Franc	US Dollar	Great Britain Pound	Australian dollar	Other currencies
A. Financial assets	**181**	**1,428**	**17,933**	**3,921**	**2,739**	**66**
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	159	1,387	7,085	3,919	2,739	66
A.4 Loans to customers	22	41	10,848	2	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	**131**	**1,036**	**1,222**	**533**	**131**	**123**
C. Financial liabilities	**86**	**1,514**	**18,537**	**4,473**	**2,860**	**189**
C.1 Deposits from banks	82	129	2,856	1,455	1,398	155
C.2 Deposits from customers	4	1,385	15,681	3,018	1,462	34
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	**0**	**0**	**23**	**0**	**0**	**0**
E. Financial derivatives	**0**	**0**	**0**	**0**	**0**	**0**
- Options						
+ Long positions	0	0	0	0	0	0
+ Short positions	0	0	0	0	0	0
- Other derivatives						
+ Long positions	18,800	5	69,670	28	0	25
+ Short positions	19,021	949	69,862	4	0	11
Total assets	**19,112**	**2,469**	**88,825**	**4,482**	**2,870**	**214**
Total liabilities	**19,107**	**2,463**	**88,422**	**4,477**	**2,860**	**200**
Difference (+/-)	**5**	**6**	**403**	**5**	**10**	**14**

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 HEDGING DERIVATIVES: NOTIONAL VALUES AT YEAR END	Total 2020				Total 2019			
	Over the counter				Over the counter			
	Central Counterparties	Without central counterparties		Organised markets	Central Counterparties	Without central counterparties		Organised markets
Underlying assets/Derivative types		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**0**	**0**	**898,866**	**0**	**0**	**0**	**1,068,972**	**0**
a) Options	0	0	5,399	0	0	0	5,907	0
b) Swaps	0	0	893,467	0	0	0	1,063,065	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. Gold and currencies	**0**	**0**	**90,366**	**0**	**0**	**0**	**105,918**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	43,886	0	0	0	50,395	0
c) Forwards	0	0	46,480	0	0	0	55,523	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**	**989,232**	**0**	**0**	**0**	**1,174,890**	**0**

1.3 DERIVATIVES AND HEDGING POLICIES

A.2 FINANCIAL TRADING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE BY PRODUCT	Total 2020				Total 2019			
	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	0	0	0	0	2	0
b) Interest rate swaps	0	0	10,670	0	0	0	14,854	0
c) Cross currency swaps	0	0	1,296	0	0	0	367	0
d) Equity swaps	0	0	0	0	0	0	0	0
e) Forwards	0	0	422	0	0	0	375	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**12,388**	**0**	**0**	**0**	**15,598**	**0**
2. Negative fair value								
a) Options	0	0	0	0	0	0	2	0
b) Interest rate swaps	0	0	12,785	0	0	0	16,864	0
c) Cross currency swaps	0	0	339	0	0	0	333	0
d) Equity swaps	0	0	0	0	0	0	0	0
e) Forwards	0	0	1,399	0	0	0	391	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**14,523**	**0**	**0**	**0**	**17,590**	**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	**X**	**919,908**	**0**	**2,413**
- notional amount	X	896,458	0	2,408
- positive fair value	X	10,665	0	5
- negative fair value	X	12,785	0	0
2) Equity securities and stock indices	**X**	**0**	**0**	**0**
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Gold and currencies	**X**	**47,268**	**0**	**46,554**
- notional amount	X	45,553	0	44,813
- positive fair value	X	1,297	0	421
- negative fair value	X	418	0	1,320
4) Commodities	**X**	**0**	**0**	**0**
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other	X			
- 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	**0**	**0**	**0**	**0**
- 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	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Gold and currencies	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
4) Commodities	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

1.3 DERIVATIVES AND HEDGING POLICIES

A.4 RESIDUAL LIFE OF OTC FINANCIAL DERIVATIVES: NOTIONAL VALUES 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	246,097	317,597	335,172	898,866
A.2 Financial derivatives on equity securities and stock indices	0	0	0	0
A.3 Financial derivatives on currencies and gold	90,366	0	0	90,366
A.4 Financial derivatives on commodities	0	0	0	0
A.5 Other financial derivatives	0	0	0	0
Total 2020	**336,463**	**317,597**	**335,172**	**989,232**
Total 2019	**516,804**	**101,190**	**556,896**	**1,174,890**

B. Credit derivatives

There are no items of this type.

1.3.2 HEDGES

QUALITATIVE INFORMATION

A. Fair value hedging

The adoption of the Fair Value Option and the Fair Value Hedge has the objective of eliminating or reducing valuation inconsistencies deriving from changes in the fair value of funding and lending instruments caused by interest rate curve fluctuations, in cases in which the application of the ordinary accounting rules established for the applicable category does not allow for a more reliable representation of information in the financial statements. The hedge is linked only to interest rate risk.

The “Group Policies on interest rate risk and hedge accounting” define the model of responsibilities and processes for the management and control of interest rate risk and the relative accounting treatment (hedge accounting), consistent with the nature of the Group and its degree of complexity, in compliance with Supervisory regulations and internal regulations.

As set forth by IFRS 9, the Group has currently decided to opt out, with the resulting maintenance of the rules relating to hedge accounting governed by IAS 39, therefore without applying the new General Hedge principle (possible until the IASB is able to provide a consolidated and shared regulatory framework on macro hedges).

B. Cash flow hedging

There are no items of this type.

C. Hedging of foreign investments

There are no items of this type.

D. Hedging instruments

The types of derivatives used are represented by “over the counter” interest rate swap (IRS) contracts.

E. Hedged items

The precisely identified assets and liabilities hedged include bonds acquired or issued by the Group banks.

Disclosure relating to the impacts of the "Benchmark Reform" on interest rate hedging relationships.

The disclosure required by paragraph 24H of IFRS 7, as modified by the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform", is provided below.
This disclosure refers to hedging relationships to which temporary exceptions apply as per paragraphs 6.8.4-6.8.12 of IFRS 9, as envisaged in the Amendment.
Given the above, note first of all that, as regards management of the process of transition to the new benchmark rates, the Group implemented process, system and internal regulations analyses for the management of the reform as a whole.
With regard to the benchmark rates, to which the hedging relationships were exposed as at 31 December 2020 (Euribor benchmark rate only), note that the current Euribor rates, following transition to the new calculation method at the end of 2019, were compliant with provisions of the EU Benchmarks Regulation of 2016.
The Eonia index, on the other hand, will no longer be used. The ECB Working Group identified the €STR (Euro Short-Term Rate) as the index that will replace Eonia. To manage the transition from Eonia to €STR, the ECB Working Group recommended recalibration of the Eonia index as €STR + 8.5 bps, with publication of this until 3 January 2022. As regards the Libor rates (USD Libor and Effective Federal Funding Rate), the Financial Conduct Authority announced that it will not guarantee the contribution of these indices beyond the end of 2021.
The Eonia and Libor rates do not represent benchmark indices in the hedging relationships put into place by the Cassa di Risparmio di Asti Group.
Consequently, given the existing positions and in reference to available information and that obtainable from hedge accounting assumptions, in order to assess the forward-looking effectiveness of the hedges, as at 31 December 2020 the Group banks do not expect any impact on the hedging relationships.

QUANTITATIVE INFORMATION

A. Financial hedging derivatives

A.1 FINANCIAL HEDGING DERIVATIVES: NOTIONAL VALUES AT YEAR END	Total 2020				Total 2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
Underlying assets/Derivative types		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**0**	**0**	**776,599**	**0**	**0**	**0**	**793,670**	**0**
a) Options	0	0	0	0	0	0	0	0
b) Swaps	0	0	776,599	0	0	0	793,670	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. Gold and currencies	**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**	**776,599**	**0**	**0**	**0**	**793,670**	**0**

1.3 DERIVATIVES AND HEDGING POLICIES

A.2 FINANCIAL HEDGING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE BY PRODUCT	*Positive and negative fair value*								Change in value used to calculate the ineffectiveness of the hedge	
	Total 2020				Total 2019				Total 2020	Total 2019
	Over the counter			Organised markets	*Over the counter*			Organised markets		
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties				
Types of derivatives		With netting	Without netting			With netting	Without netting			
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	157,533	0	0	0	126,675	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**	**157,533**	**0**	**0**	**0**	**126,675**	**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	**X**	**934,132**	**0**	**0**
- notional amount	X	776,599	0	0
- positive fair value	X	0	0	0
- negative fair value	X	157,533	0	0
2) Equity securities and stock indices	**X**	**0**	**0**	**0**
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Gold and currencies	**X**	**0**	**0**	**0**
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
4) Commodities	**X**	**0**	**0**	**0**
- notional amount	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other	**X**	**0**	**0**	**0**
- 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	**0**	**0**	**0**	**0**
- 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	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Gold and currencies	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
4) Commodities	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other	**0**	**0**	**0**	**0**
- notional amount	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

1.3 DERIVATIVES AND HEDGING POLICIES

A.4 RESIDUAL LIFE OF OTC FINANCIAL HEDGING DERIVATIVES: NOTIONAL VALUES 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	52,736	57,283	666,580	776,599
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 2020	**52,736**	**57,283**	**666,580**	**776,599**
Total 2019	**17,071**	**62,320**	**714,279**	**793,670**

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.
Direct funding from retail customers was confirmed as the largely key component of funding sources. The additional sources of funding used by the Group are mainly represented by ECB refinancing, added to which, to a lesser extent, is the institutional funding obtained through repurchase agreements with Cassa di Compensazione e Garanzia and with institutional counterparties (zero as at the end of December 2020), and the market placement of part of the notes deriving from securitisation transactions on its own loans.

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 Integrated Risk Control 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 273.19% and 190.52%, 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 2020. These values are therefore significantly higher than the minimums set forth by regulations (not yet fully implemented as regards the NSFR).
The level and evolution over time of values correlated with the thresholds and indicators are constantly monitored by the Risk Control Function and brought to the attention of the Risks and ALM Committee which is responsible for overseeing their evolution over time.
As part of its dynamic management of operating liquidity, the Group has an internal procedure which, through a web interface, allows for the channelling of incoming and outgoing forecast flows from the Network and the Offices involved in the process, providing the Integrated Treasury Office with a crucial support tool for the accurate and punctual management of the daily level of liquidity, as well as the Compass procedure provided by the outsourcer Cedacri S.p.A. Furthermore, the management indicators include one which measures the available intraday liquidity.
The net financial position (structural liquidity) surveillance system is enacted through the processing by the Integrated Risk Control 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 2021 Budgets of the individual Group Companies.
The effective achievement of the pre-established targets is periodically verified by the Parent Company's Planning and Management Control Office through dedicated reports brought to the attention of the Top Management.
Alongside the liquidity position surveillance tools described above, as also laid out in the liquidity policy, the Group adopts risk mitigation tools, including the emergency plan (Contingency Funding and Recovery Plan). The CFRP establishes the strategies for counteracting liquidity deficits in emergency situations, and identifies the policies to be enacted in stress scenarios, indicating the responsibilities and the procedures to be followed.

The Group, aware of the central role of company liquidity management, is constantly committed in that regard with a view to further developing and refining the instruments currently used and, more generally, the entire company process of governing and managing liquidity risk, in line with the orientations seen internationally and with the provisions on the matter of liquidity dictated by prudential regulations.

Impacts deriving from the COVID-19 pandemic

With reference to liquidity risk, no changes were made to the measurement and control approaches and systems in place prior to the pandemic. The system of limits in force prior to the spread of COVID-19 also remained the same.

B. QUANTITATIVE INFORMATION

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. Financial Assets (non-derivatives)	**718,169**	**5,673**	**109,898**	**54,444**	**652,117**	**532,606**	**444,708**	**3,239,163**	**5,291,998**	**1,803,444**
A.1 Government securities	0	0	97,000	600	201,475	294,004	17,487	860,000	1,900,000	0
A.2 Other debt securities	3	0	0	35	0	7	703	625	186,679	25
A.3 Units of UCITS	22,072	0	0	0	0	0	0	0	0	0
A.4 Loans	696,094	5,673	12,898	53,809	450,642	238,595	426,518	2,378,538	3,205,319	1,803,419
- Banks	167,580	0	0	28	55	0	0	0	0	1,797,733
- Customers	528,514	5,673	12,898	53,781	450,587	238,595	426,518	2,378,538	3,205,319	5,686
B. Balance sheet liabilities	**6,736,969**	**28,403**	**5,475**	**49,387**	**98,717**	**996,103**	**87,632**	**4,275,324**	**224,423**	**0**
B.1 Deposits and current accounts	6,691,348	0	0	37,825	2,630	642	23,456	431,711	0	0
- Banks	44,856	0	0	0	282	0	0	0	0	0
- Customers	6,646,492	0	0	37,825	2,348	642	23,456	431,711	0	0
B.2 Debt securities	412	25,904	2,975	472	59,309	45,690	52,999	1,202,079	151,210	0
B.3 Other liabilities	45,209	2,499	2,500	11,090	36,778	949,771	11,177	2,641,534	73,213	0
C. Off-balance sheet transactions	**142,037**	**99,490**	**18,923**	**13,975**	**100,985**	**25,625**	**119,365**	**55,918**	**65,347**	**0**
C.1 Physically settled fin. derivatives										
- Long positions	0	2,662	9,128	6,281	13,158	11,177	101,386	57	5	0
- Short positions	0	96,828	8,793	5,965	13,072	11,139	6,413	0	0	0
C.2 Cash settled fin. derivatives										
- Long positions	83	0	0	0	431	232	621	54,505	0	0
- Short positions	55,490	0	1,002	1,716	57,144	2,894	8,300	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	17,155	152	2,592	1,208	65,342	0
- Short positions	86,449	0	0	0	0	0	0	0	0	0
C.5 Financial guarantees given	15	0	0	13	25	31	53	148	0	0
C.6 Financial guarantees received	0	0	0	0	0	0	0	0	0	0
C.7 Equity 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. Financial Assets (non-derivatives)	**11,659**	**9**	**5,021**	**1,025**	**2,620**	**362**	**0**	**0**	**0**	**0**
A.1 Government securities	0	0	0	0	0	0	0	0	0	0
A.2 Other debt securities	0	0	0	0	0	0	0	0	0	0
A.3 Units of UCITS	0	0	0	0	0	0	0	0	0	0
A.4 Loans	11,659	9	5,021	1,027	2,651	408	93	591	2,043	0
- Banks	9,763	0	0	0	0	0	0	0	0	0
- Customers	1,896	9	5,021	1,027	2,651	408	93	591	2043	0
B. Balance sheet liabilities	**21,780**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B.1 Deposits and current accounts	21,780	0	0	0	0	0	0	0	0	0
- Banks	0	0	0	0	0	0	0	0	0	0
- Customers	21,780	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	**0**	**4,339**	**17,157**	**11,761**	**25,275**	**21,670**	**12,334**	**0**	**0**	**0**
C.1 Physically settled fin. derivatives										
- Long positions	0	1,576	8,411	5,723	12,597	10,835	6,167	0	0	0
- Short positions	0	2,615	8,746	6,038	12,678	10,835	6,167	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	74	0	0	0	0	0	0	0	0
- Short positions	0	74	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 Equity 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 Curtatone no. 3, 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.

On 13 March 2020, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. repurchased € 30,307 thousand in bad loans from the special purpose vehicle Asti Group PMI S.r.l.

Against the mortgages transferred, notes were issued for € 1,185,339 thousand, entirely repurchased by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. The amount was settled on 15/03/2017 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

The second multi-originator securitisation is a “self-securitisation” transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, are financial instruments usable as collateral in refinancing transactions with the European Central Bank and provide the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets.

Type of Note	Rating as at 31/12/2020 Moody's/DBRS/	Rate	Date of issue	Expected maturity date	Amount issued in total	Total amount repaid as at 31/12/2020	Total residual value as at 31/12/2020
Class A	A2/AH	3M Euribor + 0.75%	15/3/2017	31/10/2082	700,000	0	700,000
Class B	no rating	3M Euribor + 1.50%	15/3/2017	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, 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 SPV also holds an additional cash reserve of € 3,500 thousand on the cash reserve account.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

For this securitisation transaction, there is no rate hedging through swap transactions.

The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.

The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 31 December 2020, it amounts to € 39,476 thousand for Cassa di Risparmio di Asti S.p.A. and € 13,160 thousand for Biverbanca S.p.A. In the course of 2020, the SPV began to pay the additional remuneration, with amounts paid as at 31 December 2020 of € 15,994 thousand for Cassa di Risparmio di Asti S.p.A. and € 6,145 thousand for Biverbanca S.p.A.

As at 31 December 2020, the Group Banks essentially retain the credit risk connected to the securitised loans, which the Group Banks continue to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 826,276 thousand for Cassa di Risparmio di Asti S.p.A. and € 266,197 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	27,619	interest expense on notes issued	8,038
other revenues	44	servicing fee expense	1,113
		other expenses	889
		losses on loans	21
Total	**27,663**	**Total**	**10,061**

The valuation of the securitised loans at their estimated realisable value entailed the recognition of € 11,583 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 2,273 thousand for Biverbanca S.p.A.

Interest income on repurchased notes, amounting to € 15,030 thousand for Cassa di Risparmio di Asti S.p.A. and € 5,770 thousand for Biverbanca S.p.A., was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE MANU SECURITISATION TRANSACTION

On 26 February 2018, the company 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.

The transaction refers to the assignment of performing CQS/CQP exposures (consumer credit segment). The loans were transferred at par.

Overall, during 2020 loans amounting to a total € 59,309,019 in principal terms were transferred.

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 the company.

Pitagora, in addition to being Originator, took on the Servicer role of managing the collection and recovery of loans transferred in the name and on behalf of the SPV. This activity enables Pitagora to maintain direct relations with its customers, transferring principal and interest collections to accounts opened in the name of Manu SPV S.r.l. at the collection custodian bank.

In March 2020, a restructuring of the transaction was agreed with the investor, with the aim of increasing its size up to € 300 million and extending the ramp-up period by a further 12 months.

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for operational risk

Operational risk is defined as the risk of suffering from losses deriving from inadequacies, malfunctioning or gaps in internal processes, human resources or systems, or due to external events. This risk encompasses “legal risk” (risk resulting from infringements or from failure to comply with laws or regulations, or poor transparency as regards the legal rights and duties of the counterparties to a transaction) and “conduct risk” (risk of losses due to the inappropriate offer of financial services and the related legal costs, including cases of conduct that are intentionally inadequate or negligent). This risk also includes, inter alia, exposure to fines, financial sanctions or penalties deriving from measures taken by the Supervisory Authority, or private settlements.

The Internal Control System constitutes a fundamental element of the overall Group Company governance system, which has as its primary objective that of guaranteeing that company operations are inspired by principles of sound and prudent management and that they are aligned with approved strategies, the policies adopted and the risk appetite.

In recent years, consistent with the guidelines contained in the Strategic Plan and in the other planning documents, the Group has developed various activities to mitigate operational risk, which have made it possible to a) increase the effectiveness and degree of coverage of first-level controls to mitigate operational risks, introducing a system for monitoring them, b) define an organisational model for operational risk control.

Over the years, also through specific organisational projects, the Internal Control System was gradually implemented to integrate within it the principles introduced with the 11th update of Bank of Italy Circular 285/2013 and, more specifically, with a view to developing, formalising within Group Policies and fully implementing an integrated methodology for the assessment of operational, compliance and reputational risks; this assessment is performed in terms of Potential Risk (i.e., assuming the absence of controls) and in terms of Residual Risk (i.e., taking into account existing controls and their concrete functioning).

In 2020, 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. In addition, activities commenced on the methodological updating of risk detection, assessment and mitigation activities.

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 2020 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.

Impacts deriving from the COVID-19 pandemic

With reference to operational risks, no changes were made to the measurement and control approaches and systems in place prior to the pandemic. The system of limits in force prior to the spread of COVID-19 also remained the same.

QUANTITATIVE INFORMATION

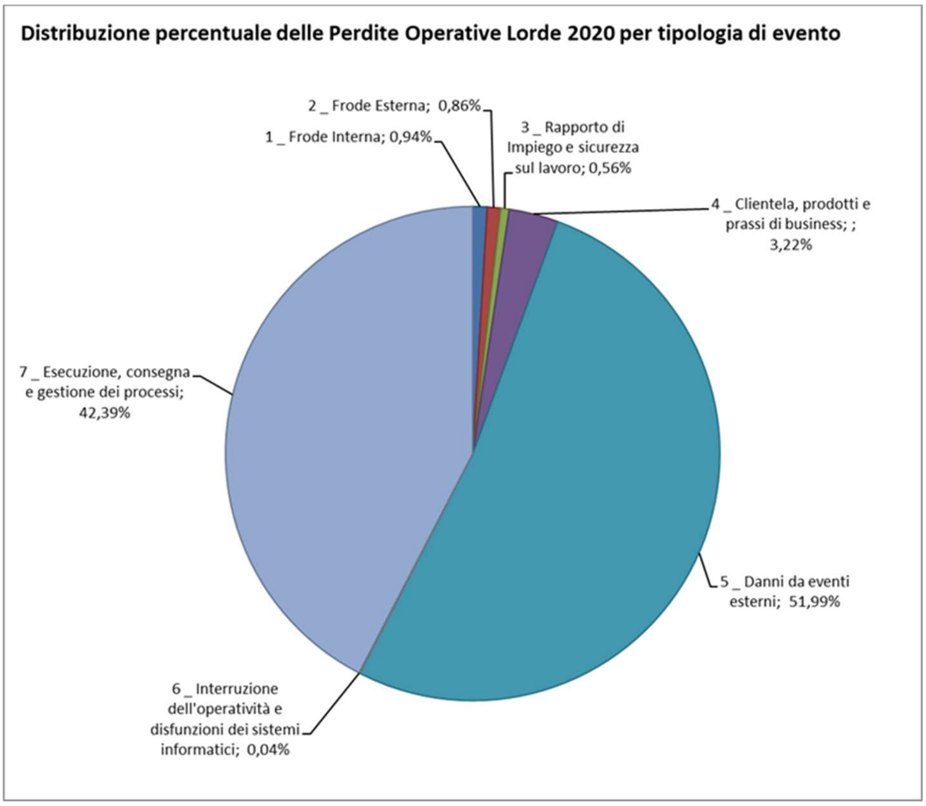
With respect to the sources in which operational risk arises, the percentage breakdown of the losses suffered by the Group Banks is described below by type of event, according to the Supervisory Authority classification:

- 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 staff;
- external fraud: losses due to fraud, embezzlement or violation of laws by external parties;
- employment relationship and occupational safety: losses arising from actions in breach of employment, occupational health and safety laws or agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal treatment;
- customers, products and professional practices: losses arising from fulfilment of professional obligations to customers or from the nature or characteristics of the product or service provided;
- damage resulting from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- interruption of operations and malfunctioning of systems: losses due to business disruption or system failures and disruptions;
- process execution, delivery and management: losses arising from operational and process management shortfalls, as well from transactions with business counterparties, vendors and suppliers.

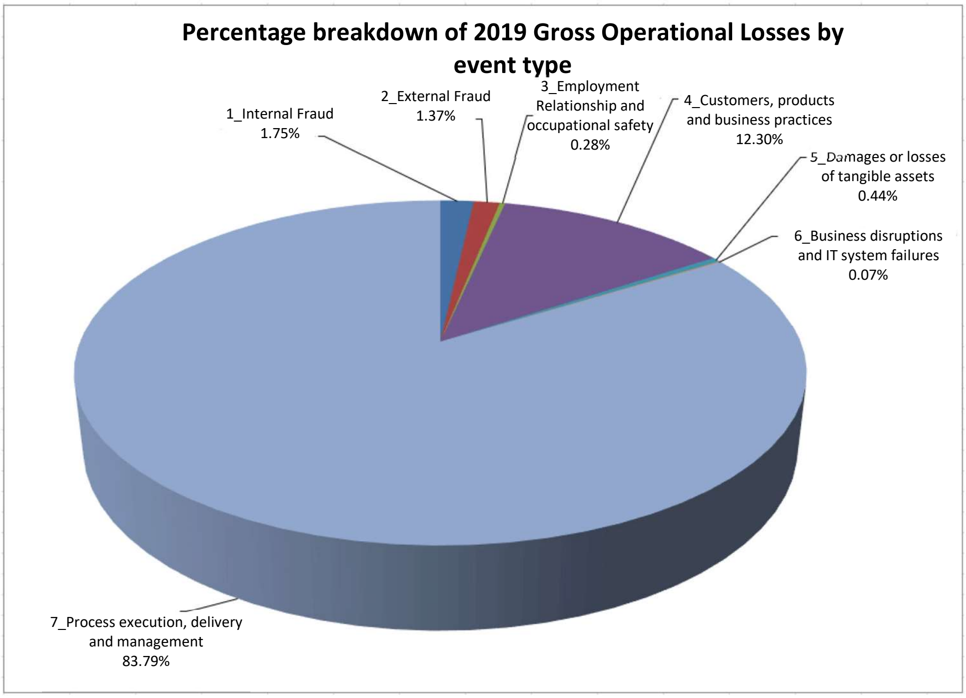
The analysis was performed with reference to events that entailed losses in gross amounts of at least € 1,000.
As of 2015, in order to generate a more precise and timely report, the analysis took into consideration not only operational losses that caused cash outflows during the year, but also estimated losses and provisions, in addition to recovery estimates.
The collection of Operational losses in Pitagora is performed on the basis of the methodology adopted by the Group Banks, obviously keeping in mind the specific nature of the Company’s business model and its organisational structure.
Based on the distribution of losses suffered in 2020 among the different event types, the weight of the item “Damage resulting from external events” was significant and linked to outlays and provisions recognised, mainly in Pitagora, relating to the

principles of the new Bank of Italy guidelines issued in December 2019 regarding the early repayment of loans; the item "Process execution, delivery and management" contains the sums allocated in relation to disputes pending on a number of non-performing positions transferred. The incidence of prudential provisions assumes a significant weight on the total.

The chart below summarises the breakdown of gross operational losses of the Group Companies in 2020.



Key:
Distribuzione percentuale delle Perdite Operative Lorde 2020 per tipologia di evento – Percentage breakdown of 2020 Gross Operational Losses by event type; Frode interna – Internal Fraud; Frode esterna – External fraud; Rapporto di impiego e sicurezza sul lavoro – Employment relationship and occupational safety; Clientela, prodotti e prassi di business – Customers, products and business practices; Danni da eventi esterni – Damage from external events; Interruzione dell'operatività e disfunzioni dei sistemi informatici – Business disruptions and IT system failures; Esecuzione, consegna e gestione dei processi – Process execution, delivery and management



Operating risk performance is subject to continuous monitoring with a view to perfecting the organisational oversight and controls, so as to effectively contain these risks, already arisen or potential.

Prevention and Protection Department

As regards the management and improvement actions implemented by the respective "Prevention and Protection Services", note that in synergy with the relevant company functions, the activities of the Prevention and Protection Department in 2020 centred on preventing the spread of COVID-19 infections, which had caused a health, social and employment emergency on a global scale.
Already at the beginning of February, so even before the first cases recognised as the infection were discovered in Italy (Codogno, and Lombardy in general), the Prevention and Protection Department, in concert with the respective Technical Offices and assisted by the Group Human Resources Department, adopted a series of informative, organisational, prevention and protection measures.
These measures allowed effective management of the pandemic and, later, in the presence of compatible infection rates, the gradual return to work, guaranteeing adequate levels of health and safety protection to all Group employees.
Among the more important interventions, note the introduction of the Protocol laying out measures to combat and limit the spread of the COVID-19 virus in the workplace. This Protocol, implemented when required and the result of a shared procedure, constitutes the implementation of the national measure (of 14 March 2020, as amended on 24 April 2020) and that signed by the ABI and the trade unions on 28 April 2020.

At the same time, the action taken involved:

- 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.), also in relation to the COVID-19 pandemic;
- enacting the annual monitoring plan, maintaining and improving environmental well-being in the workplace (checking of earthing 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, with particular regard to health and hygiene measures to prevent COVID-19 virus infection.

Italian Legislative Decree no. 231/2001

Regulations on the administrative liability of legal entities

In the Group Banks and Financial Companies, the functions of the Supervisory Body established pursuant to Italian Legislative Decree 231/2001 have been assigned to the Board of Statutory Auditors, in compliance with the provisions of art. 6 of Italian

Legislative Decree 231/2001 as well as the Prudential Supervision Regulations of the Bank of Italy (Circular 285/2013 - Title IV - Chapter 3).

In the course of 2020, these Supervisory Bodies continued their detailed analysis and the verification, by examining the periodic reports that the Heads of the various Company Functions are required to send pursuant to the Regulation on information flows, of the organisational oversight mechanisms for the prevention of offences relating to the areas falling within the scope of interest of the regulation. Specific controls were also put into place concerning certain risk areas, as well as follow-up controls on the results of audits from the previous year. In performing these activities, the “231/2001 Risk-offence mapping”, an integral part of the Organisational Model - Special Part, has been particularly useful as it makes it possible to contextualise the Protocols defined by the Group within company operations, in order to have overall tracking available of the risks of offences that impact the business organisation. No critical issues worthy of note emerged from the overall activities performed.

IT risks and Italian Legislative Decree no. 196 of 30 June 2003

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 by the Banks.

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 software packages, developed internally or by third parties, is overseen directly by the Group companies' ICT Functions.

The security levels of the information system under the direct responsibility of the Group companies 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 2020, the IT risk assessment was updated with reference to all components of the information system, taking into consideration those managed by the outsourcer, the infrastructural services provided by the ICT Functions and the applications created internally and purchased from third parties, recognising in general low levels of exposure to threats and high levels of effectiveness of the countermeasures in place.

In 2020, with a view to continuous alignment of provisions in force on personal data processing and best practices in the sector, the adaptation of internal regulations, implementation of the processing and personnel training continued.
Personal data is processed in compliance with reference regulations, with a particular focus on the new principles of “privacy by design” and “privacy by default” and the instructions issued by the Privacy Authority over time. In compliance with the

measure of the Privacy Authority of 27/11/2008 as amended, precise oversight is maintained of “System Administrators” and with reference to Resolution of the Privacy Authority of 12 May 2011 and subsequent implementing provisions (“Privacy Authority II”), the monitoring of inquiries carried out by Group Bank personnel continued.

A. QUALITATIVE INFORMATION

The Group periodically evaluates the adequacy of its capital, understood as the aggregate consisting of share capital and reserves as well as total Own Funds, to support current and future activities, and compares the latter with prudential requirements, constantly monitoring surpluses.

B. QUANTITATIVE INFORMATION

The Group's shareholders' equity, inclusive of profit for the year, amounted to € 986,067 as at 31 December 2020. The values for shareholders' equity of Other companies refer to the securitisation vehicle and the Pitagora S.p.A. investment in Edera S.r.l., consolidated at equity.
The Group's total Own Funds, which under the previous regulations constituted Regulatory Capital, amounted to € 1,171,766 thousand.

B.1 CONSOLIDATED SHAREHOLDERS' EQUITY: BREAKDOWN BY BUSINESS AREAS Items of shareholders' equity	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	376,499	0	60	0	376,559
2. Share Premium Reserve	339,375	0	0	0	339,375
3. Reserves	132,258	0	24	0	132,282
4. Equity instruments	97,567	0	0	0	97,567
5. (Treasury shares)	-10,184	0	0	0	-10,184
6. Valuation reserves:	23,171	0	0	0	23,171
- Equity instruments designated at fair value through other comprehensive income	49,553	0	0	0	49,553
- Hedging of equity instruments designated at fair value through other comprehensive income	0	0	0	0	0
- Financial assets (other than equity instruments) designated at fair value through other comprehensive income	7,527	0	0	0	7,527
- Property, plant and equipment	0	0	0	0	0
- Intangible assets	0	0	0	0	0
- Foreign investments hedging	0	0	0	0	0
- Cash flow hedging	-19,010	0	0	0	-19,010
- Hedging instruments [non-designated items]	0	0	0	0	0
- Foreign exchange differences	0	0	0	0	0
- Non-current assets and disposal groups classified as held for sale	0	0	0	0	0
- Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	496	0	0	0	496
- Actuarial gains (losses) on defined benefit pension plans	-15,395	0	0	0	-15,395
- Portion of valuation reserves from 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 minority interests	27,297	0	0	0	27,297
Shareholders' equity	**985,983**	**0**	**84**	**0**	**986,067**

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

B.2 VALUATION RESERVES FOR FINANCIAL ASSETS DESIGNATED 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	562	1	0	0	0	0	0	0	562	1
2. Equity instruments	49,881	328	0	0	0	0	0	0	49,881	328
3. Loans	6,966	0	0	0	0	0	0	0	6,966	0
Total 2020	**57,409**	**330**	**0**	**0**	**0**	**0**	**0**	**0**	**57,409**	**329**

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

	Total 2020	EU Issuer
		Italy
Positive reserve	**562**	**562**
of which debt securities of EU countries	562	562
of which other debt securities	0	0
Negative reserve	**1**	**1**
of which debt securities of EU countries	1	1
of which other debt securities	0	0

B.3 VALUATION RESERVES FOR FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:	Debt securities	Equity securities	Loans
1. Opening balance	**-19,738**	**29,837**	**10,845**
2. Positive changes	**20,858**	**19,836**	**0**
2.1 Fair value increases	515	19,836	0
2.2 Losses for credit risk	47	X	0
2.3 Reversal to income statement of negative reserves from disposals	20,296	X	0
2.4 Transfers to other components of shareholders' equity (equity securities)	0	0	0
2.5 Other changes	0	0	0
3. Negative changes	**559**	**120**	**3,879**
3.1 Fair value decreases	1	120	3,879
3.2 Recoveries for credit risk	558	0	0
3.3 Reversal to income statement from positive reserves: realised	0	x	0
3.4 Transfers to other components of shareholders' equity (equity securities)	0	0	0
3.5 Other changes	0	0	0
4. Closing balance	**561**	**49,553**	**6,966**

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

B.4 VALUATION RESERVES FOR DEFINED BENEFIT PLANS: ANNUAL CHANGES Actuarial gains (losses)	Provision for employee severance pay	Company pension fund	Non-compete agreement
1. Opening balance	**(4,970)**	**(11,648)**	**(239)**
2. Positive changes	**62**	**1,967**	**32**
2.1 Actuarial gains	62	1,967	22
2.2 Other changes	0	0	10
3. Negative changes	**20**	**541**	**38**
3.1 Actuarial losses	0	0	31
3.2 Other changes	20	541	7
4. Closing balance	**(4,928)**	**(10,222)**	**(245)**

2.1 Own Funds

A. QUALITATIVE INFORMATION

As set forth in the 6th update of Circular 262 "Banks' financial statements: layout and preparation" and later amendments, 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 share capital paid in, share premium reserves, reserves and profit for the year to be allocated to reserves as calculated by the Group in accordance with Supervisory Authority recommendations, contained in the Bank of Italy press release of 16 December 2020.

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 deferred tax assets based on future profitability which do not derive from temporary differences are also deducted.

As at 31 December 2020, for intangible assets, previously deducted from CET1, the Delegated Regulation (EU) 2020/2176 of 12 November 2020 was adopted.

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 85% of the increase in adjustments for expected losses on performing and non-performing loans, taking place during the first-time adoption of the standard.

Minority interests are also computed to the extent permitted by regulations.

2. Additional Tier 1 (AT1) capital

Additional Tier 1 capital is represented by the Additional Tier 1 instrument targeting institutional investors, issued by the Bank at the end of November 2020 for a total nominal value of € 100 million. This is a perpetual security (with maturity linked to the Bank's statutory duration) with early redemption option for the issuer, the exercise of which is subject to meeting applicable regulatory requirements, in the period 27 November 2025 to 27 May 2026, and on every coupon payment date thereafter.

3. Tier 2 (T2) capital

Tier 2 capital is mainly represented by hybrid equity instruments, considered net of the buy-back limit authorised by the Bank of Italy.
This last type of instrument refers to subordinated bonds eligible for calculation, with repayment in a single instalment at the maturity date, placed in 2015.

On 19 June 2019, the Bank of Italy, following the conclusion of the periodic supervisory review and evaluation process (SREP), notified the Parent Company with a final measure of its decision on the basis of which it was established that the Cassa di Risparmio di Asti Group must hold, in addition to the minimum regulatory requirements (4.5% for CET1, 6% for Tier 1 and 8% for total Own Funds) additional capital proportionate to its risk exposure. The Supervisory Authority determined an expectation for the continuous maintenance of the following capital levels at consolidated level, inclusive of the additional requirements determined following the SREP, a Target component against higher risk exposure in stress conditions and the capital conservation buffer for 2019 equal to 2.5%; 9.5% for the CET1 Ratio, 11% for the TIER1 Ratio and 13% for the Total Capital Ratio.

SECTION 2 – OWN FUNDS AND BANK CAPITAL RATIOS

The consolidated capitalisation indicators as at 31 December 2020: CET1 Ratio of 15.55%, TIER1 Ratio of 17.21% and Total Capital Ratio of 19.96% are significantly higher than the requirements specified above.

Instruments eligible for calculation in Additional Tier 1 (AT1) capital and in Tier 2 (T2) capital:

Subject to 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	XS2247614493	97,567	100,000	27/11/2020	Perpetual
No	Banca C.R. Asti SpA	IT0005117111	70,460	80,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117129	57,322	65,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117137	21,893	25,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117376	17,053	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)	Any additional early repayment clauses set forth in the contract (Yes/No)	Book value (€/thousand)
EUR	Fixed deferred gross half-yearly interest equal to 9.25%. The bonds pay a gross half-yearly coupon payable on 27 May and 27 November of each year. The interest rate is recalculated on 27/05/2026 and every 5 years thereafter.	No	Yes	97,567
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	77,788
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	63,210
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	24,245
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	18,756
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

B. QUANTITATIVE INFORMATION

	Total 2020	Total 2019
A. Common Equity Tier 1 (CET1) before application of prudential filters	873,352	818,528
of which CET1 instruments subject to transitional provisions	0	0
B. CET1 prudential filters (+/-)	18,823	20,157
C. CET1 gross of items to be deducted and transitional regime effects (A+/-B)	**892,176**	**838,685**
D. Items to be deducted from CET1	133,513	172,047
E. Transitional regime – Impact on CET1 (+/-), including minority interests subject to transitional provisions	154,403	207,413
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**913,066**	**874,051**
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	97,567	0
of which AT1 instruments subject to transitional provisions	0	0
H. Items to be deducted from AT1	0	0
I. Transitional regime – Impact on AT1 (+/-), including instruments issued by subsidiaries which are included in AT1 due to transitional provisions	0	0
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**97,567**	**0**
M. Tier 2 (T2) gross of items to be deducted and transitional regime effects	169,037	188,028
of which T2 instruments subject to transitional provisions	0	0
N. Items to be deducted from T2	7,903	7,903
O. Transitional regime – Impact on T2 (+/-), including instruments issued by subsidiaries which are included in T2 due to transitional provisions	0	0
P. Total Tier 2 (T2) (M - N +/- O)	**161,134**	**180,125**
Q. Total Own Funds (F + L + P)	**1,171,766**	**1,054,176**

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

The Group periodically evaluates the adequacy of Own Funds to support current and future activities, applying the rules relating to capital absorption to the volumes of activities set forth in the annual budgets and the strategic plan.
In particular, the Group periodically drafts the ICAAP report, whereby it determines its capital adequacy against the risks identified.

B. QUANTITATIVE INFORMATION

Categories/Values	Non-weighted assets		Weighted amounts/requirements	
	2020	2019	2020	2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	**14,241,067**	**13,502,697**	**5,090,468**	**5,697,843**
1. Standardised approach	14,241,067	13,502,697	5,078,874	5,694,170
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	11,594	3,673
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**407,237**	**455,827**
B.2 Credit valuation adjustment risk			**2,342**	**3,031**
B.3 Settlement risk				
B.4 Market risks			**200**	**310**
1. Standardised approach			200	310
2. IRB approach				
3. Concentration risk				
B.5 Operational risk			**59,943**	**55,571**
1. Basic approach			59,943	55,571
2. Standardised approach			0	0
3. Advanced approach			0	0
B.6 Other calculation elements			**0**	**0**
B.7 Total capital requirements			**469,722**	**514,739**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**5,871,530**	**6,434,242**
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			**15.55%**	**13.58%**
C.3 Tier 1 capital/Risk-weighted assets (Total capital ratio)			**17.21%**	**13.58%**
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			**19.96%**	**16.38%**

As at 31 December 2020, the Group's fully-phased ratios, calculated without applying the IFRS 9 transitional provisions, amount to: CET1 Ratio 13.13%, Tier 1 14.82%, Total Capital Ratio 17.61%. All ratios are above the requirements established by the Bank of Italy following the Supervisory Review and Evaluation Process (SREP). The OCR (Overall Capital Requirement) to be satisfied, also inclusive of the capital conservation buffer of 2.5%, amount to 9%, 10.5% and 12.5% for the Group.

PART G - BUSINESS COMBINATIONS

None present.

PART H – RELATED PARTY TRANSACTIONS

In compliance with the international accounting standard IAS 24, in addition to the disclosure on related-party transactions, a summary is provided of the compensation received during the year by directors, statutory auditors and executives.

1. Information on compensation of key management personnel

	3,911
a) short-term benefits for employees and directors	3,576
b) post-employment benefits	117
c) other long-term benefits	56
d) termination indemnities	-
e) share-based payments	-
f) other compensation	306

Item f) refers to the compensation of the Board of Statutory Auditors.

2. Information on related-party transactions

In implementation of CONSOB Regulation no. 17221 of 12 March 2010 and Title V, Chapter 5 of the New Regulations for the Prudential Supervision of Banks (Bank of Italy Circular no. 263 of 27 December 2006), the Board of Directors approved the "Regulations for Related Party and Associated Party Transactions".

Related parties are as follows:

- all parties that directly or indirectly, even through Subsidiaries, trust companies or third parties:
    a. control the Group, are controlled by it, or are controlled by the same party/ies that control the Group;
    b. hold an equity investment in the Group that makes it possible for them to exercise a Significant Influence;
    c. exercise control over the Bank together with other parties.
- the Associated Companies of the Group;
- the Joint Ventures the Group is a party to;
- Key Management Personnel of the Group and of Fondazione Cassa di Risparmio di Asti, or:
    a) the members of the Board of Directors
    b) the members of the Board of Statutory Auditors
    c) the General Manager
    d) the Deputy General Manager of the Bank and the Manager Responsible for preparing the financial reports (if appointed)
    e) the members of the Board of Directors of Fondazione Cassa di Risparmio di Asti
    f) the members of the Board of Statutory Auditors of Fondazione Cassa di Risparmio di Asti.
    g) the General Manager of Fondazione Cassa di Risparmio di Asti

- the Close Family Members of one of the parties set out in point a) (if applicable) or d);
- the entities in which one of the parties set out in point d) or e) exercises Control, Joint Control or Significant Influence or directly or indirectly holds a significant stake, in any event of no less than 20% of the voting rights;
- collective or individual, Italian or foreign supplementary pension funds set up for employees of the Bank or of any other entity correlated thereto, in the amount in which those funds were established or promoted by the Bank or in the event that the Bank may influence their decision-making processes (which include the "Fondo Pensione Integrativo" (Supplementary Pension Fund) for the Personnel of Cassa di Risparmio di Asti S.p.A. and the "Fondo Pensione Complementare" (Supplementary Pension Fund) for the Personnel of Cassa di Risparmio di Asti S.p.A.).

The related party transactions in 2020 are shown below:

	ATTIVO	PASSIVO	AZIONI	CREDITI DI FIRMA	MARGINI DI FIDO	INTERESSI ATTIVI E COMM.NI	INTERESSI PASSIVI E COMM.NI	DIVIDENDI	ALTRI PROVENTI	ALTRE SPESE AMM.VE
Fondazione Cassa di Risparmio di Asti (a)	0	7.550	115.728	0	0	0	36	0	56	0
Società Controllate (a)	0	0	0	0	0	0	0	0	0	0
Società esercitanti Influenza Notevole (a)	642	8.030	98.608	0	0	18	63	0	0	37
Esponenti (d)	557	5.648	234	1	116	11	38	0	0	2.228
Altre Parti Correlate (e,f)	27.643	12.735	174	8.095	5.427	703	678	0	66	1.073
Fondi Pensionistici (g)	7.809	499	0	0	2.191	5	144	0	0	146
TOTALE	**36.651**	**34.462**	**214.744**	**8.096**	**7.734**	**737**	**959**	**0**	**122**	**3.484**

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 ARRANGEMENTS

There are no share-based payment arrangements.

PART L – SEGMENT REPORTING

In compliance with that set out in accounting standard IFRS 8, segment reporting refers to the organisational and management structure of the Group, based on the internal reporting system used by the company management to monitor the performance of results and make operational decisions regarding the allocation of resources.
The Group Banks perform lending, asset management and the offering of third party insurance products. For this reason, the organisational structure of the Cassa di Risparmio di Asti S.p.A. Group, as, in general, that of commercial banks, is not organised into segments or divisions. Instead, Pitagora S.p.A., as the intermediary specialising in salary and pension assignment loans, has certain particular management and operational characteristics that make it appropriate to conduct the monitoring of results.

Thus, the segments subject to reporting have been identified, summarised below:

- Commercial Banking: activities relating to both retail and corporate customers of the Group Banks, regarding lending, i.e. products and services relating to loans, deposits, financial, banking and payment services, financial and insurance products, asset management and credit and debit cards;
- *Investment Banking:* activities relating to the own securities portfolio and the interbank market of Group Banks;
- *Corporate Centre*: activities of governance and business support to the operation of Group Banks;
- Specialised Banking: activities performed by the intermediary specialising in the segment of salary and pension assignment loans, Pitagora S.p.A.

The segment income statement and balance sheet figures correspond to their respective financial statement items.
The balance sheet and income statement figures for Pitagora, a company that joined the Group on 1 October 2015, following the acquisition by the Parent Company of 65% of the share capital, also include the figures referring to the self-securitisation of the Group.
The criteria used to determine the amounts are as follows:

- interest margin: direct attribution of the single income items;
- non-interest margin: direct allocation of single fee and commission items;
- operating costs: direct attribution, or attribution through criteria of allocation to the single organisational units;
- provisions and adjustments: direct attribution or attribution through allocation criteria.

DISTRIBUTION BY OPERATING SEGMENT - BALANCE SHEET FIGURES

SEGMENT RESULTS - BALANCE SHEET FIGURES - ASSETS	2020	COMMERCIAL BANKING	*INVESTMENT BANKING*	*CORPORATE CENTRE*	SPECIALISED BANKING (PITAGORA SPA)
ASSETS					
Financial assets	579,027	0	578,559	0	468
Financial assets measured at amortised cost	12,255,005	6,287,323	5,413,195	1,686	552,800
- Loans and advances to banks	*1,975,305*	*0*	*1,972,866*	*50*	*2,389*
- Loans and advances to customers	*6,864,429*	*6,287,323*	*25,058*	*1,636*	*550,412*
- Other assets measured at amortised cost	*3,415,271*	*0*	*3,415,271*	*0*	*0*
Hedging derivatives	0	0	0	0	0
Equity investments	82	0	0	0	82

SEGMENT RESULTS - BALANCE SHEET FIGURES - LIABILITIES	2020	COMMERCIAL BANKING	*INVESTMENT BANKING*	*CORPORATE CENTRE*	SPECIALISED BANKING (PITAGORA SPA)
LIABILITIES					
Deposits from banks	2,600,388	230	2,591,536	329	8,293
Financial liabilities held for trading	14,523	0	14,523	0	0
Direct funding	9,913,065	8,794,135	944,430	19,674	154,828
- Deposits from customers	*8,381,595*	*7,262,663*	*944,430*	*19,674*	*154,828*
- Debt securities in issue	*1,486,475*	*1,486,475*	*0*	*0*	*0*
- Financial liabilities measured at fair value	*44,996*	*44,996*	*0*	*0*	*0*
Hedging derivatives	157,533	29,472	128,061	0	0

SEGMENT RESULTS - BALANCE SHEET FIGURES - ASSETS	2019	COMMERCIAL BANKING	*INVESTMENT BANKING*	*CORPORATE CENTRE*	SPECIALISED BANKING (PITAGORA SPA)
ASSETS					
Financial assets	1,415,062	0	1,414,515	0	547
Financial assets measured at amortised cost	10,444,962	6,322,218	3,570,590	928	551,226
- Loans and advances to banks	*554,111*	*0*	*551,823*	*50*	*2,238*
- Loans and advances to customers	*6,890,068*	*6,322,218*	*17,984*	*878*	*548,988*
- Other assets measured at amortised cost	*3,000,783*	*0*	*3,000,783*	*0*	*0*
Hedging derivatives	0	0	0	0	0
Equity investments	77	0	0	0	77

SEGMENT RESULTS - BALANCE SHEET FIGURES - LIABILITIES	2019	COMMERCIAL BANKING	*INVESTMENT BANKING*	*CORPORATE CENTRE*	SPECIALISED BANKING (PITAGORA SPA)
LIABILITIES					
Deposits from banks	1,648,569	575	2,021,032	-382,297	9,259
Financial liabilities held for trading	17,590	0	17,590	0	0
Direct funding	10,013,055	8,706,670	1,168,497	20,337	117,552
- Deposits from customers	*8,161,813*	*6,855,427*	*1,168,497*	*20,337*	*117,552*
- Debt securities in issue	*1,772,360*	*1,772,361*	*0*	*0*	*0*
- Financial liabilities measured at fair value	*78,882*	*78,882*	*0*	*0*	*0*
Hedging derivatives	126,675	33,409	93,266	0	0

DISTRIBUTION BY OPERATING SEGMENT - INCOME STATEMENT FIGURES

	SEGMENT RESULTS - INCOME STATEMENT FIGURES	2020	COMMERCIAL BANKING	*INVESTMENT BANKING*	*CORPORATE CENTRE*	SPECIALISED BANKING (PITAGORA SPA)
+	Net banking income (1)	297,502	143,316	103,849	-1,405	51,742
-	Operating costs (2)	-242,013	-138,575	-4,645	-74,994	-23,799
=	Gross operating profit	55,489	4,741	99,204	-76,399	27,943
+/-	Net provisions for risks and charges	-15,124	-4,841	-12	-236	-10,035
+/-	Gains/(losses) on equity investments	-500	0	0	-500	0
+/-	Gains/(losses) on disposal of investments	9	0	0	9	0
=	**Profit/(loss) before tax from continuing operations**	**39,874**	**-100**	**99,192**	**-77,126**	**17,908**

	SEGMENT RESULTS - INCOME STATEMENT FIGURES	2019	COMMERCIAL BANKING	*INVESTMENT BANKING*	*CORPORATE CENTRE*	SPECIALISED BANKING (PITAGORA SPA)
+	Net banking income (1)	327,291	148,870	105,130	3,480	69,811
-	Operating costs (2)	-248,232	-139,656	-4,960	-79,073	-24,543
=	Gross operating profit	79,059	9,214	100,170	-75,593	45,268
+/-	Net provisions for risks and charges	-18,459	-1,317	-15	-222	-16,905
+/-	Gains/(losses) on equity investments	0	0	0	0	0
+/-	Gains/(losses) on disposal of investments	19	0	0	19	0
=	**Profit/(loss) before tax from continuing operations**	**60,619**	**7,897**	**100,155**	**-75,796**	**28,363**

(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 2020 COMPARED WITH 2019	2020/ 2019	COMMERCIAL BANKING	*INVESTMENT BANKING*	*CORPORATE CENTRE*	SPECIALISED BANKING (PITAGORA SPA)
+	Net banking income (1)	-29,789	-5,554	-1,281	-4,885	-18,069
-	Operating costs (2)	6,219	1,083	315	4,079	744
=	Gross operating profit	-23,570	-4,473	-966	-806	-17,325
+/-	Net provisions for risks and charges	3,335	-3,524	3	-14	6,870
+/-	Gains/(losses) on equity investments	-500	0	0	-500	0
+/-	Gains/(losses) on disposal of investments	-10	0	0	-10	0
=	**Profit/(loss) before tax from continuing operations**	**-20,745**	**-7,997**	**-963**	**-1,330**	**-10,455**

PART M – DISCLOSURE ON LEASES

SECTION 1 – LESSEE

QUALITATIVE INFORMATION

The scope of IFRS 16 of the Cassa di Risparmio di Asti Group includes lease agreements on real estate units, mainly for commercial activity (branches), which represent 98% of the rights of use (of which 2% due to banks) and rental contracts for the fleet of company cars and office machinery, which represent the remaining 2%.

Short-term or low value lease agreements are recorded in accordance with that set out in the accounting standard IFRS 16.

QUANTITATIVE INFORMATION

Please refer to Parts B and C of these Notes to the consolidated financial statements.

SECTION 2 – LESSOR

QUALITATIVE INFORMATION

The Cassa di Risparmio di Asti Group only has operating leases in force which mainly regard commercial leases of owned properties.

QUANTITATIVE INFORMATION

1. **Balance sheet and income statement information**
   Please refer to Parts B and C of these Notes to the consolidated financial statements.

2. ***Finance leases***
   There are no items of this type.

3. *Operating leases*

3.1 Classification by time band of payments to be received

Time band	Total 2020	Total 2019
	Lease payments to be received	
Up to 1 year	1,886,873	1,559,373
1 to 2 years	1,834,052	1,503,841
2 to 3 years	1,663,546	1,392,541
3 to 4 years	1,453,747	1,199,063
4 to 5 years	1,113,298	1,010,187
Over 5 years	6,447,824	5,268,691
Total lease payments to be received	**14,399,340**	**11,933,696**

3.2 Other information

There is no additional information to report.

PUBLICATION OF FEES FOR AUDITING AND FOR SERVICES OTHER THAN AUDITING

In compliance with the provisions issued as part of the reform of the Consolidated Finance Act - (Law no. 262 of 28.12.2005, as amended), the fees paid (net of expenses, VAT and CONSOB contribution) for auditing and control pursuant to articles 14 and 16 of Italian Legislative Decree 39/2010 and for other services provided during 2020 are summarised below.

Type of services	Description of the service	Provider of the service	Recipient of the service	Fees (€/thousand)
Auditing	Separate and consolidated financial statements, half-yearly financial statements, accounting control	Deloitte & Touche S.p.A.	C.R.Asti Group	456
Other services	Other certifications	Deloitte & Touche S.p.A.	C.R.Asti Group	249
Other services	Activities relating to securitisation transactions	Deloitte & Touche S.p.A.	C.R.Asti Group	31
Total				**736**

With effect from 2020, Immobiliare Maristella S.r.l. signed an auditing agreement with Deloitte & Touche S.p.A. for auditing of the 2020-2021-2022 financial statements.

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 2020 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	Fondirigenti	15	Grants for personnel training
Total			

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS 2020

Deloitte.

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Cassa di Risparmio di Asti S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa di Risparmio di Asti Group (the "Group"), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Cassa di Risparmio di Asti S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Classification of performing loans and advances to customers measured at amortised cost	
Description of the key audit matter	As highlighted in the notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets, at December 31, 2020 the net performing financial assets, measured at amortised cost, due from customers of the Group amount to Euro 9.798 million, including Euro 6.367 million of performing loans and advances to customers. As described in Part A – Accounting policies and in the paragraph entitled "1.1 Credit risk" qualitative information of the "Section 2 – Risks of the prudential consolidated perimeter" of Part E – Information on risks and relative hedging policies of the notes to the consolidated financial statements as at December 31, 2020, as part of its policies for the managing and classification of performing loans and advances to customers measured at amortised cost, the Group refers to sector regulations, supplemented by different processes and analysis tools based on homogeneous risk categories; these processes and tools have taken into account the uncertainty and complexity relating to the effects of the Covid-19 pandemic. In fact, the context was characterized by initiatives and forbearances introduced by the government and monetary and fiscal authorities. The effects of these economy's supporting measures on the strategies, objectives and risk management policies, as well as on the economic and financial situation of the Group are set out in the relevant sections of the notes to the consolidated financial statements in accordance with the integration to the instructions of "Circular 262 "– Banks financial statements: schemes and compilation rules" issued by the Bank of Italy on December 15, 2020. Given the materiality of performing loans and advances to customers measured at amortised cost in the consolidated financial statements, the complexity of the classification process of these loans into homogeneous risk categories adopted by the Group, as well as the circumstances related to the current context following the pandemic emergency that have made the identification of exposures which have incurred a significant increase in the credit risk and the following classification in *stages* provided by the international financial reporting standard IFRS 9, particularly critical and exposed to further elements of subjectivity, we considered that the classification of performing loans and advances to customers measured at amortised cost was a key audit matter for the Group's consolidated financial statements as at December 31, 2020.
Audit procedures performed	The procedures carried out as part of our audit work, also using the support of the Deloitte network specialists, and also planned taking into account the complexity and uncertainties related to the current macroeconomic context, have included, among the others, the following:

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- understanding of the internal regulations and processes set up by the Group in relation to the classification and credit quality monitoring of performing loans and advances to customers measured at amortised cost to ensure their classification in accordance with the applicable regulatory framework, also taking into account the main aspects referred to by the Supervisory Authorities in relation to the effects of the Covid-19 pandemic;
- checking the implementation and operating effectiveness of the relevant controls identified in relation to the processes above;
- checking, on a sample of credit files, the accuracy of the classification of performing loans and advances to customers measured at amortised cost;
- checking the accuracy and the completeness of the disclosures provided in the financial statements in accordance with the regulatory framework and the applicable accounting standards, also taking into account the communications issued by the Supervisory Authorities following the Covid-19 pandemic crisis.

Classification and measurement of non-performing loans and advances to customers measured at amortised cost

Description of the key audit matter	As highlighted in the report on operations in the paragraph entitled "Credit quality" and in the notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet - Assets and Part E – Information on risks and relative hedging policies, at December 31, 2020 the gross non-performing loans and advances to customers measured at amortised cost amount to Euro 666 million, the connected specific write-downs amount to Euro 340 million and the related net exposure amounts to Euro 326 million. The coverage ratio related to non-performing loans and advances to customers measured at amortised cost at December, 31 2020 is equal to51,1%. In particular, the above mentioned non-performing exposures, classified according to the International Financial Reporting Standard IFRS 9 "Financial instruments" in the so-called "Stage 3", include net bad loans for Euro 111 million with a coverage ratio of 67,2%, net unlikely to pay loans for Euro 200 million with a coverage ratio of 35,4% and net past-due loans for Euro 15 million with a coverage ratio of 19,4%. The notes to the consolidated financial statements - Part A - Accounting Policies show:

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	• the classification rules of non-performing loans and advances to customers measured at amortised cost adopted by the Group, according with the applicable banking regulations and in compliance with the accounting standards; • the procedures used in determining the recoverable amount of the above loans, based on valuation criteria that consider the various alternative scenarios formulated according with the methodologies based on the Group's credit policies for each category in which non-performing loans and advances to customers are classified, also taking into account the macroeconomic context determined by the spread of Covid-19 pandemic. Given the materiality of non-performing loans and advances to customers measured at amortised cost recorded in the consolidated financial statements, the complexity of the estimation processes adopted by the Group, which have involved a detailed classification of such loans in homogeneous credit quality categories, as well as the relevance of the discretionary components inherent in the recoverable amount's estimated nature, increased due to the effects of Covid-19 emergency, we considered that the classification and measurement of non-performing loans and advances to customers measured at amortised cost were a key audit matter for the Group's consolidated financial statements as at December 31, 2020.
Audit procedures performed	The procedures carried out as part of our audit work, also planned taking into account the complexity and uncertainties related to the current macroeconomic context, have included, among the others, the following: • obtaining an understanding of the rules and the managing processes set up by the Group in relation to the classification and recoverable amount estimation of non-performing loans and advances to customers measured at amortised cost in accordance with the regulatory framework and the applicable accounting standards; • checking the implementation and operating effectiveness of the relevant controls identified in relation to the above processes; • drawing qualitative and trend analysis of non-performing loans and advances to customers by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest; • checking, on a sample of credit files, selected also on the basis of the matters of interest emerging from the analysis referred to in the previous point, the accuracy of the classification and determination of the recoverable amount of the above loans and advances in accordance with the regulatory framework and applicable accounting standards, also by obtaining the external confirmations by the lawyers appointed for their collection;

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- checking the completeness and the compliance of the provided financial statements disclosures in accordance with the regulatory framework and the applicable accounting standards.

Impairment test on goodwill

Description of the key audit matter

As highlighted in the notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets – "Section 10 – Intangible assets – Item 100", the Intangible assets as at December 31, 2020 include a goodwill of Euro 66 million, which has been allocated to two cash generating units (CGUs) identified with the companies controlled by the Bank, Cassa di Risparmio di Biella e Vercelli S.p.A. and Pitagora Finanziamenti Contro Cessione del Quinto S.p.A..

According with the accounting standard IAS 36 "*Impairment of assets*", goodwill is not amortised but subjected to an impairment test at least annually, or more frequently when there are impairment highlights, by comparing the carrying amount with the relevant recoverable amount of the CGUs.

The Directors of the Bank have subjected the goodwill to the *impairment test* through the value in use determining, by the adoption of a model based on economic and financial projections developed considering assumptions, hypotheses and parameters that are subject to a significant degree of discretion, as well as being influenced by external events and factors.

In Part A - Accounting Policies and in Part B –Information on the consolidated balance sheet – Assets of the notes to the consolidated financial statements, there are provided the disclosures requested by the applicable international accounting standards, as well as the main estimates made by the Directors of the Bank which have also taken into account the developing of the Covid-19 spread's effects, in the current economic and social context.

In particular, disclosures are provided in relation to the carrying amount and to the determining manner of the value in use by applying the *Excess Capital* version of the *Dividend Discount Method*, developed on the basis of the capital situation at 31 December 2020 of the above CGUs and the related economic-financial projections 2021-2025 and 2021-2023 formulated respectively by the Board of Directors of Cassa di Risparmio di Biella e Vercelli S.p.A. and Pitagora Finanziamenti Contro Cessione del Quinto S.p.A., consistently with the updating of the strategic plans approved by the above respective Board of Directors, and including the effects due to the Covid-19 pandemic.

Given the materiality of the goodwill recorded in the consolidated financial statements, the complexity and the subjectivity of the estimates relating to the value in use of the CGUs, in particular with reference to the key variables

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	of the model adopted to develop the *impairment test*, we considered that the impairment test of goodwill was a key audit matter for the Group's consolidated financial statements as at December 31, 2020.
Audit procedures performed	The main procedures carried out as part of our audit work have included, among the others, the following: • obtaining an understanding of the process, the method and assumptions adopted by the Bank to carry out the impairment test; • critical and reasonableness analysis of the main parameters and the main assumptions adopted to determine the economic-financial projections and understand the main elements underlying their elaboration by obtaining information from the Bank; • checking the logical and mathematical accuracy of the model used; • reviewing the sensitivity analyses of the outcomes performed by the Bank based on the changes in the main parameters used in the carrying out of *impairment test*; • checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and the applicable accounting standards, also taking into account the communications issued by the Supervisory Authorities following the Covid-19 pandemic crisis.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company Cassa di Risparmio di Asti S.p.A. or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the financial reporting process of the Group.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa di Risparmio di Asti S.p.A. has appointed us on April 30, 2019, as auditors of the Bank for the years from December 31, 2019 to December 31, 2027.
We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa di Risparmio di Asti S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Cassa di Risparmio di Asti Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements of Cassa di Risparmio di Asti Group as at December 31, 2020, and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cassa di Risparmio di Asti Group as at December 31, 2020, and are prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa di Risparmio di Asti S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 14, 2021

This report has been translated into the English language solely for the convenience of international

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	31.12.2020	31.12.2019
Cash and cash equivalents		63,049	67,739
	Item 10. Cash and cash equivalents	*63,049*	*67,739*
Financial assets (other than loans)		579,027	1,415,062
	Item 20 - Financial assets measured at fair value through profit and loss	*78,411*	*76,213*
	- Item 20 a) (partial) - Financial assets held for trading	*-32,090*	*-42,163*
	- Item 20 c) (partial) - Financial assets mandatorily measured at fair value	*-11,544*	*-6,002*
	Item 30 - Financial assets measured at fair value through other comprehensive income	*655,957*	*1,559,167*
	- Item 30 c) (partial) - Financial assets measured at fair value through other comprehensive income	*-111,707*	*-172,153*
Financial assets measured at amortised cost		12,255,005	10,444,962
	Item 40 a) - Loans to banks	*1,975,250*	*554,111*
	Item 40 b) - Loans to customers	*10,124,414*	*9,670,533*
	+ Item 20 a) (partial) - Financial assets held for trading	*32,090*	*42,163*
	+ Item 20 c) (partial) - Financial assets mandatorily measured at fair value	*11,544*	*6,002*
	+ Item 30 c) (partial) - Financial assets measured at fair value through other comprehensive income	*111,707*	*172,153*
	- Item 40 b) (partial) - Loans to customers	*-3,415,271*	*-3,000,783*
	Item 40 b) (partial) - Loans to customers - other financial assets measured at amortised cost	*3,415,271*	*3,000,783*
Equity investments		82	77
	Item 70 - Equity investments	*82*	*77*
Property, plant and equipment and intangible assets		291,835	300,920
	Item 80 - Property, plant and equipment	*203,342*	*211,381*
	Item 90 - Intangible assets	*88,493*	*89,539*
Tax assets		288,867	315,288
	Item 100 - Tax assets	*288,867*	*315,288*
Other assets		494,629	418,569
	Item 120 - Other assets	*494,629*	*418,569*
Total assets		**13,972,494**	**12,962,617**

Reclassified balance sheet items - Liabilities	Statutory balance sheet items - Liabilities	31.12.2020	31.12.2019
Deposits from banks		2,600,388	1,648,569
	Item 10 a) - Deposits from banks	*2,600,388*	*1,648,569*
Financial liabilities held for trading		14,523	17,590
	Item 20 - Financial liabilities held for trading	*14,523*	*17,590*
Direct funding		9,913,066	10,013,055
	Item 10 b) - Deposits from customers	*8,381,595*	*8,161,813*
	Item 10 c) - Debt securities issued	*1,486,475*	*1,772,360*
	Item 30 - Liabilities designated at fair value	*44,996*	*78,882*
Hedging derivatives		157,533	126,675
	Item 40 - Hedging derivatives	*157,533*	*126,675*
Tax liabilities		2,056	3,088
	Item 60 -Tax liabilities	*2,056*	*3,088*
Other liabilities		227,757	245,083
	Item 80 - Other liabilities	*227,757*	*245,083*
Provisions for risks and charges		71,104	85,065
	Item 90 - Provision for employee severance pay	*19,951*	*20,386*
	Item 100 - Provisions for risks and charges	*51,153*	*64,679*
Shareholders' equity		986,067	823,492
	Item 120 - Valuation reserves	*21,081*	*-19,919*
	Item 140 – Equity instruments	*97,567*	*0*
	Item 150 - Reserves	*130,404*	*95,699*
	Item 160 - Share premium reserve	*339,375*	*339,536*
	Item 170 - Share capital	*363,971*	*363,971*
	Item 180 - Treasury shares	*-10,184*	*-8,863*
	Item 190 - Non-controlling interests	*19,868*	*17,738*
	Item 200 - Profit (Loss) for the year (+/-)	*23,985*	*35,330*
Total liabilities and shareholders' equity		***13,972,494***	***12,962,617***

RECONCILIATION BETWEEN THE RECLASSIFIED INCOME STATEMENT AND THE STATUTORY INCOME STATEMENT

Reclassified income statement items	Statutory income statement items	31/12/2020	31/12/2019
	Item 10 - Interest income and similar revenues	***280,434***	***294,543***
	Item 10 - Interest income and similar revenues	*281,631*	*295,919*
	+ Item 40 (partial) - Fee and commission income T-LTRO2	*4,316*	*1,760*
	+ Item 50 (partial) - Fee and commission expense T-LTRO2	*-4,316*	*-1,760*
	+ Item 80 (partial) - Net profit (loss) from trading	*-1,197*	*-1,376*
	Item 20 - Interest expense and similar charges	***-75,498***	***-84,953***
	Item 20 - Interest expense and similar charges	*-75,498*	*-84,953*
Net interest margin		**204,936**	**209,590**
Net fees and commissions		**84,933**	**95,609**
	Item 40 - Fee and commission income	***143,387***	***151,899***
	Item 40 - Fee and commission income	*149,543*	*154,727*
	- Item 40 (partial) - Securitisation servicing	*-2,765*	*-2,788*
	- Item 40 (partial) - Fee and commission income T-LTRO2	*-4,316*	*-1,760*
	+ Item 230 (partial) - Other operating income (fast-track facility fee income)	*925*	*1,720*
	Item 50 - Fee and commission expense	***-58,454***	***-56,290***
	Item 50 - Fee and commission expense	*-62,770*	*-58,050*
	- Item 50 (partial) - Fee and commission expense T-LTRO2	*4,316*	*1,760*
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		**124,993**	**125,964**
	Item 80 - Net profit (loss) from trading	***63,577***	***78,932***
	Item 80 - Net profit (loss) from trading	*62,380*	*77,556*
	- Item 80 (partial) - Net profit (loss) from trading	*1,197*	*1,376*
	Item 90 - Net profit (loss) from hedging	***760***	***-805***
	Item 100 - Gains (losses) on disposal or repurchase of:	*59,203*	*44,840*
	Item 100 a) - Gains (losses) on disposal or repurchase of financial assets measured at amortised cost	***18,006***	***20,065***
	Item 100 a) (partial) - Profit on bonds:	*18,006*	*20,065*
	Item 100 b) financial assets measured at fair value through other comprehensive income	***41,714***	***24,766***
	Item 100 b) financial assets measured at fair value through other comprehensive income	*41,714*	*24,766*
	Item 100 c) financial liabilities	***-517***	***9***
	Item 130 - Net losses/recoveries for credit risk	*1,152*	*1,108*
	Item 100 b) financial assets measured at fair value through other comprehensive income	***1,152***	***1,108***
	Item 110 - Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss	*301*	*1,889*
	Item 110 a) financial assets and liabilities designated at fair value	***852***	***2,990***
	Item 110 b) other financial assets mandatorily measured at fair value	***-551***	***-1,101***
Dividends and similar income		**12,058**	**10,929**
	Item 70 - Dividends and similar income	*12,058*	*10,929*
Other operating expenses/income		**276**	**1,947**
	Item 230 - Other operating expenses/income	*24,536*	*28,017*
	- Item 230 (partial) - Other operating expenses (amortisation of expenses on leasehold assets)	*1,072*	*920*
	- Item 230 (partial) - Other operating income (recoveries of expenses)	*-24,496*	*-25,340*
	- Item 230 (partial) - Other operating expenses (maintenance of civil buildings)	*89*	*70*
	- Item 230 (partial) - Other operating income (fast-track facility fee income)	*-925*	*-1,720*

Gross banking income		**427,196**	**444,039**
Gains (losses) on disposal of financial assets measured at amortised cost		**-21,793**	**-23,244**
	Item 100 a) - Gains (losses) on disposal or repurchase of financial assets measured at amortised cost	*-3,787*	*-3,179*
	Item 100 a) (partial) - Profit on bonds:	*-18,006*	*-20,065*
Net adjustments for credit risk on financial assets measured at amortised cost		**-107,615**	**-93,078**
	Item 130 a) financial assets measured at amortised cost	*-107,615*	*-93,078*
Profits/losses from contractual changes without derecognition		**-286**	**-426**
	Item 140 - profits/losses from contractual changes without derecognition	*-286*	*-426*
Net banking income		**297,502**	**327,291**
Operating costs		**-242,013**	**-248,232**
Personnel expenses		**-126,450**	**-131,627**
	Item 190 a) - Personnel expenses	*-128,802*	*-133,935*
	+ Item 190 b) (partial) - Other administrative expenses (directors and statutory auditors)	*2,352*	*2,308*
Other administrative expenses		**-91,714**	**-94,693**
	Item 190 b) - Other administrative expenses	*-116,534*	*-120,443*
	+ Item 200 (partial) - Other operating income (recoveries of expenses)	*24,496*	*25,340*
	+ Item 200 (partial) - Other operating expenses (maintenance of civil buildings)	*-89*	*-70*
	- Item 160 b) (partial) - Other administrative expenses (directors and statutory auditors)	*-2,352*	*-2,308*
	+ Item 40 (partial) - Securitisation servicing	*2,765*	*2,788*
Net adjustments to property, plant and equipment/intangible assets		**-23,849**	**-21,912**
	Item 210 - Net adjustments to/recoveries on property, plant and equipment	*-17,559*	*-16,538*
	Item 220 - Net adjustments to/recoveries on intangible assets	*-5,218*	*-4,454*
	+ Item 200 (partial) - Other operating expenses (amortisation of expenses on leasehold assets)	*-1,072*	*-920*
Gross operating profit		**55,489**	**79,059**
Net provisions for risks and charges		**-15,124**	**-18,459**
	Item 200 - Net provisions for risks and charges	*-15,124*	*-18,459*
Other non-recurring income/charges		**-491**	**19**
	Item 250 - Gains (losses) on equity investments	*-500*	*0*
	Item 280 - Gains (losses) on disposal of investments	*9*	*19*
Profit before tax from continuing operations		**39,874**	**60,619**
Taxes		**-12,577**	**-19,871**
	Item 300 - Tax expense (recovery) on income from continuing operations	*-12,577*	*-19,871*
Profit from continuing operations		**27,297**	**40,748**
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***	**27,297**	**40,748**

Country-by-country reporting

Country-by-country reporting (CRD IV) as at 31 December 2020
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 2020 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 2020, the turnover amounted to € 405,815 thousand, all earned in Italy.

Number of full-time equivalent employees

As at 31 December 2020 there were 1,847 full-time equivalent employees, of which 1,684 with a full-time contract. Of this total, 1,104 were in service with the Parent Company, 558 with Biverbanca S.p.A. and 185 with Pitagora S.p.A.

Profit before tax

As at 31 December 2020 the profit (loss) before tax from continuing operations amounted to € 39,874 thousand. There are no components regarding discontinued operations.

Income taxes

As at 31 December 2020 the item “income tax for the year” showed a negative balance of € 12,577 thousand.

Government grants received from Fondo Banche Assicurazioni

During 2020, the Group received grants for carrying out personnel training for a total of € 15 thousand.

In this regard, note that, in compliance with the provisions set out for preparing the disclosure in question, this category of contributions excludes transactions conducted with central banks for the purpose of financial stability and transactions performed with the objective of facilitating the transmission mechanism of monetary policy.