GRUPPO CASSA DI RISPARMIO DI ASTI

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CONSOLIDATED HALF-YEARLY FINANCIAL REPORT as at 30 June 2020

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Corporate offices of Banca di Asti S.p.A.

BOARD OF DIRECTORS

Chairman	Giorgio Galvagno
Deputy Chairman	Roberto De Battistini
Chief Executive Officer and Director	Carlo Mario Demartini
Directors	Roberto Dani Alain Devalle Pier Franco Marrandino Marco Pinto Roberto Rho Secondo Scanavino Paola Francesca Scarpa Eugenio Zamperone

BOARD OF STATUTORY AUDITORS

Chairman	Stefano Sesia
Standing Auditors	Maurizio Amede Maura Campra
Alternate Auditors	Giovanni Echafte Andrea Foglio Bonda

INTRODUCTION

This Consolidated half-yearly financial report as at 30 June 2020 of the Banca di Asti Group was drafted in compliance with art. 154-ter of Italian Legislative Decree 58/1998 ("Consolidated Finance Act"), implementing Italian Legislative Decree no. 195 of 6 November 2007 ("Transparency Directive"), as well as for the determination of the profit for the half in order to calculate own funds, and was prepared in compliance with the applicable international accounting standards.
In particular, the Consolidated half-yearly financial report was drafted in compliance with IAS 34 - Interim Financial Reporting, as well as the provisions of the Bank of Italy issued with Circular no. 262 of 22 December 2005 as updated.
The Consolidated half-yearly financial report as at 30 June 2020 is composed of the Interim Report on Operations and the Condensed interim consolidated financial statements, consisting of the Consolidated Balance Sheet and Consolidated Income Statement, Statement of Consolidated Comprehensive Income, Statements of Changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement, as well as the Notes to the Condensed interim consolidated financial statements, all drawn up in €/thousand.
The first half of 2020 was impacted by the spread of the Covid-19 epidemic, which emerged in Italy at the end of February 2020: please refer to the disclosure in the interim report on operations in the section "operational management of the Covid-19 emergency" as well as in part A - Accounting Policies in the section "the financial crisis caused by the spread of Covid-19" and in part E - Information on risks and relative hedging policies.
This information was drafted taking into account the Bank of Italy's Communication "Guidelines of the European Banking Authority relating to reporting requirements and public disclosure on exposures subject to the measures applied in light of the Covid-19 crisis" of 30 June 2020 and Consob Warning Notice no. 8/20 of 16 July 2020.
This Consolidated half-yearly financial report was subject to a limited audit by Deloitte & Touche S.p.A.

Scope of consolidation as at 30 June 2020

Aside from Cassa di Risparmio di Asti S.p.A., the Group consists of:

- Biver Banca S.p.A. – Cassa di Risparmio di Biella and Vercelli S.p.A. (100% of the share capital held by Cassa di Risparmio di Asti S.p.A.);
- Pitagora S.p.A. (70% of the share capital held by Cassa di Risparmio di Asti S.p.A.);
- Immobiliare Maristella S.r.l. (100% of the share capital held by Cassa di Risparmio di Asti S.p.A.).

GRUPPO CASSA DI RISPARMIO DI ASTI

INTERIM REPORT ON OPERATIONS
As at 30 June 2020

KEY CONSOLIDATED OPERATING DATA

Amounts are shown in €/thousand

MAIN BALANCE SHEET DATA	30/06/2020	31/12/2019	CHANGES	
			Absolute	%
NET LOANS TO CUSTOMERS	6,791,701	6,890,068	-98,367	-1.43%
DIRECT FUNDING (1)	9,782,062	10,013,055	-230,993	-2.31%
INDIRECT FUNDING	6,091,195	6,179,457	-88,262	-1.43%
TOTAL BALANCE SHEET ASSETS	13,729,972	12,962,617	767,355	5.92%
TOTAL OWN FUNDS	1,024,537	1,043,567	-19,030	-1.82%

MAIN INCOME STATEMENT DATA	30/06/2020	30/06/2019	CHANGES	
			Absolute	%
NET BANKING INCOME	138,697	152,562	-13,865	-9.09%
OPERATING COSTS	-121,857	-123,426	1,569	-1.27%
NET PROFIT	7,082	12,734	-5,652	-44.39%

OTHER DATA AND INFORMATION	30/06/2020	31/12/2019	CHANGES	
			Absolute	%
EMPLOYEES	1,855	1,863	-8	-0.43%
BANK BRANCHES	225	236	-11	-4.66%
NON-BANKING BRANCHES	79	79	0	0.00%

INDICATORS

PROFITABILITY INDICATORS	30/06/2020	30/06/2019
OPERATING COST INCOME (2)	55.48%	59.33%
ROE	1.72%	3.12%

RISK INDICATORS	30/06/2020	31/12/2019
NET BAD LOANS/NET LOANS TO CUSTOMERS	1.85%	1.82%
COVERAGE RATIO FOR BAD LOANS (3)	72.05%	68.24%
COVERAGE RATIO FOR TOTAL NON-PERFORMING LOANS	55.34%	49.72%
TEXAS RATIO (3)	68.31%	70.88%
FINANCIAL LEVERAGE (4)	18.42	17.54

CAPITAL RATIOS	30/06/2020	31/12/2019
CET 1 RATIO (CET1/RWA)	13.98	13.42
TOTAL CAPITAL RATIO (TOTAL OWN FUNDS/RWA)	16.96	16.22

(1) The figure is influenced by the trend of funding from institutional counterparties, net of which direct funding would be € 9,707 million as at 30/06/2020 and € 9,631 million as at 31/12/2019.

(2) Cost Income is calculated by excluding non-recurring income items; the figure for 2019 was calculated using the same criteria.

(3) Bad loans are shown net of write-downs made in previous years and of interest on arrears deemed wholly unrecoverable; the figures for 2019 were calculated using the same criteria.

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

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

KEY CONSOLIDATED OPERATING DATA

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Amounts are shown in €/thousand)	30/06/2020	31/12/2019	CHANGES	
			Absolute	%
ASSETS				
Cash and cash equivalents	59,054	67,739	-8,685	-12.82
Financial assets	1,403,794	1,415,062	-11,268	-0.80
Financial assets measured at amortised cost	11,240,988	10,444,962	796,026	7.62
- of which loans and advances to banks	*1,107,951*	*554,111*	*553,840*	*99.95*
- of which loans and advances to customers	*6,791,701*	*6,890,068*	*-98,367*	*-1.43*
- of which other financial assets measured at amortised cost	*3,341,336*	*3,000,783*	*340,553*	*11.35*
Equity investments	79	77	2	*2.60*
Property, plant and equipment and intangible assets	296,571	300,920	-4,349	-1.45
Tax assets	313,237	315,288	-2,051	-0.65
Other assets	416,249	418,569	-2,320	-0.55
TOTAL ASSETS	**13,729,972**	**12,962,617**	**767,355**	**5.92**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits from banks	2,591,414	1,648,569	942,845	57.19
Financial liabilities held for trading	16,668	17,590	-922	-5.24
Direct funding	9,782,062	10,013,055	-230,993	-2.31
- of which deposits from customers	*8,150,685*	*8,161,813*	*-11,128*	*-0.14*
- of which debt securities in issue	*1,586,947*	*1,772,360*	*-185,413*	*-10.46*
- of which financial liabilities designated at fair value	*44,430*	*78,882*	*-34,452*	*-43.68*
Hedging derivatives	163,073	126,675	36,398	28.73
Tax liabilities	3,583	3,088	495	16.03
Other liabilities	262,905	245,083	17,822	7.27
Provisions for risks and charges	81,389	85,065	-3,676	-4.32
Shareholders' equity	810,852	805,754	5,098	0.63
Minority shareholders' equity	18,026	17,738	288	1.62
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13,729,972**	**12,962,617**	**767,355**	**5.92**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(Amounts are shown in €/thousand)	30/06/2020	30/06/2019	CHANGES Absolute	CHANGES %
NET INTEREST MARGIN	**101,363**	**90,426**	**10,937**	**12.09**
Net fees and commissions	46,421	52,230	-5,809	-11.12
of which Commercial banking	*56,743*	*54,596*	*2,147*	*3.93*
of which Pitagora	*-10,322*	*-2,366*	*-7,956*	*336.26*
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)	59,140	50,500	8,640	17.11
of which Commercial banking	*35,059*	*21,101*	*13,958*	*66.15*
of which Pitagora	*24,081*	*29,399*	*-5,318*	*-18.09*
Dividends and similar income	10,650	10,837	-187	-1.73
Other operating expenses/income	-304	1,052	-1,356	-128.90
GROSS BANKING INCOME	**217,270**	**205,045**	**12,225**	**5.96**
Gains/Losses on disposal of financial assets measured at amortised cost	0	-12,470	12,470	-100.00
Net adjustments for credit risk on financial assets measured at amortised cost	-78,549	-40,013	-38,536	96.31
Profits/losses from contractual changes without derecognition	-24	0	0	n.s.
NET BANKING INCOME	**138,697**	**152,562**	**-13,865**	**-9.09**
Operating Costs:	-121,857	-123,426	1,569	-1.27
Personnel expenses	-63,427	-65,257	1,830	-2.80
of which personnel expenses	*-63,441*	*-65,210*	*1,769*	*-2.71*
of which allocations to the Solidarity Fund	*14*	*-47*	*61*	*-129.79*
Other administrative expenses	-47,136	-47,162	26	-0.06
of which other administrative expenses	*-39,556*	*-40,526*	*970*	*-2.39*
of which contributions to the National Resolution Fund, S.R.F. and D.G.S.	*-7,580*	*-6,636*	*-944*	*14.23*
Net value adjustments to property, plant and equipment/intangible assets	-11,294	-11,007	-287	2.61
GROSS OPERATING PROFIT (LOSS)	**16,840**	**29,136**	**-12,296**	**-42.20**
Net provisions for risks and charges	-5,729	-8,314	2,585	-31.09
Gains (losses) on equity investments	0	0	0	n.s.
Other non-recurring income/charges	0	3	-3	-100.00
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**11,111**	**20,825**	**-9,714**	**-46.65**
Taxes	-4,029	-8,091	4,062	-50.20
PROFIT FROM CONTINUING OPERATIONS	**7,082**	**12,734**	**-5,652**	**-44.39**
PROFIT FOR THE YEAR	**7,082**	**12,734**	**-5,652**	**-44.39**

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".

The macroeconomic scenario

Since the start of 2020, the international economic situation has shown signs of tension in relation to the negative events of 2019 and pending the assessment of the economic effects of the definitive ratification by the UK Parliament (22 January 2020) of the EU-UK Withdrawal Agreement, approved subsequently (on 29 January) by the European Parliament, which concluded a process that lasted more than three years. In the same period, the growth of world economic activity slowed down both in advanced and emerging economies, in both cases due to the substantial and relative maturity of the global economic cycle. The global situation then significantly deteriorated starting from late January with the outbreak of the coronavirus pandemic, which gradually forced the governments of the countries involved to adopt drastic measures to limit the contagion such as lockdowns, which limited the movement of people only to cases of extreme necessity, with significant impacts on the economy.

In an international and domestic macroeconomic scenario already marked by a generalised slowdown in growth, the risks linked to the performance of the global economies in 2019 were thus joined by the effects of the pandemic. Covid-19 first entailed a sharp stoppage in the manufacturing sector worldwide due to the spread of the pandemic in the second part of January throughout China and subsequently in the Asian continent, to then reach the shores of Europe with the first outbreaks in Italy, France, the United Kingdom, Sweden and Germany. The spread of contagion then continued in Italy, where it immediately spread quickly in the regions of the North (Lombardy in particular) with a number of daily cases continuing to rise significantly until reaching a peak on 21 March with nearly 7,000 new infections in just one day. The government response took the form of drastic restrictions on people's mobility, which were able to stem the contagion in the subsequent months but which unfortunately even today is struggling to reach acceptable levels.

Based on the most recent estimates of Prometeia, due to the impact of Covid-19, global production will likely be -5.2% in 2020 (a further decline compared to the March estimate), while for 2021 there should be a rebound of 5.4% and for 2022 growth of 3.5%. However, controlling the spread of the virus remains crucial for the economic recovery, and the risk of a new health emergency has not been completely avoided.

Economic lockdowns in China in February had a "contagion" effect in the first half of the year with regard to other global economies, especially the US and Europe, which are now finding themselves having to deal not only with a health emergency, but with an economic one as well.

The data made available by Prometeia confirm that the crisis is having a high cost outside China as well. Industrial production fell even more than in 2009, in just a few months millions of jobs were lost, the climate of household and business confidence is struggling to recover and when possible households are increasing their propensity to save for precautionary purposes.

Global economic growth outlooks remain oriented downward and it is estimated that the resumption of activities in the areas where the contagion is declining will be distributed in the third and fourth quarters of 2020 rather than concentrated in the third. For the United States, the economic situation is leading to expectations of gross domestic product at -5.7% for 2020; this led the Fed to adopt ultra expansionary measures as early as March, with huge injections of liquidity and a reduction in Federal Funds rates, which brought them to levels close to zero, as took place during the subprime mortgage crisis.

Activity in the Eurozone reached its low point in April, showing a gradual recovery in May and June aligned with the end of the lockdown as well as the effect of the significant plan to support the economy introduced with the coordination between monetary, regulatory and fiscal policies.

In this scenario, the Governing Council of the European Central Bank (ECB) has deployed extraordinary measures worth in excess of € 1,700 billion.
Indeed, the European Central Bank has launched an unprecedented plan in terms of the extent of resources committed both to purchase bonds in the market and to liquidity support measures. On 4 June, the ECB approved the expansion of the PEPP emergency bond buying plan by € 600 billion (for a total of € 1,350 billion) and extended its term at least until June 2021. Maturing bonds, including commercial paper (non-financial) will be reinvested at least until 2022, which should contribute to reducing money market rates, including the Euribor. These decisions were made for two main reasons: (i) growth in fiscal stimulus with a resulting increase in public debt; (ii) the PEPP will support the EU Commission and governments in easily obtaining necessary funds. Inflation forecasts have been revised downward, to 1.3% for 2022 (well below the 2% target). Further quantitative easing should favour a future rise in prices, although according to some observers this cannot be taken for granted.

Economic activity has suffered from a general slowdown at global level. In the United Kingdom, economic activity slowed down and from the start of the year it has lost around one quarter of its GDP. Confidence indicators were at modest levels, but lower than their historic averages. The result of the December 2019 election, as cited, averted the risk of a disorderly exit from the EU, as the withdrawal agreement has now become law. However, the United Kingdom has to deal with a significant health crisis, also amplified by the disorderly interventions enacted by the government, so political uncertainty remains high. In Japan, although the health crisis did not reach the dramatic levels seen in other countries, the economy is suffering from the effects of the lockdown that began in April and weak global demand; in particular, both industrial output and exports were down. China, where the virus began, was the first to get over the emergency so, although it still has some important active outbreaks, it is resuming full activity in the industrial sector and in part also in services. Gross domestic product for 2020 is expected to increase slightly by 0.6%.

The emerging countries, which suffered from the recession of China in the first quarter and the drop in demand in Europe and the US in the second, are now themselves having to deal with the direct effects of the pandemic on their economic situation. For many countries, the negative effects will be seen in the summer. Brazil, India and Russia will likely not escape from a profound recession, inverting the moderately positive trend seen earlier in the year. The increase in contagion in these areas is causing the local central banks to make recourse to bond buying plans to guarantee the functioning of the domestic credit markets. In general, these measures are deemed adequate to handle the crisis; however, for certain countries the risk is increasing that they will be used to finance public debt, jeopardising the sustainability of public finances and increasing risks for future growth.

GDP trends are negative in the main emerging economies; in India, GDP gradually declined over the quarters to arrive in negative territory (-4.5% in 2020 according to IMF estimates); Brazil is at negative values down sharply compared to the same period of the previous year (-9.1% in 2020); in Russia, growth is down considerably compared to 2019 (-6.6%).

At national level, the direct effects of the social distancing measures and the closure of certain areas of the country have gradually been overlaid by impacts due to losses of income of national operators and the reduction in demand from abroad. In the second quarter of 2020, the difficult phase began of gradually returning to normal, characterised by considerable uncertainty on outlooks, negatively influencing the propensity to consume. According to the most recent estimates, GDP should reach -10.1% at the end of 2020. Economic policies reacted swiftly, with both direct spending on the healthcare system and by approving measures to support households and businesses impacted by the shutdown of activities. First with the Cura Italia Decree and later with the Liquidità and Rilancio Decrees, the Italian government set aside around € 75 billion, which rose to € 100 billion with the amounts allocated in the recent August decree, thus reaching 6% of GDP. Analysing the economic situation in the various production sectors, an asymmetry can be seen deriving in part from the measures enacted to combat the effects of the pandemic, which led to different trends based on sector, geographical area and type of worker. The tourism and entertainment areas were the most negatively affected, compared to the public and healthcare sectors, for example, which could see their own value added increase. There were also differences within the industrial sector: some of the most impacted segments were automotive and textiles/apparel, while the pharmaceutical and food categories will not feel such negative effects. The policy measures introduced, certainly timely, broad and innovative, are helping to limit the costs of the worst crisis ever recorded in peace time and will provide support for the future as well. The necessary support to households and businesses in difficulty will obviously cause growth in public sector debt, which we expect to reach 11% this year, bringing the debt to nearly 160%.

With the gradual return to normal and the deployment of fiscal interventions, Prometeia expects a recovery in economic activity in the second part of 2020, which will consolidate over the coming two years without however returning to pre-crisis levels.
In brief, the phase of overcoming the crisis will see our country in 2022 still at a level of economic activity lower than that recorded pre-crisis, with less employment, with a higher level of household saving and higher public sector and non-financial company debt. More generally, with an increase in disparities across multiple levels, in the functional and personal distribution of income, between genders and age groups, between productive sectors and geographical areas.

In the main advanced economies, inflation has declined due to the drop in consumption deriving from the lockdown. In the United States, it is at 0.6% on an annual basis, from 2.3% in 2019; in Japan, on the other hand, it is fluctuating around 0.5%. In the United Kingdom, it reached 1.3%, in China inflation stood at 2% and it was modest in the main emerging economies, especially in Brazil (down to 2.3%) and Russia (3%). However, India recorded a figure of 6.3%, in line with the end of 2019.

The job market was devastated by the effects of the spread of the virus. According to Prometeia estimates, the initial available data indicate that the consequences of social distancing measures have had a highly negative impact. Despite the measures that a number of governments adopted to protect jobs, employment has dropped drastically in all developed economies. In Europe, hours worked declined on average by 2.8%, with a peak in Italy of -7.7%. Unemployment rate trends represent a phenomenon not always aligned with the drastic decline in hours worked, due to phenomena linked to the measures introduced by governments to stem the crisis or calculation methods (for example, people who have stopped looking for a job are not counted); therefore, it will be possible to estimate the real impact only in the second half of the year.

The banking operating scenario. Lending activities

The exceptional nature of the pandemic emergency required the institutions of every country involved to provide a timely response. To reduce the economic impacts deriving from the health situation and the resulting measures to limit the spread of the virus, the governments and central banks adopted extraordinary policies to support the economy in the first half of 2020. The Federal Reserve cut the Federal Funds rates on two occasions, bringing them close to zero, it intervened by guaranteeing injections of liquidity through an unprecedented expansion of its budget (+70%) carried out through Quantitative Easing, or the resumption of the government bond and mortgage backed securities buying programme, to guarantee liquidity to the domestic system and the use of lines of liquidity in dollars by foreign central banks to deal with the enormous liquidity requirement in dollars at global level generated by the Covid-19 crisis. The US government introduced a series of interventions to support the economy surpassing $ 3,000 billion, broken down into loans to SMEs that do not need to be repaid, guarantees on loans for all businesses and discretionary spending for targeted interventions (such as the Paycheck Protection Program and Health Care Enhancement Act).

The European Central Bank launched a series of interventions since the beginning of March, including the quantitative easing (PEPP) plan for more than € 1,700 billion for the purchase of bonds issued by Member States and medium and long term liquidity auctions, also at negative rates (LTRO, TLTRO and PELTRO). The ECB funding possibilities for banks through the LTRO auctions were strengthened with the new PELTRO, not subject to the disbursement of loans and the additional advantage on the TLTRO III, which makes it possible to obtain the maximum benefit of 1% for one year and, with the June 2020 auction, saw record demand on the part of European banks, with a significant portion requested by Italian banks.
In this scenario, European monetary policy will continue to provide support to the banking system by postponing the return of the rate on ECB deposits to positive values or close to zero to 2023. Given the monetary policy stance, rates should remain low for quite some time, and the spread on sovereign debt under control.
However, long-term low rates will also impact the income statements of banks, which will continue not being able to count on a recovery in the interest margin, thus continuing to exert pressure on the profitability of the banking sector, which even prior to the pandemic had business model sustainability problems.
In Germany and France, significant support plans were launched, with direct and indirect aid to households and businesses (Germany 1,000 billion in total, France 530 billion to support businesses). In Italy, in March the government launched the "Cura Italia" Decree, which entails a total allocation of almost € 400 billion, organised into targeted measures to support the national healthcare system, businesses and households, both through direct repayments and through subsidies and payment extensions. The measure joined those already existing, including the granting of a moratorium with the State guarantee on loans to businesses and on mortgages, defined in concert with the trade associations for the sectors involved, in mid-March.

The banking activity scenario continues to be complex in Italy, and sector operators are certainly exposed to the consequences of the pandemic. The decline in economic activity reduces demand for financial services and weakens borrowers' ability to repay loans. Tensions in the financial markets make wholesale refinancing and the raising of new capital more difficult and costly, while the loss in the value of financial assets in the portfolio compresses capital. In order to provide banks with greater flexibility in supporting the economy through lending, in June the European Parliament approved targeted modifications to the capital requirements regulation (CRR) which allow for the early application of "structural" measures for easing capital requirements (the "Banking Package"). These interventions include the extension of the SME supporting factor and the lower weighting (from 75% to 35%) of salary and pension assignment loans. A new transitional regime has also been established for IFRS 9, relating to additional losses for 2020 and 2021, through the introduction of a prudential filter on the fair value of government securities, to reduce the impacts of any tensions on government bond yields. The application of Basel 4 and the leverage ratio buffer for globally significant banks have been postponed for at least one year.

The macroeconomic shock unleashed by the pandemic could generate a strong increase in the loan deterioration rate, which was at historically low levels at the end of 2019. According to Bank of Italy estimates, for each percentage point reduction in GDP, with other variables remaining constant, the flow of new non-performing loans, measured in relation to total performing loans, tends to increase by 2 tenths of a point for businesses and 1 for households. However, Italian intermediaries are finding themselves having to face new risks beginning from a more solid position compared to the one they were in when the global financial crisis struck. Between 2007 and 2019, the ratio between the highest quality capital and risk-weighted assets has nearly doubled, loans are now entirely financed by deposits and there are no signs of cracks in investor confidence in banks. The considerable refinancing possibilities provided by the Eurosystem are contributing towards attenuating funding tensions.

The evolution of credit is influenced by demand for liquidity by businesses and income-generating households in relation to the health emergency. According to Bank of Italy data, since March growth in credit to non-financial companies has risen considerably, reaching +11.5% in May. This acceleration reflected net disbursements of 23 billion in the second quarter. In the same period, lending to income-generating households accelerated greatly, reflecting net loans of just over 2 billion concentrated in the month of May. Credit flows, which mainly regarded medium and long-term maturities, reflected the higher demand connected with increased liquidity requirements; the capacity of intermediaries to meet this demand benefitted from the measures adopted by both the ECB and the government. Lending to households instead declined overall (-2.5% in the second quarter); both mortgages to purchase homes and consumer credit weakened, due to the reduction in household spending and real estate sales triggered by the lockdown period.

According to Italian Banking Association (ABI) Task Force Data, at the end of the first half of the year, requests for moratoria on loans amounted to 2.6 million, for a value in excess of 286 billion, while requests for guarantees for new bank loans for micro, small and medium sized enterprises submitted to the Guarantee Fund for SMEs rose to nearly 800 thousand. 45% of moratorium requests came from non-financial companies (against loans of 190 billion). As concerns SMEs, the requests (more than 1.2 million) regarded loans and credit lines for 156 billion, in addition to roughly 12 billion deriving from the application of the moratorium promoted by the ABI. Household requests regarded loans of around € 88 billion. Requests to suspend first home mortgage instalments continue to rise, to 177 thousand, for an average amount of around € 94 thousand. Furthermore, the ABI and Assofin moratoria were accepted on nearly 480 thousand loans, amounting to roughly 21 billion. Through Sace's "Garanzia Italia" instrument, guarantees for € 8.7 billion were granted for the 171 requests received.

Deposit trends were up in June 2020 by more than € 93 billion compared to one year prior (change of +6.1% on an annual basis), while medium and long-term funding, through bonds, declined over the last 12 months by roughly € 9 billion in absolute value (equal to -3.9%). Total deposit trends were up by +4.7% in June 2020.

Moving to bank interest rates, according to the ABI, the spread between the average interest rate on loans and the average interest rate on deposits of households and non-financial companies remains at particularly low levels in Italy: 181 basis points in June 2020 (184 basis points in the previous month), a sharp fall from the over 300 basis points recorded before the financial crisis (335 basis points at the end of 2007).

The local economy

According to the Unioncamere analysis, in the second quarter of 2020 the Piedmont manufacturing industry is experiencing a critical situation, with precipitous declines in all sectors and across all indicators surveyed. However, against the backdrop of particularly critical months, towards the end of the half signs are beginning to be seen that leave some room to hope for a trend reversal. The recovery will not have an immediate effect and will not take place suddenly, but confidence is starting to rise again and even the comparison with other Northern regions is showing some positive signs.

Starting from the data, gathered in collaboration with sector operators, in the April-June 2020 period the impact of the Covid-19 emergency was seen in all of its strength. While in the first quarter regional manufacturing production recorded a decline of 5.7%, the drop almost tripled in the second (-15.3%). This contraction, with the lockdown in full swing, brought the regional economy back to the crisis levels of 2008-2009. The worst downturns impacted textiles (nearly -33%) and the mechanical industries (-19.9%). The food sector was much less affected, with a dip of -2.8%, which was in any event unexpected after several quarters of growth. Orders and turnover were also down (-15.3% of which 13.2% from exports). Also according to Unioncamere, Lombardy posted production at -20.7% and turnover at -19.6%; for Veneto it was -22%, -22.4% and -23.6%, respectively. Considering the geographical areas, we are moving at two speeds: the North is suffering more, due to textiles and metals, while the South is mitigated by the food sector. In Piedmont, at local level, the worst province as regards production is that of Biella (-30.2%), followed by Vercelli (-21.1%).

Amongst the northern Piedmont provinces, Verbano Cusio Ossola also experienced a severe decline in levels of production (-20.9%), while the figure of Novara manufacturing companies was slightly less negative (-16.0%). The best was Alessandria (-11.2%). Turin, like Asti, marked -14.2%. Analysts agree that the lowest point has been reached, companies are more robust than in the past and the conditions are in place to best handle a recovery in consumption and investments; many are defining strategies to resume growth in their activities. The figure on confidence is encouraging, with levels moving against the trend, rising from the lows of January-March to the levels recorded at the end of 2019. Things are also good on the credit front. 76% of Piedmont companies were able to meet their commitments to banks, and 75% paid their suppliers on time in the first six months of the year. Surely this period was the greatest stress test undergone by our economic and production system; however, after these months companies may be motivated to pursue acquisitions and growth in size, which is essential for competitiveness.

The consumer credit market

With reference to the Italian market, the Covid-19 emergency slowed consumer credit applications, with a double-digit reduction in disbursements. Data collected and analysed by Assofin, Crif and Prometeia show a net decline in the first six months of the year 2020 in consumer credit flows, particularly for personal loans which were down by 39.8%, and for vehicle/motorcycle and business vehicle loans, which dropped sharply by 26.9% and 44.8%, respectively. There were more limited contractions for credit through option/instalment cards (-19.5%) due to the greater use of payment cards, which intensified during the lockdown for reasons of hygiene and the greater use of e-commerce. After driving the market in 2019, loans for the purchase of other goods/services slowed considerably (-23%), although with different trends amongst the various segments.

Forecasts for 2020 indicate that, after the difficulties caused by the impacts of the pandemic, household lending flows will resume growth in the second part of the year, also thanks to the recovery in the macroeconomic scenario, which will fuel demand. We expect a gradual improvement in household consumption, which in any event will remain conditioned by greater uncertainty concerning the future.

The salary and pension assignment loan market

In the first half of 2020, following the spread of the Covid-19 pandemic, salary and pension assignment loans, which recorded modest overall growth in 2019 (+1.8%), experienced a double-digit decline (-24.9%).

The technologies made available to the network of financial agents, who were thus able to support their customers during the months of the lockdown, contributed towards mitigating the drop. These trends reflect the decrease in disbursements to private employees (-27.8%), pensioners (-25.7%), which reached half of the flows of the segment, and public employees (-22.2%), a category less subject to the negative effects on income caused by the pandemic.
Analysing the trends in terms of percentage changes, salary and pension assignment loans marked a more limited downturn in the first quarter (-7.1%) and a strong decrease in the second quarter of 2020 (-39.8%).

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 represented 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.
A summary of the main interventions adopted by the Banca di Asti Group during the first half of 2020 is provided below.
This information was drafted taking into account the Bank of Italy's Communication "Guidelines of the European Banking Authority relating to reporting requirements and public disclosure on exposures subject to the measures applied in light of the Covid-19 crisis" of 30 June 2020 and Consob Warning Notice no. 8/20 of 16 July 2020. Reference is also made to Part A - Accounting Policies in the section "The financial crisis caused by the spread of Covid-19" and Part E - Information on risks and relative hedging policies.

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, the Group Crisis Committee took a series of actions to adopt the regulations issued and mitigate the risks of contagion.

The interventions of the Group Crisis Committee were organisational as well as operational in nature and were intended to protect worker 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, 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, 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:

- 80 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;

- 23 rooms were activated for video conferences and conference calls;
- 96 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 smart phones 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 intervened by signing 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.

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.
These interventions consist of:

- 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. Businesses which at 17 March 2020 do not have debt exposures classified as non-performing are able to benefit from the moratorium. 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.

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.

Assofin moratorium interventions - Consumer credit

As concerns 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 prior exposures existing with the Group.
- 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.

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 Covid-19 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 while however considering 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.

In relation to the interventions taken by the Group, please refer to the "Loans and advances to customers" section on page 48.

The sales network

As at 30 June 2020, the Sales network of the Cassa di Risparmio di Asti Group Banks is broken down into 225 branches in the following locations: 11 in the city of Asti, 53 in the province of Asti, 35 in the province of Vercelli, 32 in the province of Biella, 30 in the province of Turin, 13 in the province of Cuneo, 13 in the province of Alessandria, 12 in the province of Milan, 6 in the province of Novara, 5 in the province of Monza-Brianza, 4 in the province of Aosta, 2 in the province of Pavia, 2 in the province of Brescia, 1 in the province of Genoa, 2 in the province of Varese, 1 in the province of Padua, 1 in the province of Bergamo, 1 in the province of Verbania and 1 in the province of Verona.

The sales network of Pitagora, present throughout the country, 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 30 June 2020 totalled 79.

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.

Human resource management

As at 30 June 2020, there were 1,855 employees, the same as in the previous year.

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

WORKFORCE (by contractual category)	30/06/2020 number	30/06/2020 %
Executives	31	1.67%
Middle Managers	566	30.51%
Professional grade 3	1,082	58.33%
Professional grades 1 and 2	176	9.49%
WORKFORCE	**1,855**	**100.00%**

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

WORKFORCE (by age bracket)	Men	Women	Total
Up to 30	66	92	158
Between 30 and 35	82	143	225
Between 36 and 40	89	153	242
Between 41 and 45	132	182	314
Between 46 and 50	90	119	209
Over 50	330	377	707
WORKFORCE	**789**	**1,066**	**1,855**

WORKFORCE (education)	Men	Women	Total
University Degree	316	430	746
High School Diploma	444	626	1,070
Secondary School education	29	10	39
Elementary School education	0	0	0
WORKFORCE	**789**	**1,066**	**1,855**

The internal control system

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

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

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

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

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

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

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

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

To this end, the Function 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, governed by specific implementing provisions on the organisation, procedures and internal controls to prevent the use of intermediaries and of other parties that conduct financial activities for the purpose of money laundering or terrorist financing, pursuant to Italian Legislative Decree no. 231 of 21 November 2007.

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

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

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

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

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

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

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

- technical-operational control to assess the various risk profiles of the individual Subsidiaries and of the overall risks of the Group.

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

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

Just as in the past, in 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 the Group, 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. Also refer to Part A - Accounting Policies, section “the financial crisis caused by the spread of Covid-19”.

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.

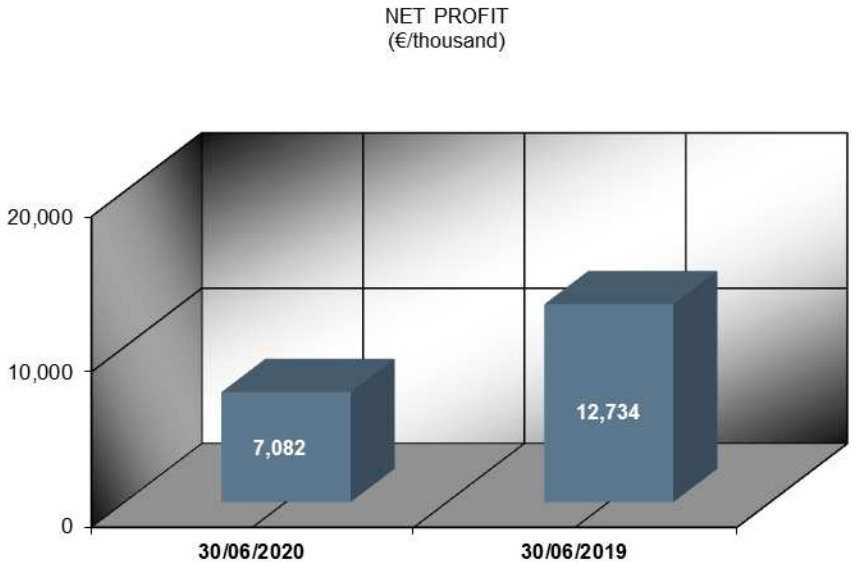
The IT system (including technological resources - hardware, software, data, electronic documents - and human resources dedicated to their administration) represents a very important tool to achieve strategic and operating objectives, given the critical nature of the business processes that depend on it.
In fact:

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

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

Income trends

Despite the economic impacts deriving from the Covid-19 pandemic, the first half of the year closed on a positive note for the Group, as it recorded a net profit of around € 7.1 million (-44.39% compared to the first half of 2019).



Excluding non-recurring income items, equal to around € 7.6 million relating to ordinary 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 € 12.2 million (-31.87% compared to the first half of 2019, recalculated using the same criteria).

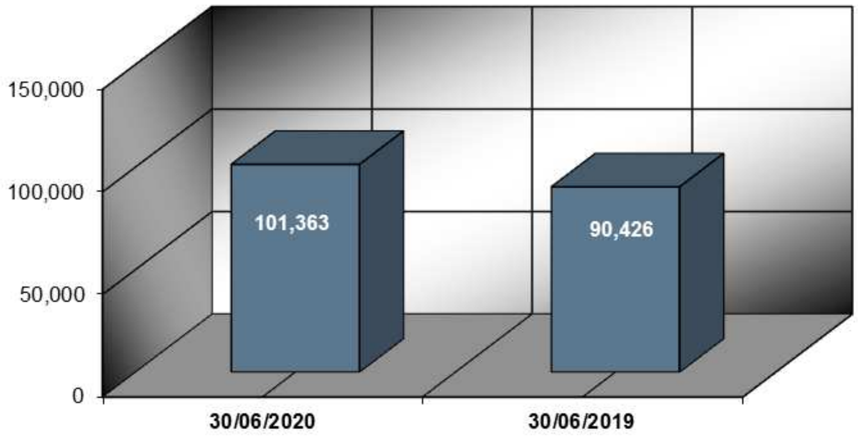
Even within an economic scenario highly impacted by Covid-19, the results described above confirm the Group's excellent capacity of adaptation and resilience to the changed, severe economic context.

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.

Operating interest margin

The net interest margin amounted to € 101.4 million and was significantly higher than the figure for the first half of 2019 (€ 90.4 million, +12.09%).

NET INTEREST MARGIN (€/thousand)



NET INTEREST MARGIN	30/06/2020 (€/thousand)	30/06/2019 (€/thousand)	% change
Interest income and similar revenues	139,410	133,056	4.78%
Interest expense and similar charges	-38,047	-42,630	-10.75%
Net interest margin	**101,363**	**90,426**	**12.09%**

Gross banking income

Gross banking income amounted to around € 217.3 million, compared to a figure in 2019 of € 205.1 million (+5.96%); the major contributors to this result were the net result of the financial assets and liabilities of the Commercial banks and the reduction of the average cost of funding. The salary and pension assignment loans segment also made a significant contribution.

GROSS BANKING INCOME	30/06/2020 (€/thousand)	30/06/2019 (€/thousand)	% change
Net interest margin	101,363	90,426	12.09%
Net fees and commissions	46,421	52,230	-11.12%
- management, brokerage and consulting	26,089	24,048	8.49%
- collection and payment services	*9,087*	*9,430*	*-3.64%*
- loans and guarantees	*1,148*	*1,139*	*0.79%*
- management of current accounts and deposits	*12,239*	*11,480*	*6.61%*
- other services	*-2,142*	*6,133*	*-134.93%*
Dividends and similar income	10,650	10,837	-1.73%
Other operating income (expenses)	-304	1,052	-128.90%
Results of other financial assets and liabilities	59,140	50,500	17.11%
Gross banking income	**217,270**	**205,045**	**5.96%**

Net fees and commission income amounted to € 46.4 million, down by 11.12% compared to the first half of 2019. Limiting the scope of analysis to the Group's

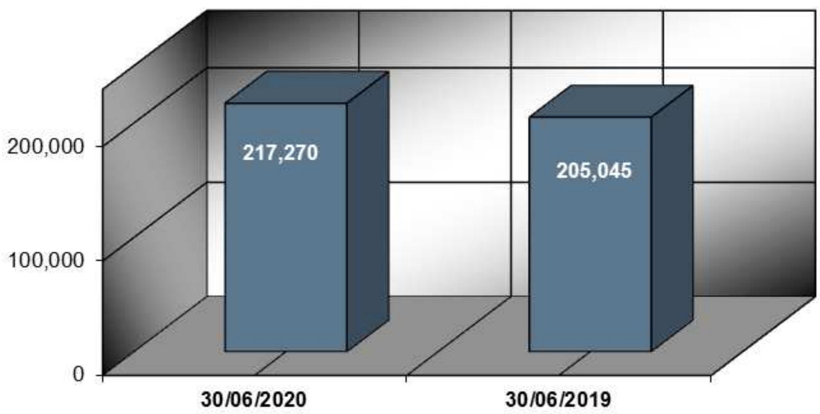
commercial banks, net fees and commission income would instead have recorded an increase yoy of 3.93%.
The net fees and commission income of the management, brokerage and financial and insurance consulting segment totalled € 26.1 million, up against the first half of 2019 (+8.49%).
With regard to other net fees and commissions, income from collection and payment services totalled € 9.1 million, slightly lower than the first half of 2019 by 3.64%. The fees and commission income received for the management of current accounts and deposits, which saw an increase against the previous year, amounted to € 12.2 million (+6.61%). Those relating to other services, amounting to € -2.1 million, substantially made up of fees and commissions relating to credit transactions, were down significantly.

The dividends on the Group's equity investments amounted to around € 11 million (-1.73%) and were mainly related to the investments held in the Bank of Italy.

There was also a significant decline in the balance between operating income and expenses compared to the first half of 2019 (-128.90%) due primarily to the contributions made in favour of the Asti, Biella and Vercelli Hospitals and other social interventions to help handle the COVID-19 pandemic.

The overall net result from financial assets and liabilities, which includes both the profit (loss) from transactions in financial instruments (amounting to € 35.1 million, significantly higher yoy), and the measurement of financial liabilities measured at fair value, as well as the gains from the assignment of loans to third parties by the subsidiary Pitagora - was a profit of € 59.1 million, higher than € 50.5 million recorded in the first half of 2019.

GROSS BANKING INCOME (€/thousand)



Net banking income

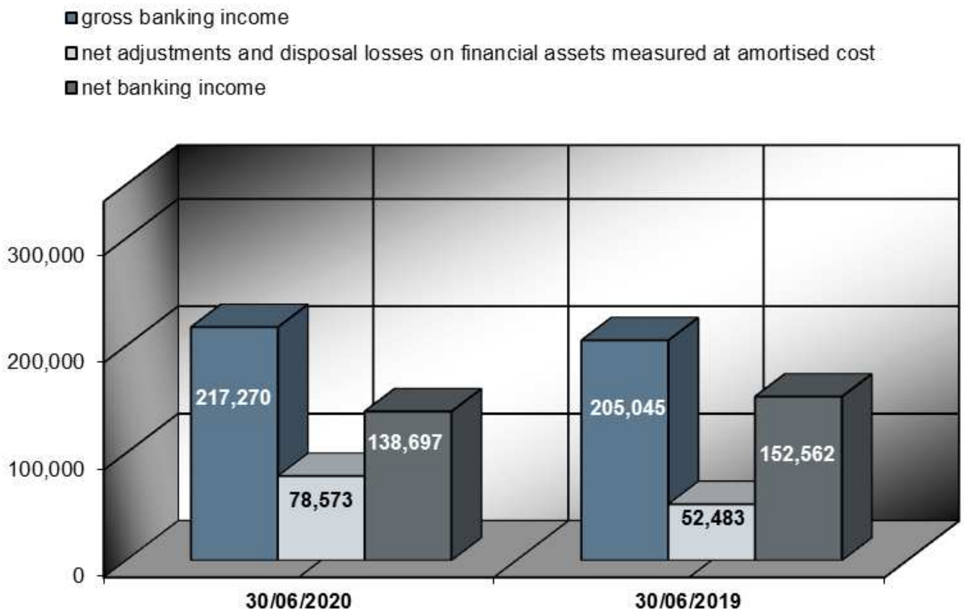
Net banking income was also positive, net of losses on disposal, value adjustments on financial assets measured at amortised cost and losses from contractual changes without derecognition, which amounted to € 138.7 million, down € 13.9 million (-9.09%) against last year.

Losses on disposal of financial assets measured at amortised cost linked to loans and advances to customers decreased to zero.

Prudent and significant provisions were recognised on loans in light of the forecasts of the impacts correlated with the severe crisis arising from the continuing health emergency. The "Covid effect", described in part A - Accounting Policies in the section "the financial crisis caused by the spread of Covid-19", had an impact of around € 28 million, including the impact deriving from the update in outlook scenarios, equal to 36% of the total amount of adjustments for the year on loans and advances to customers.

Net adjustments on loans recognised during the first half of the year amounted to € 77.7 million, a considerable increase compared to € 42.8 million in the first half of 2019, confirming the prudent provision policy adopted considering the possible impacts deriving from the continuing health emergency. The resulting cost of credit is equal to 2.13% of gross loans to customers (1.16% in the first half of 2019).

NET BANKING INCOME	30/06/2020 (€/thousand)	30/06/2019 (€/thousand)	% change
Gross banking income	217,270	205,045	5.96%
Gains (Losses) on disposal of financial assets measured at amortised cost	0	-12,470	-100.00%
Net adjustments for credit risk on financial assets measured at amortised cost	-78,549	-40,013	96.31%
- of which: net adjustments on customer loans	*-77,740*	*-42,765*	*81.78%*
Profits/losses from contractual changes without derecognition	*-24*	*0*	*n.c.*
Net banking income	**138,697**	**152,562**	**-9.09%**



Profit before tax from continuing operations

The profit before tax from continuing operations for the first half of 2020 amounted to € 11.1 million, down 46.65% on the previous year.

Operating costs, down 1.27% compared to the first half of 2019, despite the extraordinary expenses incurred to handle the Covid emergency, amounted to € 121.9 million: of these, personnel expenses came to € 63.4 million, marking a decline (-2.80% yoy) compared to the same figure in 2019). The component relating to other administrative expenses, net of the contributions to the National Resolution Funds SRF and IDPF (€ 7.6 million), amounted to € 39.6 million, recording a decrease of 2.39% compared to the first half of 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.

The depreciation of property, plant and equipment, and amortisation of intangible assets was € 11.3 million, up against last year (+2.61%).

With regard to net provisions for the year, they are mainly linked to the subsidiary Pitagora and related to:

- potential future expenses, for € 0.8 million, relating to commission expenses calculated *pro-rata temporis*, acknowledged to customers in the event of the

early termination of loans disbursed before 2016, and not recharged to agents, in line with the policy adopted by the Company;
- potential future expenses referring to reimbursements of price spreads between the discount rate and the rate applied to customers due to loan transferee companies following early termination for € 0.5 million;
- potential future expenses relating to collection expenses charged by INPS, amounting to € 0.6 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 € 1.1 million;
- potential future expenses for compensation to be provided to customers in the case of future early terminations for € 1.9 million.

The cost/income indicator, which corresponds to the ratio of operating costs to gross banking income, was 56.09% in the first half of 2020. Its operational value was 55.48%, recalculated excluding non-recurring income items linked to the National Resolution Funds SRF and IDPF.

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

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	30/06/2020 (€/thousand)	30/06/2019 (€/thousand)	% change
Net banking income	138,697	152,562	-9.09%
Operating costs	-121,857	-123,426	-1.27%
- personnel expenses	-63,427	-65,257	-2.80%
- personnel expenses	-63,441	-65,210	-2.71%
- allocations to the Solidarity Fund	14	-47	-129.79%
- other administrative expenses	*-47,136*	*-47,162*	*-0.06%*
- other administrative expenses	*-39,556*	*-40,526*	*-2.39%*
- contribution to S.R.F. and D.G.S.	*-7,580*	*-6,636*	*14.23%*
- net adjustments on property, plant and equipment and intangible assets	*-11,294*	*-11,007*	*2.61%*
Net provisions for risks and charges	-5,729	-8,314	-31.09%
Gains (losses) on disposal of investments	0	3	n.s.
Profit (loss) from continuing operations	**11,111**	**20,825**	**-46.65%**

OTHER ADMINISTRATIVE EXPENSES	30/06/2020 (€/thousand)	30/06/2019 (€/thousand)	% change
IT expenses	-14,426	-14,095	2.35%
Property expenses	-5,043	-5,125	-1.60%
General expenses	-13,211	-13,437	-1.68%
of which: - securitisation costs	*-1,137*	*-1,287*	*-11.66%*
- contribution to National Resolution Fund and IDPF	*-7,580*	*-6,636*	*14.23%*
Professional and insurance expenses	-8,991	-9,244	-2.74%
Utilities	-2,022	-2,117	-4.49%
Promotional, advertising and marketing expenses	-2,080	-1,721	20.86%
Indirect taxes and duties	-1,363	-1,423	-4.22%
Other administrative expenses	**-47,136**	**-47,162**	**-0.06%**

These types of expenses are shown net of the relative recoveries

Taxes and net profit

Even within an economic scenario highly impacted by Covid-19, in the first half of 2020 the Group demonstrated its excellent capacity of resilience and adaptation to the changed, severe economic context.

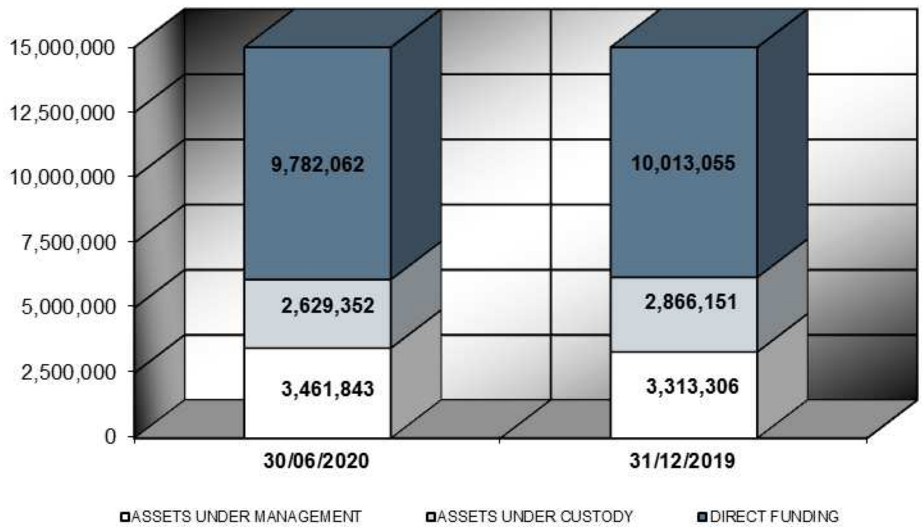
The results for the first half of 2020 confirm the validity of its underlying strategic choices, intended to preserve, and when possible improve upon, the Group's solid fundamentals without renouncing, thanks to constant attention to operating efficiency and diversification and increases in sources of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

Group net profit amounted to € 7.1 million, € -5.6 million compared to the same net profit recorded in 2019. This result is comprised by a profit of € 6 million pertaining to the Parent Company and around € 1.1 million pertaining to minority interests.

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

NET PROFIT	30/06/2020 (€/thousand)	30/06/2019 (€/thousand)	% change
Profit (loss) from continuing operations	11,111	20,825	-46.65%
Tax expense (recovery) on income from continuing operations	-4,029	-8,091	-50.20%
Net profit	**7,082**	**12,734**	**-44.39%**

Assets managed on behalf of customers As at 30 June 2020, brokered financial assets amounted to € 15.9 billion, down slightly by 1.97% since the beginning of the year; total assets from non-institutional customers amounted to € 15.8 billion, the same as in the previous year. Excluding liquidity referring to securitisations, total assets from customers would amount to € 14.6 billion, up by 0.45% compared to 2019. Within the aggregate as a whole, direct funding continues to be the most important component, representing more than half of the total.



TOTAL FINANCIAL ASSETS	30/06/2020		31/12/2019		Change
	Amount	%	Amount	%	%
Direct funding	9,782,062	61.63%	10,013,055	61.84%	-2.31%
of which: from customers	*8,502,808*	*53.57%*	*8,349,416*	*51.56%*	*1.84%*
of which: from market securitisation	*1,203,722*	*7.58%*	*1,281,717*	*7.92%*	*-6.09%*
of which: institutional funding	*75,532*	*0.48%*	*381,922*	*2.36%*	*-80.22%*
Assets under management	3,461,843	21.81%	3,313,306	20.46%	4.48%
Assets under custody	2,629,352	16.56%	2,866,151	17.70%	-8.26%
Total financial assets	**15,873,257**	**100.00%**	**16,192,512**	**100.00%**	**-1.97%**
of which: from customers	*14,594,003*	*91.94%*	*14,528,873*	*89.73%*	*0.45%*

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 30/06/2020*

Direct funding

In the first half of 2020, the Group's direct funding amounted to € 9.8 billion, down against the previous year by 2.31%. More specifically, retail funding totalled € 8.5 billion and therefore showed an increase of 1.84%.

The funding structure is formed mainly by the issue of bonds subscribed by customers of around € 2,708 million and € 6,730 million in current accounts.
Against a fall in bonds (€ -312 million; -10.32%), a trend also recorded by the industry, current accounts recorded an increase of around € 364.7 million (+5.73%), while repurchase agreements showed a decrease of 85.37%.

The specific aggregate "deposits, current accounts and bonds", also due to a restructuring of managed assets which promoted indirect funding, recorded an increase of 0.53%, less marked than the market figure (+2.94% ref. ABI July 2020).

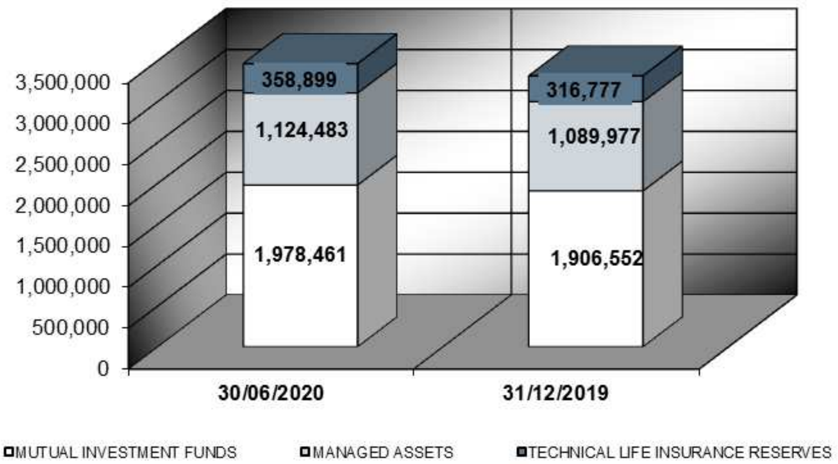
DIRECT FUNDING FROM CUSTOMERS	30/06/2020	31/12/2019	Change	
			Absolute	%
Bonds	2,707,960	3,019,583	-311,623	-10.32%
of which: originating from securitisation	1,076,610	1,148,368	-71,758	-6.25%
of which: measured at fair value	44,430	78,882	-34,452	-43.68%
Current accounts	6,729,929	6,365,274	364,655	5.73%
Repurchase agreements	50,199	343,199	-293,000	-85.37%
Savings deposits	97,377	100,299	-2,922	-2.91%
Banker's drafts	23,103	24,965	-1,862	-7.46%
Certificates of deposit	26	27	-1	-3.70%
Lease liabilities	34,340	34,140	200	0.59%
Other funding	139,128	125,568	13,560	10.80%
Total direct funding	**9,782,062**	**10,013,055**	**-231,193**	**-2.31%**

Assets under management and under custody

Assets under management amounted to € 3,462 million, representing 21.81% of the overall aggregate, up against 2019 by 4.48%; excluding the effect of market valuation, the change in any event would have been positive (+12.88%). Assets under custody, representing 16.40% of total financial assets of customers, amounted to € 2,629 million, recording a decrease of 8.26% as at 30 June 2020.

Indirect funding therefore totalled € 6,091 billion, recording a slight decrease against 2019 of 1.43%.

FUNDING AND CREDIT MANAGEMENT



FINANCIAL ASSETS OF CUSTOMERS	30/06/2020		31/12/2019		Change
	Amount	%	Amount	%	%
Mutual investment funds	1,978,461	57.15%	1,906,552	57.54%	3.77%
Managed assets - securities and funds	1,124,483	32.48%	1,089,977	32.90%	3.17%
Technical life insurance reserves	358,899	10.37%	316,777	9.56%	13.30%
Assets under management	**3,461,843**	**100.00%**	**3,313,306**	**100.00%**	**4.48%**

Loans and advances to customers

As at 30 June 2020, net loans and advances to customers, entirely represented by financial loans, amounted to around € 6.8 billion, before securitisation transactions, slightly down (-1.43%) against last year, against a banking industry average of 2.32%, according to the ABI.

The disbursement of loans during the half for around € 630 million and the screening of roughly 9,800 applications for business liquidity for roughly € 500 million ("Liquidità" Law Decree) confirm the Group's concrete commitment to supporting households and economic operators, even within this difficult context linked to the health emergency. Also to support customers, around 25,100 moratoria were applied, of which 14,800 to private customers (for a total of 0.8 billion) and 10,300 to businesses (1.7 billion).

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS	30/06/2020 €/thousand	31/12/2019 €/thousand	Changes	
			Absolute	%
Current accounts	543,300	606,117	-62,817	-10.36%
Mortgages	4,780,103	4,852,546	-72,443	-1.49%
Credit cards, personal loans, and salary and pension assignment loans	875,312	904,326	-29,014	-3.21%
Other transactions	592,986	527,078	65,907	12.50%
Total loans and advances to customers	**6,791,701**	**6,890,068**	**-98,367**	**-1.43%**
of which financial loans	*6,791,701*	*6,890,068*	*-98,367*	*-1.43%*

The consumer credit segment recorded an increase of 3.21%, amounting to € 875 million. Pitagora contributed € 223 million to this aggregate.

With regard to corporate loans, the Group continues to pursue a policy that seeks to improve the relationship with SMEs by operating on the market with a view to increasing and differentiating itself from other financial intermediaries, in particular by focusing on specific and innovative products to meet the differing financial needs of the enterprise.

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

STATISTICAL TABLE REGARDING THE CONCENTRATION OF THE LOANS PORTFOLIO (NET OF BAD LOANS)	30/06/2020	31/12/2019
Top 10 groups	4.28%	4.05%
Top 20 groups	6.54%	6.28%
Top 30 groups	8.27%	8.00%
Top 50 groups	10.99%	10.72%
Top 100 groups	15.67%	15.08%

** including the salary assignment loans of the subsidiary Pitagora S.p.A.*

Credit quality

Credit quality has improved significantly. During the first half of the year, rates of coverage were up considerably for non-performing loans (+562 bps compared to 31 December 2019) as well as performing loans (+10 bps).

Indeed, the total level of coverage is 55.34% a good deal higher than the average for the credit sector, which is 43.10% as stated by the Bank of Italy (latest figure available 31 December 2019).

The Gross NPL ratio as at 30 June 2020 was 11.21%. The corresponding net NPL Ratio was 5.39%, slightly lower than 5.91% recorded in 2019.

This trend is due to the NPL management strategy, which calls for a reduction in this indicator to below 9% at the end of 2020 and 7% by the end of 2022.

More specifically, bad loans net of adjustments were € 125 million, in line with what was recorded in 2019, representing 1.85% of total loans and a coverage level of 72.05% (industry average of 54.30%, source Bank of Italy, figure at December 2019, up 381 bps compared to 31 December 2019).

Unlikely to pay loans, again net of adjustments, amounted to € 205 million, down by 13.98% against last year; they represent 3.02% of total loans, and have a coverage level of 37.25% (system average of 34.90% source Bank of Italy, figure at December 2019).

The Texas Ratio, calculated as the ratio of gross non-performing loans to tangible common equity plus provisions, was 68.31% and shows a good capacity to absorb any unexpected losses on loans.

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

	30/06/2020		31/12/2019		Changes
	Amount	%	Amount	%	%
Bad loans	125,374	1.85%	125,409	1.82%	-0.03%
Unlikely to pay	205,412	3.02%	238,800	3.47%	-13.98%
Past due loans	35,504	0.52%	43,276	0.63%	-17.96%
Non-performing loans	**366,290**	**5.39%**	**407,485**	**5.91%**	**-10.11%**
Performing loans	6,425,411	94.61%	6,482,583	94.09%	-0.88%
Loans to customers	**6,791,701**	**100.00%**	**6,890,068**	**100.00%**	**-1.43%**

	30/06/2020				31/12/2019			
	Gross amount	Value adjustments	Net amount	% coverage	Gross amount	Value adjustments	Net amount	% coverage
Bad loans	448,639	323,265	125,374	72.05%	394,846	269,437	125,409	68.24%
Unlikely to pay	327,328	121,916	205,412	37.25%	362,530	123,730	238,800	34.13%
Past due loans	44,272	8,768	35,504	19.80%	53,097	9,821	43,276	18.50%
Total non-performing loans	**820,239**	**453,949**	**366,290**	**55.34%**	**810,473**	**402,988**	**407,485**	**49.72%**
Performing loans	6,495,724	70,313	6,425,411	1.08%	6,547,003	64,420	6,482,583	0.98%
Loans to customers	**7,315,963**	**524,262**	**6,791,701**	**7.17%**	**7,357,476**	**467,408**	**6,890,068**	**6.35%**

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

	30/06/2020				31/12/2019			
	Gross amount	Value adjustments	Net amount	% coverage	Gross amount	Value adjustme nts	Net amount	% coverage
Bad loans	441,936	318,579	123,357	72.09%	388,025	264,752	123,273	68.23%
Unlikely to pay	321,977	120,456	201,521	37.41%	355,642	122,183	233,459	34.36%
Past due loans	42,628	8,580	34,048	20.13%	51,797	9,656	42,141	18.64%
Total non-performing loans	**806,541**	**447,615**	**358,926**	**55.50%**	**795,464**	**396,591**	**398,873**	**49.86%**
Performing loans	9,695,502	72,131	9,623,371	0.74%	9,337,004	65,344	9,271,660	0.70%
Loans to customers	**10,502,043**	**519,746**	**9,982,297**	**4.95%**	**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 30 June 2020, financial assets other than loans and advances to customers amounted to a total of € 4,745 million, an increase on the previous year (+7.46%). The largest component of the owned securities portfolio, equal to € 3,341.3 million, is allocated to stable investments. Therefore, as it is measured at amortised cost, it does not substantially entail elements of volatility in the income statement.
The management of the securities portfolio has changed over time, adjusting in each case to the need for credit disbursement, the market conditions and the stability of liquidity.

The Group's securities portfolio is comprised of € 2,555 million in refinancing with the European Central Bank.

Financial instruments eligible as collateral in financing transactions on the market amounted to € 4.8 billion as at 30 June 2020 net of the ECB haircut, of which € 2.6 billion committed. As a result, the eligible amount of financial instruments available comes to € 2,150 million.

	30/06/2020	31/12/2019	Changes	
	€/thousand	€/thousand	Absolute	%
NET INTERBANK POSITION	**-1,483,463**	**-1,094,458**	**-389,005**	**35.54%**
Loans and advances to banks	1,107,951	554,111	553,840	99.95%
Deposits from banks	2,591,414	1,648,569	942,845	57.19%
FINANCIAL ASSETS	**4,745,130**	**4,415,845**	**329,285**	**7.46%**
Financial assets measured at fair value through profit and loss	25,802	28,048	-2,246	-8.01%
of which fair value of derivatives	*14,270*	*15,629*	*-1,359*	*-8.69%*
Financial assets measured at fair value through other comprehensive income	1,377,992	1,387,014	-9,022	-0.65%
Other financial assets measured at amortised cost	3,341,336	3,000,783	340,553	11.35%
FINANCIAL LIABILITIES HELD FOR TRADING	**16,668**	**17,590**	**-922**	**-5.24%**
of which fair value of derivatives	*16,668*	*17,590*	*-922*	*-5.24%*
DERIVATIVES (NOTIONAL AMOUNTS)	**2,176,983**	**1,856,735**	**320,248**	**17.25%**

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 30 June 2020 is as follows:

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

The main balance sheet and income statement data of the Group companies are provided below.

CASSA DI RISPARMIO DI ASTI S.P.A.

Statutory accounts as at 30.06.2020 (in Euro)

BALANCE SHEET			
	ASSETS	30/06/2020	31/12/2019
10	**Cash and cash equivalents**	**34,275,808**	**39,256,761**
20	**Financial assets measured at fair value through profit and loss**	**79,310,404**	**68,228,220**
	a) financial assets held for trading	69,717,436	57,750,171
	c) other financial assets mandatorily measured at fair value	9,592,968	10,478,049
30	**Financial assets measured at fair value through other comprehensive income**	**1,012,252,415**	**999,940,590**
40	**Financial assets measured at amortised cost**	**8,142,035,848**	**7,551,212,249**
	a) loans and advances to banks	1,100,503,744	605,919,010
	b) loans and advances to customers	7,041,532,104	6,945,293,239
70	**Equity investments**	**436,955,311**	**431,955,311**
80	**Property, plant and equipment**	**116,446,267**	**117,099,348**
90	**Intangible assets**	**2,442,215**	**2,324,972**
100	**Tax assets**	**256,534,309**	**256,676,554**
	a) current	40,002,899	39,978,250
	b) deferred	216,531,410	216,698,304
120	**Other assets**	**279,348,603**	**270,520,981**
TOTAL ASSETS		**10,359,601,180**	**9,737,214,986**

Within an economic scenario strongly impacted by Covid-19, net loans and advances to customers are entirely represented by financial loans, and the disbursement of loans during the half confirms the Bank's concrete commitment to supporting households and economic operators alike, even within this difficult context linked to the health emergency.

BALANCE SHEET			
	LIABILITIES	**30/06/2020**	**31/12/2019**
10	**Financial liabilities measured at amortised cost**	**9,182,805,617**	**8,586,849,319**
	a) deposits from banks	2,808,139,627	1,953,125,007
	b) deposits from customers	5,264,442,207	5,376,838,020
	c) debt securities in issue	1,110,223,783	1,256,886,292
20	**Financial liabilities held for trading**	**72,217,262**	**59,793,331**
30	**Financial liabilities designated at fair value**	**35,000,689**	**69,193,449**
40	**Hedging derivatives**	**107,576,053**	**84,473,131**
80	**Other liabilities**	**156,927,140**	**139,451,029**
90	**Provision for employee severance pay**	**8,458,697**	**8,473,614**
100	**Provisions for risks and charges:**	**13,020,597**	**14,419,110**
	a) commitments and guarantees given	4,288,469	4,166,814
	c) other provisions for risks and charges	8,732,128	10,252,296
110	**Valuation reserves**	**(20,019,298)**	**(19,414,155)**
140	**Reserves**	**99,332,075**	**76,873,164**
150	**Share premium reserve**	**339,375,084**	**339,535,796**
160	**Share capital**	**363,971,168**	**363,971,168**
170	**Treasury shares (-)**	**(8,547,730)**	**(8,862,881)**
180	**Profit (Loss) for the year (+/-)**	**9,483,826**	**22,458,911**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,359,601,180**	**9,737,214,986**

As at 30 June 2020, brokered financial assets were down compared to the previous year, while managed assets from non-institutional customers were up. Within this aggregate, direct funding continues to be the most important component, representing around 64.83% of the total.

INCOME STATEMENT			
	ITEMS	30/06/2020	30/06/2019
10	**Interest income and similar revenues**	**98,951,174**	**105,083,037**
	of which: interest income calculated using the effective interest rate method (*)	98,195,605	97,895,877
20	**Interest expense and similar charges**	**(26,625,616)**	**(30,234,759)**
30	**Net interest margin**	**72,325,558**	**74,848,278**
40	**Fees and commission income**	**43,060,009**	**41,058,377**
50	**Fees and commission expense**	**(6,690,117)**	**(7,047,515)**
60	**Net fees and commissions**	**36,369,892**	**34,010,862**
70	**Dividends and similar income**	**17,801,929**	**9,550,688**
80	**Net profit (loss) from trading**	**(1,158,036)**	**(3,750,630)**
90	**Net profit (loss) from hedging**	**156,603**	**(341,344)**
100	**Gains (losses) on disposal or repurchase of:**	**22,462,240**	**11,543,444**
	a) financial assets measured at amortised cost	10,995,571	(5,059,173)
	b) financial assets measured at fair value through other comprehensive income	11,619,683	16,821,322
	c) financial liabilities	(153,014)	(218,705)
110	**Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss**	**(85,536)**	**3,462,471**
	a) financial assets and liabilities designated at fair value	417,763	1,094,312
	b) other financial assets mandatorily measured at fair value	(503,299)	2,368,159
120	**Net banking income**	**147,872,650**	**129,323,769**
130	**Net losses/recoveries for credit risk relating to:**	**(65,323,709)**	**(32,845,154)**
	a) financial assets measured at amortised cost	(65,046,177)	(33,757,033)
	b) Financial assets measured at fair value through other comprehensive income	(277,532)	911,879
140	**Profits/losses from contractual changes without derecognition**	**(29,803)**	**0**
150	**Net income from financial activities**	**82,519,138**	**96,478,615**
160	**Administrative expenses:**	**(77,994,319)**	**(77,453,331)**
	a) personnel expenses	(41,044,491)	(41,005,623)
	b) other administrative expenses	(36,949,828)	(36,447,708)
170	**Net provisions for risks and charges**	**(364,785)**	**(561,023)**
	a) commitments and guarantees given	(121,655)	260,689
	b) other net provisions	(243,130)	(821,712)
180	**Net adjustments to/recoveries on property, plant and equipment**	**(5,021,636)**	**(5,175,740)**
190	**Net adjustments to/recoveries on intangible assets**	**(705,116)**	**(565,750)**
200	**Other operating expenses/income**	**9,481,594**	**11,777,828**
210	**Operating costs**	**(74,604,262)**	**(71,978,016)**
250	**Gains (losses) on disposal of investments**	**10**	**2,698**
260	**Profit (loss) before tax from continuing operations**	**7,914,886**	**24,503,297**
270	**Tax expenses (income) for the period from continuing operations**	**1,568,940**	**(6,912,611)**
280	**Profit (loss) after tax from continuing operations**	**9,483,826**	**17,590,686**
300	**PROFIT (LOSS) FOR THE YEAR**	**9,483,826**	**17,590,686**

Within an economic scenario highly impacted by Covid-19, in the first half of 2020 the Bank demonstrated its excellent capacity of resilience and adaptation to the changed, severe economic context, achieving a net profit of € 9.5 million. This result would have amounted to € 10.3 million excluding non-recurring income items (-45.45% compared to the first half of 2019 recalculated using the same criteria).

The results for the first half of 2020 confirm the validity of Banca di Asti's underlying strategic choices, intended to preserve, and when possible improve upon, the Bank'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 Bank.

BIVERBANCA S.P.A.

Statutory accounts as at 30.06.2020 (in Euro)

BALANCE SHEET			
	ASSETS	30/06/2020	31/12/2019
10	**Cash and cash equivalents**	**24,760,539**	**28,471,651**
20	**Financial assets measured at fair value through profit and loss**	**2,768,687**	**2,738,008**
	a) financial assets held for trading	830,761	828,400
	c) other financial assets mandatorily measured at fair value	1,937,926	1,909,608
30	**Financial assets measured at fair value through other comprehensive income**	**365,303,023**	**386,594,195**
40	**Financial assets measured at amortised cost**	**3,138,346,363**	**3,107,078,926**
	a) loans and advances to banks	253,572,922	353,913,116
	b) loans and advances to customers	2,884,773,441	2,753,165,810
80	**Property, plant and equipment**	**32,979,940**	**34,434,445**
90	**Intangible assets**	**34,820,523**	**34,978,763**
	of which:		
	goodwill	33,999,998	33,999,998
100	**Tax assets**	**56,623,066**	**60,717,089**
	a) current	2,541,670	2,938,173
	b) deferred	54,081,396	57,778,916
120	**Other assets**	**136,547,279**	**145,384,561**
TOTAL ASSETS		**3,792,149,420**	**3,800,397,638**

BALANCE SHEET			
	LIABILITIES	30/06/2020	31/12/2019
10	**Financial liabilities measured at amortised cost**	**3,253,064,538**	**3,277,631,307**
	a) deposits from banks	2,465,514	69,245,500
	b) deposits from customers	2,748,784,632	2,667,812,666
	c) debt securities in issue	501,814,392	540,573,141
20	**Financial liabilities held for trading**	**729,034**	**746,547**
30	**Financial liabilities designated at fair value**	**9,429,236**	**9,688,971**
40	**Hedging derivatives**	**55,496,507**	**42,202,231**
60	**Tax liabilities**	**2,053,311**	**2,053,311**
	a) current	2,053,311	2,053,311
80	**Other liabilities**	**83,254,595**	**74,386,655**
90	**Provision for employee severance pay**	**11,651,559**	**11,838,477**
100	**Provisions for risks and charges:**	**21,905,396**	**23,922,371**
	a) commitments and guarantees given	635,312	518,235
	b) post-retirement benefit obligations	15,834,417	16,601,063
	c) other provisions for risks and charges	5,435,667	6,803,073
110	**Valuation reserves**	**(5,383,787)**	**(6,925,987)**
140	**Reserves**	**192,945,280**	**192,933,929**
150	**Share premium reserve**	**33,397,002**	**33,397,002**
160	**Share capital**	**124,560,677**	**124,560,677**
180	**Profit (Loss) for the year (+/-)**	**9,046,072**	**13,962,147**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,792,149,420**	**3,800,397,638**

As at 30 June 2020, assets managed on behalf of customers amounted to € 5.9 billion. Direct funding, confirmed as the main component of the segment (55.26%), was up.

INCOME STATEMENT			
	ITEMS	30/06/2020	30/06/2019
10	**Interest income and similar revenues**	**31,467,135**	**33,481,139**
	of which: interest income calculated using the effective interest rate method	31,436,629	33,371,803
20	**Interest expense and similar charges**	**(10,934,579)**	**(11,464,640)**
30	**Net interest margin**	**20,532,556**	**22,016,499**
40	**Fees and commission income**	**24,161,932**	**23,379,859**
50	**Fees and commission expense**	**(2,974,450)**	**(2,633,355)**
60	**Net fees and commissions**	**21,187,482**	**20,746,504**
70	**Dividends and similar income**	**6,798,867**	**6,962,990**
80	**Net profit (loss) from trading**	**133,876**	**256,319**
90	**Net profit (loss) from hedging**	**579,419**	**(200,401)**
100	**Gains (losses) on disposal or repurchase of:**	**12,574,075**	**40,216**
	a) financial assets measured at amortised cost	5,101,027	(1,058,539)
	b) financial assets measured at fair value through other comprehensive income	7,299,245	872,089
	c) financial liabilities	173,803	226,666
110	**Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss**	**62,500**	**(357,835)**
	a) financial assets and liabilities designated at fair value	34,179	(43,628)
	b) other financial assets mandatorily measured at fair value	28,321	(314,207)
120	**Net banking income**	**61,868,775**	**49,464,292**
130	**Net losses/recoveries for credit risk relating to:**	**(14,219,518)**	**(5,423,484)**
	a) financial assets measured at amortised cost	(14,177,161)	(5,462,833)
	b) financial assets measured at fair value through other comprehensive income	(42,357)	39,349
140	**Profits/losses from contractual changes without derecognition**	**5,823**	**0**
150	**Net income from financial activities**	**47,655,080**	**44,040,808**
160	**Administrative expenses:**	**(36,556,375)**	**(38,295,309)**
	a) personnel expenses	(18,443,680)	(19,834,349)
	b) other administrative expenses	(18,112,695)	(18,460,960)
170	**Net provisions for risks and charges**	**(170,310)**	**(917,310)**
	a) commitments and guarantees given	(117,076)	269,936
	b) other net provisions	(53,234)	(1,187,246)
180	**Net adjustments to/recoveries on property, plant and equipment**	**(2,031,838)**	**(1,974,956)**
190	**Net adjustments to/recoveries on intangible assets**	**(312,585)**	**(416,143)**
200	**Other operating expenses/income**	**4,214,365**	**5,043,108**
210	**Operating costs**	**(34,856,743)**	**(36,560,610)**
250	**Gains (losses) on disposal of investments**	**0**	**5**
260	**Profit (loss) before tax from continuing operations**	**12,798,337**	**7,480,203**
270	**Tax expenses (income) for the period from continuing operations**	**(3,752,265)**	**(2,435,325)**
280	**Profit (loss) after tax from continuing operations**	**9,046,072**	**5,044,878**
300	**PROFIT (LOSS) FOR THE YEAR**	**9,046,072**	**5,044,878**

The first half of 2020 concluded on a very positive note, with a net profit of € 9 million, up by 79.31% compared to the same period of the previous year.

PITAGORA S.P.A.

Statutory accounts as at 30.06.2020 (in Euro)

BALANCE SHEET			
	ASSETS	30/06/2020	31/12/2019
10	**Cash and cash equivalents**	**18,093**	**10,353**
20	**Financial assets measured at fair value through profit and loss**	**145,363,057**	**196,852,816**
	a) financial assets held for trading	138,703,759	190,819,216
	c) other financial assets mandatorily measured at fair value	6,659,298	6,033,600
30	**Financial assets measured at fair value through other comprehensive income**	**566,503**	**566,503**
40	**Financial assets measured at amortised cost**	**95,906,578**	**75,048,319**
	a) loans and advances to banks	5,717,656	10,233,499
	b) loans and advances to financial companies	245,075	106,372
	c) loans and advances to customers	89,943,847	64,708,448
70	**Equity investments**	**350,000**	**350,000**
80	**Property, plant and equipment**	**13,186,612**	**14,015,489**
90	**Intangible assets**	**357,290**	**336,707**
100	**Tax assets**	**10,577,355**	**10,281,264**
	a) current	539,553	149,354
	b) deferred	10,037,802	10,131,910
120	**Other assets**	**17,014,053**	**20,895,271**
TOTAL ASSETS		**283,339,541**	**318,356,722**

BALANCE SHEET			
	LIABILITIES	30/06/2020	31/12/2019
10	**Financial liabilities measured at amortised cost**	**152,483,125**	**181,792,747**
	a) deposits from banks	152,483,125	181,792,747
60	**Tax liabilities**	**1,528,436**	**1,032,926**
	a) current	1,528,436	1,032,926
80	**Other liabilities**	**38,510,195**	**48,418,519**
90	**Provision for employee severance pay**	**72,067**	**73,421**
100	**Provisions for risks and charges:**	**26,230,604**	**26,287,996**
	a) commitments and guarantees given	367,641	432,959
	c) other provisions for risks and charges	25,862,963	25,855,037
110	**Share capital**	**41,760,000**	**41,760,000**
150	**Reserves**	**18,827,201**	**10,620,360**
160	**Valuation reserves**	**163,912**	**163,912**
170	**Profit (Loss) for the year (+/-)**	**3,764,001**	**8,206,841**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**283,339,541**	**318,356,722**

In the financial statements as at 30 June 2020, compared to the end of the year 2019, there was a downturn in loans classified in item *20 a) financial assets held for trading* due to the temporary reduction in the stock and non-recourse transfers carried out during the half-year. On the other hand, there was an increase in *item 40 c) financial assets measured at amortised cost* as a result of loans transferred in the Manu Spv transaction, which remained fully recognised in the financial statements.

INCOME STATEMENT			
	ITEMS	30/06/2020	30/06/2019
10	**Interest income and similar revenues**	**5,551,360**	**4,984,792**
20	**Interest expense and similar charges**	**(583,605)**	**(1,094,591)**
30	**Net interest margin**	**4,967,755**	**3,890,201**
40	**Fees and commission income**	**9,821,767**	**14,409,488**
50	**Fees and commission expense**	**(29,170,904)**	**(32,000,312)**
60	**Net fees and commissions**	**(19,349,137)**	**(17,590,824)**
80	**Net profit (loss) from trading**	**38,461,937**	**40,755,817**
100	**Gains (losses) on disposal or repurchase of:**	**31,820**	**0**
	a) financial assets measured at amortised cost	31,820	0
110	**Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss**	**(27,876)**	**170,016**
	b) other financial assets mandatorily measured at fair value	(27,876)	170,016
120	**Net banking income**	**24,084,499**	**27,225,210**
130	**Net losses/recoveries for credit risk relating to:**	**(177,367)**	**(133,523)**
	a) financial assets measured at amortised cost	(177,367)	(133,523)
150	**Net income from financial activities**	**23,907,132**	**27,091,687**
160	**Administrative expenses:**	**(11,334,710)**	**(11,706,304)**
	a) personnel expenses	(5,109,916)	(5,603,648)
	b) other administrative expenses	(6,224,794)	(6,102,656)
170	**Net provisions for risks and charges**	**(5,193,409)**	**(6,836,213)**
	a) commitments and guarantees given	63,450	19,632
	b) other net provisions	(5,256,859)	(6,855,845)
180	**Net adjustments to/recoveries on property, plant and equipment**	**(1,146,655)**	**(1,146,985)**
190	**Net adjustments to/recoveries on intangible assets**	**(117,172)**	**(70,992)**
200	**Other operating expenses/income**	**(27,101)**	**(1,122,641)**
210	**Operating costs**	**(17,819,047)**	**(20,883,135)**
260	**Profit (loss) before tax from continuing operations**	**6,088,085**	**6,208,552**
270	**Tax expenses (income) for the period from continuing operations**	**(2,324,084)**	**(2,477,383)**
280	**Profit (loss) after tax from continuing operations**	**3,764,001**	**3,731,169**
300	**PROFIT (LOSS) FOR THE YEAR**	**3,764,001**	**3,731,169**

The economic impacts of the measurement of loans at fair value and the margin from non-recourse disposal with the relative derecognition are recognised in income statement item 80 *net profit (loss) from trading*.

Despite the impacts of the COVID-19 pandemic on the Company's financial statement data as at 30 June 2020, in economic as well as capital terms, there was a profit of € 3,764,001, consistent with the profit for the same period of the previous year of € 3,731,169, and therefore with no relevant final variances.

IMMOBILIARE MARISTELLA S.R.L.

Statutory accounts as at 30.06.2020 (in Euro)

BALANCE SHEET			
ASSETS		30/06/2020	31/12/2019
40	**Financial assets measured at amortised cost**	**1,289,272**	**0**
	a) loans and advances to banks	1,289,272	0
80	**Property, plant and equipment**	**5,964,813**	**5,956,281**
90	**Intangible assets**	**45,227**	**45,227**
	of which:		
	goodwill	45,227	45,227
100	**Tax assets**	**(329,877)**	**(329,877)**
	b) deferred	(329,877)	(329,877)
120	**Other assets**	**155,852**	**131,490**
TOTAL ASSETS		**7,125,287**	**5,803,121**

BALANCE SHEET			
LIABILITIES		30/06/2020	31/12/2019
80	**Other liabilities**	**186,393**	**3,708,952**
100	**Provisions for risks and charges:**	**50,000**	**50,000**
	c) other provisions	50,000	50,000
140	**Reserves**	**44,169**	**456,916**
160	**Share capital**	**7,000,000**	**2,000,000**
180	**Profit (Loss) for the year (+/-)**	**(155,275)**	**(412,747)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**7,125,287**	**5,803,121**

During the month of May 2020, the parent company intervened in favour of the company by providing a € 5 million share capital increase payment, so as to boost the company's level of capitalisation in order to guarantee adequate own funds to support initiatives under way and its strategic outlooks.

INCOME STATEMENT			
	ITEMS	30/06/2020	30/06/2019
20	**Interest expense and similar charges**	**-22,504**	**-34,322**
30	**Net interest margin**	**-22,504**	**-34,322**
50	**Fees and commission expense**	**-120**	**-160**
60	**Net fees and commissions**	**-120**	**-160**
120	**Net banking income**	**-22,624**	**-34,482**
150	**Net income from financial activities**	**-22,624**	**-34,482**
160	**Administrative expenses:**	**-262,344**	**-137,886**
	a) personnel expenses	-29,792	-38,977
	b) other administrative expenses	-232,552	-98,909
180	**Net adjustments to/recoveries on property, plant and equipment**	**-20,568**	**-18,151**
200	**Other operating expenses/income**	**193,674**	**29,238**
210	**Operating costs**	**-89,238**	**-126,799**
260	**Profit (loss) before tax from continuing operations**	**-111,862**	**-161,281**
270	**Tax expenses (income) for the period from continuing operations**	**-43,413**	**-43,037**
280	**Profit (loss) after tax from continuing operations**	**-155,275**	**-204,318**
300	**PROFIT (LOSS) FOR THE YEAR**	**-155,275**	**-204,318**

Considering the reduced operations of the subsidiary and with a view to cost curbing, the Parent Company has decided to appoint a Sole Director.

Furthermore, as of this year, Immobiliare Maristella will be audited, in line with the best practices of the main banking Groups, which subject all Group companies to auditing.

As regards non-current assets, in the first half of 2020, a portion of the “Rostagno” property, on which renovation works continue to be carried out, was sold.

A new lease agreement was entered into with reference to agricultural land located in Peschiera Borromeo and at the same time, lower property management costs were recorded.

Shareholders' equity

Shareholders' equity, including profit for the year, came to € 811 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	**6,261**
- Net profit for the year	5,944
- Change in provisions for the share premium reserve	315
- Net change due to available reserves	2
Decreases	**-1,163**
- Net change in other valuation reserves	-1,002
- Change in share premium reserve	-161
Group shareholders' equity as at 30 June 2020	**810,852**
Minority shareholders' equity as at 30 June 2020	**18,026**

The Group shareholders' equity therefore increased by € 5.1 million compared to the end of the previous year.

The change in valuation reserves, a negative € 1 million net of taxation, was primarily attributable to the combined effect of:

- decrease in the value of provisions of financial assets measured at fair value through other comprehensive income (FVOCI) of the Group Banks, equal to € 504 thousand, and a net decrease referring to the subsidiary Pitagora of € 1,939 thousand;
- increase in value of the cash flow hedge provision of € 814 thousand;
- increase in value of creditworthiness provisions of € 585 thousand;
- increase in value of the provision on actuarial losses (pursuant to IAS 19) of € 42 thousand.

Total Bank Own Funds and capital ratios

Total Bank Own Funds of the Cassa di Risparmio di Asti Group came to around € 1,024.5 million.

The CET 1 Ratio (CET1/RWA) amounts to 13.98%, which is higher than the minimum requirement that the Group must meet as a result of the Supervisory Review and Evaluation Process (SREP) conducted by the Bank of Italy, with the final measure dated 19 June 2019 equal to 9% (Overall Capital Requirement, including the "capital conservation buffer" of 2.5%). The Tier 1 Ratio (Tier 1/RWA) amounts to 13.98% and the Total Capital Ratio (Total Own Funds/RWA) amounts to 16.96%. (2)

OWN FUNDS AND SOLVENCY RATIOS	30/06/2020	31/12/2019
Own Funds (€/thousand)		
Common Equity Tier 1 (CET1) capital net of regulatory adjustments	844,593	863,469
Additional Tier 1 (AT1) capital net of regulatory adjustments	0	0
Tier 1 capital (TIER1)	**844,593**	**863,469**
Tier 2 (T2) capital net of regulatory adjustments	179,944	180,098
Total Own Funds	**1,024,537**	**1,043,567**
Risk-weighted assets (€/thousand)		
Portion absorbed for credit and counterparty risk, including the portion absorbed by securitisations	41.42%	43.68%
Portion absorbed for market risk	0.03%	0.03%
- of which:		
a) trading portfolio risk	*0.03%*	*0.03%*
b) exchange rate risk	*0.00%*	*0.00%*
Portion absorbed for credit value adjustment (CVA) risk	0.31%	0.29%
Free portion	58.24%	56.00%
Portion absorbed by Operational Risk	5.42%	5.33%
Free portion	52.82%	50.67%
Total capital requirements	483,398	514,739
Excess	541,139	528,828
Total risk-weighted assets (1)	**6,042,481**	**6,434,242**
Solvency ratios (%)		
CET1 Ratio (CET1/RWA)	13.98%	13.42%
Tier 1 Ratio (Tier1/RWA)	13.98%	13.42%
Total Capital Ratio (Total Own Funds/RWA)	16.96%	16.22%

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

(2) As at 30 June 2020, the Group's fully-phased ratios, calculated without applying the IFRS 9 transitional provisions, amount to: CET1 Ratio 11.27%, Tier 1 11.27%, Total Capital Ratio 14.31%. All ratios are above the requirements established by the Bank of Italy following the Supervisory Review and Evaluation Process (SREP). Such requirements, also inclusive of the capital conservation buffer of 2.5%, amount to 9%, 10.5% and 12.5% for the Group.

SHARE CAPITAL ACCOUNTS

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)	**783,595**	**9,484**
Book value of equity investments	-436,955	
Shareholders' equity book value of equity investments (pro rata)	406,615	
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	37,495	
Alignment with the Group accounting standards:		
- recording of buildings and land at deemed cost	5,633	
Group securitisation	-17,442	
Consolidation of company under significant influence at equity	-41	
Fair value adjustments to the consolidated financial statements	-190	
Intercompany netting for dividends		-13,951
Pro-rata profit (loss) of subsidiaries		10,411
Consolidated shareholders' equity and profit (loss)	**810,852**	**5,944**
Minority shareholders' equity and profit (loss)	**18,026**	**1,138**

Evolution of the operating context

The effects of the pandemic, which is slowing down in Europe but gaining more intensity in emerging countries as well as the United States, are weighing down on the global economy. According to data from the European Centre for Disease Prevention and Control, in early September nearly 30 million people all over the world had contracted the virus and almost 1 million had died. The number of infections has reached 15 million in the Americas, 8 in Asia and 4 in Europe. The United States is the country with the highest number of cases reported (6.5 million), followed by Brazil and India (with more than 4 million). Worldwide, the number of new infections each day is still on the rise, with very uneven trends across the different geographical areas in recent months. In relation to the population, it has fallen to relatively limited values throughout the EU, except for in Sweden, and in the majority of other European countries; it remains high in Latin America, the Middle East, the United States and South Africa.

Several of the countries where the epidemiological situation has improved have gradually relaxed their containment measures starting from the end of the half. However, nearly everywhere measures remain in force to encourage physical distancing between people, such as the closure of certain types of commercial businesses or the partial closure of schools, limits on the size of groups allowed to congregate in public places and remote working, with continuing consequences on mobility, which has not yet returned to the levels recorded prior to the outbreak of the pandemic. The weight on global commerce of the countries concerned by the restrictive measures has declined to a very limited extent and entirely thanks to advanced economies. Similar trends can be observed for Italy's export markets. Since the start of the second half of the year, the share of Italian exports to countries subject to milder restrictions has risen from just over half to roughly two-thirds, and that of sales to economies in which very severe containment measures are in place had reduced considerably to roughly 5% at the end of June (from around 50% on average in April). Until now, the gradual relaxation of containment measures in Italy was possible without a significant uptick in infections in the subsequent weeks; what will happen when schools reopen, planned for mid-September, remains an unknown.

According to the analyses of Prometeia it is estimated that in 2020 (and the following years) the recovery will be slow, although significant differences remain as concerns the speed at which activities will approach pre-Covid levels. Some sectors will have difficulty resuming and will need to deal with weak demand in the long term. This cannot but make structural part of the unemployment which was initially only temporary, leading the economy, at least in the short/medium-term, to a situation in which demand is persistently low compared to the pre-Covid situation. Service sectors that require close interaction, tourism and transport will especially pay the price. In these months, there have been some accelerations in trends in part already present prior to the health crisis: continuation of US/China trade and political tensions, further fragmentation of international trade, increase in economic divergence within the Eurozone between the Member States, with countries such as Italy and Spain more impacted than others, in part due to a different specialisation and organisation of production and in part due to the limits on fiscal responses imposed by high public debt, and the loss by the emerging markets, which are some of the countries most struck by the pandemic, of their role as drivers of global growth.

As concerns the economic aid deployed by governments and central banks to deal with the emergency situation, the Federal Reserve has taken the historic step of revising its approach to the interest rate policy. In his speech at the Fed's annual symposium, Chairman Jerome Powell introduced the new monetary policy, which should favour the resumption of employment, enabling inflation to rise above the Fed's 2% target during economic expansions, while also maintaining rates low for a longer period of time. Therefore, according to the new policy, average inflation of 2% over time will continue to be the target. However, if inflation exceeds the target, as occurred in the last decade, the Fed would accept inflation "moderately higher than 2%" without enacting restrictive policies.
In Europe, to support residents, businesses and Member States to overcome the economic recession caused by the Covid-19 pandemic, EU leaders have agreed to work on a common recovery plan. At the end of April, they committed to establishing an EU recovery fund to attenuate the effects of the crisis. In July, they agreed to make available, according to different procedures, a total amount of nearly 2,000 billion for the 2021-2027 period. The package, which unites the long-term financial framework (QFP) and an extraordinary recovery effort, the Next Generation EU (NGEU) instrument, will help the European Union to relaunch after the Covid-19 pandemic and will support investments in the green and digital transitions.
In Italy, following the approval of the "Rilancio" Decree in May, an additional € 55 billion in resources have been made available to support businesses, artisans, merchants, professionals, workers and households in the new phase of the country's economic and social recovery, the effects of which will be seen in the upcoming months. In detail, the package of measures includes: loans that do not need to be repaid, payments from the Public Administrations and additional financing to the guarantee fund for SMEs, Ecobonus for the relaunch of the strategic sector of building and other interventions such as a tax credit on commercial rentals. In August, Law Decree no. 104 (the "August" decree) was also launched, containing measures which in large part take up and extend the previous interventions to combat the effects of the pandemic crisis. Allocations are planned for the healthcare system, for regional bodies and instruction and to support workers, households and businesses. The most significant initiatives regard the job market, with temporary measures on the regulation of working relationships, employment incentives and the social safety net system.

Sources: Bank of Italy, ECB, ABI, IMF

Outlook on operations

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.
In addition, 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 the first half of 2020 and a resulting reduction in the related revenues, especially in terms of commissions.
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 and PELTRO and additional purchases by the ECB of government bonds), there has also 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.
From this perspective, the Group, based on available information concerning the performance of the companies in the first half of the year, keeping the guidelines of the Strategic Plan in force and the various planning documents unchanged, has taken into consideration the changes in the macroeconomic context and updated budget estimates for 2020, incorporating the appropriate adjustments to annual price, sales volumes and asset quality evolution targets.
The main new aspects of the budget estimates regarded:

- an adjustment in profitability assumptions on the basis of the updated asset allocation;
- the forecast for the interbank segment of volumes and conditions connected to the T-TLRO III auctions and the modification of the new terms established by the ECB;
- reduction in the volume of disbursements as a direct consequence of the health emergency and the lower reduction of the stock generated by moratoria and legal and voluntary concessions;
- reduction in running commission revenues due to the reduction in terms of value of assets under management as a result of market trends;
- funding strategies for the subsidiaries, assuming a higher share of transfers to third parties of salary and pension assignment loans;
- revision of the cost of credit and adjustment of expected NPL transfer volumes to respect the asset quality objectives laid out in the Strategic Plan.

The expected results at consolidated level show a net profit 29.1% lower than original budget estimates.
In percentage terms, compared to the original budget, taking into account the estimated impacts of Covid-19, the areas of greatest impact are the revision of the cost of credit, increased by 34% with reference to higher adjustments on loans as well as with reference to losses from the disposal of non-performing positions, and the revision of fee and commission revenues, reduced by 5.4%. The interest margin has been revised upward by 0.9% due to the estimated effects of the support interventions activated by the Political and Monetary Authorities and the revision of profitability linked to a different asset allocation.
Forecasts were redeveloped while maintaining gross and net NPL ratio targets the same and increasing the amount of NPLs to be transferred by the end of 2020.
The effects of the revisions assumed in the management of Group operations on the main indicators are shown in the table below.

Values in € mln	Budget 2020 revised	Budget 2020
Cet 1 Capital	854	867
Tier 1 Capital	854	876
Own Funds	1,038	1,068
RWA	5,979	6,577
Cet 1 Ratio	14.3%	13.2%
Tier 1 Ratio	14.3%	13.3%
Total Capital Ratio	17.4%	16.2%
ROE (normalised)	2.1%	2.9%
Cost/Income	60.4%	63.2%
LCR	188%	193%

Having considered the 2019-2021 Strategic Plan, the Group's satisfactory level of capitalisation, and considering that both the Parent Company and the subsidiaries have a consolidated history of profitable business and privileged access to financial resources, the Directors have the reasonable expectation that even in the current context of economic and financial crisis, the Group will continue to operate in the foreseeable future. Therefore, they have prepared the Condensed interim consolidated financial statements 2020 applying the going concern assumption.

Significant events after the end of the first half

For the Group in the period after the end of the first half of the year no significant events arose that resulted in the need to make changes to the figures or information in the consolidated half-yearly financial statements as at 30 June 2020.

Other information

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 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 2019, deciding not to proceed with the payment of dividends and to allocate the profit for the year to the reserves.
The Shareholders' Meeting of Banca di Asti which approved the financial statements as at 31.12.2019 on 29 April 2020 appointed the new Board of Directors, deciding that it would have 11 members. The composition of the new Board of Directors is specified in the section dedicated to the corporate offices of the Parent Company in the Interim Report on Operations.

With regard to the inspection conducted by the Bank of Italy on the Cassa di Risparmio di Asti Group, which concluded in January 2019, during the half the sanction measure was received as the counterclaims presented by Banca di Asti were not accepted. Sanctions in the total amount of € 186 thousand were therefore paid.
The plan of interventions defined to incorporate the observations received and overcome the critical issues identified is currently in the completion phase. That plan is subject to periodic reporting to the Supervisory Authority.

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

GRUPPO CASSA DI
RISPARMIO DI ASTI

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As at 30 June 2020

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET			
Assets		30/06/2020	31/12/2019
10.	**Cash and cash equivalents**	**59,054**	**67,739**
20.	**Financial assets measured at fair value through profit and loss**	**49,635**	**76,213**
	a) financial assets held for trading	31,445	57,792
	c) other financial assets mandatorily measured at fair value	18,190	18,421
30.	**Financial assets measured at fair value through other comprehensive income**	**1,504,899**	**1,559,167**
40.	**Financial assets measured at amortised cost**	**11,090,248**	**10,224,644**
	a) Loans and advances to banks	1,107,951	554,111
	b) Loans and advances to customers	9,982,297	9,670,533
70.	**Equity investments**	**79**	**77**
90.	**Property, plant and equipment**	**208,319**	**211,381**
100.	**Intangible assets**	**88,252**	**89,539**
	of which:		
	- goodwill	66,142	66,142
110.	**Tax assets**	**313,237**	**315,288**
	a) current	43,084	43,067
	b) deferred	270,153	272,221
130.	**Other assets**	416,249	**418,569**
	Total assets	**13,729,972**	**12,962,617**

CONSOLIDATED BALANCE SHEET			
Liabilities and Shareholders' equity		30/06/2020	31/12/2019
10.	**Financial liabilities measured at amortised cost**	**12,329,046**	**11,582,742**
	a) Deposits from banks	2,591,414	1,648,569
	b) Deposits from customers	8,150,685	8,161,813
	c) Debt securities in issue	1,586,947	1,772,360
20.	**Financial liabilities held for trading**	**16,668**	**17,590**
30.	**Financial liabilities designated at fair value**	**44,430**	**78,882**
40.	**Hedging derivatives**	**163,073**	**126,675**
60.	**Tax liabilities**	**3,583**	**3,088**
	a) current	3,583	3,088
80.	**Other liabilities**	**262,905**	**245,083**
90.	**Provision for employee severance pay**	**20,182**	**20,386**
100.	**Provisions for risks and charges**	**61,207**	**64,679**
	a) commitments and guarantees given	5,292	5,118
	b) post-retirement benefit obligations	15,834	16,601
	c) other provisions for risks and charges	40,081	42,960
120.	**Valuation reserves**	**-20,921**	**-19,919**
150.	**Reserves**	**131,031**	**95,699**
160.	**Share premium reserve**	**339,375**	**339,536**
170.	**Share capital**	**363,971**	**363,971**
180.	**Treasury shares (-)**	**-8,548**	**-8,863**
190.	**Minority shareholders' equity (+/-)**	**18,026**	**17,738**
200.	**Profit (Loss) for the year (+/-)**	**5,944**	**35,330**
	Total liabilities and shareholders' equity	**13,729,972**	**12,962,617**

GRUPPO CASSA DI RISPARMIO DI ASTI

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT			
Items		30/06/2020	30/06/2019
10.	**Interest income and similar revenues**	**140,021**	**133,695**
	of which: interest income calculated using the effective interest rate method	139,496	131,265
20.	**Interest expense and similar charges**	**-38,047**	**-42,564**
30.	**Net interest margin**	**101,974**	**91,131**
40.	**Fees and commission income**	**73,528**	**74,467**
50.	**Fees and commission expense**	**-26,262**	**-21,917**
60.	**Net fees and commissions**	**47,266**	**52,550**
70.	**Dividends and similar income**	**10,650**	**10,837**
80.	**Net profit (loss) from trading**	**20,007**	**25,808**
90.	**Net profit (loss) from hedging**	**736**	**-541**
100.	**Gains (losses) on disposal or repurchase of:**	**38,056**	**10,681**
	a) financial assets measured at amortised cost	16,138	-7,021
	b) financial assets measured at fair value through other comprehensive income	21,897	17,693
	c) financial liabilities	21	9
110.	**Net profit (loss) from financial assets and liabilities measured at fair value through profit and loss**	**-51**	**354**
	a) financial assets and liabilities designated at fair value	452	1,051
	b) other financial assets mandatorily measured at fair value	-503	-697
120.	**Net banking income**	**218,638**	**190,820**
130.	**Net losses/recoveries for credit risk relating to:**	**-78,768**	**-38,990**
	a) financial assets measured at amortised cost	-78,549	-40,013
	b) financial assets measured at fair value through other comprehensive income	-219	1,023
140.	**Profits/losses from contractual changes without derecognition**	**-24**	**0**
150.	**Net income from financial activities**	**139,846**	**151,830**
180.	**Net income from financial and insurance activities**	**139,846**	**151,830**
190.	**Administrative expenses:**	**-124,544**	**-126,282**
	a) personnel expenses	-64,613	-66,462
	b) other administrative expenses	-59,931	-59,820
200.	**Net provisions for risks and charges**	**-5,729**	**-8,314**
	a) commitments and guarantees given	-175	550
	b) other net provisions	-5,554	-8,864
210.	**Net adjustments to/recoveries on property, plant and equipment**	**-8,354**	**-8,409**
220.	**Net adjustments to/recoveries on intangible assets**	**-2,400**	**-2,153**
230.	**Other operating expenses/income**	**12,292**	**14,150**
240.	**Operating costs**	**-128,735**	**-131,008**
280.	**Gains (losses) on disposal of investments**	**0**	**3**
290.	**Profit (loss) before tax from continuing operations**	**11,111**	**20,825**
300.	**Tax expenses (income) for the period from continuing operations**	**-4,029**	**-8,091**
310.	**Profit (loss) after tax from continuing operations**	**7,082**	**12,734**
330.	**Profit (loss) for the year**	**7,082**	**12,734**
340.	**Minority profit (loss) for the period**	**1,138**	**3,183**
350.	**Parent company's profit (loss) for the year**	**5,944**	**9,551**

GRUPPO CASSA DI RISPARMIO DI ASTI

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Item	**ITEMS**	**30/06/2020**	**30/06/2019**
10.	**Profit (loss) for the year**	**7,082**	**12,734**
	Other comprehensive income after tax not reclassified to profit or loss		
20.	Equity securities designated at fair value through other comprehensive income	**(22)**	**1,271**
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	**585**	**(1,305)**
70.	Defined benefit plans	**42**	**(1,249)**
	Other comprehensive income after tax reclassified to profit or loss		
120.	Cash flow hedging	**814**	**(1,197)**
140.	Financial assets (different from equity securities) at fair value through other comprehensive income	**(3,251)**	**783**
170.	**Total other income after tax**	**(1,833)**	**(1,697)**
180.	**Other comprehensive income (Item 10+170)**	**5,250**	**11,037**
190.	**Minority consolidated other comprehensive income**	**307**	**2,191**
200.	**Parent Company's consolidated other comprehensive income**	**4,943**	**8,846**

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									Group shareholders' equity as at 30/06/2020	Minority shareholders' equity as at 30/06/2020
							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 investment	Other comprehensive income for 2020		
SHARE CAPITAL																
- ordinary shares	376,579		376,579	0			0	0					-20		363,971	12,588
- other shares	0		0	0			0	0					0		0	0
SHARE PREMIUM RESERVE	**339,536**	**0**	**339,536**	**0**		**0**	**-161**						**0**		**339,375**	**0**
RESERVES																
- profit	32,741	0	32,741	40,748		2	0	0	0				0		71,615	1,876
- other	59,416	0	59,416	0		0	0		0		0	0	0		59,416	0
VALUATION RESERVES	**-16,665**	**0**	**-16,665**			0							**0**	**-1,832**	**-20,921**	**2,424**
EQUITY INSTRUMENTS	**0**		**0**							**0**			**0**		**0**	**0**
TREASURY SHARES	**-8,863**		**-8,863**				**1,384**	**-1,069**							**-8,548**	**0**
PROFIT (LOSS) FOR THE YEAR	**40,748**	**0**	**40,748**	**-40,748**	**0**									**7,082**	**5,944**	**1,138**
GROUP SHAREHOLDERS' EQUITY	**805,754**	**0**	**805,754**	**0**	**0**	**1**	**1,223**	**-1,069**	**0**	**0**	**0**	**0**	**0**	**4,943**	**810,852**	
MINORITY SHAREHOLDERS' EQUITY	**17,738**	**0**	**17,738**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**-20**	**307**		**18,026**

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									Group shareholders' equity as at 30/06/2019	Minority shareholders' equity as at 30/06/2019
							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 Investment	Other comprehensive income for 2019		
SHARE CAPITAL																
- ordinary shares	370,267		370,267	0			0	0					10		308,368	61,909
- other shares	0		0	0			0	0					0		0	0
SHARE PREMIUM RESERVE	283,358		283,358	0		0	0								270,139	13,219
RESERVES																
- profit	154,978	0	154,978	2,763		-1,603	0	0	0				0		80,015	76,123
- other	0	0	0	0		0	0		0		0	0	0		0	0
VALUATION RESERVES	10,327	0	10,327			0							0	-1,697	5,721	2,909
EQUITY INSTRUMENTS	0		0							0			0		0	0
TREASURY SHARES	-6,522		-6,522				0	-1,668							-8,190	0
PROFIT (LOSS) FOR THE YEAR	5,878	0	5,878	-2,763	-3,115									12,734	9,551	3,183
GROUP SHAREHOLDERS' EQUITY	659,810	0	659,810	0	0	-1,384	0	-1,668	0	0	0	0	0	8,846	665,604	
MINORITY SHAREHOLDERS' EQUITY	158,476	0	158,476	0	-3,115	-219	0	0	0	0	0	0	10	2,191		157,343

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CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW STATEMENT

CASH FLOW STATEMENT	AMOUNT	
Indirect Method	30/06/2020	31/12/2019
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**246,124**	**219,808**
- profit (loss) for the year (+/-)	7,082	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 (-/+)	10,295	-14,041
- capital gains/losses on hedging activities (-/+)	-10,599	-32,433
- net losses/recoveries for credit risk (+/-)	84,213	115,421
- net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	9,922	18,966
- net provisions for risks and charges and other expenses/income (+/-)	-7,715	11,212
- unpaid duties, taxes and tax credits (+/-)	3,733	16,912
- net losses/recoveries on discontinued operations after tax (+/-)	0	0
- other adjustments (+/-)	149,193	63,023
2. Liquidity generated/absorbed by financial assets	**-822,482**	**-1,093,728**
- financial assets held for trading	82,728	39,329
- financial assets designated at fair value	0	0
- other assets mandatorily measured at fair value	261	1,893
- financial assets measured at fair value through other comprehensive income	-1,428	-559,655
- financial assets measured at amortised cost	-924,957	-673,244
- other assets	20,914	97,949
3. Liquidity generated/absorbed by financial liabilities	**578,385**	894,098
- financial liabilities measured at amortised cost	708,788	1,025,409
- financial liabilities held for trading	-72,328	-62,129
- financial liabilities designated at fair value	-33,970	-36,098
- other liabilities	-24,105	-33,084
Net liquidity generated/absorbed by operating activities	**2,027**	**20,178**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**-182**	**1**
- sales of equity investments	0	0
- dividends collected on equity investments	0	0
- sales of property, plant and equipment	-44	1
- sales of intangible assets	-138	0
- sales of divisions	0	0
2 Cash flow used in	**-10,684**	**-136,542**
- purchases of equity investments	-4,729	-126,181
- purchases of property, plant and equipment	-4,978	-8,238
- purchases of intangible assets	-977	-2,123
- purchases of divisions	0	0
Net liquidity generated/absorbed by investment activities	**-10,866**	**-136,541**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	154	122,659
- issue/purchase of equity securities	0	0
- dividend distribution and other	0	-3,115
Net liquidity generated/absorbed by funding activities	**154**	**119,544**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**-8,685**	**3,181**

Key: (+) from (-) used

RECONCILIATION	AMOUNT	
Item	30/06/2020	31/12/2019
Cash and cash equivalents at the beginning of the year	67,739	64,558
Net liquidity generated/absorbed in the period	-8,685	3,181
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at the end of the year	59,054	67,739

A.1 – GENERAL PART

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

The Condensed interim consolidated financial statements as at 30 June 2020 comply with all the international accounting standards IAS/IFRS applicable, as endorsed by the European Commission and in force as at 30 June 2020, based on the procedure set out in Regulation (EC) no. 1606/2002, including the SIC/IFRIC interpretations.

**Section 2.
General drafting
principles**

The Condensed interim 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 Condensed interim consolidated financial statements were drawn up in compliance with IAS 34 - Interim Financial Reporting, 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 Condensed interim 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 approval of the Condensed interim consolidated financial statements.

In recognising operating events in the accounting records, the principle of the priority of economic substance over form was applied.

In order to best guide the interpretation and application of the IAS/IFRSs, the following documents were also referred to:

- Framework for the Preparation and Presentation of Financial Statements of the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and possible other documents drawn up by the IASB or IFRIC (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. Please refer to what is reported, in relation to those effects, in par. “15 - Other information - The financial crisis caused by the spread of COVID-19”, within the description of the valuation decisions made by the Group as at 30 June 2020 and Part A.2 - Main items of the Condensed interim consolidated financial statements.

New international accounting standards in force at the reporting date

As required by IAS 8, the new international accounting standards or amendments to standards already in force are shown below, with their related endorsement regulations, whose application became mandatory from 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.
- 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.
- 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, published in the Official Journal L. 127 of 22 April 2020, 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 1 June 2020, the IFRS Foundation approved an amendment to IFRS 16 relating to accounting for leases. The amendment was introduced in order to neutralise changes in lease payments due to agreements between the parties in light of the negative effects of Covid-19.

These updates did not in any event impact the preparation of the Group's Condensed interim 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 Cash Flow Statement, as well as these Notes to the consolidated financial statements, all drawn up in thousands of Euro.

Section 3. Consolidation scope and methods

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 Condensed interim consolidated financial statements as at 30 June 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 Condensed interim consolidated financial statements which envisage the presence of control and de facto control as the basis for consolidation of all possible types of entities. To have control over an entity, the investor must have the ability, deriving from a legally understood right or even a de facto situation, to significantly impact the type of operating decisions to be taken regarding the entity's relevant activities and be exposed to the variability of the entity's results.
The scope of line-by-line consolidation of the Group includes the special purpose vehicles for securitisations attributable to entities over which the Group holds control, even though it does not have voting rights or equity investments in the share capital.
The scope of consolidation does not include the following subsidiary, as it is irrelevant:

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

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

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

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

Company Name	% Minority interests	% Voting Rights (1)	Dividends distributed to third parties (€/thousand)
A. Companies			
1. Pitagora S.p.A.	30.00	30.00	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. 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 30/06/2020

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.	283,340	18	241,836	13,544	152,483	64,515

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.	4,968	24,084	(17,819)	6,088	3,764

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	3,764	0	3,764

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 were used for the preparation of the Condensed interim consolidated financial statements as prepared by the subsidiaries as at 30 June 2020, 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 Condensed interim consolidated financial statements

It is noted that, after the reference date of the Condensed interim consolidated financial statements (30.06.2020) and before the preparation hereof, there were no significant events that could change the valuations and disclosure set out in this document.

Section 5. Other matters

The preparation of the Condensed interim consolidated financial statements requires the formation of reasonable estimates and assumptions, based on the information available at the time they are drawn up and the adoption of subjective assessments, based on past experience, in order to achieve adequate recognition of operating events.

Having considered the 2019-2021 Strategic Plan, the Group's satisfactory level of capitalisation, and considering that both the Parent Company and the subsidiaries have a consolidated history of profitable business and privileged access to financial resources, the Directors have the reasonable expectation that even in the current context of economic and financial crisis, the Group will continue to operate in the foreseeable future. Therefore, they have prepared the Condensed interim consolidated financial statements 2020 applying the going concern assumption.

By their nature, the estimates and assumptions applied may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the Condensed interim 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 Condensed interim 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 Condensed interim consolidated financial statements; in particular the use of valuation models to measure the level 3 fair value of financial instruments not listed on active markets and for which there are no other parameters observable on the market that could be used in the valuation techniques;
- the valuation of the recoverable amount of goodwill recorded in the Condensed interim consolidated financial statements;
- quantification of provisions for risks and charges;

- demographic assumptions (linked to the forecast mortality of the population) and financial assumptions (deriving from the possible evolution of the financial markets) used to define provisions for personnel;
- estimates and assumptions on the recoverability of deferred tax assets.

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

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

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

The criteria adopted for drawing up the Condensed interim consolidated financial statements, in application of the accounting standards IAS/IFRS in force at the date of preparation of these Condensed interim 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 securities, 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 securities 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 securities, 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.

9 - Current and deferred tax

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

Current tax

“Current tax assets and liabilities” are recognised at the value payable or recoverable for tax profits (losses), applying the tax rates and tax regulations in force regarding income taxes. Effectively, these are taxes that are expected to be reported on the tax returns.

Current tax that has not yet been fully or partially paid at the reporting date is included under “Current tax liabilities” in the balance sheet. In the event of excess payments that gave rise to a recoverable credit, such credit is recorded under “Current tax assets” in the balance sheet.

The parent company Cassa di Risparmio di Asti S.p.A. and the companies Biverbanca S.p.A., Pitagora S.p.A. and Immobiliare Maristella S.r.l., part of the Cassa di Risparmio di Asti Group, renewed the option to adopt the “Domestic Tax Consolidation” also for 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.

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 Condensed interim consolidated financial statements refer.

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

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

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

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

10 - Provisions for risks and charges

Post-retirement benefit 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 Condensed interim consolidated financial statements include an internal fund that provides benefits exclusively for persons no longer working for Biverbanca. The liabilities relating to that plan are included in the category of defined benefits and are determined based on actuarial assumptions. Actuarial gains and losses are recognised as an offsetting entry to a shareholders' equity reserve.

Provisions for risks and charges against commitments and guarantees given

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

Other provisions

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

- there is a current obligation at the reporting date of the Condensed interim 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 Condensed interim 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 Condensed interim 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 Condensed interim 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 new standard provides a new definition of lease and introduces an approach based on control (right of use) of an asset to distinguish lease agreements from service agreements, identifying as discriminating factors: the identification of the asset, the right to replace it, the right to substantially obtain all economic benefits originating from the use of the asset and the right to direct the use of the asset underlying the agreement.

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

With regard to the first-time adoption of IFRS 16, the Group opted to apply the modified retrospective approach - option B - to calculate the lease liability as the present value of future lease payments, and determining the associated right of use based on the value of such liability. Based on the options exercised, there were no impacts on shareholders' equity, as the values of the right of use and the associated liabilities recognised in the accounts match. The standard permits the recognition of the cumulative effect of application of the new standard at the date of first-time adoption, without restating the comparative information. 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 had no situations of sub-lease.
For lessors, the accounting rules for lease agreements set out in IAS 17 are substantially confirmed, differentiated depending on whether they are operating leases or finance leases. For finance leases, the lessor will continue to recognise a receivable for future lease payments in the balance sheet.

Classification criteria for financial assets - IFRS 9

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

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

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

- financial assets measured at amortised cost: assets that pass the SPPI test and fall under the Hold to Collect business model (HTC);
- financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test (for debt securities issued and loans) and fall under the Hold to Collect and Sell business model (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.

The financial crisis caused by the spread of COVID-19

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 Covid-19 pandemic has provoked a general downturn in the stock markets and, at the same time, has increased volatility.
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.

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 intervened by signing 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.

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.
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 Group'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.

Considering the changed context, the Group has revised its budget forecasts developed based on available information concerning the performance of the Group companies in the first half of 2020, keeping the guidelines of the Group's Strategic Plan in force unchanged and making the appropriate adjustments to annual price, sales volumes and asset quality evolution targets. The main aspects of the new budget forecast for the year 2020 are the revision of the cost of credit, the profitability of the securities portfolio according to the most recent asset allocation, the update in volumes and conditions linked to the TLTRO III auctions, direct funding and lending trends and several cost management initiatives to limit operating costs.
The expected results at consolidated level show a net profit 29.1% lower than original budget estimates.
In percentage terms, compared to the original budget, taking into account the estimated impacts of Covid-19, the areas of greatest impact are the revision of the cost of credit, increased by 34% with reference to higher adjustments on loans as well as with reference to losses from the disposal of non-performing positions, and the revision of fee and commission revenues, reduced by 5.4%. The interest margin has been revised upward by 0.9% due to the estimated effects of the support interventions activated by the Political and Monetary Authorities and the revision of profitability linked to a different asset allocation.
Forecasts were redeveloped while maintaining gross and net NPL ratio targets the same and increasing the amount of NPLs to be transferred by the end of 2020.

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 business's capacity to continue to operate as a going concern. Pursuant to IAS 1, these Condensed interim 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 approval of the Condensed interim consolidated financial statements.
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 Parent Company's Technical Office, analysed the impacts of the current market environment on owned real estate assets and rights of use pursuant to IFRS 16.

The Group analysed 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.
The analyses performed showed, in the first half of 2020, a sharp drop in transactions compared to the first half of 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 -21.7%, aligned with the national figure. For the non-residential segment, the units sold came to -24.8% less than in the same period of 2019.
There were no appreciable decreases in average market prices, but data on nominal home prices from Eurostat and the Bank of Italy's economic survey of the housing market have not yet been disclosed. 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.

The project for IFRS 9 measurements of financial assets saw the involvement of the Loans Function and the Risk Management Function of the Parent Company: 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.
The securities portfolio of the Group Banks at the reporting date of 30 June 2020, with the exclusion of equity investments, consists entirely of Italian government bonds 73% classified at amortised cost (HTC) and 27% in the FVOCI portfolio. Based on this portfolio composition, the securities in the portfolio have a fair value hierarchy level of 1 for more than 96% of the entire portfolio (in terms of EAD). 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.

Impairment on the securities in the portfolio was calculated on the basis of the PD and LGD risk parameters provided by the info-provider Prometeia: in the course of the first half of 2020, the PD value associated with the Italian State (linked to the trend in Italy 5-year CDS) was up considerably as a result of the pandemic crisis. After the peak reached in May, there was a slight decline in the PD in the final month of the first half 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 bank, respectively. There are no macrohedges.

On the performing loan portfolio, considering the extraordinary nature of the events linked to the pandemic, the Group first of all performed an analysis to identify the sectors of economic activity most impacted by the economic downturn. The sector analysis made it possible to identify counterparties belonging to the economic sectors most impacted and, within that group, to assign to counterparties with a rating worse than defined limits a lifetime expected credit loss, even in the absence of indications of a significant increase in credit risk. The sector analysis was performed by the Sales Department in collaboration with the Risk Management Service, which together identified those sectors which could reasonably turn out to be most exposed to the effects of the pandemic crisis.
The criterion applied was as follows: the counterparties (1) belonging to the sectors as identified above, (2) whose rating class is ≥ 8, but which (3) are classified in Stage 1 on the basis of the existing Stage assignment criteria, were reclassified to Stage 2.

The sector analysis was introduced to correct the lifetime PD estimation models based on historical series that had never shown macroeconomic performance peaks similar to those estimated in a post-Covid context and which consider the businesses cluster as a single group that cannot be broken down into sectors. While the incorporation of the baseline scenario provided by Prometeia causes a flat increase in the lifetime PDs of the businesses, consumer households and income-generating households segments, the sector analysis, the reference rating class of which was adequately calibrated to avoid double-counting effects, adds a specific impact for the sectors most concerned.

Specifically, the coverage of performing loans (Stage 1 and Stage 2) in the 2020 interim financial statements therefore reflects:

a. the automatic update of the EAD, PD and LGD risk components as a result of trends during the period in the performing portfolio subject to measurement and the variables and indices on which those risk components depend ("natural" updating);
b. the update in scenarios for the assessment of the Stage 2 performing segment. The scenario update for the 2020 interim financial statements consisted of:
    - incorporating the Prometeia - Bank of Italy 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;

– introducing a sector analysis specifically intended to supplement and correct the lifetime PD estimation model, considering the different impact of the pandemic crisis in some specific sectors of economic activity.

In light of the conservative effects of the "natural" update in risk parameters and the update in the macro scenarios and the corrections applied through the sector analysis, for the assessment of Stage 2 loans, the coverage of performing loans in the first half of 2020 was also impacted, conversely, by the positive effect of the replacement of unsecured loans with exposures guaranteed by the State (MCC), provided based on the "Cura Italia" Covid-19 anti-crisis government measure, with a resulting increase in the weight of these exposures on the total performing portfolio.

In any event, an expected loss higher than zero was prudently calculated on the exposures backed by the MCC, on the basis of the PD and LGD attributed to the sovereign issuer, equal to 0.11%.

As regards the loan portfolio in stage 3, the absence of observable elements that can be used for a forward-looking analysis of the impacts of Covid made it objectively impossible to complete a traditional process in time for the 2020 Condensed interim consolidated financial statements, which would have entailed:

- the review and approval of a new version of the "Policies on the classification and valuation of loans to ordinary customers" (the "Policy") capable of adequately taking into account the effects of the Covid emergency;
- the resulting manual revision, by the responsible managers, of all analytical valuations from the internal management of the Bank's Stage 3 loans;
- the resulting revision of the criteria for determining analytical/statistical valuations from the internal management of the same loans.

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 such loans.
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 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);
- PRc = 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;
- PRb = 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;
- ADJlim = limit value of the adjustment, expressed as a percentage of the GBV, determined as will be described below.

In order to limit the potential distortion effects linked to the use of the above-mentioned analytical/statistical methodology, during actual application, the following expedients were adopted:
- adoption of the ADJlim values of -7.5% for secured loans and -2.5% for unsecured loans;
- analytical assessments on the most significant loans and, when necessary, adequately justified judgemental type corrections.

For past due and unlikely to pay positions, on the basis of the Policy, the recovery plan of loans thus classified is developed on the basis of the amortisation schedule and the expiry of the loan, for the technical forms which have one, or on the basis of the conventional term of 36 months for those with an undefined term.
This means that the Covid adjustment methodology described above for bad loans cannot be directly applied as it is based on legal/judicial type recovery plans, which it is not certain will be launched in the future for past due and UTP positions.
Therefore, for these last two categories of loans, it was deemed more appropriate to reformulate the adjustment made for bad loans, by adopting the procedure summarised below:
- the past due and UTP loan portfolio is broken down into four clusters based on the combined value of the following two attributes: "Borrower type" (individual/corporate) and "Guarantee Type" (secured/unsecured);
- for each cluster, a "Covid adjustment" is identified, expressed as a percentage of the carrying amount, equal to the average of the Covid adjustments identified for bad loans in the corresponding cluster;
- the Covid adjustment thus determined is multiplied by the semiannual value of the danger rate associated with the economic sector to which the loan belongs, data that can be inferred from the calculations made to update the NPL Operating Plan sent to the Bank of Italy last 30 June; in this manner, a probabilistic estimate is obtained regarding the amount of the Covid adjustment that should be applied if the loan, which is classified as past due or UTP as at 30 June 2020, is transferred to bad loan status in the second half of the year;
- the Covid adjustment is lastly applied to the valuation of the loan in terms of the reduction of the recoverable amount associated with the internal

management scenario (after IAS discounting); the exact procedures for applying this adjustment are described later on.

The formula underlying the determination of the Covid adjustment is as follows:

$$ADJ = min\left\{0\,;CA \cdot max\ \left[ADJ_{lim}\,;\left(ADJ_{soff} \cdot \frac{DR_{sett}}{2}\right)\right]\right\}$$

where:

- ADJ = Covid 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);
- ADJsoff = average value, expressed as a percentage of the GBV, of the average Covid adjustment applied to bad loans belonging to the same cluster (borrower type and guarantee type) to which the loan to be assessed belongs;
- DRsett = danger rate associated with the sector to which the loan belongs (see table in appendix 1);
- ADJlim = limit value of the adjustment, expressed as a percentage of the GBV, determined as will be described below.

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 adjustment.
These limits derive directly from those already identified for bad loans after the recalculation, on the basis of the 2020 average danger rate underlying the NPL Operating Plan approved on last 30 June, equal to 41%, cut in half to reflect a six-month time horizon and prudently increased by 25%.
Once the amount of the Covid adjustment (ADJ) is determined, it is incorporated within the multi-scenario valuation formula set forth in the Policy.

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 an 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 revised in light of the economic context modified by Covid-19: the test confirmed that future profitability guarantees the re-absorption of deferred taxation recognised as at 30 June 2020.

Considering the intensity of the health and economic crisis and the uncertainty regarding its future development, the Group deemed it appropriate to test its intangibles and goodwill referring to the CGUs of the subsidiaries Biverbanca S.p.A. and Pitagora S.p.A. for impairment also when drafting the Condensed interim consolidated financial statements.
The impairment test was performed in line with the guidelines set forth in the Exposure Draft of 10 July 2020 issued by the Italian Valuation Body.
The impairment test was conducted with reference to the configuration of value in use, determined on the basis of the Dividend Discount Model (DDM) methodology, developed based on the balance sheets as at 30 June 2020 of the CGUs and the update of the economic and capital projections for 2020-2024 developed in line with the latest strategic plans approved by the Boards of Directors and inclusive of the effects of the Covid-19 pandemic. The valuation parameters were updated on the basis of the market situations at the reporting date. The analyses did not bring to light elements indicating that intangibles or goodwill had suffered from impairment.
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 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 Group did not waive part of the loan or waive the accrual of interest on the deferred or suspended 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, and as they need to be calculated without the support of IT procedures, no "Profits/losses from contractual changes without derecognition" were recognised in income statement item 140.

The impacts of the inclusion in the non-performing loans valuation process of a forecast estimate referring to the potential effects of the Covid-19 crisis and the update in the outlook scenarios linked to the changed context, in economic terms, can be quantified at a total of around € 19.4 million, of which € 16.7 million referring to bad loans.
For performing loans, the impact in economic terms of the update in the scenarios and the introduction of corrections linked to the sector analysis was roughly € 8.4 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 € 662 thousand, increased investments in hardware, software and telephone equipment to enable employees to work remotely, with impacts on the income statement of around € 62 thousand, and interventions to help hospitals, non-profit associations and local groups deal with the Covid-19 emergency, totalling around € 2.01 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 1.50% and 11%, respectively.

In relation to the impacts on the balance sheet for gross loans, there was a decline of 0.56% compared to 31 December 2019; for direct funding, the decrease was 2.31% compared to 31 December 2019.

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.

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.

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 30/06/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit and loss	1	16,159	33,475	1	25,763	50,449
a) Financial assets held for trading	1	14,269	17,175	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	1,890	16,300	0	10,135	8,286
2. Financial assets measured at fair value through other comprehensive income	1,110,742	266,082	128,075	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	**1,110,743**	**282,241**	**161,550**	**1,119,719**	**291,845**	**223,816**
1. Financial liabilities held for trading	0	16,668	0	0	17,590	0
2. Financial liabilities designated at fair value	0	44,430	0	0	78,882	0
3. Hedging derivatives	0	163,073	0	0	126,675	0
TOTAL	**0**	**224,171**	**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	**223,816**	**42,163**	**0**	**8,286**	**173,367**	**0**	**0**	**0**
2. INCREASES	**9,026**	**0**	**0**	**9,026**	**0**	**0**	**0**	**0**
2.1. Purchases	1,065	0	0	1,065	0	0	0	0
2.2. Profits recognised in:	8	0	0	8	0	0	0	0
2.2.1. Income statement	8	0	0	8	0	0	0	0
of which: capital gains	8	0	0	8	0	0	0	0
2.2.2. Shareholders' equity	0	X	X	X	0	0	0	0
2.3. Transfers from other levels	7,923	0	0	7,923	0	0	0	0
2.4. Other increases	30	0	0	30	0	0	0	0
3. DECREASES	**71,292**	**24,988**	**0**	**1,012**	**45,292**	**0**	**0**	**0**
3.1. Sales	471	0	0	471	0	0	0	0
3.2. Redemptions	0	0	0	0	0	0	0	0
3.3. Losses recognised in:	511	0	0	511	0	0	0	0
3.3.1. Income statement	511	0	0	511	0	0	0	0
of which: capital losses	511	0	0	511	0	0	0	0
3.3.2. Shareholders' equity	0	X	X	X	0	0	0	0
3.4. Transfers to other levels	0	0	0	0	0	0	0	0
3.5. Other decreases	70,310	24,988	0	30	45,292	0	0	0
4. CLOSING BALANCE	**161,550**	**17,175**	**0**	**16,300**	**128,075**	**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 30/06/2020				Total 31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	11,090,248	3,104,208	2,702	7,919,982	10,224,644	2,805,748	0	7,383,929
2. Property, plant and equipment held for investment purposes	52,714	0	0	76,537	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	**11,142,962**	**3,104,208**	**2,702**	**7,996,519**	**10,277,538**	**2,805,748**	**0**	**7,460,468**
1. Financial liabilities measured at amortised cost	12,329,046	0	175,330	12,120,810	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	**12,329,046**	**0**	**175,330**	**12,120,810**	**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 30/06/2020	Total 31/12/2019
a) Cash	59,054	67,379
b) Demand deposits at Central banks	0	0
Total	**59,054**	**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 30/06/2020			Total 31/12/2019		
Items/Balances	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Financial assets (non-derivatives)						
1. Debt securities	0	26	0	**0**	**30**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	26	0	1	30	0
2. Equity securities	1	0	0	**0**	**0**	**0**
3. Units of UCITS	0	0	0	**0**	**0**	**0**
4. Loans	0	0	17,175	**0**	**0**	**42,163**
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	17,175	0	0	42,163
Total (A)	**1**	**26**	**17,175**	**1**	**30**	**42,163**
B. Derivatives	0	0	0	0	0	0
1. Financial derivatives:	0	**14,243**	0	**0**	**15,598**	**0**
1.1 Trading	0	11,218	0	0	11,846	0
1.2 Linked to fair value option	0	3,025	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**	**14,243**	**0**	**0**	**15,598**	**0**
Total (A+B)	**1**	**14,269**	**17,175**	**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 € 10,437 thousand relating to securitisation transactions.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER/COUNTERPARTY Items/Balances	Total 30/06/2020	Total 31/12/2019
A. Financial assets (non-derivatives)		
1. Debt securities	**26**	**30**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	0
d) Other financial companies	26	30
of which: insurance companies	0	0
e) Non-financial companies	0	0
2. Equity securities	**1**	**1**
a) Banks	0	0
b) Other financial companies	0	0
of which: insurance companies	0	0
c) Non-financial companies	1	1
d) Other issuers	0	0
3. Units of UCITS	**0**	**0**
4. Loans	**17,175**	**42,163**
a) Central Banks	0	0
b) Public administration	27	77
c) Banks	0	0
d) Other financial companies	0	40
of which: insurance companies	0	40
e) Non-financial companies	24	58
f) Households	17,124	41,988
Total (A)	**17,202**	**42,194**
B. Derivatives		
a) Central Counterparties	0	0
b) Other	14,243	15,598
Total (B)	**14,243**	**15,598**
Total (A+B)	**31,445**	**57,792**

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY TYPE Items/Balances	Total 30/06/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**0**	**0**	**1,030**	**0**	**0**	**1,241**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	1,030	0	0	1,241
2. Equity securities	**0**	**0**	**0**	**0**	**0**	**0**
3. Units of UCITS	**0**	**1,890**	**9,375**	**0**	**10,135**	**1,987**
4. Loans	**0**	**0**	**5,895**	**0**	**0**	**5,058**
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	5,895	0	0	5,058
Total	**0**	**1,890**	**16,300**	**0**	**10,135**	**8,286**

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

The item “Debt securities” consists:

- for € 246 thousand of mezzanine class securities connected with the Maggese securitisation transaction;
- for € 20 thousand of mezzanine class securities connected with the Pop NPLs 2019 securitisation transaction;
- for € 764 thousand of mezzanine class securities connected with the Madeleine securitisation transaction.

The Units of UCITS consist of:

- an Italian real estate fund for a book value of € 7,411 million;
- three Italian real estate funds for a book value of € 3,854 million.

2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: BREAKDOWN BY BORROWER/ISSUER	Total 30/06/2020	Total 31/12/2019
1. Equity securities	**0**	**0**
of which: banks	0	0
of which: other financial companies	0	0
of which: non-financial companies	0	0
2. Debt securities	**1,030**	**1,241**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	0
d) Other financial companies	1,030	1,241
of which: insurance companies	0	0
e) Non-financial companies	0	0
3. Units of UCITS	**11,265**	**12,122**
4. Loans	**5,895**	**5,058**
a) Central Banks	0	0
b) Public administration	0	0
c) Banks	0	32
d) Other financial companies	5,895	5,026
of which: insurance companies	0	0
e) Non-financial companies	0	0
f) Households	0	0
Total	**18,190**	**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 30/06/2020			Total 31/12/2019		
Items/Balances	L1	L2	L3	L1	L2	L3
1. Debt securities	1,110,016	0	0	**1,118,970**	**0**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	1,110,016	0	0	1,118,970	0	0
2. Equity securities	726	266,082	1,167	**748**	**266,082**	**1,167**
3. Loans	0	0	126,908	**0**	**0**	**172,200**
Total	**1,110,742**	**266,082**	**128,075**	**1,119,718**	**266,082**	**173,367**

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

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

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

3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN BY BORROWER/ISSUER Items/Balances	Total 30/06/2020	Total 31/12/2019
1. Debt securities	**1,110,016**	**1,118,970**
a) Central Banks	0	0
b) Public administration	1,110,016	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 securities	**267,975**	**267,997**
a) Banks	225,788	225,808
b) Other issuers:	42,187	42,189
- other financial companies	571	755
of which: insurance companies	0	0
- non-financial companies	41,616	41,434
- other	0	0
3. Loans	**126,908**	**172,200**
a) Central Banks	0	48
b) Public administration	917	978
c) Banks	2	1
d) Other financial companies	594	834
of which: insurance companies	591	834
e) Non-financial companies	904	1,112
f) Households	124,491	169,227
Total	**1,504,899**	**1,559,167**

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND OVERALL VALUE ADJUSTMENTS	Gross value				Overall value adjustments			Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	1,111,170	1,111,170	0	0	-1,154	0	0	0
Loans	118,644	118,325	2,085	13,447	-604	-362	-6,302	0
Total 30/06/2020	**1,229,814**	**1,229,495**	**2,085**	**13,447**	**-1,758**	**-362**	**-6,302**	**X**
Total 31/12/2019	**1,282,572**	**1,282,572**	**2,147**	**14,764**	**-1,546**	**-373**	**-6,394**	**0**
of which: purchased or originated credit impaired financial	X	X	162	1,254	X	**-6**	-268	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 € 1,154 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 € 134,177 thousand, of which performing loans of € 121 million. The gross value of these loans was appropriately adjusted by the impairment provision calculated on individual positions.

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

4.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN OF LOANS AND ADVANCES TO BANKS Type of transaction/Amounts	Total 30/06/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
A. Loans and advances to Central Banks	**921,545**	**0**	**0**	**0**	**0**	**921,545**	**400,715**	**0**	**0**	**0**	**0**	**400,715**
1. Time deposits	0	0	0	0	0	0	0	0	0	X	X	X
2. Compulsory reserve	921,545	0	0	0	0	0	400,715	0	0	X	X	X
3. Repurchase agreements	0	0	0	0	0	0	0	0	0	X	X	X
4. Other	0	0	0	0	0	0	0	0	0	X	X	X
B. Loans and advances to banks	**186,406**	**0**	**0**	0	0	**186,406**	**153,393**	**3**	**0**	**0**	**0**	**153,396**
1. Loans	186,406	0	0	0	0	186,406	153,393	3	0	0	0	153,396
1.1 Current accounts and demand deposits	17,398	0	0	0	0	0	13,445	0	0	X	X	X
1.2. Time deposits	0	0	0	0	0	0	0	0	0	X	X	X
1.3. Other loans:	19,008	0	0	0	0	0	139,948	3	0	X	X	X
- Reverse repurchase agreements	0	0	0	0	0	0	0	0	0	X	X	X
- Lease loans	0	0	0	0	0	0	0	0	0	X	X	X
- Other	169,008	0	0	0	0	0	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	0
Total	**1,107,951**	**0**	**0**	0	0	**1,107,951**	**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 € 167,473 thousand.

4.2 FINANCIAL ASSETS MEASURED AT AMORTISED COST: BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS Type of transaction/Amounts	Total 30/06/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	**6,279,716**	**358,926**	**15,398**	**0**	**0**	**6,638,642**	**6,268,615**	**398,873**	**15,909**	**0**	**0**	**6,667,488**
1.1 Current accounts	501,896	38,321	500	X	X	X	561,066	41,815	780	X	X	X
1.2 Reverse repurchase agreements	0	0	0	X	X	X	0	0	0	X	X	X
1.3 Mortgages	4,482,269	297,834	12,733	X	X	X	4,520,759	331,787	13,315	X	X	X
1.4 Credit cards and personal loans, including salary assignment	718,936	14,760	1,042	X	X	X	681,713	14,769	1,025	X	X	X
1.5 Finance leases	0	0	0	X	X	X	0	0	0	X	X	X
1.6 Factoring	0	0	0	X	X	X	0	0	0	X	X	X
1.7 Other loans	576,615	8,011	1,123	X	X	X	505,077	10,502	789	0	0	0
2. Debt securities	**3,343,655**	**0**	**0**	**3,104,208**	**2,702**	**173,389**	**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	3,343,655	0	0	3,104,208	2,702	173,389	3,003,045	0	0	2,805,748	0	162,330
Total	**9,623,371**	**358,926**	**15,398**	**3,104,208**	**2,702**	**6,812,031**	**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:

- € 141,449 thousand from senior class securities connected to the Maggese securitisation transaction with derecognition;
- € 3,182,268 thousand from securities issued by the Italian State;
- € 17,619 thousand from senior class securities connected to the Pop NPLs securitisation transaction with derecognition;
- € 2,319 thousand from securities issued by Italian corporate issuers.

Loans and advances to customers are shown net of third-party funds under administration which amount to € 12,724 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 30/06/2020			Total 31/12/2019		
	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	**3,343,655**	**0**	**0**	**3,003,045**	**0**	**0**
a) Public administration	3,182,268	0	0	2,833,997	0	0
b) Other financial companies	159,068	0	0	166,788	0	0
of which: insurance companies	0	0	0	0	0	0
c) Non-financial companies	2,319	0	0	2,260	0	0
2. Loans to:	**6,279,716**	**358,926**	**15,398**	**6,268,615**	**398,873**	**15,909**
a) Public administration	41,643	85	0	49,500	57	0
b) Other financial companies	52,396	648	0	43,153	1,205	0
of which: insurance companies	4,465	0	0	5,449	0	0
c) Non-financial companies	2,517,984	216,956	11,060	2,557,588	251,517	11,495
d) Households	3,667,693	141,237	4,338	3,618,374	146,094	4,414
Total	**9,623,371**	**358,926**	**15,398**	**9,271,660**	**398,873**	**15,909**

4.4 FINANCIAL ASSETS MEASURED AT AMORTISED COST: GROSS VALUE AND OVERALL VALUE ADJUSTMENTS	Gross value				Overall value adjustments			Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	3,346,447	3,346,447	0	0	-2,792	0	0	0
Loans	6,571,553	370,027	885,453	806,711	-17,160	-52,179	-447,785	-45
Total 30/06/2020	**9,918,000**	**3,716,475**	**885,453**	**806,711**	**-19,952**	**-52,179**	**-447,785**	**-45**
Total 31/12/2019	**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	7,896	12,626	X	-449	-4,675	0

** Value to be presented for disclosure purposes*

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 30/06/2020	Total 31/12/2019
A. Opening balance	**77**	**0**
B. Increases	**2**	**77**
B.1 Purchases	0	77
B.2 Write-backs	0	0
B.3 Revaluations	0	0
B.4 Other changes	2	0
C. Decreases	**0**	**0**
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Write-downs	0	0
C.4 Other changes	0	0
D. Closing balance	**79**	**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 30/06/2020	Total 31/12/2019
1. Owned assets	**113,391**	**115,590**
a) land	15,255	15,255
b) buildings	82,245	83,259
c) furniture and furnishings	6,883	7,170
d) electronic equipment	4,973	5,658
e) other	4,035	4,248
2. Rights of use acquired with leases	**42,214**	**42,897**
a) land	0	0
b) buildings	41,522	42,006
c) furniture and furnishings	0	0
d) electronic equipment	0	0
e) other	692	891
Total	**155,605**	**158,487**
of which: obtained by enforcing guarantees received	0	0

9.2 PROPERTY, PLANT AND EQUIPMENT HELD FOR INVESTMENT: BREAKDOWN OF ASSETS CARRIED AT COST	Total 30/06/2020				Total 31/12/2019			
	Book value	Fair value			Book value	Fair value		
Asset/Amounts		L1	L2	L3		L1	L2	L3
1. Owned assets	**52,714**	**0**	**0**	**76,537**	**52,894**	**0**	**0**	**76,539**
a) land	22,348	0	0	24,080	22,358	0	0	24,085
b) buildings	30,366	0	0	52,457	30,536	0	0	52,454
2. Assets acquired under finance lease	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
a) land	0	0	0	0	0	0	0	0
b) buildings	0	0	0	0	0	0	0	0
Total	**52,714**	**0**	**0**	**76,537**	**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

SECTION 10 – INTANGIBLE ASSETS - ITEM 100

10.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE	Total 30/06/2020		Total 31/12/2019	
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 minority interests	0	0	0	0
A.2 Other intangible assets	**22,110**	**0**	**23,397**	**0**
A.2.1 Assets carried at cost	22,110	0	23,397	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	22,110	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	**22,110**	**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.

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

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

IAS 36 sets out the principles for recognition and reporting of impairment for certain types of assets, including goodwill, illustrating the principles that an entity must follow to make sure that the carrying amount of its assets is not higher than their recoverable amount.
IAS 36 defines recoverable amount as the higher of:
- fair value net of costs to sell - which represents the price at which an asset may be sold in the market;
- value in use - which represents the present value of expected future cash flows that are likely to be received from the continuous use of the asset subject to valuation.

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

The goodwill set forth in the Condensed interim consolidated financial statements of the Cassa di Risparmio di Asti Group as at 30 June 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. In continuity with 31 December 2015, and in line with the internal reporting system, this goodwill is allocated to the CGU corresponding to the equity investment in Biverbanca and it remained unchanged after the acquisition by Banca di Asti of full control over Biverbanca.

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

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

1. Determination of the carrying amount of the CGU

As at 30 June 2020, the carrying amount of the CGU is equal to € 415.3 million and was determined on the basis of the sum of:

- Tangible shareholders' equity (excluding software) of Biverbanca as at 30 June 2020 equal to € 320 million;
- Goodwill equal to € 57.25 million. For the purposes of the impairment test, this goodwill was then grossed up, thus reaching a value of € 95 million. As set forth in IAS 36, this step is necessary in order to make the carrying amount consistent with the recoverable amount (both referring to 100% of the CGU).

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

Fair Value

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

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

Value in Use

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

The DDM method was developed on the basis of the financial position as at 30 June 2020, the data at the end of the year 2019 and the stand-alone 2020-2024 economic/capital projections approved by the Biverbanca Board of Directors on 10 February 2020, prepared on the basis of the same assumptions underlying the individual contribution of Biverbanca, approved by the Biverbanca Board of Directors on 10 December 2019 and updated on 6 August 2020 in light of the effects of the Covid-19 pandemic and the update of the Group’s 2019-2021 Strategic Plan.

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

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

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

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

Dividends potentially distributable in the projection period
The potentially distributable dividend flows were defined on the basis of the balance sheet at the reference date and the above-mentioned economic and financial projections and include the following underlying projections:

- Growth in net loans of 4.0% (2019-2024 CAGR); and simultaneous moderate decrease in direct funding from customers equal to -1.6% (2019-2024 CAGR);
- increase in yearly average indirect deposits of roughly 2% (2019-2024 CAGR);
- increase in net banking income (yearly average 2019-2024 CAGR of 5.8%); the positive performance can primarily be ascribed to the increase in net interest margin, due to the expected rise in rates in the last years of the projection (2019-2024 CAGR equal to 8.6%, and commission revenue expected to rise at an average yearly rate of +5.6% in line with the expected growth in indirect funding);
- operating costs estimated to be essentially stable (-0.1% - 2019-2024 CAGR).

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

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

- Risk-free investment rate of return estimated at 1.34%, in line with the average annual yield as at 30 June 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 1.25 - on the basis of the average coefficient reported on a sample of Italian retail banks (5 years weekly);
- Market risk premium, equal to 6.0%, in line with current valuation practice in the Italian market.

Terminal value
The terminal value was determined by assuming:
- a potentially distributable dividend at the end of the plan horizon;
- a long-term growth rate equal to 1.5%, in line with long-term inflation expectations and with what was determined at 31 December 2019.

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

The DDM method, developed on the basis of the elements described, leads to the estimate of a recoverable amount on average equal to € 575 million against the carrying amount of the Biverbanca CGU in the consolidated financial statements equal to € 415 million and the equity investment in the separate financial statements equal to € 389 million.

The sensitivity analyses determine an indicative interval between € 510 million and € 639 million.

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

	Parameters/amounts used	"Limit" parameters/amounts	
		Consolidated CGU	Individual equity investment
Cost of capital (Ke)	8.81%	12.90%(+409 bps)	14.13% (+532 bps)
Long-term growth rate (g)	1.50%	Negative/not significant	Negative/not significant
Net profit in the last projection year	€ 36.2 mln	€ 21.1 mln (-41.9%)	€ 18.5 mln (-49.1%)

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 30 June 2020, the book value of those intangibles after annual amortisation is as follows:
- Core deposits linked to current accounts of € 14.2 million;
- Assets under management and Assets under custody of € 3.0 million;
- Biverbanca trademark for € 1.4 million.

Those intangibles are amortised over a period of between 4.5 and 10.5 years. Specifically, the core deposits and intangibles linked to Assets under management and custody (which represent roughly 93% of total intangibles) have a residual life of

between 10.5 years for core deposits and 4.5 years for Assets under management and custody.
The annual amortisation of core deposits is equal to roughly € 0.7 million and of Assets under management and custody to € 0.3 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 30 June 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 the company Pitagora S.p.A., the goodwill set forth in the consolidated financial statements of the Cassa di Risparmio di Asti Group as at 31 December 2019, amounting to € 8.895 million, recognised following the acquisition of 65% of the share capital in October 2015 and the completion of the purchase price allocation process pursuant to IFRS 3 - Business Combinations, was tested for impairment. In continuity with 31 December 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 30 June 2020, the carrying amount of the CGU is equal to € 77.2 million and was determined on the basis of the sum of:

- Shareholders' equity of Pitagora as at 30 June 2020 equal to € 61.4 million;
- Goodwill equal to € 8.9 million. For the purposes of the impairment test, this goodwill was then grossed up, thus reaching a value of € 12.7 million. As set forth in IAS 36, this step is necessary in order to make the carrying amount consistent with the recoverable amount (both referring to 100% of the CGU).

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

Fair Value

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

In order to determine the recoverable amount of the Pitagora S.p.A. CGU at the reporting date of 30 June 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 30 June 2020, the data at the end of the year 2019, and the 2020-2024 economic/financial projections.

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

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

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

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

Dividends potentially distributable in the projection period
The potentially distributable dividend flows were defined on the basis of the financial position as at 30 June 2020 and the 2020-2024 financial and economic projections. In the development of the distributable flows, a capital absorption equal to a Tier 1 ratio of 6% was considered, in line with the current Supervisory provisions for financial entities like Pitagora.

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

- Risk-free investment rate of return estimated at 1.34%, in line with the average monthly yield as at 30 June 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 1.10 - on the basis of the average coefficient reported on a sample of Italian retail banks (5 years weekly);
- Market risk premium, equal to 6.0%, in line with valuation practice in the Italian market.

Terminal value
The terminal value was determined considering the dividend potentially distributable at the end of the plan horizon and the long-term growth rate, assumed to be equal to 1.5%, basically aligned with what was determined as at 31 December 2019.

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

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

The development of the DDM method on the basis of the approach described leads to the estimate of a recoverable amount of € 191 million, against the carrying amount of the Pitagora S.p.A. CGU in the consolidated financial statements equal to € 77 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 € 170 million and € 212 million.

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

	Parameters/amounts used	"Limit" parameters/amounts	
		Consolidated CGU	Individual equity investment
Cost of capital (Ke)	8.81%	32.3% (+2,352 bps)	89.4% (+8,055 bps)
Long-term growth rate (g)	1.50%	Negative/not significant	Negative/not significant
Net profit in the last projection year	11.4 mln	0.4 mln	-1.8 mln

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

11.1 Deferred tax assets: breakdown

Deferred tax assets were recognised as there is reasonable certainty of the future presence of taxable income capable of absorbing the recovery of taxes (see 14.7 Probability test).
The item consists entirely of credits for IRES (rate of 27.5% (1)) and IRAP (rate of 5.57%) presented in the balance sheet offset against deferred tax liabilities.

The breakdown of this item is as follows:

11.1 DEFERRED TAX ASSETS: BREAKDOWN	Total 30/06/2020	Total 31/12/2019
- With offsetting entry to profit and loss	303,509	306,830
- With offsetting entry to shareholders' equity	31,759	28,308
Total	**335,268**	**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 30/06/2020	Total 31/12/2019
- With offsetting entry to profit and loss	29,166	27,778
- With offsetting entry to shareholders' equity	35,949	35,139
Total	**65,115**	**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).

Probability test on deferred taxation

IAS 12 requires the recognition of deferred tax liabilities and assets with the following criteria: 1) taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences; 2) deductible temporary differences: a deferred tax asset must be recognised for all deductible temporary differences, if it is likely that taxable income will be realised against which the deductible temporary difference can be used.
The amount of deferred tax assets recognised in the financial statements therefore must be tested every year to verify if there is reasonable certainty of earning future taxable income and therefore the possibility of recovering the deferred tax assets.

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

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 30/06/2020	Total 31/12/2019
- loans to SPV	228,501	233,415
- amounts to be charged to banks	20,271	14,307
- charges relating to payment systems in the course of execution	53,603	65,760
- indirect taxes and duties	41,441	25,882
- residual prepayments	35,468	33,356
- transit items	10	31
- costs for setting up leased premises	4,028	3,901
- receivables for the provision of non-financial services	4,979	14,823
- other amounts to be recovered from customers	19,583	18,852
- residual accrued income	2,093	5,322
- unpaid notes and cheques	428	896
- differential for adjustment of owned portfolio	450	0
- other items	5,392	2,024
Total	**416,247**	**418,569**

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

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

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

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM BANKS	Total 30/06/2020				Total 31/12/2019			
	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	**36,415**	X	X	X	**188,570**	X	X	X
2.1 Current accounts and demand deposits	31,233	X	X	X	58,297	X	X	X
2.2 Time deposits	0	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 securities	0	X	X	X	0	X	X	X
2.5 Lease liabilities	1,448	X	X	X	1,612	X	X	X
2.6 Other liabilities	3,734	X	X	X	1,502	X	X	X
Total	**2,591,414**	**0**	**0**	**2,591,414**	**1,648,569**	**0**	**0**	**1,648,569**

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

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEPOSITS FROM CUSTOMERS	Total 30/06/2020				Total 31/12/2019			
	Book value	Fair Value			BV	Fair Value		
Type of transaction/Amounts		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	6,221,404	X	X	X	5,748,995	X	X	X
2. Time deposits	599,271	X	X	X	710,091	X	X	X
3. Loans	50,199	X	X	X	343,199	X	X	X
3.1 Repurchase agreements	50,199	X	X	X	343,199	X	X	X
3.2 Other	0	X	X	X	0	X	X	X
4. Liabilities for commitments to repurchase own equity securities	0	X	X	X	0	X	X	X
5. Lease liabilities	41,114	X	X	X	41,457	X	X	X
2.6 Other liabilities	1,238,697	0	0	0	1,318,071	0	0	0
Total	**8,150,685**	**0**	**0**	**8,150,685**	**8,161,813**	**0**	**0**	**8,161,813**

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

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: BREAKDOWN OF DEBT SECURITIES IN ISSUE	Total 30/06/2020				Total 31/12/2019			
	Book value	Fair Value			BV	Fair Value		
Type of security/Amounts		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	1,586,921	0	1,515,307	0	1,772,333	0	1,756,366	0
1.1 structured	0	0	0	0	0	0	0	0
1.2 other	1,586,921	0	1,515,307	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	**1,586,947**	**0**	**1,515,307**	**26**	**1,772,360**	**0**	**1,756,366**	**27**

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

1.4 Details of subordinated liabilities/securities

The amount included in the item "Debt securities in issue" is € 189,445 thousand. See Section F for the relative details.

1.6 Lease liabilities

As at 30 June 2020, the Group has outstanding liabilities of € 42.6 million, of which € 4.1 million maturing within one year, € 20.3 million maturing between 1 and 5 years and € 18.2 million maturing in more than 5 years. Lease liabilities refer for € 1.4 million to bank counterparties and for € 41.2 million to customer counterparties.

	Total 30/06/2020	Total 31/12/2019
Time band	Lease liabilities	
Up to 1 year	4,078	6,652
1 to 5 years	20,310	20,556
Over 5 years	18,174	15,861
Total lease liabilities	**42,562**	**43,069**

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY TYPE	Total 30/06/2020					Total 31/12/2019				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
Type of transaction/Amounts		L1	L2	L3			L1	L2	L3	
A. Financial liabilities (non-derivatives)										
1. Deposits from banks	0	0	0	0	0	0	0	0	0	0
2. Deposits from customers	0	0	0	0	0	0	0	0	0	0
3. Debt securities	0	0	0	0	0	0	0	0	0	0
3.1 Bonds	0	0	0	0	X	0	0	0	0	X
3.1.1 Structured	0	0	0	0	X	0	0	0	0	X
3.1.2 Other bonds	0	0	0	0	X	0	0	0	0	X
3.2 Other securities	0	0	0	0	X	0	0	0	0	X
3.2.1 Structured	0	0	0	0	X	0	0	0	0	X
3.2.2 Other	0	0	0	0	X	0	0	0	0	X
Total A	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Derivatives										
1. Financial derivatives	0	0	16,668	0	0	0	0	17,590	0	0
1.1 Trading	X	0	16,668	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**	**16,668**	**0**	**X**	**X**	**0**	**17,590**	**0**	**X**
Total (A+B)	**X**	**0**	**16,668**	**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.

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

3.1 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE: BREAKDOWN BY TYPE	Total 30/06/2020					Total 31/12/2019				
	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:	0	0	0	0	0	0	0	0	0	0
- 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:	0	0	0	0	0	0	0	0	0	0
- 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	**42,339**	**0**	**44,430**	**0**	**44,430**	**75,042**	**0**	**78,882**	**0**	**78,882**
3.1 Structured	0	0	0	0	X	0	0	0	0	X
3.2 Other	42,339	0	44,430	0	X	75,042	0	78,882	0	X
Total	**42,339**	**0**	**44,430**	**0**	**44,430**	**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.

SECTION 4 – HEDGING DERIVATIVES - ITEM 40

4.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF CONTRACT AND UNDERLYING ASSET	NV 30/06/2020	Fair value 30/06/2020			NV 31/12/2019	Fair value 31/12/2019		
		L1	L2	L3		L1	L2	L3
A. Financial derivatives	**1,085,222**	**0**	**163,073**	**0**	**793,670**	**0**	**126,675**	**0**
1) Fair value	1,630,000	0	130,991	0	650,000	0	93,266	0
2) Cash flows	135,222	0	32,082	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	**1,085,222**	**0**	**163,073**	**0**	**793,670**	**0**	**126,675**	**0**

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

4.2 HEDGING DERIVATIVES: BREAKDOWN BY PORTFOLIOS HEDGED AND BY HEDGING TYPE Transaction/Type of hedge	Fair Value							Cash flow		Foreign investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro-hedge	
	Debt securities and interest rates	Equity securities and stock indices	Currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	10,271	0	0	0	X	X	X	0	X	X
2. Financial assets measured at amortised cost	120,720	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	**130,991**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	0	X	0	0	0	0	X	32,082	X	X
2. Portfolio	X	X	X	X	X	X	0	X	0	X
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**32,082**	**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

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 30/06/2020	Total 31/12/2019
- imbalance of adjustments on the notes portfolios	68,680	73,747
- credits relating to payment systems in the course of execution	46,581	29,455
- amounts to be credited to banks	8,207	7,540
- operating payables not connected to financial services	20,168	30,123
- amounts to be paid to the tax authorities on behalf of third parties	32,794	18,293
- amounts to be paid to personnel	13,907	15,017
- due to SPV	14,677	17,233
- amounts to be recognised to customers	12,097	11,778
- residual deferred income	23,800	31,118
- amounts to be recognised to various institutions	4,875	5,218
- insurance premiums collected in the course of processing and to be paid back to companies	450	690
- other tax liabilities	351	362
- residual accrued liabilities	18	21
- other items	16,300	4,488
Total	**262,905**	**245,083**

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN Items	Total 30/06/2020	Total 31/12/2019
1. Provisions for credit risk relating to commitments and financial guarantees given	5,291	5,118
2. Provisions on other commitments and other guarantees given	0	0
3. Pensions and other post retirement benefit obligations	15,834	16,601
4. Other provisions for risks and charges	40,082	42,960
4.1 legal and tax disputes	2,929	3,211
4.2 personnel charges	11,411	14,031
4.3 other	25,742	25,718
Total	**61,207**	**64,679**

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 30 June 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 30 June 2020, the Bank held 665,995 treasury shares in the portfolio, recognised in the financial statements at the cost of € 12.83453 each, equal to a total of € 8,548 thousand.

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 28,333,051 shares (40.16%) nominal value € 146,198 thousand;
- Fondazione Cassa di Risparmio di Asti 22,427,913 shares (31.80%) nominal value € 115,728 thousand;
- Fondazione Cassa di Risparmio di Biella 9,103,033 shares (12.91%) nominal value € 46,972 thousand;
- Banca Popolare di Milano S.p.A. 7,047,884 shares (9.99%) nominal value € 36,367 thousand;
- Fondazione Cassa di Risparmio di Vercelli 2,959,172 shares (4.20%) nominal value € 15,269 thousand;
- Treasury shares 665,995 (0.94%) nominal value € 3,437 thousand.

SECTION 14 – MINORITY SHAREHOLDERS' EQUITY - ITEM 190

14.1 MINORITY SHAREHOLDERS' EQUITY: BREAKDOWN Items/Balances	Total 30/06/2020
1) Share capital	12,588
2) Share Premium Reserve	0
3) Reserves	1,876
4) (Treasury shares)	0
5) Valuation reserves	2,424
6) Equity securities	0
7) Minority profit (loss) for the period	1,138
Total	**18,026**

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	30/06/2020	30/06/2019
1. Financial assets measured at fair value through profit and loss	**175**	**179**	**519**	**873**	**2,509**
1.1 Financial assets held for trading	140	179	519	838	2,461
1.2 Financial assets designated at fair value	0	0	0	0	2
1.3 Other financial assets mandatorily measured at fair value	35	0	0	35	46
2. Financial assets measured at fair value through other comprehensive income	5,077	3,093	X	8,170	13,763
3. Financial assets measured at amortised cost	16,028	110,120	X	126,148	114,078
3.1 Loans and advances to banks	0	16	X	16	118
3.2 Loans and advances to customers	16,028	110,104	X	126,132	113,960
4. Hedging derivatives	X	X	0	0	0
5. Other assets	0	0	81	81	0
6. Financial liabilities	0	0	0	4,749	2,916
Total	**21,280**	**113,392**	**600**	**140,021**	**133,266**
of which: interest income from impaired financial assets	0	5,298	0	5,298	847
of which: interest income on finance lease	0	0	0	0	0

1.2 Interest income and similar revenues: other information

Under loans and advances to customers "Loans", € 33,891 thousand is recognised for interest income on securitised mortgages and € 476 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 € 439 thousand and loans to credit institutions of roughly € 1,000, for a total of € 440 thousand.

1.3 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN Item/Type	Payables	Securities	Other transactions	30/06/2020	30/06/2019
1. Financial liabilities measured at amortised cost	(10,633)	(14,847)	X	(25,480)	(26,779)
1.1 Deposits from central banks	0	X	X	0	0
1.2 Deposits from banks	(474)	X	X	(474)	(176)
1.3 Deposits from customers	(10,159)	X	X	(10,159)	(8,293)
1.4 Debt securities in issue	X	(14,847)	X	(14,847)	(18,310)
2. Financial liabilities held for trading	0	0	0	0	0
3. Financial liabilities designated at fair value	0	(626)	0	(626)	(1,754)
4. Other liabilities and funds	X	X	(336)	(336)	(786)
5. Hedging derivatives	X	X	(11,605)	(11,605)	(12,815)
6. Financial assets	X	X	X	0	(1)
Total	**(10,633)**	**(15,473)**	**(11,941)**	**(38,047)**	**(42,135)**
of which: interest expense relating to lease liabilities	**(388)**	**0**	**0**	**(388)**	**(101)**

1.4 Interest expense and similar charges: other information

The item "Debt securities in issue" includes interest on subordinated loans for € 3,052 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 € 4 thousand.

1.5 SPREADS ON HEDGING TRANSACTIONS Items	30/06/2020	30/06/2019
A. Positive spreads on hedging transactions:	0	0
B. Negative spreads on hedging transactions:	(11,605)	(12,815)
C. Net spread (A-B)	**(11,605)**	**(12,815)**

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

2.1 FEES AND COMMISSION INCOME: BREAKDOWN Services/Amounts	30/06/2020	30/06/2019
a) guarantees given	1,148	1,139
b) credit derivatives	0	0
c) management, brokerage and advisory services:	30,888	29,535
1. trading in financial instruments	12	12
2. currency trading	282	304
3. individual portfolio management	7,775	6,666
3.1 individual	7,775	6,666
3.2 collective	0	0
4. securities custody and administration	436	457
5. custodian bank	0	0
6. placement of securities	8,991	7,919
7. reception and transmission of orders	1,157	858
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	12,235	13,319
9.1 asset management	0	0
9.1.1 individual	0	0
9.1.2 collective	0	0
9.2 insurance products	10,317	10,392
9.3 other products	1,918	2,927
d) collection and payment services	9,401	10,152
e) securitisation servicing	1,401	1,088
f) factoring services	0	0
g) tax collection services	0	0
h) management of multilateral trading facilities	0	0
i) management of current accounts	12,235	11,418
j) other services	18,455	21,135
k) securities lending transactions	0	0
Total	**73,528**	**74,467**

2.2 FEES AND COMMISSION EXPENSE: BREAKDOWN Services/Amounts	30/06/2020	30/06/2019
a) guarantees received	(84)	(148)
b) credit derivatives	0	0
c) management and brokerage services:	(1,457)	(1,482)
1. trading in financial instruments	(1,062)	(987)
2. currency trading	0	0
3. portfolio management:	(6)	(13)
3.1 own portfolio	0	0
3.2 third-party portfolios	(6)	(13)
4. custody and administration of securities	(389)	(482)
5. financial instruments placement	0	0
6. off-site distribution of financial instruments, products and services	0	0
d) collection and payment services	(1,483)	(1,807)
e) other services	(23,238)	(18,480)
f) securities lending transactions	0	0
Total	**(26,262)**	**(21,917)**

Fees 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	30/06/2020		30/06/2019	
Items/Income	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	0	0	3,024	0
B. Other financial assets mandatorily measured at fair value	0	450	0	0
C. Financial assets measured at fair value through other comprehensive income	10,200	0	5,079	0
D. Equity investments	0	0	2,666	68
Total	**10,200**	**450**	**10,769**	**68**

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	5,634	37,222	(293)	(11,202)	31,361
1.1 Debt securities	0	10,382	(4)	(57)	10,321
1.2 Equity instruments	0	0	0	(1)	(1)
1.3 Units of UCITS	0	0	0	0	0
1.4 Loans	5,634	26,830	(289)	(11,144)	21,031
1.5 Other	0	10	0	0	10
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	0	0	0	0	240
3. Derivatives	14,127	30,079	(14,081)	(41,719)	(11,594)
3.1 Financial derivatives:	14,127	30,079	(14,081)	(41,719)	(11,594)
- On debt securities and interest rates	14,127	30,066	(14,081)	(41,719)	(11,607)
- On equity instruments and stock indices	0	13	0	0	13
- On currencies and gold	X	X	X	X	0
- Other	0	0	0	0	0
3.2 Credit derivatives	0	0	0	0	0
of which: natural hedges related to fair value option	0	0	0	0	0
Total	**19,761**	**67,301**	**(14,374)**	**(52,921)**	**20,007**

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

5.1 NET PROFIT (LOSS) FROM HEDGING: BREAKDOWN Income/Amounts	30/06/2020	30/06/2019
A. Gains on:		
A.1 Fair value hedging derivatives	2,366	485
A.2 Hedged financial assets (fair value)	47,395	86,729
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)	**49,761**	**87,214**
B. Losses on:		
B.1 Fair value hedging derivatives	(22,225)	**0**
B.2 Hedged financial assets (fair value)	(26,800)	(373)
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)	**(49,025)**	(87,755)
C. Net profit from hedging activities (A - B)	**736**	**(541)**
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	30/06/2020			30/06/2019		
Items/Income	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	16,138	0	16,138	4,545	(11,565)	(7,020)
1.1 Loans and advances to banks	0	0	0	0	0	0
1.2 Loans and advances to customers	16,138	0	16,138	4,545	(11,565)	(7,020)
2. Financial assets measured at fair value through other comprehensive income	24,346	(2,449)	21,897	17,693	0	17,693
2.1 Debt securities	18,919	0	18,919	17,693	0	17,693
2.2 Loans	5,427	(2,449)	2,978	0	0	0
Total assets (A)	**40,484**	**(2,449)**	**38,035**	**22,238**	**(11.5659**	**10,673**
B. Financial liabilities measured at amortised cost						
1. Deposits from banks	0	0	0	0	0	0
2. Deposits from customers	364	(439)	(75)	169	(545)	(376)
3. Debt securities in issue	327	(231)	96	421	(37)	384
Total liabilities (B)	**691**	**(670)**	**21**	**590**	**(582)**	**8**

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	**362**	**227**	**(137)**	**0**	**452**
2.1 Debt securities in issue	362	227	(137)	0	452
2.2 Deposits from banks	**0**	**0**	**0**	**0**	**0**
2.3 Deposits from customers	0	0	0	0	0
3. Financial assets and liabilities denominated in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**0**
Total	**362**	**227**	**(137)**	**0**	**452**

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	**37**	**0**	**(540)**	**0**	**(503)**
1.1 Debt securities	0	0	(28)	0	(28)
1.2 Equity instruments	0	0	0	0	0
1.3 Units of UCITS	37	0	(512)	0	(475)
1.4 Loans	0	0	0	0	0
2. Financial assets denominated in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**0**
Total	**37**	**0**	**(540)**	**0**	**(503)**

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)		30/06/2020	30/06/2019
	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	0	0	0	(509)
- Loans	0	0	0	0	0	0	0
- Debt securities	0	0	0	0	0	0	(509)
of which: purchased or originated credit impaired	0	0	0	0	0	0	0
B. Loans and advances to customers	(6,981)	(2,352)	(88,295)	206	18,873	(78,549)	(39,504)
- Loans	(6,165)	(2,352)	(88,295)	206	18,873	(77,733)	(42,255)
- Debt securities	(816)	0	0	0	0	(816)	2,751
of which: purchased or originated credit impaired	0	0	(1,193)	21	478	(694)	(285)
Total	**(6,981)**	**(2,352)**	**(88,295)**	**206**	**18,873**	**(78,549)**	**(40,013)**

8.2 NET ADJUSTMENTS FOR CREDIT RISK ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN	Value adjustments (1)			Recoveries (2)		30/06/2020	30/06/2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
Transactions/Income		Write-offs	Other				
A. Debt securities	(320)	0	0	0	0	(320)	951
B. Loans	(25)	(109)	(1,200)	144	1,291	101	72
- from customers	(25)	(109)	(1,200)	105	1,289	60	72
- from banks	0	0	0	39	2	41	0
of which: purchased or originated financial assets	0	0	0	0	0	0	0
Total	**(345)**	**(109)**	**(1,200)**	**144**	**1,291**	**(219)**	**1,023**

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 30 June 2020, this item amounted to around € 24 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	30/06/2020	30/06/2019
1) Employees	**(63,157)**	(64,974)
a) wages and salaries	(44,723)	(45,305)
b) social security charges	(11,831)	(12,408)
c) severance pay	(2,512)	(2,616)
d) social security expenses	0	0
e) provision for employee severance pay	(22)	(211)
f) provision for pension fund and similar obligations:	(51)	(113)
- defined contribution	0	0
- defined benefit*	(51)	(113)
g) contributions to external pension fund:	(1,724)	(1,498)
- defined contribution	(1,370)	(1,148)
- defined benefit	(354)	(350)
h) costs related to share-based payments	0	0
i) other employee benefits	(2,294)	(2,823)
2) Other staff	**(246)**	**(306)**
3) Directors and Statutory Auditors	**(1,210)**	**(1,182)**
4) Retired personnel	**0**	**0**
Total	**(64,613)**	**(66,462)**

*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.

12.2 AVERAGE NUMBER OF EMPLOYEES PER CATEGORY	30/06/2020	30/06/2019
1) Employees	1,859	1,878
a) executives	30	32
b) middle managers	561	559
c) remaining staff	1,268	1,287
2) Other staff	0	0
Total	**1,859**	**1,878**

12.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN	30/06/2020	30/06/2019
Expenses for data processing and archiving	(12,507)	(11,981)
Rent payable on real estate and rental of moveable assets	(557)	(895)
Expenses for the maintenance of real estate and moveable assets	(1,593)	(2,242)
Legal expenses	(1,857)	(3,153)
Building management expenses	(2,778)	(2,562)
Phone, data transmission and postal expenses	(2,022)	(1,940)
Advertising and promotional expenses	(2,108)	(1,824)
Expenses for commercial information, records, appraisals	(2,333)	(2,612)
Costs for the provision of services regarding personnel	(260)	(489)
Securitisation costs	(2,514)	(2,528)
Expenses for transportation of valuables	(1,286)	(1,432)
Other professional and advisory expenses	(3,746)	(2,498)
Expenses for office materials	(325)	(432)
Membership fees	(8,390)	(5,934)
Electronic banking	(548)	(748)
Travel and transportation expenses	(434)	(685)
Machine rental expenses	(796)	(583)
Expenses for the acquisition of treasury services	(6)	(26)
Customer insurance	(3)	(1)
Other expenses	(1,867)	(3,128)
INDIRECT TAXES AND DUTIES		
Stamp duties	(12,160)	(11,901)
Substitute tax	(724)	(1,109)
IMU/ ICI tax	(703)	(705)
Municipal solid waste disposal fee	(170)	(180)
Advertising tax	(113)	(119)
Registration tax	(59)	(42)
Other duties and taxes	(72)	(71)
Total	**(59,931)**	**(59,820)**

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

13.1 NET PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN	Provisions	Recoveries	30/06/2020	30/06/2019
Commitments for guarantees given	(811)	636	(175)	550
Risks for claw-backs	0	28	28	388
Personnel charges	(232)	0	(232)	(405)
Other disputes	(313)	221	(92)	(559)
Sundry	(7,693)	2,435	(5,257)	(8,289)
Total	**9,049**	**3,320**	**(5,729)**	**(8,314)**

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	(7,664)	0	0	(7,664)
- Owned	(4,083)	0	0	(4,083)
- Rights of use acquired with leases	(3,581)	0	0	(3,581)
2. Held for investment purposes	(690)	0	0	(690)
- Owned	(690)	0	0	(690)
- Rights of use acquired with leases	0	0	0	0
3. Inventory	X	0	0	0
Total	**(8,354)**	**0**	**0**	**(8,354)**

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	(2,400)	0	0	(2,400)
- Generated internally by the company	0	0	0	0
- Other	(2,400)	0	0	(2,400)
A.2 Acquired under finance lease	0	0	0	0
Total	**(2,400)**	**0**	**0**	**(2,400)**

SECTION 16 - OTHER OPERATING EXPENSES/INCOME - ITEM 230

16.1-16.2 OTHER OPERATING EXPENSES/INCOME: BREAKDOWN	30/06/2020	30/06/2019
Other operating income	**13,785**	**16,456**
Tax recovery	12,535	12,608
Charges to third parties for costs on deposits and c/a	290	484
Rent and fee income	602	504
Other income from contingent assets	146	2,161
Recoveries of other expenses	212	699
Other operating expenses	**(3,173)**	**(2,306)**
Amortisation on improvements on third party assets	(541)	(445)
Other expenses and contingent liabilities	(2,632)	(1,861)
Total other operating expenses/income	**10,612**	**14,150**

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

There are no items of this type.

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

There are no items of this type.

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	30/06/2020	30/06/2019
1. Current tax (-)	(2,699)	(3,496)
2. Changes of current tax of previous years (+/-)	(5)	0
3. Decreases in current tax for the year (+)	2,024	2,275
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 (+/-)	(4,218)	(6,566)
5. Changes in deferred tax liabilities (+/-)	869	(304)
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(4,029)**	**(8,091)**

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	30/06/2020	30/06/2019
Equity investments with significant minority interests		
1. Biverbanca S.p.A.	0	1,486
2. Pitagora Contro Cessione del Quinto S.p.A.	1,138	1,697
Other equity investments	0	0
Total	**1,138**	**3,183**

SECTION 24 – OTHER INFORMATION

There are no items of this type.

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of diluted ordinary shares

As there are no preference shares or financial instruments which could entail the issue of shares, there are no dilutive effects on the share capital.

25.2 Other information

The consolidated earnings per share, calculated by dividing the net profit by the 59,761,186 ordinary shares outstanding, are € 0.10.

SECTION 1 - RISKS OF THE ACCOUNTING CONSOLIDATED PERIMETER

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, WRITE-DOWNS, CHANGES, DISTRIBUTION BY BUSINESS ACTIVITY

A.1.1 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (BOOK VALUES) Portfolios/quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	123,357	201,521	34,048	178,310	10,553,012	11,090,248
2. Financial assets measured at fair value through other comprehensive income	1,952	3,750	1,443	1,736	1,228,043	1,236,924
3. Financial assets designated at fair value	0	0	0	0	0	0
4. Other financial assets mandatorily measured at fair value	0	0	0	0	6,925	6,925
5. Financial assets held for sale	0	0	0	0	0	0
Total 30/06/2020	**125,309**	**205,271**	**35,491**	**180,046**	**11,787,980**	**12,334,097**
Total 31/12/2019	**125,423**	**238,549**	**43,274**	**166,357**	**10,948,510**	**11,522,113**

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	806,711	447,785	358,926	45	10,803,453	72,131	10,731,322	11,090,248
2. Financial assets measured at fair value through other comprehensive income	13,447	6,302	7,145	0	1,231,899	2,120	1,229,799	1,236,924
3. Financial assets designated at fair value	0	0	0	0	X	X	0	0
4. Other financial assets mandatorily measured at fair value	0	0	0	0	X	X	6,925	6,925
5. Financial assets held for sale	0	0	0	0	0	0	0	0
Total 30/06/2020	**820,158**	**454,087**	**366,071**	**45**	**12,035,352**	**74,251**	**11,968,026**	**12,334,097**
Total 31/12/2019	**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	32	248	31,197
2. Hedging derivatives	0	0	0
Total 30/06/2020	**32**	**248**	**31,197**
Total 31/12/2019	**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 the first half of 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 (including credit value adjustment, or CVA, risk), trading book market, banking book (FVOCI portfolio) market, operational and IT, concentration, banking book interest rate and liquidity risk, as well as risks deriving from securitisation transactions and strategic and business, country, reputational, residual, excessive financial leverage, compliance, conduct, money laundering and terrorist financing and model risks. Following this activity, according to the internal capital adequacy assessment process, in June 2020 the Parent Company prepared the ICAAP/ILAAP Report referring to 31 December 2019 for the overall scope of the Group, subsequently sending it to the Supervisory Body.

According to the results of the performance of the ICAAP, as concerns the current or "starting" situation (referring to the date of 31 December 2019) and on an outlook basis (for the 2020-2021 two-year period, in both views, ordinary and stressed), the good degree of Group capitalisation is confirmed, even in the economic crisis situation created, within the reference context, following the explosion of the Covid-19 epidemiological emergency.

As concerns the management of available liquidity, deemed crucial to guarantee the Group's staying power in the market and to preserve its reputation with counterparties and customers, the results emerging from the performance of the ILAAP bear witness to the Group's good positioning and the availability of a consistent excess liquidity buffer deriving from the pursuit of a policy aimed at the development of direct funding from retail customers, balanced growth in lending and funding volumes, compatible with the planned profitability and capitalisation targets.

The above-mentioned internal process requires an initial risk mapping, with the schematic identification of sources of origin, to be followed, for each type of risk, by a detailed analysis of the following aspects, when applicable:

- the sources of risk to be assessed;
- the structures responsible for management;
- the measurement/valuation and management instruments and methodologies;
- risk measurement and the determination of the relative internal capital.

In compliance with the provisions laid out by the Bank of Italy with Circular no. 285 of 17 December 2013, please note that the information pursuant to the "Basel 3 Pillar 3 - PUBLIC DISCLOSURE" relating to capital adequacy, risk exposure and the general characteristics of the systems responsible for the identification, measurement and management of those risks, was published on the website "*www.bancadiasti.it*" of Cassa di Risparmio di Asti S.p.A.
The subsequent sections explain in detail the different nature of the risks and the company structures responsible for managing them.

QUALITATIVE INFORMATION

1. General aspects

Considering its nature as a local commercial bank, the Group's credit policy is oriented towards supporting the disbursement of loans to retail customers, SMEs and small and mid-corporate businesses operating in the reference geographical market; substantially to the retail market consisting of parties with which it is possible to personalise the relationship.
The company's lending strategy therefore remains to work with counterparties whose strategic decisions and decisive economic and financial factors it can be familiar with, placing the protection of credit risk above an increase in volumes.
The subsidiaries Biverbanca and Pitagora made it possible to further improve overall lending activities, with the possibility to achieve greater returns on loans, greater diversification and granularity of the loan portfolio, to expand the market and the area of operations with a view to increasing and diversifying sources of revenue and development also thanks to a company specialised in salary and pension assignment loans.

2. Credit risk management policies

2.1. Organisational aspects

At Group level, the Credit Policies Committee supports the Parent Company's General Manager, in line with the strategic decisions made by the Board of Directors, in defining and coordinating the credit policy guidelines of the individual Companies and the Group overall and optimising the risk/return profile of the loan portfolio.
Within the Group Banks, credit risk management is assigned, to a different extent depending on the mission and activities assigned by the "Internal Regulation", to the following Organisational Units:

- Credit Committee: guides and optimises the Bank's credit policy, within the scope of the strategies established by the Board of Directors;

- Credit Department: supervises and coordinates the overall activity of the Bank in assuming and managing credit risk. Operationally, the Credit Director relies on the Credit Lines Office, the Private Parties Lending Office, the Loans under Observation Department (centralised within the Parent Company) and the Loan Operational Management Office, each within the scope of its own responsibilities;
- Non-Performing Loans Department: optimises the management of non-performing loans (NPE) in line with the objectives of NPE Ratio reduction, debt collection and active management of the NPE portfolio and supervises the non-performing loan classification and measurement processes. The operating units within this Department are represented by the Portfolio & Collection Management Office, the Anomalous Loans Management Office and the Bad Loans Management Office;
- Sales Network: handles the systematic acquisition of quantitative and qualitative information on the customers managed, in order to favour adequate assessments of creditworthiness or identify their subsequent deterioration, promptly reporting this to the Credit Lines Office, the Loans under Observation Department and the Non-Performing Loans Department;
- Disputes Function: handles the legal and administrative management of bad loans and loans involved in disputes;
- Compliance Function: prevents the risk of non-compliance with external and internal regulations;
- Finance Function: ensures, within the strategies defined by the Board of Directors in the “Group financial investment policies” and the limits established in the “Regulation of delegated powers on financial transactions”, as well as the operational guidelines of the General Manager, the effective management of the owned portfolio of the Bank in terms of the risk/return;
- Risk Management Function: oversees the functions of assessing and controlling overall risks and represents the structure responsible for carrying out the total internal capital determination process in line with the directives approved by the Board of Directors. It oversees the proper rating of customers, indicates to the General Management, the Internal Audit Department, the Risks and ALM Committee and the Credit Department trends in anomalous positions and the loan portfolio on a statistical basis, as well as the riskiness of loans also in terms of technical forms, socioeconomic categories of creditors and geographical areas; in addition, it verifies the proper execution of loan portfolio performance monitoring, through controls conducted on a large-scale and sample basis.

The process of disbursing and managing loans is governed, first of all, by the “Regulation of delegated powers”, further outlined in the “Regulation of delegated powers on credit transactions”. In particular, the latter defines the breakdown and extent of delegations on lending between the delegated parties of the head office and the delegated parties of the Sales Network: credit facilities are classified in 6 risk categories on the basis of the type of transaction, subsequently aggregated into 4 risk classes. The limits on the decision-making powers assigned to each delegated party

are established on the basis of the counterparty risk bracket (defined as the grouping of multiple uniform rating classes in relation to the probability of default), the risk class, the amount of the credit facility and the expected loss. The Regulation itself identifies, for the delegated parties of the Branch Network, a further breakdown into 4 categories with different levels of delegated powers. The category is attributed by the General Manager or by the Credit Director on the basis of the capabilities of the person holding that role.
Within the more specific concentration risk, the Group pays significant attention to the overall exposure to different customer segments and the process of defining groups of connected customers and lending to and managing such groups.
To oversee the group lending and management process, the "Regulation of delegated powers on credit transactions" introduces, for that situation, greater rigour in the decision-making and operational capabilities of the delegated parties through specific articles.
As regards the creditworthiness of the issuers of securities held in the Group portfolio, the minimum rating requirements are set forth in the "Regulation of delegated powers on financial transactions" and constantly monitored by the Parent Company's Credit and Financial Risk Office.

2.2. Credit risk management, measurement and control

The credit facility screening procedure is broken down into three 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 Innolva reports (chamber of commerce records, corporate structure analyses, personal information sheets on directors and shareholders), websites and specialised press (IlSole24Ore and sector journals).

The quantitative analysis aims to assess the customer from the economic, financial and capital perspective, and relies on a broad range of tools, the main ones of which are:

- MAB reclassification procedure for the processing of the financial statements and income documentation;
- Statistical databases and position sheets for the analysis of relationships with the Bank;
- Central Credit Register of the Bank of Italy 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 land registry adverse entries to verify the presence or otherwise of adverse events;
- EURISC CRIF database.

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, Protests and Adverse Events Control - database provided by Innolva - verification of business performance and anomalies reported in the EURISC CRIF database).
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 as well as the Credit Datawarehouse. Both procedures have been made available by the IT outsourcer Cedacri S.p.A.
With respect to Pillar I, the Group adopts the standard method and, as concerns Credit Risk Mitigation techniques, the simplified method.
Within the ICAAP process, the Group periodically performs stress test procedures on the credit risk measurement. This activity, carried out in a centralised manner by the Parent Company, aims to determine the internal capital required to handle any losses deriving from deterioration, such as increases in default rates (measured as the ratio between bad loan flows during the period and performing loans at the beginning of the year) and a consistent reduction in the value of guarantees.
Furthermore, also within the scope of the Pillar II supervisory review process, the Group quantifies the internal capital required to cover concentration risk for each borrower and geo-sectorial, on the basis of the current situation as well as following the application of stress scenarios.
Lastly, an effective credit risk management process cannot but include continuous and careful control activities, at overall portfolio as well as individual customer level.
To guarantee respect for the delegation limits described above, the Group has put operating blocks into place which, through the “Autonomies Controls” procedure, prevent the entry of credit facilities if the delegation set forth in the specific internal regulation is surpassed.
Two levels of monitoring are in place to oversee credit quality performance.
As set forth in the “Internal Regulation”, a first level control is enacted by the Local Network parties, handling the systematic acquisition of information - both quantitative and qualitative - on the customers managed, in order to favour adequate credit rating assessments and constant monitoring of rating changes, and promptly reporting to the Credit Lines Office and the Loans under Observation Office of the Parent Company any information potentially symptomatic of a deterioration in the credit rating.
This action is reinforced by periodic systematic controls (daily, weekly and monthly) performed at centralised level through the Loans under Observation Office and with the use of the CQM (Credit Quality Management) procedure. This IT tool is used to log information relating to the customer and the assessments performed by the managers responsible for analysing positions potentially at risk or already classified as unlikely to pay.
The application also provides adequate functions for checking the work performed by employees, making the process directly monitorable by the responsible functions.
The Risk Control Function, on the basis of a dedicated regulation adopted following the issue of update XV of Bank of Italy Circular no. 263 of 27 December 2006 (now Bank of Italy Circular no. 285), is responsible for verifying the proper execution of performance monitoring on individual positions, particularly those which are non-performing, and assessing the consistency of classifications, the consistency of provisions and the adequacy of debt collection processes.

Additional performance control monitoring at loan portfolio level is carried out through periodic reporting generated by the Credit Risk Office.

In particular, the following are periodically carried out:

- analysis of the Group loan portfolio in order to monitor quantitative risk indicators and other limits set forth in the "Group Credit Policies" and highlight the volumes and distribution of loans, credit risk trends according to the various methods for aggregating the variables subject to analysis (such as customer credit rating, and branch of economic activity), the level of concentration of the main customers/groups of connected customers, performing portfolio credit rating and expected loss trends, the risk of specific products, bad loan flow trends, the monitoring of "large risk" positions as defined pursuant to Supervisory regulations and analyses relating to the AIRB rating and the PD, LGD and EAD parameters, again developed within the scope of the evolution of the internal Pooled Rating model. As concerns the subsidiary Pitagora, by virtue of the specific characteristics of its business, a detailed analysis is performed of the loan portfolio trend data in terms of volumes disbursed and stocks managed, the evolution of the main risk indicators, existing hedges (with details by credit class as well as product) and the relative provisions, and concentration by insurance company, assigned third-party company and geographical area.
- Trend analyses of loans at risk (volume of credit facilities, presumed losses and percentage of coverage of non-performing loans). This trend is further broken down, at the level of volumes and the relative coverage, between non-performing past due and overdue positions, unlikely to pay and bad loans;
- weekly monitoring of non-performing loan flows and the stock of overdue positions which are not yet non-performing.
- Trend verifications allow for continuous credit rating monitoring, at the level of the overall portfolio as well as the individual position, providing valid support for preventively identifying the most critical situations and undertaking, when required, the appropriate actions to protect credit and collect debt.

2.3. Measurement methods for expected losses

With reference to performing loans, the Group performs an overall assessment on the basis of information and historical series of known data.
These loans were included in groups of financial assets with analogous characteristics in terms of credit risk, customer segments and sectors of economic activity, and were valued on a collective basis, according to the provisions of the Policies on the matter.

The determination of the calculation parameters is performed on the basis of the calculations of the rating models (AIRB and C.R.S.). Please recall that the AIRB models are used for the Corporate, Retail Businesses and Private segments, while for the remainder of the customers not classified in these segments (particularly institutional counterparties and financial companies), the creditworthiness assessment continues to be performed based on the C.R.S. (Credit Rating System).
The valuation of performing loans requires an update in the macroeconomic and sector scenario in order to incorporate the effects of the Covid-19 crisis. Performing assets are classified in two stages:

- stage 1: assets which are performing in line with expectations, for which the value adjustments correspond to the expected losses related to the occurrence of default in the 12 months following the reporting date;
- stage 2: exposures whose credit rating is concerned by a significant deterioration, but for which the losses cannot yet be observed. The adjustments are calculated by considering the expected loss over the entire lifetime of the exposure, i.e. the estimate of the present value of losses (weighted for the respective probabilities of occurrence) that are verified in the period between the valuation date and the date of expiry of the instrument. Therefore, the case in which financial assets are past due by more than 30 days represents a significant increase in credit risk.

IFRS 9 makes it possible to evaluate each individual credit exposure by making recourse to multiple scenarios and associating a likelihood of occurrence with each of them. The valuation scenarios adopted by the Group, from a forward-looking perspective, also took into account the NPE Strategy approved at Group level and the aggravation of the macroeconomic scenario following the Covid-19 pandemic crisis.
The inclusion within the non-performing loans to customers valuation process of a forecast estimate referring to the potential effects of the Covid-19 crisis entailed a review of the loans subject to future transfer, the downward adjustment of the expected prices to be associated with the transfer sub-scenarios and the negative adjustment calculated on an analytical/statistical basis on the recoverable values from internal management (determined with the usual analytical valuation and analytical/statistical approaches).
The competent offices responsible for non-performing loans then analysed each individual item and assigned to each, considering existing guarantees, both personal and collateral, and their presumed evolution, a value adjustment equal to the presumed potential loss in the case of the “internal management” scenario.
For non-performing past due loans of any amount, unlikely to pay loans and bad loans of lower amounts, for the “internal management” scenario, the potential loss is attributed on a lump-sum basis in light of a statistical calculation methodology based on which the valuation of presumed losses, and the corresponding recovery values, is performed through the individual attribution of the estimated loss, distinguishing between exposures backed by collateral and other exposures.

2.4. Credit risk mitigation techniques

To mitigate credit risk, during the credit facility granting process, a particular focus is devoted to any guarantees to be requested, the effectiveness of which is checked periodically.

The general principle, correlated with credit risk management, establishes that the analysis of the economic and financial capacity of the loan applicant, as well as the analysis of the financial structure of the transaction, must be accompanied by the valuation of any guarantees (personal and collateral) backing the loan.

In order to evaluate the “weight” of the mortgage security with respect to the guaranteed loan, the following are considered:

- the market value resulting from the appraisal to calculate the maximum LTV (mortgage amount/value of real estate offered as guarantee) differentiated depending on whether the mortgage is on residential real estate or on commercial real estate;
- the present value and the type of titles pledged, to determine the percentage of actual coverage of the credit facility.

Real estate collateral allows for a mitigation of the capital absorption of credit risk when the conditions established by Supervisory Provisions are met.

In deciding on the application, the correlation between the borrower’s repayment capacity and the cash flows generated by the real estate used as guarantee is verified, on the basis of the shared criteria laid out in the “Operating Rules for respect for the Prudential Supervision Regulations for Banks on exposures secured by mortgages on real estate”.

Alongside this oversight mechanism, the above-mentioned document establishes the guidelines and actions to ensure adequate surveillance and the periodic review of the property subject to the guarantee. These activities are also performed through the “Collateral” procedure provided by the IT outsourcer Cedacri in order to help manage the real estate acquired as guarantee.

In evaluating the guarantee each structure, within its own delegation scope, takes into account the market value of the title pledged and analyses its type, which is a decisive factor for evaluating its risk.

In the analysis of personal guarantees, the financial capacity of the guarantor is evaluated on a priority basis, relying on a series of investigation tools such as: real estate records, mortgage and property registry records, adverse event databases, analysis of indebtedness to the system through the Central Credit Register, internal databases for evaluating portfolios of financial investments.

During the periodic credit facility review, the financial situation of the guarantors is updated by verifying the changes taking place in the real estate and financial assets (relying on the investigation tools outlined above) and the debt position (with the consultation of internal databases and the Central Credit Register).

As regards the amount of the guarantee with respect to the guaranteed position, the "Regulation of delegated powers on credit transactions" establishes that guarantees (omnibus and/or specific) acquired to back credit facilities must be provided on an ordinary basis for an amount of no less than 130% of the guaranteed facilities, to cover any expenses correlated with the principal obligation.

3. Non-performing credit exposures

3.1 Management strategies and policies

The "Group Policies on the classification and valuation of loans 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 general, 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:

- o the presence of bad loans identified in the Central Credit Register;
- o the presence of protests, foreclosures, mortgage by order of the court or other adverse enforcement actions by other lenders;
- o the request for negotiations from the banking sector regarding renegotiations or moratoria;
- o the presence of overdue amounts or past-due debts of significant amounts;
- o the classification of the borrower in the last Rating Class of performing loans or in the category of Past Due loans;
- o the presence of repeated "forbearance" measures;
- o for a customer that is part of a group of connected customers, the presence of connected positions already classified as "unlikely to pay" or "bad loans";
- o limited to business customers, significant reductions in the Turnover and Shareholders' Equity items in the counterparty's financial statements;

- 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:
  - o presence of loans past due or overdue by more than 90 days (if the same customer has multiple past-due and/or overdue exposures, the greatest delay is considered);
  - o in order to determine the amount of the past-due and/or overdue exposure, past-due positions and overdrafts existing on some credit lines may be offset with the available margins existing on other credit lines granted to the same borrower;
  - o surpassing the significant reporting threshold of 5% for at least one of the following situations:
    - average of past-due and/or overdue amounts on the entire exposure reported daily in the previous quarter;
    - past-due and/or overdue amount on the entire exposure at the reference date of the report.

Bad loans are managed by the Disputes Function, which assesses the actions to be taken to collect the debt. With respect to the names of borrowers with bad loans or which had bad loans in the past (even if paid off), the exercise of the decision-making powers granted to the delegated parties of the Sales Networks is suspended.

The return to performing status of non-performing exposures takes place with the borrower's recovery of conditions of full solvency, in particular:

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

Loans are evaluated by the competent organisational structures on the basis of internal regulations and with the application of the valuation criteria and standards set forth in the "Group Policies on the classification and valuation of loans 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. Commercial renegotiation financial assets and forborne exposures

The individual credit line subject to "forbearance" must be identified within performing loans as a "forborne exposure" if, without being eligible for classification as non-performing, the following conditions are simultaneously met:

- the borrower is in a situation of financial difficulty or it is likely that such situation of difficulty may take place without the "forbearance" measure;
- the "forbearance" measure results in at least one of the following situations:
  - modifications of the terms and/or conditions of the original contract, in favour of the borrower, such so as to provide it with sufficient capacity to regularly service the debt;
  - total or partial refinancing of a pre-existing debt.

The forborne performing classification remains in place until the joint fulfilment of the conditions set forth in the "Policies on the classification and valuation of loans to ordinary customers" is verified.

If a forborne performing loan is coming from forborne non-performing status and is subject to another "forbearance" measure or has a delay exceeding 30 consecutive days, it must be classified in the most appropriate category of non-performing loans (unlikely to pay or bad loans).

The individual forborne credit line must be reported within its respective category of non-performing loans as a "forborne non-performing exposure" if the following conditions are simultaneously met:

- the borrower is classified as non-performing (bad loans, unlikely to pay or non-performing past-due/overdue);
- the "forbearance" measure results in at least one of the following situations:
  - modifications of the terms and/or conditions of the original contract, in favour of the borrower, such so as to provide it with sufficient capacity to regularly service the debt;
  - total or partial refinancing of a pre-existing debt.

The classification of "forborne non-performing exposure" is removed when the Customer is reclassified to performing (with the transfer of the line from forborne non-performing to forborne performing) when the following conditions are simultaneously met:

- following the forbearance measure, there is no past-due debt;
- following an adequate and circumstantiated analysis of the borrower's overall financial position, there is a positive assessment concerning the capacity to fully meet the obligation subject to the forbearance measure and the elimination of the conditions for the maintenance of its classification within non-performing loans;
- at least one year has passed ("observation period") since the classification in forborne non-performing loans.

After its reclassification to "performing loans", the forborne line relating to a loan previously classified as forborne non-performing is governed according to what is set forth for forborne performing exposures.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 NON-PERFORMING AND PERFORMING CREDIT EXPOSURES: AMOUNTS, WRITE-DOWNS, CHANGES, DISTRIBUTION BY BUSINESS ACTIVITY

A.1.4 PRUDENTIAL CONSOLIDATION - BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET AMOUNTS Type of exposure/amounts	Gross exposure		Overall value adjustments and total provisions	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	0	X	0	0	0
- of which: forborne exposures	0	X	0	0	0
b) Unlikely to pay	0	X	0	0	0
- of which: forborne exposures	0	X	0	0	0
c) Non-performing past due exposures	0	X	0	0	0
- of which: forborne exposures	0	X	0	0	0
d) Performing past due exposures	X	0	0	0	0
- of which: forborne exposures	X	0	0	0	0
e) Other performing exposures	X	1,107,901	0	1,107,901	0
- of which: forborne exposures	X	0	0	0	0
Total (A)	**0**	**1,107,901**	**0**	**1,107,901**	**0**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	0	X	0	0	0
b) Performing	X	59,889	0	59,889	0
Total (B)	**0**	**59,889**	**0**	**59,889**	**0**
Total (A+B)	**0**	**1,167,790**	**0**	**1,167,790**	**0**

** Value to be presented for disclosure purposes*

A.1.5 PRUDENTIAL CONSOLIDATION - BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS	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	448,735	X	323,426	125,309	45
- of which: forborne exposures	41,833	X	28,744	13,089	0
b) Unlikely to pay	327,169	X	121,898	205,271	0
- of which: forborne exposures	157,896	X	60,617	97,279	0
c) Non-performing past due exposures	44,254	X	8,763	35,491	0
- of which: forborne exposures	11,620	X	1,792	9,828	0
d) Performing past due exposures	X	189,917	9,581	180,336	0
- of which: forborne exposures	X	37,251	2,868	34,383	0
e) Other performing exposures	X	10,761,640	64,702	10,696,938	0
- of which: forborne exposures	X	269,602	17,446	252,156	0
Total (A)	**820,158**	**10,951,557**	**528,370**	**11,243,345**	**45**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	22,872	X	3,388	19,484	0
b) Performing	X	1,691,503	1,899	1,689,604	0
Total (B)	**22,872**	**1,691,503**	**5,287**	**1,709,088**	**0**
Total (A+B)	**843,030**	**12,643,060**	**533,657**	**12,952,433**	**45**

** Value to be presented for disclosure purposes*

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

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	**6,510**	**656**	**2,986,053**	**0**	**0**	**0**	**8,616,893**	**11,610,112**
- Stage 1	6,510	656	2,986,053	0	0	0	6,924,729	9,917,948
- Stage 2	0	0	0	0	0	0	885,453	885,453
- Stage 3	0	0	0	0	0	0	806,711	806,711
B. Financial assets measured at fair value through other comprehensive income	**324**	**164**	**1,111,421**	**0**	**0**	**0**	**133,536**	**1,245,346**
- Stage 1	324	164	1,111,421	0	0	0	117,905	1,229,814
- Stage 2	0	0	0	0	0	0	2,085	2,085
- Stage 3	0	0	0	0	0	0	13,447	13,447
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)	**6,834**	**820**	**4,097,474**	**0**	**0**	**0**	**8,750,429**	**12,855,458**
of which: purchased or originated credit impaired financial assets	0	0	0	0	0	0	23,636	23,636
D. Commitments to disburse funds and financial guarantees given								
- Stage 1	1,255	1,992	18	0	0	0	1,493,903	1,497,168
- Stage 2	0	29	0	0	0	0	49,999	50,028
- Stage 3	0	0	0	0	0	0	18,942	18,942
Total (D)	**1,255**	**2,021**	**18**	**0**	**0**	**0**	**1,562,844**	**1,566,138**
Total (A+B+C+D)	**8,089**	**2,841**	**4,097,492**	**0**	**0**	**0**	**10,313,273**	**14,421,596**

Credit rating class	ECAI
	Moody's
1	from Aaa to Aa3
2	from A1 to A3
3	from Baa1 to Baa3
4	from Ba1 to Ba3
5	from B1 to B3
6	Caa1 and lower

A.2.2 PRUDENTIAL CONSOLIDATION - BREAKDOWN OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN BY INTERNAL RATING CLASS (GROSS VALUES)	Internal rating classes					
Exposures	class 1	class 2	class 3	class 4	class 5	class 6
A. Financial assets measured at amortised cost	**249,376**	**487,657**	**925,543**	**1,117,879**	**1,615,780**	**870,122**
- Stage 1	248,191	486,062	920,155	1,106,725	1,551,298	754,693
- Stage 2	1,185	1,595	5,388	11,154	64,482	115,429
- 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)	**249,376**	**487,657**	**925,543**	**1,117,879**	**1,615,780**	**870,122**
of which: purchased or originated credit impaired financial assets	0	0	1	184	238	1,328
D. Commitments to disburse funds and financial guarantees given						
- Stage 1	270,604	240,568	241,773	287,813	160,121	66,972
- Stage 2		10		3,336	3,802	7,014
- Stage 3						
Total (D)	**270,604**	**240,578**	**241,773**	**291,149**	**163,923**	**73,986**
Total (A+B+C+D)	**519,980**	**728,235**	**1,167,316**	**1,409,028**	**1,779,703**	**944,108**

(Continued)

Internal rating classes						Total
class 7	class 8	class 9	class 10	class 11	no rating	
471,410	**1,124,723**	**232,497**	**211,235**	**804,042**	**3,499,848**	**11,610,112**
333,506	991,471	26,597	3,814	0	3,495,436	9,917,948
137,904	133,252	205,900	207,421	0	1,743	885,453
0	0	0	0	804,042	2,669	806,711
0	**0**	**0**	**0**	**0**	**1,245,346**	**1,245,346**
0	0	0	0	0	1,229,814	1,229,814
0	0	0	0	0	2,085	2,085
0	0	0	0	0	13,447	13,447
0	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	3,563	0
0	0	0	0	0	0	0
0	0	0	0	0	4,901	0
471,410	**1,124,723**	**232,497**	**211,235**	**804,042**	**4,745,194**	**12,855,458**
572	3,563	1,449	561	12,626	3,114	23,636
						0
30,580	4,901	5,344	664		187,828	1,497,168
7,567	5,541	7,872	11,076		3,810	50,028
				17,517	1,425	18,942
38,147	**10,442**	**13,216**	**11,740**	**17,517**	**193,063**	**1,566,138**
509,557	**1,135,165**	**245,713**	**222,975**	**821,559**	**4,938,257**	**14,421,596**

B. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

QUALITATIVE AND QUANTITATIVE INFORMATION

Cassa di Risparmio di Asti S.p.A. (originator) has carried out six securitisation transactions on its own behalf: the first three were carried out with the same special purpose vehicle named Asti Finance S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 08569601001, registered in the List of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011, at no. 33061.3, established pursuant to Italian Law 130/99; of these transactions, the first was closed early on 27 September 2017. The fourth transaction (also closed early in April 2014) was carried out with the special purpose vehicle Asti P.M.I. S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 11663011002, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35012.4; the fifth transaction, with the special purpose vehicle Asti RMBS S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 12063261007, registered in the list of special purpose securitisation vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35045.4; lastly, the sixth transaction (closed early in October 2016) was with the special purpose vehicle Asti PM.I. S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 11663011002, registered in the list of special purpose securitisation vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35012.4 (hereinafter, all referred to as “SPV”).

Along with Biverbanca S.p.A., Cassa di Risparmio di Asti S.p.A. also performed three multi-originator securitisation transactions: the first in 2015 (seventh transaction), with the special purpose vehicle named Asti Group RMBS S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 1337083003 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35187.4. The second multi-originator securitisation transaction (eighth transaction) was concluded in March 2017, with the special purpose vehicle named Asti Group PMI S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 14109461005 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 335330.0. The third multi-originator securitisation transaction (ninth transaction) was concluded in June 2019, with the special purpose vehicle named Asti Group RMBS II S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 152897710 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35584.2.

The second multi-originator transaction (self-securitisation), for which the two Group Banks subscribed all liabilities issued at the time of issue, is not described in this part. For a description of that transaction, please refer to section 1.4 - “Liquidity risk”.

For all securitisations, specific servicing agreements have been entered into between the Group companies and the SPVs, in which the companies (servicers) were engaged to perform, in the name and on behalf of the SPVs, the activity of administration and collection of loans transferred, as well as manage any debt collection procedures.

As the results/benefits of the above-mentioned securitisation transactions were not fully transferred to the loan transferee (SPV), the company, in compliance with IAS 9, has recognised amongst its assets 100% of the securitised loans, likewise recording a financial liability for the consideration, when received, net of notes repurchased as well as cash reserves. Income from the transferred assets and the expenses of the financial liability net of interest relating to repurchased notes are recognised in the income statement. Therefore, as concerns the monitoring and assessment of the risks connected to securitisations, please refer to the analyses performed in Part E of the Notes to the consolidated financial statements relating to Credit Risk.

For the purposes of the application of the accounting standards endorsed with Regulation no. 1254 by the European Commission, IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28, applicable on a compulsory basis as of 1 January 2014, the SPVs were included in the scope of line-by-line consolidation of the Group starting from the year 2014.
From the organisational perspective, the Credit Department is responsible for managing administrative/accounting activities relating to securitisation transactions and the periodic production of all reporting required by the servicing agreements.

The servicing activities are subject to controls by the Internal Audit Function - Bank Internal Auditing Office, the results of which are submitted to the Board of Directors which reviews them during special meetings with the participation of the Board of Statutory Auditors.

In the course of 2018, Cassa di Risparmio di Asti S.p.A. finalised along with Biverbanca S.p.A., pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer of a portfolio of bad loans to the special purpose vehicle Maggese S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 07/06/2017, at no. 35475.3.

In the course of 2019, Cassa di Risparmio di Asti S.p.A. also finalised along with Biverbanca S.p.A., pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer of a portfolio of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., with registered office

in Conegliano (TV), Via Vittorio Alfieri no. 1, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35670.9.
As the transaction entailed the transfer to third parties of all risks and benefits linked to the transferred loan portfolio ("derisking"), the NPLs were derecognised pursuant to IFRS 9, and the bad loans underlying the securitisation were also derecognised from the Group's assets (asset item 40 "Loans and advances to customers").

Details on the transactions carried out by the Group are provided below.

INFORMATION RELATING TO THE SECOND SECURITISATION TRANSACTION

On 22 May 2008, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out the second traditional securitisation transaction through the non-recourse transfer to the SPV of real estate mortgages and residential mortgages for a total of € 513,122 thousand, all belonging to the "performing" category. The loans were transferred at their carrying amount. On the same date, the servicing agreement was entered into between Cassa di Risparmio di Asti S.p.A. and the SPV.
Notes totalling € 513,100 thousand were issued against the transferred loans. On the notes issued by the SPV, a repayment plan has been established which began in November 2009, determined on the basis of the availability of sums collected on the loans.
The aim of the securitisation transaction is to diversify the sources of funds and funding pools (institutional rather than retail) and create matching between assets and liabilities, balancing average funding and lending times.
The senior notes, issued and originally repurchased by Cassa di Risparmio di Asti S.p.A., were transferred in part to institutional investors; the remainder, which remained owned, which was periodically used as collateral in financing transactions with the European Central Bank, providing Cassa di Risparmio di Asti S.p.A. with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial requirements, was transferred in 2014.

Type of Note	Rating as at 30/06/2020 S&P/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 30/06/2020	Residual value as at 30/06/2020
Class A	AA/Aa3	6M Euribor + 0.60%	23/05/2008	27/05/2050	479,750	435,466	44,284
Class B	no rating	6M Euribor + 2.00% (*)	23/05/2008	27/05/2050	33,350	0	33,350
Total					**513,100**	**435,466**	**77,634**

(*) The excess spread is also paid to class B as an additional coupon.

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 30 June 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 30 June 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 € 72,493 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	550	interest expense on notes issued	338
other revenues	50	interest expense on derivative contract	179
		servicing fee expense	32
		other interest expense	200
		other expenses	48
		losses on loans	606
Total	**600**	**Total**	**1,403**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 4,661 thousand in overall value adjustments on the principal.
The receivables for interest on arrears on bad loans amount to € 1,429 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 286 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 € 11 thousand in capital losses, while the derivative contracts entered into between Citibank N.A. and Cassa di Risparmio di Asti S.p.A. resulted in the recognition of € 179 thousand in capital gains, as well as interest income of € 463 thousand.

INFORMATION RELATING TO THE THIRD SECURITISATION TRANSACTION

On 16 November 2010, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out the third securitisation transaction through the non-recourse transfer to the SPV Asti Finance S.r.l. of real estate mortgages and residential mortgages for a total of € 473,449 thousand, all belonging to the "performing" category. The loans were transferred at their carrying amount. Also in this third transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as servicer.

Against the loans transferred, notes totalling € 473,400 thousand were issued, originally repurchased in full 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 30/06/2020 S&P/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 30/06/2020	Residual value as at 30/06/2020
Class A	AA/Aa3	3M Euribor + 0.60%	17/11/2010	27/5/2052	427,000	360,836	66,164
Class B	no rating	3M Euribor + 2.00% (*)	17/11/2010	27/5/2052	46,400	0	46,400
Total					**473,400**	**360,836**	**112,564**

(*) The excess spread is also paid to class B as an additional coupon.

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 30 June 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 30 June 2020 amount to:

- notes repurchased (accounting balance) € 46,400 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 11,903 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand.
- receivable from the SPV for excess spread accrued € 8,180 thousand.

As for the second securitisation transaction, in order to guarantee to noteholders the regularity of coupon flows, indexed to different parameters than the loans, 3 derivative contracts ("amortising" interest rate swaps) were entered into with a maximum maturity of 2052; the swaps were entered into between Banca di Asti and the company BancaIMI. The swap agreements substantially mirror those which BancaIMI entered into with the SPV. The flows of the swaps entered into are calculated taking into account three types of cash flows present on the loans: the transferred loan portfolio indeed consists of fixed and variable rate real estate mortgages and residential mortgages and, in turn, the variable rate mortgages call for two repricings at different dates.

On a quarterly basis, the SPV pays interest accrued on the loans, net of the spread, to BancaIMI and receives the 3M Euribor (against the swap entered into); BancaIMI in turn pays the amount received from the SPV to Cassa di Risparmio di Asti S.p.A. and receives the 3M Euribor; the offsetting swaps enable the SPV to collect the 3M Euribor, which is the calculation basis for the coupon on the notes. The nominal value of the swaps reduces in proportion with reductions in the securitised loans. The specular nature of the 3 swap agreements became necessary as Cassa di Risparmio di Asti S.p.A. does not have a public rating; Banca IMI has a long-term rating from S&P of BBB, from Moody's of A3 and from Fitch of BBB.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 127,370 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	1,013	interest expense on notes issued	486
Other revenues	7	interest expense on derivative contract	261
		servicing fee expense	58
		other interest expense	155
		other expenses	57
		losses on loans	322
Total	**1,020**	**Total**	**1,339**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 5,905 thousand in overall value adjustments on the principal.

The receivables for interest on arrears on bad loans amount to € 1,378 thousand and have been written off in full.
Interest income on repurchased notes, amounting to € 372 thousand, was fully allocated against a reduction in interest expense on the notes issued.

The valuations of derivative contracts entered into by the SPV with BancaIMI resulted in the recognition in the Bank income statement of € 432 thousand in capital gains, while the derivative contracts entered into between BancaIMI and Cassa di Risparmio di Asti S.p.A. resulted in the recognition of € 432 thousand in capital losses, as well as interest income of € 261 thousand.

INFORMATION RELATING TO THE FIFTH SECURITISATION TRANSACTION

On 20 November 2012, the Parent Company Cassa di Risparmio di Asti S.p.A. carried out its fifth securitisation transaction on its own behalf, with the special purpose vehicle Asti RMBS S.r.l., with registered office in Rome, via Eleonora Duse no. 53, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35045.4. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, for a total of € 498,929 thousand, all belonging to the "performing" category. The loans were transferred at their carrying amount. Also in this transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as servicer.

Against the mortgages transferred, notes were issued for € 498,900 thousand, entirely repurchased by Cassa di Risparmio di Asti S.p.A. The amount was settled on 21/12/2012 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

The fifth securitisation was originally a "self-securitisation": the relative notes issued and not transferred to institutional investors but directly repurchased by Cassa di Risparmio di Asti S.p.A., were used as collateral in financing transactions with the European Central Bank, providing the Bank with a liquidity reserve available for short-term ordinary operations as well as to handle temporary unexpected financial requirements, and were transferred in the month of February 2014.

Type of Note	Rating as at 30/06/2020 S&P/Fitch	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 30/06/2020	Residual value as at 30/06/2020
Class A	AA/AA	3M Euribor + 1.25% (*)	21/12/2012	27/12/2060	411,000	304,670	106,330
Class B	no rating	3M Euribor + 1.50% (**)	21/12/2012	27/12/2060	87,900	0	87,900
Total					**498,900**	**304,670**	**194,230**

(*) Cap equal to 5%

(**) The excess spread is also paid to class B as an additional coupon (additional remuneration).

Like in the other transactions, also the fifth securitisation, Cassa di Risparmio di Asti S.p.A. disbursed a loan with limited enforceability of € 15,050 thousand, crediting to the SPV the amount of € 15,000 thousand for the cash reserve and € 50 thousand for the provision for operating expenses.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

The Prospectus calls for a gradual reduction in the amount of the Cash Reserve: at each interest payment date, it will be reduced by the larger amount of 3.65% of the outstanding notional amount of Class A and € 7 million; when at the interest payment date Class A will have been repaid in full, the Cash Reserve Amount will be reduced to zero; at each calculation date, the Cash Reserve Amount will be part of the Issuer Available Funds.

For this securitisation transaction, there is no rate hedging through swap transactions.

The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.

The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to Banca di Asti, based on available financial resources, when the notes are repaid; at 30 June 2020, it amounts to € 29,118 thousand.

As at 30 June 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 reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected, which as at 30 June 2020 amount to:

- notes repurchased (accounting balance) € 87,900 thousand;
- receivable from the SPV for loan with limited enforceability (Cash Reserve) € 15,474 thousand;
- receivable from the SPV for loan with limited enforceability (Provision for expenses) € 50 thousand;
- receivable from the SPV for excess spread accrued € 29,118 thousand.

The securitised loan assets were recognised in these financial statements under the item “Loans and advances to customers” in the amount of € 240,117 thousand.
The financial liabilities for securitised loans are recognised in “Deposits from customers” in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	2,258	interest expense on notes issued	1,002
		servicing fee expense	115
		other interest expense	76
		other expenses	70
		losses on loans	301
Total	**2,258**	**Total**	**1,564**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 8,336 thousand in overall value adjustments on the principal.

The receivables for interest on arrears on bad loans amount to € 841 thousand and have been written off in full.

Interest income on repurchased notes, amounting to € 510 thousand, was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE FIRST MULTI-ORIGINATOR SECURITISATION TRANSACTION

On 11 August 2015, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. carried out the first multi-originator securitisation transaction, with the special purpose vehicle Asti Group RMBS S.r.l., with registered office in Rome, via Eleonora Duse no. 53, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 35187.4. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, fixed, variable and option, for a total of € 553,466 thousand (of which € 286,060 thousand of Cassa di Risparmio di Asti S.p.A. and € 267,406 thousand of Biverbanca S.p.A.), all belonging to the "performing" category. The loans were transferred at their carrying amount. In this transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as master servicer and Biverbanca S.p.A. as sub servicer.

Against the loans transferred, notes totalling € 553,400 thousand were issued, repurchased in full by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. The amount was settled on 12/08/2015 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

The seventh securitisation (first multi-originator) was originally a “self-securitisation” transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, were used as collateral in refinancing transactions with the European Central Bank, providing the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets. In the course of 2017, the senior class was sold to institutional investors.

Type of Note issued	Rating as at 30/06/2020 Fitch/Moody's	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 30/06/2020	Residual value as at 30/06/2020
Class A	AA/Aa3	3M Euribor + 0.90% (*)	12/8/2015	31/12/2074	456,600	349,690	106,910
Class B	no rating	3M Euribor + 1.00%	12/8/2015	31/12/2074	96,800	0	96,800
Total					**553,400**	**349,690**	**203,710**

(*) Floor equal to 0% and Cap 5%

Like in the other transactions, a loan with limited enforceability was disbursed for € 15,000 thousand (€ 7,779 thousand by Cassa di Risparmio di Asti S.p.A. and € 7,271 thousand by Biverbanca S.p.A.), crediting the amount of € 15,000 thousand to the SPV for the cash reserve, broken down as follows: € 7,753 thousand for Cassa di Risparmio di Asti S.p.A. and € 7,247 thousand for Biverbanca S.p.A. and € 50 thousand for the provision for operating expenses, broken down as follows: € 26 thousand for Cassa di Risparmio di Asti S.p.A. and € 24 thousand for Biverbanca S.p.A.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

The Prospectus calls for a gradual reduction in the amount of the Cash Reserve: at each interest payment date, it will be reduced by the larger amount of 3.25% of the residual debt of the Class A note and € 6,849 thousand; when at the interest payment date Class A will have been repaid in full, the Cash Reserve will be reduced to zero.

For this securitisation transaction, there is no rate hedging through swap transactions.

The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.

The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 30/06/2020, it amounts to € 25,505 thousand for Cassa di Risparmio di Asti S.p.A. and € 15,457 thousand for Biverbanca S.p.A.

As at 30/06/2020, 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 € 252,743 thousand.
The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	3,438	interest expense on notes issued	695
		servicing fee expense	126
		other expenses	117
		losses on loans	99
Total	**3,438**	**Total**	**1,037**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 2,970 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 895 thousand for Biverbanca S.p.A.

The receivables for interest on arrears on bad loans amount to € 176 thousand for Cassa di Risparmio S.p.A. and € 28 thousand for Biverbanca S.p.A., and were written off in full.

Interest income on repurchased notes, amounting to € 156 thousand for Cassa di Risparmio di Asti S.p.A. and € 146 thousand for Biverbanca S.p.A., was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE THIRD MULTI-ORIGINATOR SECURITISATION TRANSACTION

In June 2019, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. carried out the third multi-originator securitisation transaction with the special purpose vehicle Asti Group RMBS II S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the Rome Register of Companies no. 152897710 and registered in the list of special purpose securitisation vehicles established at the Bank of Italy pursuant to art. 4 of the measure issued on 29/04/2011 at no. 35584.2. The transaction took place through the non-recourse transfer to the SPV of residential mortgage loans, fixed, variable and option, for a total of € 988,009 thousand (of which € 862,439 thousand of Cassa di Risparmio di Asti S.p.A. and € 125,570 thousand of Biverbanca S.p.A.), all belonging to the "performing" category. The loans were transferred at their carrying amount.

Against the loans transferred, notes totalling € 988,008 thousand were issued, repurchased in full by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. Ownership of the notes was obtained on 28/06/2019 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The third multi-originator securitisation was originally a "self-securitisation" transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, were initially used as collateral in refinancing transactions with the European Central Bank, providing the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets. In the course of 2019, the senior class was sold to institutional investors.
The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

Type of Note	Rating as at 30/06/2020 Moody's/ DBRS	Rate	Date of issue	Expected maturity date	Total issue value	Total amount repaid as at 30/06/2020	Total residual value as at 30/06/2020	Notes repurchased and owned by Banca C.R.Asti as at 30/06/2020 (nominal value)	Notes repurchased and owned by Biverbanca as at 30/06/2020 (nominal value)
Class A	Aa3/AAL	3M Euribor + 0.90% (*)	28/06/2019	29/12/2072	825,000	113,202	711,798	0	0
Class B	NR/BBBH	3M Euribor + 2.00% (**)	28/06/2019	29/12/2072	64,300	0	64,300	56,127	8,173
Class C	no rating	3M Euribor + 3.00%	28/06/2019	29/12/2072	98,708	0	98,708	86,169	12,539
Total					**988,008**	**113,202**	**874,806**	**142,296**	**20,712**

(*) Floor equal to 0% and Cap 2.5% up to the Interest Payment Date of June 2021, 3.5% after June 2021
(**) Floor equal to 0% and Cap 3.5% up to the Interest Payment Date of June 2021, 4.5% after June 2021

Like in the other transactions, also in the ninth securitisation, a loan with limited enforceability was disbursed for € 17,850 thousand (€ 15,581 thousand by Cassa di Risparmio di Asti S.p.A. and € 2,269 thousand by Biverbanca S.p.A.), crediting the amount of € 17,806 thousand to the SPV for the cash reserve, broken down as follows: € 15,538 thousand for Banca di Asti and € 2,269 thousand for Biverbanca, and € 50 thousand for the provision for operating expenses, broken down as follows: € 44 thousand for C.R.Asti and € 6 thousand for Biverbanca.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

The Prospectus calls for a gradual reduction in the amount of the Cash Reserve: at each interest payment date, it will be reduced by the larger amount of 2% of the residual debt of the rated note and € 8,893 thousand; when at the interest payment date Class A will have been repaid in full, the Cash Reserve will be reduced to zero.

For this securitisation transaction, there is no rate hedging through swap transactions.

The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.

The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 30/06/2020, it amounts to € 12,442 thousand for Cassa di Risparmio di Asti S.p.A. and € 1,923 thousand for Biverbanca S.p.A.

As at 30/06/2020, the Bank essentially retains the credit risk connected to the securitised loans, which the Bank continues to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 773,871 thousand for Cassa di Risparmio di Asti S.p.A. and € 112,207 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	10,838	interest expense on notes issued	3,932
		servicing fee expense	452
		other expenses	198
		Contingent liabilities	**26**
Total	**10,838**	**Total**	**4,608**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 5,532 thousand in overall value adjustments on the principal.

Interest income on repurchased notes, amounting to € 1,840 thousand, was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE MAGGESE PROJECT TRANSACTION

On 16 July 2018, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. finalised, pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer for valuable consideration and en bloc of a portfolio of bad loans to the special purpose vehicle Maggese S.r.l., with registered office in Rome, Via Eleonora Duse no. 53, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 07/06/2017, in force as of 30 June 2017, at no. 35475.3.

In particular, 5,313 loans originated by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. were transferred to the SPV, with a gross book value of € 694,546 thousand at the transfer date. Against the acquisition of the above-mentioned loans, on 26 July 2018 Maggese S.r.l. issued the following classes of notes pursuant to and in accordance with art. 5 of Italian Law 130/1999:

Type of Note	Rating as at 30/06/2020 Moody's/DBRS/ Scope	Rate	Date of issue	Expected maturity date	Total amount issued	Pool Factor	Total amount repaid as at 30/06/2020	Total residual amount as at 30/06/2020
Class A	Baa3/BBB/BBB	6M Euribor + 0.5% (*)	26/07/2018	25/07/2037	170,809	0.8736397	39,208	131,601
Class B	no rating	6M Euribor + 6% (*)	26/07/2018	25/07/2037	24,401	1.0000000	0	24,401
Class C	no rating	Variable	26/07/2018	25/07/2037	11,420	1.0000000	0	11,420
Total					**206,630**		**39,208**	**167,422**

(*) Floor 0% and Cap on Euribor equal to: 0.50 until July 2019; 0.75 from January 2020 to July 2021; 1 from January 2022 to July 2023; 1.25 from January 2024 to July 2025; 1.50 from January 2026 to July 2027; 2 from January 2028 to July 2029; 2.50 from January 2030 to July 2030; 3 until January 2031.

The structure benefits from a cash reserve equal to 4% of the class A notes (at the moment of the closing equal to € 6,832 thousand), which will begin to be repaid in July 2020. This reserve was funded by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. through a subordinated loan bearing interest at a fixed rate of 1%; the interest collected as at 30/06/2020 amounted to roughly € 29 thousand.

INFORMATION RELATING TO THE POP NPLS 2019 S.R.L. TRANSACTION

On 10 December 2019, Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A., along with another ten banks (defined as "Transferors") finalised, pursuant to art. 58 of Italian Legislative Decree 385/1993 and arts. 1 and 4 of Italian Law 130/1999 on securitisation, a non-recourse transfer for valuable consideration and en bloc of a portfolio of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., with registered office in Conegliano (TV), Via Vittorio Alfieri no. 1, registered in the list of special purpose vehicles managed by the Bank of Italy pursuant to Measure of the Governor of the Bank of Italy of 7 June 2017, in force as of 30 June 2017, at no. 35670.9.

In particular, a portfolio of credit positions originated by Cassa di Risparmio di Asti S.p.A. and by Biverbanca S.p.A. was transferred to the SPV, with a gross book value of € 62,490 thousand at the transfer date.

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 30/06/2020 Moody's/ DBRS	Rate	Date of issue	Expected maturity date	Total issue value	Pool Factor	Total amount repaid as at 30/06/2020	Total residual value as at 30/06/2020	Notes repurchased and owned by Banca C.R.Asti as at 30/06/2020 (nominal value)	Notes repurchased and owned by Biverbanca as at 30/06/2020 (nominal value)
Class A	BBB/BBB	3M Euribor + 0.30% (*)	23/12/2019	6/2/2045	173,000	0.843	27,234	145,766	12,254	2,069
Class B	CCC/CCC	6M Euribor + 9.50%	23/12/2019	6/2/2045	25,000	1.000	0	25,000	105	18
Class C	no rating	6M Euribor + 12.00%	23/12/2019	6/2/2045	5,000	1.000	0	5,000	21	4
Total					**203,000**		**27,234**	**175,766**	**12,380**	**2,091**

** Cap equal to the Euribor*

The notes were subscribed in full by the Transferring Banks and, also on 23 December 2019, 94.61% of the nominal value of the Mezzanine Notes and 94.61% of the nominal value of the Junior Notes was transferred to JP Morgan Securities plc.

As the requirements were met for the derecognition of the NPLs pursuant to IFRS 9, the bad loans underlying the securitisation were derecognised from the assets of the Bank (asset item 40 "Loans and advances to customers"). The transaction thus structured indeed led to the transfer to third parties of all risks and benefits linked to the transferred loan portfolio.

As part of this transaction, on 16 December 2019, the SPV entered into two cap agreements with J.P. Morgan AC on rates to hedge interest rate risk relating to the notes.

The structure also benefits from a cash reserve equal to 4.70% of the total nominal value of the senior notes (€ 8,085 thousand), intended to manage the risk of any misalignments between the funds deriving from collections and the sums due against senior costs of the transaction and interest on the senior notes. This reserve was funded at the time of the issue of the notes, by a limited recourse loan disbursed by the transferors, amounting to around € 680 thousand for Cassa di Risparmio di Asti S.p.A. and € 115 thousand for Biverbanca S.p.A.

On 8 January 2020, a petition was submitted to the MEF to obtain the "GACS" in favour of the senior noteholders.

INFORMATION RELATING TO THE MADELEINE TRANSACTION

In May 2013, the company 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-.
As at 30 June 2020, the Senior and Mezzanine notes had been repaid in full.

INFORMATION RELATING TO THE LAKE 2 TRANSACTION

On 11 May 2017, the company Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle Lake Securitisation Srl, as part of a multi-originator securitisation transaction structured by Banca Progetto, pursuant to Italian Law 130, with no note tranching. The size of the transaction is between € 50 and € 100 million per year in terms of price, with a 24-month ramp-up period. The transfer agreement underlying the transaction calls for different transfer prices depending on product type.
The company has no obligation to retain the notes issued by the vehicle established pursuant to Italian Law 130, considering the fact that the transaction cannot be considered a securitisation pursuant to Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 - Capital Requirements Regulation (CRR), since the requirements established therein are not met.

INFORMATION RELATING TO THE PETILIA TRANSACTION

On 19 December 2019, the company Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle PETILIA SPV Srl, as part of a new securitisation transaction with derecognition pursuant to Italian Law 130, structured by Banca Popolare Puglia e Basilicata, with no notes tranching.
The total maximum value of the notes that may be issued is € 270 million, with a 24-month ramp-up period. The notes have a "partly paid" structure and were subscribed in full by Banca Popolare di Puglia e Basilicata.
The company has no obligation to retain the notes issued by the vehicle established pursuant to Italian Law 130, considering the fact that the transaction cannot be considered a securitisation pursuant to Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 - Capital Requirements Regulation (CRR), since the requirements established therein are not met.

The transfers of loans were carried out by paying a purchase price according to a transfer rate differentiated by product type (spread + 5Y IRS).
Like for the other securitisations, Pitagora, as Servicer, took on the role of managing the collection and recovery of loans transferred in the name and on behalf of the SPV. This activity enables Pitagora to maintain direct relations with its customers, transferring principal and interest collections to accounts opened in the name of Petilia SPV Srl at the collection custodian bank.

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

Quality of underlying assets/Exposures	Balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	value adjustments	Book value	value adjustments	Book value	value adjustments
A. Fully derecognised	**0**	**0**	**0**	**0**	**12,571**	**0**
- 2019 GACS securitisation	0	0	0	0	0	0
- salary and pension assignment loans	0	0	0	0	12,571	0
B. Partially derecognised	**0**	**0**	**0**	**0**	**0**	**0**
C. Not derecognised	**519,238**	**27,651**	**12,205**	**0**	**13,750**	**0**
- performing mortgage loans	352,859	10,245	0	0	0	0
- non-performing mortgage loans	39,865	17,406	0	0	0	0
- salary and pension assignment loans	126,514	0	12,205	0	13,750	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	199,710	0	33,187	95,754	0	79,750
Asti RMBS S.r.l.	Rome	Yes	239,896	0	10,342	106,330	0	87,900
Asti GROUP RMBS S.r.l.	Rome	Yes	252,289	0	12,436	106,910	0	96,800
Asti GROUP PMI S.r.l. (*)	Rome	Yes	1,126,018	0	107,483	700,000	0	485,339
Asti GROUP RMBS II S.r.l.	Rome	Yes	883,578	0	28,479	711,798	64,300	98,708
Maggese S.r.l.	Rome	No	152,521	0	25,591	141,446	24,401	11,420
POP NPLS 2019 S.r.l.	Conegliano	No	0	0	0	0	0	0
Madeleine Spv S.r.l.	Milan	No	12,319	0	2,846	0	0	16,213
Annette S.r.l.	Milan	Yes	0	0	0	0	0	0
Geordie S.r.l.	Conegliano	Yes	0	0	0	0	0	
Manu S.r.l.	Conegliano	Yes	151,790	0	5,888	129,409	12,484	14,065
Dyret SPV S.r.l.	Milan	No	383,980	0	11,013	330,369	38,868	34,116
Petilia Finance S.r.l.	Milan	No	154,811	0	4,494	161,623	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 € 170,809 thousand as at 30 June 2020.

The details of the senior tranche are provided below:

Note	Listing Market	Rate/ Spread	Rating as at 31/12/2019 Moody’s/ DBRS	Final repayment date	Total amount issued	Residual amount of notes repurchased and still owned as at 31/12/2019	Subscriber
Senior	Unlisted	6M Euribor + 0.5%	Baa3/BBB	July 2037	139,738	107,662	Cassa di Risparmio di Asti S.p.A.
Senior	Unlisted	6M Euribor + 0.5%	Baa3/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 Bank to a loss are indeed neutralised by the presence of the Italian State "GACS" guarantee backing the entire senior tranche exposure.

POP NPLS 2019 S.r.l.

Following the securitisation of bad loans to the special purpose vehicle POP NPLs 2019 S.r.l., the Transferring Banks subscribed pro rata the senior tranche issued by the SPV, for a total value of € 173,000 thousand as at 30 January 2020 and for which a request was submitted to the Ministry of Economy and Finance on 8 January 2020 for admission to the state guarantee scheme on the issued liabilities (GACS).

The details of the senior tranche held by Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. are provided below:

Note	Listing Market	Rate/ Spread	Rating as at 31/12/2019 DBRS/Scope	Final repayment date	Nominal value issued	Residual value as at 30/06/2020	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.

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.	931	11,640	428	3,139
YES	Dyret SPV S.r.l.	722	27,260	488	3,099
YES	Petilia Finance S.r.l.	1,431	117,668	470	9,882

(Continued)

Servicer	Special purpose vehicle	Percentage of notes repaid (period-end figure)					
		Senior		Mezzanine		Junior	
		Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
YES	Madeleine SPV S.r.l.	0	0	0	100%	0	0
YES	Dyret SPV S.r.l.	0	0	0	0	0	0
YES	Petilia Finance S.r.l.	0	0	0	0	0	0

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

Basic tools used to support credit rating analysis are the internal AIRB rating system (for the Private, Retail Businesses and Corporate segments) and the internal C.R.S. (Credit Rating System) scoring system. Both models, developed by Cedacri, define an internal scoring system used to assign a likelihood of insolvency to each customer, to allow the Group Banks to group their loan portfolios into uniform risk classes.

Both the AIRB rating and the CRS rating make it possible to classify credit positions on the basis of their creditworthiness and estimate the main risk parameters (Probability of Default, Loss Given Default and Exposure at Default)

The Corporate AIRB, Retail Businesses AIRB and Private AIRB models, developed by Cedacri in collaboration with the banks participating in the “Pooled AIRB” project, constitute an improvement upon the C.R.S. model adopted previously for management purposes, and intend to respond to the need to calculate risk measures that are:

- compliant with reference regulations;
- suitable to capture the fundamental drivers underlying the creditworthiness of the parties with respect to which the Group has or intends to assume credit exposures;
- relatively stable over time, so as to reflect, in each customer segment, the expected long-term risk of current and potential credit exposures;

- adequate to avoid uncontrolled risk growth phenomena in the positive cycle phases and, conversely, an indiscriminate restriction of loans in negative cycle phases.

1.2.1 INTEREST RATE AND PRICE RISK – REGULATORY TRADING BOOK

QUALITATIVE INFORMATION

A. General aspects

“Market risks” identifies risks connected to the effects on income flows and on the economic value of the Group of unexpected changes in the level of interest and exchange rates, equity and commodities prices, as well as the relative expected volatility. For a financial intermediary, market risks represent a central component of the broader economic risk, or the risk linked to the possibility that the profit generated will differ from shareholder and management expectations.

As part of the strategies approved by the Board of Directors, the General Management of the Parent Company, supported by the Risks and ALM Committee, plays a key role in the management and control of market risks.

The General Manager of each Group Company is responsible for operating within the limits established in the “Regulation of delegated powers on financial transactions”, with the right of sub-delegation, including partially, to the various competent players, possibly after consulting with the Risks and ALM Committee.

The Risks and ALM Committee analyses the Group’s capital and financial structure, proposing management policies, taking into account the evolution of the financial markets, with respect for the restrictions imposed by the Supervisory Body and the operating limits established by the Board of Directors for the management of interest rate, price and exchange rate risk.

The Parent Company’s Integrated Treasury Office manages interest rate and exchange rate risk according to defined strategies within the scope of the delegations received. Interest rate risk is centralised within the Integrated Treasury Office through a transfer pricing system between the Integrated Treasury itself and all other Group business areas.

The internal transfer rates system is revised on an annual basis when the budget is drafted. In the guidelines for drafting the 2020 budget, the criteria for formulating internal transfer prices were kept unchanged and include the adoption of several corrective measures applied for dealing with demand items, so as to handle anomalies deriving from the current market situation characterised by negative short/medium-term rates. The criteria were deemed consistent in considering the component linked to liquidity risk generated by the individual business units, and as a result capable of making costs concerning risk assumption within the units consistent with the exposure to liquidity risk that is generated for the Group overall as well as with company policies.

The Parent Company’s Financial and Strategic Risk Office checks for respect for the risk limits and operating powers on financial transactions by means of systematic monitoring on the Group’s exposure to market, interest rate and exchange rate risks, while also monitoring the effectiveness of the procedures adopted for measuring and monitoring risks, reporting and proposing improvements.

According to the strategies adopted by the Group, in setting up and managing its own portfolio, pure trading activity and as a result the trading portfolio, is residual in nature.

B. Management procedures and measurement methods for interest rate risk and price risk

Exposure to market risks characterises, although to different extents and in different manners, both the portfolio of financial assets managed for trading purposes and the banking book.

The regulatory trading book consists of positions in financial instruments and commodities held for trading purposes or to hedge risk inherent in other elements in the same portfolio. The instruments must lack any clause limiting their negotiability or, alternatively, must be eligible for hedging.

The positions held for trading purposes are those intentionally meant for subsequent sale in the short term and/or acquired in order to benefit, in the short term, from differences between the purchase and sale price or other changes in prices or interest rates. Positions refer to positions in and of themselves as well as positions deriving from services to customers or to support trading (market making).

With reference to the methodologies for measuring market risks for the regulatory trading book, please refer to what will be described regarding the Shift Sensitivity Analysis and VaR in the section on “General aspects, management procedures and measurement methods for interest rate risk and price risk in the banking book”.

The Group measures market risk in order to determine the capital requirement by applying the standardised method.

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 Financial and Strategic Risk Office on a monthly basis during each meeting, in order to facilitate the determination of the strategies to be followed in relation to market rate fluctuation outlooks.
Within the ICAAP process set forth in the "Prudential Supervision Regulations for Banks", in order to determine internal capital against interest rate risk on the banking book, the Group relies on the methodology suggested by the Supervisory Authority in Annex C of Title III - Chapter 1 of Circular no. 285, as amended by the 32nd update of last 21 April.
Fixed-rate assets and liabilities are classified in 19 time bands based on their residual life. Variable-rate assets and liabilities are included in the various time bands based on the interest rate renegotiation date.
The items were included in the ageing report, after the appropriate mapping of the time bands, according to the criteria laid out in Circular 272 "Accounts matrix compilation manual" and in Circular 115 "Instructions for completing consolidated supervisory reporting of credit institutions".
As regards current accounts with positive balances, they are classified in the "on demand" segment, while the sum of overdraft accounts and demand deposits has been broken down as follows:

- in the "on demand" segment, conventionally, a fixed portion ("non-core component") of 25% for retail counterparties and 50% for wholesale counterparties;
- for the remaining amount ("core component") in the subsequent ten time bands (from "up to 1 month" to "4-5 years") to an extent proportional to the number of months contained in it.

Within each band, the receivable and payable positions are multiplied by the weighting factors, obtained as the product between a hypothetical change in market rates equal to the 1st percentile (reduction) or the 99th percentile (increase) of annual changes in interest rates recorded in a 6-year observation period and an approximation of the modified duration relating to the individual bands. As regards the modified duration, that chosen corresponds to the rates of return for Assets and Liabilities (see Table 2, Annex C), consistent with the average rates of the aggregates in question recorded at the end of 2019. In order to calculate the weighted net exposure by band, it is

necessary, for each band, to offset the weighted exposure of the asset positions with that of the liability positions.
In the case of the reduction scenario, the EBA floor pursuant to point (k) of the EBA Guidelines 2018/02 was applied.
With respect to the stress tests on interest rate risk, various sensitivity analyses were performed in light of changes in market rates, adopting the shock scenarios detailed in Annex III of the EBA Guidelines 2018/02.

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

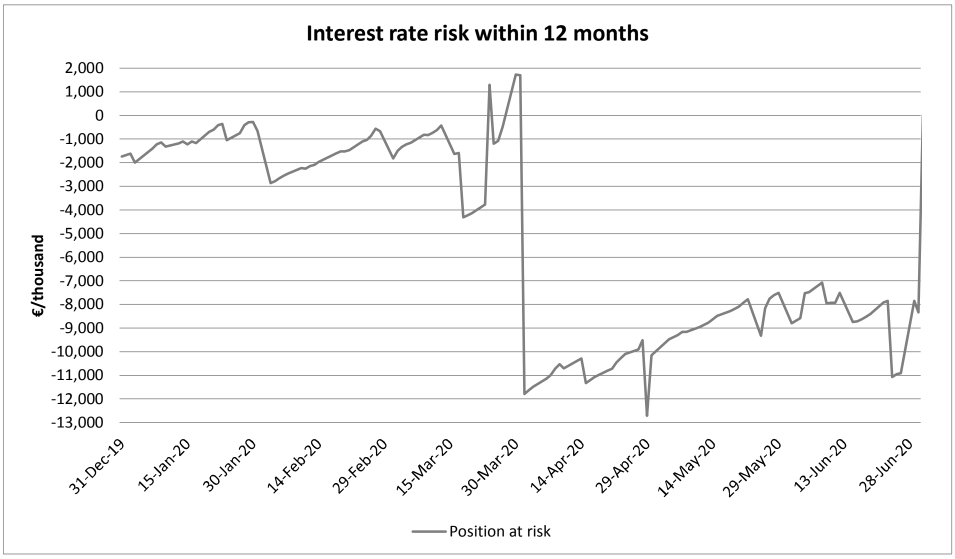
Cash flow hedge is the accounting model for the hedging of exposure to the variability of flows associated with assets or liabilities or highly likely future transactions depending on a specific risk. The risk hedged, in this case, is interest rate risk, consisting of the possibility that future changes 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.

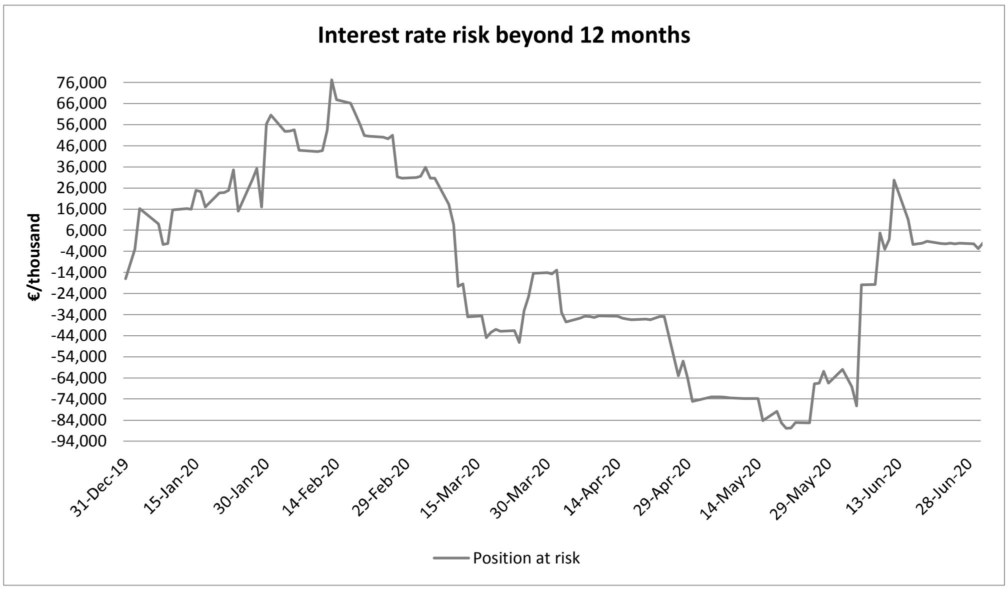
2. Banking book: internal models and other sensitivity analysis methods

SENSITIVITY ANALYSIS METHODOLOGIES

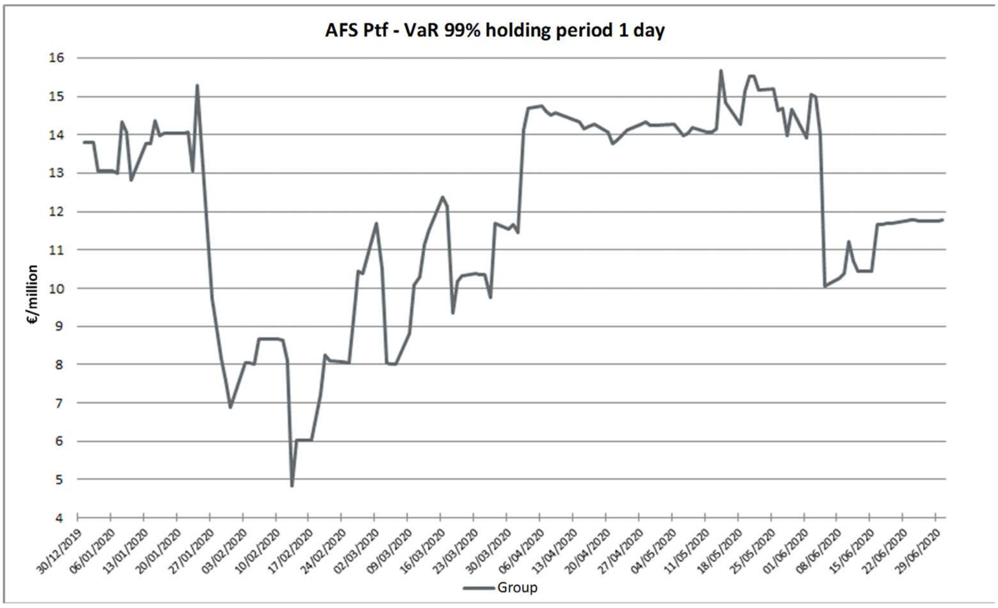
The Gap Analysis and Shift Sensitivity model, which as noted previously uses duration gap techniques, calls for the treatment of only principal flows according to the most documented practice in the market.
The value at risk within 12 months at Group level, measured through the Shift Sensitivity Analysis and based on an assumption of a parallel rate shock equal to 100 basis points, was equal to € -8.3 million as at 30 June 2020; in the course of the first half of 2020, there was an average value of € -5.3 million, with a minimum value of € -12.7 million and a maximum value of € 1.7 million.



The value at risk beyond 12 months amounted to € -2.8 million as at 30 June 2020; in the course of the first half of 2020, there was an average value of € -10.4 million, with a minimum value of € -87.9 million and a maximum value of € 77.3 million.



At the end of the first half of 2020, the historical simulation VaR calculated on the bank-owned portfolio in the held to collect and sell category amounted to € 11.8 million; in the course of the year the average value was € 11.9 million, the minimum value was € 4.8 million and the maximum value was € 15.7 million.



The control on other limits set forth in the "Regulation of delegated powers on financial transactions" of the Group Banks is performed by the Risk Control Function with the support of the platform provided by the IT outsourcer Myrios.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for 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 Financial and Strategic Risk Office, which verifies respect for the limit set by the Board of Directors and periodically provides the required disclosure to the Risks and ALM Committee.

In monitoring activities, the Group relies on the Forex module of the Obj-Fin Procedure.

In observance of the limits established by the "Regulation of delegated powers on financial transactions", the global intraday and overnight position is monitored, as defined previously, as well as the daily stop loss on the open position.

B. Hedging of 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.

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for liquidity risk

Liquidity risk is the risk that the Group may not be capable of meeting its obligations at their maturity. Liquidity risk includes the possibility that the Group Companies may be unable to maintain their payment commitments due to their incapacity to obtain new funds (funding liquidity risk) and/or the incapacity to liquidate their assets in the market (market liquidity risk) due to the existence of limits on disinvestment. Liquidity risk also includes the risk of dealing with payment commitments at non-market costs or incurring a high cost of funding and/or incurring capital losses due to the disinvestment of the assets.

Liquidity risk derives from transactions carried out with customers, Treasury operations and all other transactions required to guarantee the proper functioning of the structure overall which generate liquidity requirements.

Within the strategies and operating limits established by the Board of Directors, as well as the management guidelines of the General Manager, the Parent Company’s Integrated Treasury Office is responsible for ensuring effective and active liquidity management.

The General Management supervises and guides investment activities and ensures the effectiveness of the control oversight mechanisms in compliance with the strategies and restrictions approved by the Board of Directors, taking into account the opinions of the Risks and ALM Committee and the Group Financial Investment Policies Committee.

The Finance Function selects and manages financial investments on the basis of the delegated powers in compliance with the guidelines of its General Management and Group regulations, and develops proposals concerning the financial investment strategies and guidelines to be subjected to the analysis of the Group Financial Investment Policies Committee.

Furthermore, the Finance Function is responsible for supervising overall Group financial management, ensuring the maintenance of adequate liquidity conditions, the optimisation of the risk/return ratio of owned financial resources and the management of exposure to liquidity risk at global level.

The Risks and ALM Committee oversees the Group liquidity position and proposes suitable operating guidelines to optimise it.

The “Regulation on financial transactions” attributes management of the Group funding policy to the Parent Company’s Finance Function, with different levels of delegation and within the approved credit lines.

During the year, alongside retail funding which represents its main form of financing, the Group made recourse to the “interbank” market using different channels: primarily refinancing at the European Central Bank and to a lesser extent institutional fundraising carried out in the government security repurchase agreement segment in the MTS market and repurchase transactions with institutional counterparties. 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 Financial and Strategic Risk Office performs systematic controls over the liquidity position and the breakdown of the bank-owned portfolio, providing adequate disclosure to the General Management and the Risks and ALM Committee.
The proper management and adequate monitoring of company liquidity also involves processes, instruments and methodologies that embrace distinct areas represented by operating liquidity, structural liquidity and strategic liquidity.

Aware of this, the Group has adopted specific "Group Liquidity Policies" with a view to establishing principles and guidelines for the efficient and effective management of its liquidity, in order to respect Supervisory and internal regulations. The Policy calls for the definition of liquidity risk tolerance thresholds and a system of operational risk indicators in order to monitor the evolution of liquidity risk over time, as well as promptly identify the emergence of vulnerabilities in this area.

As concerns the framework of company liquidity, the regulatory ratios established by Basel 3 recorded values equal to 244.39% and 186.73%, 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 30 June 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 Financial and Strategic Risk Office of a Liquidity Report

structured on the model of a maturity ladder, in order to evaluate the balance of expected cash flows within a 12-month timeframe. According to that model, assets and liabilities are mapped within each individual time band on the basis of the relative date of maturity, understood as the date of the individual cash flows set forth in the contract, or of possible liquidation. The trend of the gaps accumulated on the various time bands allows for the monitoring of the current and outlook liquidity situation.

Alongside this verification, reports are also developed which contemplate stress scenarios; these analyses illustrate the evolution of the liquidity position following the occurrence of events of tension and crisis at specific or systemic level.
As part of the ILAAP, in line with the Recovery Plan the Group also developed financial stress scenarios particularly taking into consideration the EBA guidelines on the matter and, in the definition of the level of severity of the scenarios, also using a reverse stress testing process.
Strategic liquidity management constitutes an integral part of the three-year development plans prepared with the participation of all management functions.
The constraint of balanced growth in loan and deposit volumes to safeguard the Group's financial position, considered a strategic objective, continues to be adequately addressed in the guidelines relating to the Group's 2019-2021 Strategic Plan and in the 2020 Budgets of the individual Group Companies.
The effective achievement of the pre-established targets is periodically verified by the Parent Company's Planning and Management Control Office through dedicated reports brought to the attention of the Top Management.

Alongside the liquidity position surveillance tools described above, as also laid out in the liquidity policy, the Group adopts risk mitigation tools, including the emergency plan (Contingency Funding and Recovery Plan). The CFRP establishes the strategies for counteracting liquidity deficits in emergency situations, and identifies the policies to be enacted in stress scenarios, indicating the responsibilities and the procedures to be followed.

The Group, aware of the central role of company liquidity management, is constantly committed in that regard with a view to further developing and refining the instruments currently used and, more generally, the entire company process of governing and managing liquidity risk, in line with the orientations seen internationally and with the provisions on the matter of liquidity dictated by prudential regulations.

INFORMATION RELATING TO THE SECOND MULTI-ORIGINATOR SECURITISATION TRANSACTION

On 15 March 2017, the Parent Company Cassa di Risparmio di Asti S.p.A. and the subsidiary Biverbanca S.p.A. carried out the second multi-originator securitisation transaction, with the special purpose vehicle Asti Group PMI S.r.l., with registered office in Rome, via Eleonora Duse no. 53, registered in the list of special purpose vehicles established pursuant to art. 4 of the measure issued by the Bank of Italy on 29/04/2011 at no. 33533.0.

The transaction has a revolving structure, which entails the issue by the SPV of notes with defined amounts and maturities against a portfolio of assets with variable amounts and maturities. This structure includes two distinct periods: the revolving period, during which the subscribers of notes receive a series of cash flows by way of interest, while the principal repayments attributable to them are used by the vehicle to acquire new loans with analogous characteristics, in order to maintain a constant level of assets to support investors, and the amortisation period, during which the loan interest flows continue to be used for the payment of interest on the bonds and operating expenses; the principal attributable to investors is used to repay the notes.

The transaction took place through the non-recourse transfer to the SPV of variable, fixed, option and bullet commercial, unsecured and mortgage loans and loans with "greater guarantee" mortgage, belonging to the "performing" and unsubsidised category, held by sole proprietorships, companies or natural persons with professional activity or natural persons connected to companies, for an initial total of € 1,185,339 thousand (of which € 856,772 thousand of Cassa di Risparmio di Asti S.p.A. and € 328,567 thousand of Biverbanca S.p.A.). The loans were transferred at their carrying amount. In this transaction, the SPV engaged Cassa di Risparmio di Asti S.p.A. as master servicer and Biverbanca S.p.A. as sub servicer.

Against the mortgages transferred, notes were issued for € 1,185,339 thousand, entirely repurchased by the originators Cassa di Risparmio di Asti S.p.A. and Biverbanca S.p.A. The amount was settled on 15/03/2017 through offsetting with the transferred loans. On the notes issued by the SPV, the established repayment plan has been determined on the basis of the amortisation of the transferred loans and the conditions set forth in the Offering Circular.

The general aim of the securitisation transactions is to diversify the sources of funds and/or funding pools.

The second multi-originator securitisation is a "self-securitisation" transaction: the relative notes, issued and not sold to institutional investors, but directly repurchased by the multi-originator Banks, are financial instruments usable as collateral in refinancing transactions with the European Central Bank and provide the Banks with a liquidity reserve available for short-term ordinary operations and to handle temporary unexpected financial needs, which could arise from cash flow imbalances or the current situation in the financial markets.

Type of Note	Rating as at 31/12/2018 Moody's/DBRS	Rate	Date of issue	Expected maturity date	Value of issue	Amount repaid as at 30/06/2020	Residual value as at 30/06/2020
Class A	A2/AH	3M Euribor + 0.75%	15/03/2017	31/10/2082	700,000	0	700,000
Class B	no rating	3M Euribor + 1.50%	15/03/2017	31/10/2082	485,339	0	485,339
Total					**1,185,339**	**0**	**1,185,339**

The notes repurchased by Cassa di Risparmio di Asti S.p.A. amount to € 856,772 thousand and by Biverbanca S.p.A. to € 328,567 thousand.

Like the other transactions, also in the eighth securitisation, a loan with limited enforceability was disbursed for € 31,850 thousand (€ 23,027 thousand by Cassa di Risparmio di Asti S.p.A. and € 8,823 thousand by Biverbanca S.p.A.), crediting the following amounts to the SPV:

- € 14,000 thousand for the Cash Reserve, broken down as follows: € 10,122 thousand for Cassa di Risparmio di Asti S.p.A. and € 3,878 thousand for Biverbanca S.p.A.;
- € 17,800 thousand for the cash reserve called the Set-off Reserve, broken down as follows: € 12,869 thousand for Cassa di Risparmio di Asti S.p.A. and € 4,931 thousand for Biverbanca S.p.A.;
- € 50 thousand for the provision for operating expenses, broken down as follows: € 36 thousand for Cassa di Risparmio di Asti S.p.A. and € 14 thousand for Biverbanca S.p.A.

The full repayment of the cash reserve and the provision for expenses will take place based on available financial resources at the time of full repayment of the notes.

For this securitisation transaction, there is no rate hedging through swap transactions.

The SPV determines the excess spread on a quarterly basis, which is equal to the algebraic sum of interest income relating to loans collected during the period less, in order of priority, tax charges, vehicle management costs and interest expense relating to the bond loans paid during the same period.

The excess spread (additional remuneration on B class notes) will be paid in full by the SPV to the originators, based on available financial resources, when the notes are repaid; at 31 December 2019, it amounts to € 32,244 thousand for Cassa di Risparmio di Asti S.p.A. and € 12,550 thousand for Biverbanca S.p.A. In the course of 2019, the SPV began to pay the additional remuneration, amounting to € 6,775 thousand for Cassa di Risparmio di Asti S.p.A. and € 2,603 thousand for Biverbanca S.p.A.

As at 31 December 2019, the Group Banks essentially retain the credit risk connected to the securitised loans, which the Group Banks continue to value by recognising in dedicated provisions the estimated loss in value, aside from the counterparty risk relating to the cash reserves and the provision for expenses disbursed to the vehicle and the excess spread to be collected.

The securitised loan assets were recognised in these financial statements under the item "Loans and advances to customers" in the amount of € 840,486 thousand for Cassa di Risparmio di Asti S.p.A. and € 278,388 thousand for Biverbanca S.p.A.

The financial liabilities for securitised loans are recognised in "Deposits from customers" in an equal amount.

The securitisation income and expenses recognised in these financial statements are as follows:

Income		Expenses	
interest income generated by securitised assets	28,870	interest expense on notes issued	8,586
		servicing fee expense	1,151
		other expenses	759
		losses on loans	34
Total	**28,870**	**Total**	**10,530**

The valuation of the securitised loans at their presumed realisable value entailed the recognition of € 14,876 thousand in overall value adjustments on the principal for Cassa di Risparmio di Asti S.p.A. and of € 3,591 thousand for Biverbanca S.p.A.

Interest income on repurchased notes, amounting to € 12,974 thousand for Cassa di Risparmio di Asti S.p.A. and € 4,981 thousand for Biverbanca S.p.A., was fully allocated against a reduction in interest expense on the notes issued.

INFORMATION RELATING TO THE MANU SECURITISATION TRANSACTION

On 26 February 2018, the company entered into a 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 € 250 million, with a 24-month ramp-up period.
The loan transfers took place through the payment of an acquisition price "at par", with the subsequent valuation of the loans at fair value in accordance with IFRS 9 and the relative business model defined.
The acquisition price of each loan portfolio, plus the cash reserve, is financed through the issue of notes, with a "partly paid" structure, broken down into three classes:

- 83.2% "Senior" Notes (Class A Asset Backed);
- 7.9% "Mezzanine" Notes (Class B Asset Backed);
- 8.9% "Junior" Notes (Class J Asset Backed).

At the issue date, the Senior notes were entirely subscribed by "Duomo Funding PLC" (company established under Irish law and conduit platform of the "Intesa Sanpaolo" Group), while the Mezzanine and Junior notes were entirely subscribed by Pitagora.
The ramp-up period was subsequently extended to 27 June 2021 for a total maximum value of € 300 million.

On 26 February 2018, the subsidiary Pitagora S.p.A. entered into a new non-recourse monthly loan transfer agreement with the special purpose vehicle Manu SPV S.r.l., as part of a new securitisation transaction without derecognition, for a total maximum value of € 253 million, with a 24-month ramp-up period.

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods for operational risk

Operational risk is defined as the risk of suffering from losses deriving from inadequacies, malfunctioning or gaps in internal processes, human resources or systems, or due to external events. This risk encompasses "legal risk" (risk resulting from infringements or from failure to comply with laws or regulations, or poor transparency as regards the legal rights and duties of the counterparties to a transaction) and "conduct risk" (risk of losses due to the inappropriate offer of financial services and the related legal costs, including cases of conduct that are intentionally inadequate or negligent). This risk also includes, inter alia, exposure to fines, financial sanctions or penalties deriving from measures taken by the Supervisory Authority, or private settlements.

The Internal Control System constitutes a fundamental element of the overall Group Company governance system, which has as its primary objective that of guaranteeing that company operations are inspired by principles of sound and prudent management and that they are aligned with approved strategies, the policies adopted and the risk appetite.

In recent years, consistent with the guidelines contained in the Strategic Plan and in the other planning documents, the Group has developed various activities to mitigate operational risk, which have made it possible to a) increase the effectiveness and degree of coverage of first-level controls to mitigate operational risks, introducing a system for monitoring them, b) define an organisational model for operational risk control.

Over the years, also through specific organisational projects, the Internal Control System was gradually implemented to integrate within it the principles introduced with the 11th update of Bank of Italy Circular 285/2013 and, more specifically, with a view to developing, formalising within Group Policies and fully implementing an integrated methodology for the assessment of operational, compliance and reputational risks; this assessment is performed in terms of Potential Risk (i.e., assuming the absence of controls) and in terms of Residual Risk (i.e., taking into account existing controls and their concrete functioning).

In 2019, with a view to increasing integration, activities continued in order to improve the IT platform through which the Control Functions share the databases useful for integrated risk and control management and the relative verifications.

The organisational model adopted provides for active and systematic interaction between the Parent Company's Operational Risk, IT Risk and Data Quality Office (which performs centralised functions for the entire Group scope) and the Organisational Units of the Sales Network and the central structure of the Group Companies, in particular through the periodic performance of Risk Self Assessment activities; this interaction is intended to update the Risk and Control Map, continuously refine existing controls, ensure their greater effectiveness and, in general, improve the efficiency of company processes.

The Parent Company's Operational Risk, IT Risk and Data Quality Office also periodically performs monitoring on specific areas as well as verifications on the

accurate and precise performance by Group Bank Organisational Units of the first-level controls established; this takes place through dedicated questionnaires which the structures are called upon to complete directly with the use of suitable IT tools. The information obtained in this manner contributes, within the assessment methodology, to the proper determination of Residual Risk values.
The activity aimed at strengthening remote controls works in close connection with what was described above. In order to identify anomalous phenomena or potential areas of risk, the Internal Audit Function has set up an IT system which extracts data from company archives, processes them and aggregates them by individual party or reference relationship and assigns a risk assessment on a quantitative scale through the attribution of a score. The intent is to focus attention on anomaly indicators and intervene with corrective measures before the situation of potential risk can be aggravated and give rise to operational losses.
In parallel, on a half-yearly basis, the Parent Company’s Operational Risk, IT Risk and Data Quality Office surveys and analyses the data of operational losses incurred, which are used as input for an internal database structured on the basis of the DIPO (Italian Database of Operational Losses) layout.
The duties of identifying and reporting losses are assigned to the Managers of the central structure organisational structures which, based on their responsibilities and organisational roles, have the information required to populate the database; the Parent Company’s Operational Risk, IT Risk and Data Quality Office analyses the evidence collected, classifies it and checks for its correspondence with the accounting results.
The final output of this activity consists of the periodic compilation of a matrix in which the gross and net actual losses identified during the period under examination are classified on the basis of the relative type of generating event, the original time period and the company process in which they emerged.

From the outbreak of the Covid-19 health emergency (February 2020), to deal with the epidemiological situation linked to the spread of the virus, the Group took a series of measures to limit it.
Even before the emergency began, the Group formalised fundamental instructions for reducing the risk of contagion. Subsequently, the instructions were gradually supplemented as the various Prime Ministerial Decrees were issued for the purpose of combatting and limiting the spread of the Covid-19 virus throughout the country.
Pursuant to the Joint Government and Social Parties Protocol, with the technical support of the Head of the Prevention and Protection Department, the collaboration of the company physicians, to the extent of their responsibilities, and with the involvement of the Workers’ Safety Representatives, the “Banca Unica company protocol laying out measures to combat and limit the spread of the Covid-19 virus in the workplace” was drafted, with details on the measures and procedures adopted. In order to monitor the proper incorporation and adoption of the protocol, a dedicated Commission was established, including the Employer, the Head of the Prevention and Protection Department, the Workers’ Safety Representatives and the company physicians.

As regards recourse to smart working methods, in line with the provisions issued over time as the epidemiological emergency continued, the Group created a significant infrastructure and new user activation plan to favour broad and widespread recourse to remote working as an effective measure to reduce possibilities of contact in the workplace.
This was accompanied by an acceleration of the implementation of services available in remote mode and through electronic services, in order to boost the possibilities for customers to access the products/services provided by the Group while limiting possibilities of contact in the Branch.

An additional operational risk mitigation tool is represented by the Business Continuity Plan, launched by the Parent Company in 2007 and which was updated in 2019 in line with the provisions of regulations in force on the matter.

The emergence of the Covid-19 lock-down, an unprecedented step in terms of the classic crisis scenarios contemplated by the analyses performed for business continuity and marked by unique elements (extended duration of impact, extension of the geographical area concerned, direct impact on customer conduct before infrastructure, simultaneous/partial addition/overlapping of multiple possible crisis scenarios) underscored the need to appropriately supplement the analyses intended to prepare business continuity measures to take these new factors into account.

On this basis, the review of the Business Continuity Plan launched in the first half of the year, which is currently under way, is taking place with the objective of remodulating the crisis scenarios contemplated and effectively outlining the countermeasures established, taking into account both the indications provided over time by the Supervisory Authority and the experience gained in the first half of the year while managing the acute phase of the crisis.

Business continuity refers to the set of all initiatives aimed at reducing, to a level deemed acceptable, the damages ensuing from any accidents and catastrophes that may directly or indirectly strike the company.
The management of Business Continuity is broken down into two phases: the first consists of carrying out the Business Impact Analysis (B.I.A.) in line with the methodology proposed by AbiLab, the objective of which is to identify the level of criticality of processes with a view to business continuity; the second phase regards drafting the Business Continuity Plan.
The Disaster Recovery Plan is an integral part of the Business Continuity Plan, and establishes the technical and organisational measures aiming to handle events which could lead to the unavailability of data processing centres, in order to allow for the functioning of significant IT procedures at alternative sites.
Further operational risk mitigation is performed by the Group Companies through insurance coverage taken out from major Insurance Companies.
The policies taken out provide adequate coverage in terms of third-party liability and with respect to service providers, as well as on damages to infrastructure that is owned, under lease or in use, in addition to the information technologies of Group Companies.

QUANTITATIVE INFORMATION

With respect to the sources in which operational risk arises, the percentage breakdown of the losses suffered by the Group Banks is described below by type of event, according to the Supervisory Authority classification:

- internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the Bank;
- external fraud: losses due to fraud, embezzlement or violation of laws by subjects external to the Bank;
- employment relationship and occupational safety: losses arising from actions in breach of employment, occupational health and safety laws or agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal treatment;
- customers, products and professional practices: losses arising from fulfilment of professional obligations to customers or from the nature or characteristics of the product or service provided;
- losses resulting from external events: losses arising from external events, such as damage to company assets, legislative, political and fiscal changes and natural disasters, acts of terrorism and vandalism;
- interruption of operations and malfunctioning of systems: losses due to business disruption or system failures and disruptions;
- process execution, delivery and management: losses arising from operational and process management shortfalls, as well from transactions with business counterparties, vendors and suppliers.

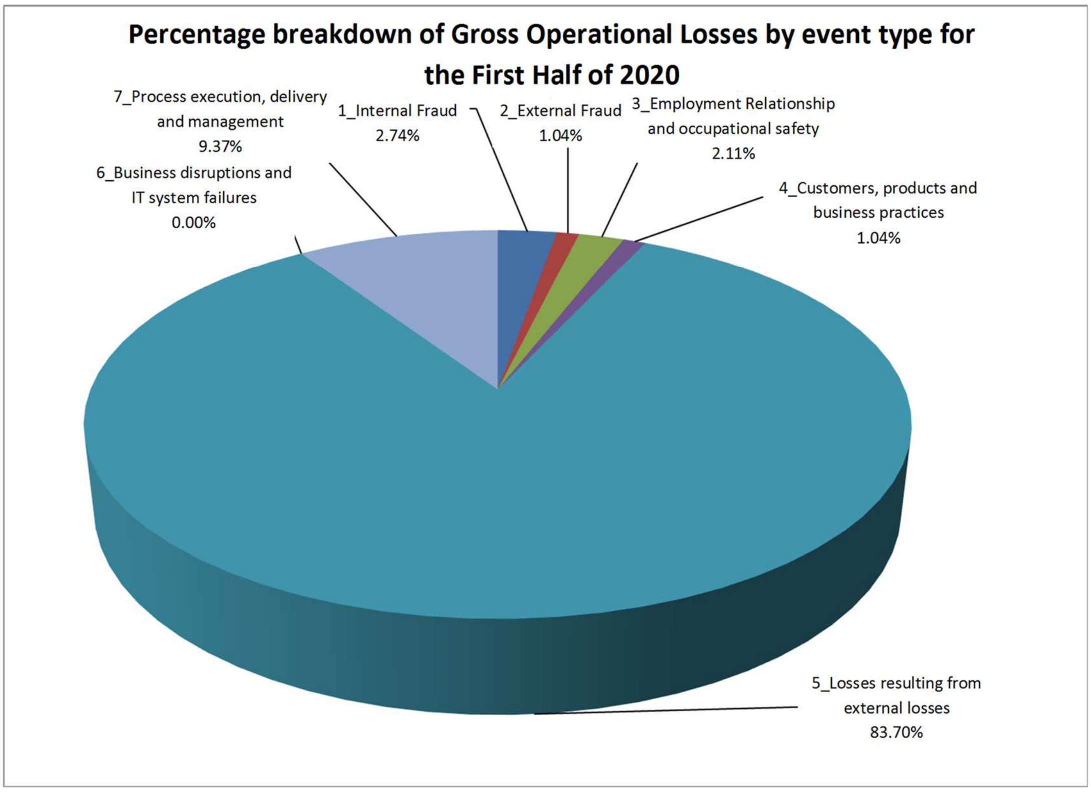
The analysis was performed with reference to events that entailed losses in gross amounts of at least € 1,000.

As of 2015, in order to generate a more precise and timely report, the analysis took into consideration not only operational losses that caused cash outflows during the year, but also estimated losses and provisions, in addition to recovery estimates.

The collection of Operational losses in Pitagora is performed on the basis of the methodology adopted by the Group Banks, obviously keeping in mind the specific nature of the Company’s business model and its organisational structure.

Based on the allotment of the losses suffered in the first half of 2020 to the different event types, the weight of the item “Losses from external events” was significant, containing the provisions recognised in Pitagora relating to the principles of the new Bank of Italy guidelines issued in December 2019 regarding the early repayment of loans. The impact of prudential provisions, linked especially to the Company Pitagora, has a significant weight on the total.

The chart below summarises the breakdown of gross operational losses of the Group Companies in the first half of 2020.



Overall, the historical trend of operational risk remains limited and activities are constantly carried out to perfect the organisational and control oversight mechanisms.

Prevention and Protection Department

During the year 2020, the Prevention and Protection Department continued its revision and updating of the Risk Assessment Documents, already previously developed for the Agencies, Branches and the Head Office, in compliance with what is required under Italian Legislative Decree 81/2008 as amended.

The newly opened Desenzano branch and the Milan, Turin 2 and Turin 3 branches, which were subject to renovations, were controlled and analysed in terms of workplace safety. For these branches, the Risk Assessment Document was prepared in addition to the fire evacuation maps.

During the year, inspections were not conducted as the development of the Covid-19 pandemic did not allow for the performance of joint inspections with the Workers' Safety Representative and company physicians in sufficiently safe conditions.

Following the developments relating to the Covid-19 emergency, the PPD, along with the Technical Offices and the responsible bodies, supported and worked alongside the Bank in establishing the "Operating Committee for the management of business continuity", which very attentively monitored the evolution of the situation. The Committee was tasked with applying and verifying respect for regulations in force and the actions taken by the Bank.

In this regard

- the "Banca Unica company protocol laying out measures to combat and limit the spread of the COVID-19 virus in the workplace" was drafted.
- everyone about to enter the company (employees, customers, suppliers, etc.) received information in both electronic and hard copy format.
- dedicated company memos with information about Covid-19, treatment and prevention measures were drawn up. At the Head Office, two thermoscanners were installed to check the body temperature of employees prior to entering the workplace.
- masks, antibacterial soap and hand sanitiser was made available to colleagues. Totems with disinfectant gel were installed for customers near the entries to the Head Office and Agencies/Branches.
- window decals were affixed at the entries to the Head Office and all agencies/branches reminding visitors of the health and hygiene obligations to be met to limit the spread of the COVID-19 virus.
- protective dividers were installed in all office workstations at the Head Office and in all Agencies/Branches with an interpersonal distance of under 1 metre.
- broad and widespread recourse to smart working was encouraged.

The Bank devotes particular attention to cleaning offices, walkways and common areas. In this regard, the cleaning service was increased to daily frequency, using adequate products, both at the head office and in the Agencies/Branches. Sanitisation interventions were carried out at certain branches where the presence, even suspected, of cases of Covid had been reported. Air conditioning and/or ventilation systems are periodically sanitised.

The company physician, in collaboration with the Employer, the Head of the Prevention and Protection Department and the Workers' Safety Representative, guaranteed the continuation of health surveillance, with a particular focus on workers with various conditions of vulnerability. Measures were planned for the management of a symptomatic person in the company and for the reintegration of workers after being infected with Covid-19.

Collaboration continued between the company physicians and the University of Turin's Labour Psychology department for the analysis of the psychological consequences deriving from exposure to the risk of robbery. In the first half of the year, the working group of the University of Turin and the company physicians did not hold meetings for the analysis of the psychological consequences of exposure to robberies.

In the first half of 2020, four employee accidents were recorded; none can be associated or linked with structural deficiencies or a non-compliant organisation of working activities.

Currently, 6 attempted robberies have been recorded, resulting in damages to the branch in Castagnole delle Lanze, Cambiano, Orbassano, Portacomaro Stazione and Refrancore while, for the Segrate branch, there were no structural damages.

As regards the training activity required under art. 37 of Italian Legislative Decree 81/2008 as amended, according to the data provided by the Personnel Office, a total of 3,599.5 hours of training were provided.

Italian Legislative Decree no. 231/2001

Regulations on the administrative liability of legal entities

The functions of the Supervisory Body established pursuant to Italian Legislative Decree 231/2001 are assigned to the Board of Statutory Auditors, in compliance with the provisions of art. 6 of Italian Legislative Decree 231/01 as well as the Prudential Supervision Regulations of the Bank of Italy (Circular 285/13 - Title IV - Chapter 3).

In the course of the first half of 2020, the Supervisory Body continued its detailed analysis and the verification, by examining the periodic reports that the Heads of the various Company Functions are required to send pursuant to the Regulation on information flows, of the organisational oversight mechanisms for the prevention of offences relating to the areas falling within the scope of interest of the regulation. Specific controls were also put into place concerning certain risk areas. In performing these activities, the "231/2001 Risk-offence mapping", an integral part of the Organisational Model - Special Part, has been particularly useful as it makes it possible to contextualise the protocols defined by the Bank within company operations, in order to have overall tracking available of the risks of offences that impact the business organisation. No critical issues worthy of note emerged from the overall activities performed.

IT risks and Italian Legislative Decree no. 196 of 30 June 2003

The 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 Bank. The accuracy of the description of the outsourcer's control environment, the adequacy of the control design and the operating effectiveness of the controls themselves are periodically audited by independent auditors according to the procedures set forth in the "ISAE" 3402 - Type II International Standard.

The installation and management of other application packages used is directly overseen by the Structures identified as Owners of the relative processes, under the supervision of the ICT Function.

The security levels of the information system under the direct responsibility of the Bank 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 the first half 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 Function and the applications created internally, recognising in general low levels of exposure to threats and high levels of effectiveness of the countermeasures in place.

With reference to the provisions on personal data processing set forth in EU Regulation 2016/679 in force as of 25 May 2018 and Italian Legislative Decree 196/2003 as amended, the main activities required for their adoption were completed, specifically with the adaptation of internal regulations, the implementation of the Processing Register and personnel training.

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.

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

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 € 828,878 as at 30 June 2020. The shareholders' equity values relating to Other companies refer to the special purpose securitisation vehicles.

The Group's total Own Funds, which under the previous regulations constituted Regulatory Capital, amounted to € 1,024,537 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	132,883	0	24	0	132,907
4. Equity securities	0	0	0	0	0
5. (Treasury shares)	-8,548	0	0	0	-8,548
6. Valuation reserves:	-18,497	0	0	0	-18,497
- Equity securities designated at fair value through other comprehensive income	29,814	0	0	0	29,814
- Hedging of equity securities designated at fair value through other comprehensive income	0	0	0	0	0
- Financial assets (different from equity securities) at fair value through other comprehensive income	-12,144	0	0	0	-12,144
- 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	-20,761	0	0	0	-20,761
- 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)	1,409	0	0	0	1,409
- Actuarial gains (losses) on defined benefit pension plans	-16,815	0	0	0	-16,815
- Portion of valuation reserves from investments valued at equity method	0	0	0	0	0
- Special revaluation laws	0	0	0	0	0
7. Profit (Loss) for the period (+/-) attributable to the group and minority interests	7,082	0	0	0	7,082
Shareholders' equity	**828,794**	0	**84**	0	**828,878**

PART F
INFORMATION
ON SHAREHOLDERS'
EQUITY

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

B.2 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: BREAKDOWN	Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
Asset/amounts	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,622	21,842	0	0	0	0	0	0	1,622	21,842
2. Equity securities	30,045	232	0	0	0	0	0	0	30,045	232
3. Loans	8,076	0	0	0	0	0	0	0	8,076	0
Total 30/06/2020	**39,743**	**22,074**	**0**	**0**	**0**	**0**	**0**	**0**	**39,743**	**22,074**

2.1 Own Funds

A. QUALITATIVE INFORMATION

Own Funds were calculated on the basis of the provisions, applicable as of 1 January 2014, set forth in Regulation no. 575/2013/EU (CRR), relating to prudential requirements for credit institutions, and in Directive 2013/36/EU (CRD IV), on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
In order to implement the application of these EU regulations, in December 2013 the Bank of Italy issued Circular 285 "Prudential supervision regulations for banks" and Circular 286 "Instructions for preparing prudential supervision reports". Circular 285 also establishes the methods for exercising the national discretion attributed by the EU regulations to the national authorities.

The positive elements constituting Own Funds are fully available to the Group.

Starting from 1 January 2018, IFRS 9 "Classification, measurement and impairment of financial instruments" was adopted; the Group decided to rely on the opportunity to apply the transitional adjustment relating to IFRS 9 set forth in article 473 bis of the CRR according to the "static approach". This approach consists of the possibility of sterilising, in a progressively decreasing manner for a 5-year transitional period (from 2018 to 2022), the impact on Own Funds and on capital ratios which the first-time adoption (FTA) of the standard had in terms of higher adjustments on loans.

Own Funds consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.

1. Common equity Tier 1 (CET1)

Common Equity Tier 1 includes capital paid, share premiums and reserves and the extent of profit for the year not subject to distribution.
The aggregate is valued by deducting the limit on the buy-back of treasury shares authorised by the Bank of Italy and applying the deductions relating to intangible assets net of the related deferred tax liabilities; deferred tax assets based on future profitability which do not derive from temporary differences are also deducted.
The prudential filters referring to the regulatory adjustments of the carrying amounts of the valuation reserve generated by cash flow hedges and the result of changes in own creditworthiness 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.

Please note that the Group has not issued innovative capital instruments.

2. Additional Tier 1 (AT1) capital

The Group has no Additional Tier 1 capital.

3. Tier 2 (TIER2 - T2) capital

Tier 2 capital is represented by eligible instruments issued by the subsidiary Pitagora, as well as hybrid equity securities, considered net of the buy-back limit authorised by the Bank of Italy.

This last type of instrument refers to subordinated bonds eligible for calculation, with repayment in a single instalment at the maturity date, placed in 2015.

On 19 June 2019, the Bank of Italy, following the conclusion of the periodic supervisory review and evaluation process (SREP), notified the Parent Company with a final measure of its decision on the basis of which it was established that the Cassa di Risparmio di Asti Group must hold, in addition to the minimum regulatory requirements (4.5% for CET1, 6% for Tier 1 and 8% for total Own Funds) additional capital proportionate to its risk exposure. The Supervisory Authority determined an expectation for the continuous maintenance of the following capital levels at consolidated level, inclusive of the additional requirements determined following the SREP, a Target component against higher risk exposure in stress conditions and the capital conservation buffer for 2019 equal to 2.5%; 9.5% for the CET1 Ratio, 11% for the TIER1 Ratio and 13% for the Total Capital Ratio.
The consolidated capitalisation indicators as at 30 June 2020: CET1 Ratio and TIER1 Ratio of 13.98% and Total Capital Ratio of 16.96% are significantly higher than the requirements specified above.

Instruments eligible for calculation in Tier 2 (TIER2-T2) capital:

Subject to transitional provisions (grandfathering)	Issuer	ID Code	Amount calculated in own funds (€/thousand)	Nominal value of the issue (€/thousand)	Date of issue	Maturity date
No	Banca C.R. Asti SpA	IT0005117111	78,356	80,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117129	63,746	65,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117137	24,220	25,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005117376	18,979	20,000	29/06/2015	29/06/2025
No	Banca C.R. Asti SpA	IT0005222093	1,239	30,000	09/12/2016	09/12/2026

(Continued)

Currency of issue	Interest rate	Contractual provision of repayment plan with periodic amortisation (Yes/No)	Initial date of amortisation	Characteristics of the amortisation plan	Any additional early repayment clauses set forth in the contract (Yes/No)	Book value (€/thousand)
EUR	Fixed deferred gross half-yearly interest on the nominal value at the gross annual rate of 4.00% The bonds pay a gross half-yearly coupon payable on 29 June and 29 December of each year.	No			No	78,421
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	65,650
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	24,237
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	18,950
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 30/06/2020	Total 31/12/2019
A. Common Equity Tier 1 (CET1) before application of prudential filters	819,526	807,946
of which CET1 instruments subject to transitional provisions	0	0
B. CET1 prudential filters (+/-)	18,836	20,157
C. CET1 gross of items to be deducted and transitional regime effects (A+/-B)	838,362	828,103
D. Items to be deducted from CET1	171,120	173,105
E. Transitional regime – Impact on CET1 (+/-), including minority interests subject to transitional provisions	**177,351**	**208,471**
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	844,593	863,469
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	0	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)	**0**	**0**
M. Tier 2 (T2) gross of items to be deducted and transitional regime effects	187,847	188,001
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)	**179,944**	**180,098**
Q. Total Own Funds (F + L + P)	**1,024,537**	**1,043,567**

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	
	Total 30/06/2020	Total 31/12/2019	Total 30/06/2020	Total 31/12/2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	**13,919,986**	**13,502,697**	**5,304,202**	**5,697,843**
1. Standardised approach	13,919,986	13,502,697	5,291,326	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	12,876	3,673
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**424,336**	**455,827**
B.2 Credit valuation adjustment risk			**3,222**	**3,031**
B.3 Settlement risk			**0**	
B.4 Market risks			**269**	**310**
1. Standardised approach			269	310
2. IRB approach			0	
3. Concentration risk			0	
B.5 Operational risk			**55,571**	**55,571**
1. Basic approach			55,571	55,571
2. Standardised approach			0	0
3. Advanced approach			0	0
B.6 Other calculation elements			**0**	**0**
B.7 Total capital requirements			**483,398**	**514,739**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**6,042,481**	**6,434,242**
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			**13.98%**	**13.42%**
C.3 Tier 1 capital/Risk-weighted assets (Total capital ratio)			**13.98%**	**13.42%**
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio)			**16.96%**	**16.22%**

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

	2,096
a) short-term benefits for employees and directors	1,849
b) post-employment benefits	57
c) other long-term benefits	28
d) termination indemnities	0
e) share-based payments	0
f) other compensation	162

Item f) refers to the compensation of the Board of Statutory Auditors.

2. Information on related-party transactions

In implementation of CONSOB Regulation no. 17221 of 12 March 2010 and Title V, Chapter 5 of the New Regulations for the Prudential Supervision of Banks (Bank of Italy Circular no. 263 of 27 December 2006), the Board of Directors approved the "Regulations for Related Party and Associated Party Transactions".

Related parties are as follows:

- all parties that directly or indirectly, even through Subsidiaries, trust companies or third parties:
    a. control the Group, are controlled by it, or are controlled by the same party/ies that control the Group;
    b. hold an equity investment in the Group that makes it possible for them to exercise a Significant Influence;
    c. exercise control over the Bank together with other parties.
- the Associated Companies of the Group;
- the Joint Ventures the Group is a party to;
- Key Management Personnel of the Group and of Fondazione Cassa di Risparmio di Asti, or:
    a) the members of the Board of Directors
    b) the members of the Board of Statutory Auditors
    c) the General Manager
    d) the Deputy General Manager of the Bank and the Manager Responsible for preparing the financial reports (if appointed)
    e) the members of the Steering Committee and the Board of Directors of Fondazione Cassa di Risparmio di Asti
    f) the members of the Board of Statutory Auditors of Fondazione Cassa di Risparmio di Asti.

g) the General Manager of Fondazione Cassa di Risparmio di Asti

- the Close Family Members of one of the parties set out in point a) (if applicable) or d);
- the entities in which one of the parties set out in point d) or e) exercises Control, Joint Control or Significant Influence or directly or indirectly holds a significant stake, in any event of no less than 20% of the voting rights;
- collective or individual, Italian or foreign supplementary pension funds set up for employees of the Bank or of any other entity correlated thereto, in the amount in which those funds were established or promoted by the Bank or in the event that the Bank may influence their decision-making processes (which include the "Fondo Pensione Integrativo" (Supplementary Pension Fund) for the Personnel of Cassa di Risparmio di Asti S.p.A. and the "Fondo Pensione Complementare" (Supplementary Pension Fund) for the Personnel of Cassa di Risparmio di Asti S.p.A.).

Related-Party Transactions in the first half of 2020 are shown below:

	ASSETS	LIABILITIES	SHARES	UNSECURED LOANS	CREDIT LINE MARGINS	INTEREST INCOME AND FEES AND COMMISSION INCOME	INTEREST EXPENSE AND FEES AND COMMISSION EXPENSE	DIVIDENDS	OTHER INCOME	OTHER ADMINISTRATIVE EXPENSES
Fondazione Cassa di Risparmio di Asti (a)	0	8,608	115,728	0	0	0	26	0	52	0
Subsidiaries (a)	624	0	0	0	75	0	0	0	0	0
Companies exercising Significant Influence (a)	726	24,206	98,608	0	0	8	59	0	0	0
Officers (d)	767	5,555	227	1	90	6	27	0	0	399
Other Related Parties (e, f)	24,679	71,926	181	7,227	10,170	587	188	0	23	400
Pension Plans (g)	0	92,490	785	0	0	0	89	0	0	69
TOTAL	**26,796**	**202,785**	**215,529**	**7,228**	**10,335**	**601**	**389**	**0**	**75**	**868**

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 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	30 06 2020	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
ASSETS					
Financial assets	1,403,794	0	1,403,325	0	469
Financial assets measured at amortised cost	11,240,988	6,234,327	4,472,203	1,416	533,042
- Loans and advances to banks	*1,107,951*	*0*	*1,102,180*	*50*	*5,721*
- Loans and advances to customers	*6,791,701*	*6,234,327*	*28,687*	*1,366*	*527,321*
- Other assets measured at amortised cost	*3,341,336*	*0*	*3,341,336*	*0*	*0*
Equity investments	79	0	0	0	79

SEGMENT RESULTS - BALANCE SHEET FIGURES - LIABILITIES	30 06 2020	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
LIABILITIES					
Deposits from banks	2,591,414	510	2,582,484	678	7,742
Financial liabilities held for trading	16,668	0	16,668	0	0
Direct funding	9,782,062	8,547,061	1,076,741	19,195	139,065
- Deposits from customers	*8,150,685*	*6,915,684*	*1,076,741*	*19,195*	*139,065*
- Debt securities in issue	*1,586,947*	*1,586,947*	*0*	*0*	*0*
- Financial liabilities measured at fair value	*44,430*	*44,430*	*0*	*0*	*0*
Hedging derivatives	163,073	32,082	130,991	0	0

SEGMENT RESULTS - BALANCE SHEET FIGURES - ASSETS	31 12 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 fair value through other comprehensive income	1,387,014	0	1,386,499	0	515
Financial assets measured at amortised cost	10,444,962	6,322,214	3,570,594	928	551,226
- Loans and advances to banks	*554,111*	*-4*	*551,827*	*50*	*2,238*
- Loans and advances to customers	*6,890,068*	*6,322,218*	*17,984*	*878*	*548,988*
- Other assets measured at amortised cost	*3,000,783*	*0*	*3,000,783*	*0*	*0*
Equity investments	77	0	0	0	77

SEGMENT RESULTS - BALANCE SHEET FIGURES - LIABILITIES	31 12 2019	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
LIABILITIES					
Deposits from banks	1,648,569	575	2,021,032	-382,297	9,259
Financial liabilities held for trading	17,590	0	17,590	0	0
Direct funding	10,013,055	8,706,670	1,168,497	20,337	117,551
- Deposits from customers	*8,161,813*	*6,855,427*	*1,168,497*	*20,337*	*117,551*
- Debt securities in issue	*1,772,360*	*1,772,360*	*0*	*0*	*0*
- Financial liabilities measured at fair value	*78,882*	*78,882*	*0*	*0*	*0*
Hedging derivatives	126,675	33,409	93,266	0	0

PART L
SEGMENT
REPORTING

DISTRIBUTION BY OPERATING SEGMENT - INCOME STATEMENT FIGURES

	SEGMENT RESULTS - INCOME STATEMENT FIGURES	30 06 2020	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net banking income (1)	138,697	57,342	57,701	(248)	23,902
-	Operating costs (2)	(121,857)	(67,901)	(1,564)	(39,958)	(12,434)
=	Gross operating profit	16,840	(10,559)	56,137	(40,206)	11,468
+/-	Net provisions for risks and charges	(5,729)	(443)	(11)	(81)	(5,194)
+/-	Gains/(losses) on equity investments	0	0	0	0	0
+/-	Gains/(losses) on disposal of investments	0	0	0	0	0
=	**Profit/(loss) before tax from continuing operations**	**11,111**	**(11,002)**	**56,126**	**(40,287)**	**6,274**

	SEGMENT RESULTS - INCOME STATEMENT FIGURES	30 06 2019	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net banking income (1)	152,562	67,422	54,650	1,854	28,636
-	Operating costs (2)	(123,426)	(68,846)	(2,005)	(39,929)	(12,646)
=	Gross operating profit	29,136	(1,424)	52,645	(38,075)	15,990
+/-	Net provisions for risks and charges	(8,314)	(1,316)	(20)	(142)	(6,836)
+/-	Gains/(losses) on equity investments	0	0	0	0	0
+/-	Gains/(losses) on disposal of investments	3	0	0	3	0
=	**Profit/(loss) before tax from continuing operations**	**20,825**	**(2,740)**	**52,625**	**(38,214)**	**9,154**

(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 30 06 2020 COMPARED WITH 30 06 2019	30 06 2020 / 30 06 2019	COMMERCIAL BANKING	INVESTMENT BANKING	CORPORATE CENTRE	SPECIALISED BANKING (PITAGORA SPA)
+	Net banking income (1)	(13,865)	(10,080)	3,051	(2,102)	(4,734)
-	Operating costs (2)	1,569	945	441	(29)	212
=	Gross operating profit	(12,296)	(9,135)	3,492	(2,131)	(4,522)
+/-	Net provisions for risks and charges	2,585	873)	9	61	1,642
+/-	Gains/(losses) on equity investments	0	0	0	0	0
+/-	Gains/(losses) on disposal of investments	(3)	0	0	(3)	0
=	**Profit/(loss) before tax from continuing operations**	**(9,714)**	**(8,262)**	**3,501**	**(2,073)**	**(2,880)**

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REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
Cassa di Risparmio di Asti S.p.A.

Introduction

We have reviewed the condensed interim consolidated financial statements of Cassa di Risparmio di Asti S.p.A. and subsidiaries (the "Cassa di Risparmio di Asti Group"), which comprise the balance sheet as of June 30, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six month period then ended, and the related notes. The Directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the
the condensed interim consolidated financial statements of Cassa di Risparmio di Asti Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matter

The data of Cassa di Risparmio di Asti Group pertaining to the six month period ended as of June 30, 2019 presented for comparative purposes in the condensed interim consolidated financial statements as of June 30, 2020 have not been audited or reviewed.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
October 2, 2020

This report has been translated into the English language solely for the convenience of international readers.