



Pillar 3 Report

Public Disclosures

Banca Popolare di Sondrio Group

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Banca Popolare di Sondrio

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Sondrio Companies Register no. 00053810149

Official List of Banks no. 842

Official List of Cooperative Banks no. A160536

Parent Company of the Banca Popolare di Sondrio Banking Group,

Official List of Banking Groups under no. 5696.0

Member of the Interbank Deposit Protection Fund

Fiscal code and VAT number: 00053810149

Share capital: € 1,360,157,331; Reserves: € 1,157,414,409

(Figures approved at the Shareholders' meeting of 12 June 2020)

Stock listed on the Mercato Telematico Azionario (MTA or Screen-Traded Market)

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Introduction

The new harmonised framework of micro- and macro-prudential rules for banks and small investment firms has been in force since 1 January 2014:

- Regulation (EU) no. 575/2013 (Capital Requirements Regulation, known as “CRR”) of the European Parliament and Council of 26 June 2013 governing the prudential requirements for credit institutions and investment firms (“Pillar 1” provisions) and the rules on public disclosures by institutions (“Pillar 3” provisions);
- Directive 2013/36/EU (Capital Requirements Directive, known as “CRD IV”) of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;
- Commission Implementing Regulation (EU) no. 1423/2013 of 20 December 2013, laying down implementing technical standards regarding the disclosure of own funds requirements for institutions pursuant to Regulation (EU) no. 575/2013 of the European Parliament and Council.

On 7 June 2019, following publication in the Official Journal of the European Union, the following were also issued:

- Regulation (EU) no. 876/2019 of the European Parliament and Council of 20 May 2019, which amends Regulation (EU) no. 575/2013 relating to prudential requirements for credit institutions and investment firms, with regard to the leverage ratio, the net stable funding ratio, the own funds requirements and eligible liabilities, counterparty risk, market risk, exposures to central counterparties, exposures to undertakings for the collective investment of transferable securities, large exposures, reporting and disclosure obligations and Regulation (EU) no. 648/2012 (“CRR II”) ¹;
- Directive (EU) 2019/878 of the European Parliament and Council of 20 May 2019, which amends Directive 2013/36/EU on access to the banking business and on prudential supervision of credit institutions and investment firms, as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (“CRD V”) ¹.

Also published in the Official Journal of the European Union on 26 June 2020 was Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) no. 575/2013 and 876/2019 as regards certain adjustments in response to the COVID-19 pandemic (CRR “Quick-fix”), some of which relate to the public disclosure requirements governed by those provisions.

These measures transposed into the European Union the set of prudential reforms released by the Basel Committee for Banking Supervision in recent years (the so-called “Basel 3” framework and subsequent developments and additions to the regulatory framework conventionally referred to as

¹ Except as expressly provided for by the two provisions, the “CRR II” standards have been applied since 28 June 2021, while the “CRD V” was expected to be transposed by the member states of the European Union by 28 December 2020.

“Basel 4”). The CRR and its amendments have direct effect on the EU Member States, while the rules contained in the CRD IV and its subsequent amendments provide for their transposition into the various national laws.

The regulatory framework of reference throughout the EU is completed with the execution measures contained in Regulatory or Implementing Technical Standards (RTS and ITS) adopted by the European Commission on the proposal of the European Supervisory Authorities (ESAs).

At a national level, the harmonised rules are implemented by the Bank of Italy, mainly through the following measures:

- Circular no. 285 of 17 December 2013 “*Supervisory instructions for banks*” and subsequent updates;
- Circular no. 286 of 17 December 2013 “*Instructions for banks and securities firms on the preparation of supervisory reports*” and subsequent updates.

Circular no. 285 includes the set of prudential rules applicable to Italian banks and banking groups, revised and updated to adapt national law to the changes introduced into the EU, with particular regard to the new regulatory and institutional framework of European banking supervision, outlining in this a complete, organic, rational regulatory system integrated with directly applicable EU acts, so as to facilitate their adoption by all players.

The regulatory measure groups together the applicable provisions according to the regulatory sources from which they derive, distinguishing between:

- EU regulation subject to national transposition (“CRD IV”, as amended), for which specific implementing provisions are established;
- EU direct adoption legislation (“CRR”, as amended), for which, for each topic, the applicable rules are referred to; furthermore, in the cases provided for in the European legislation, specific guidelines are defined that are useful for their application and areas where national discretionary powers are exercised by the Bank of Italy are identified as part of the process of transposition into national law;
- discipline of non-harmonised matters, in relation to which, even in the absence of derivation from EU legislation, specific provisions are dictated aimed at aligning the Italian legal system with the supervisory standards defined by international bodies.

Circular no. 286 laid down the national rules governing the transmission of prudential supervisory reporting on an individual and consolidated basis required to financial institutions; this is largely based on the EU Commission's Implementing Regulation no. 680/2014 of 16 April 2014 and subsequent updates thereof, which imposes binding technical standards on harmonised reporting for supervisory purposes in accordance with the CRR (so-called “COREP schemes”, COMmon REPorting). These regulatory measures, together with the Bank of Italy's Circular no. 154 of 22 November 1991 (“*Supervisory reports by banks and financial institutions. Reporting formats and instructions for submitting information flows*”) and subsequent updates, translate the provisions envisaged in the European Union into the uniform templates used to file prudential reports.

Circular no. 286 also provides indications for the transmission of non-harmonised reports required by the national supervisory regulations.

Even in the reformulated regulatory framework, the prudential regime applicable to financial institutions continues to be on an architecture based on three “Pillars”.

Pillar 1 (*Minimum prudential requirements*) imposes specific capital requirements to all supervised entities designed to cope with the typical risks of banking and finance, providing for alternative calculation methods, characterised by different levels of complexity. This is accompanied by the imposition of limits on excessive leverage, new requirements and supervisory arrangements for liquidity risk, and the integration of provisions under the bank resolution framework (MREL-TLAC).

Pillar 2 (*Supervisory review process*) requires banks to implement strategies and internal processes in order to verify the adequacy of both capital (ICAAP - *Internal Capital Adequacy Assessment Process*) and liquidity positions (ILAAP - *Internal Liquidity Adequacy Assessment Process*) in a current and future perspective, as well as carrying out a clear and independent assessment of the risks to which they are exposed in relation to their operations and their reference markets, also considering risk profiles other than those recognised by the Pillar 1 capital requirements. The task of verifying the reliability and consistency of the results of these two processes and to adopt appropriate corrective measures, if the situation requires it, is up to the Supervisory Authorities as part of its Supervisory Review and Evaluation Process (SREP). Increasing importance is also attributed to corporate governance structures and internal control frameworks of intermediaries as determining factors for the stability of each institution as well as of the financial system as a whole.

Pillar 3 (*Market discipline*) establishes specific public disclosure requirements in order to allow market participants to make a more accurate assessment of banks' capital strength and exposure to risks, as well as of their risk management and control systems. In this regard, the most important developments have concerned the introduction of broader transparency requirements for supervised entities, given the market's need for more information on the qualitative composition of intermediaries' regulatory capital and the ways in which they quantify their own capital ratios.

With the issuance of the CRR II Regulation, public disclosure requirements defined by “Pillar 3” prudential regulations have undergone a thorough revision. New publication requirements, effective from 28 June 2021, were detailed in Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, published in the Official Journal of the European Union on 21 April 2021. The measure implemented with the force of law the draft implementing technical standards drawn up by the European Banking Authority (EBA) aimed at a comprehensive review of the framework for fulfilling “Pillar 3” obligations, in execution of the amendments to the set of rules provided for by CRR II. The measure (ITS/2020/04) instituted a new organic set of rules governing the templates for the publication of “Pillar 3” disclosures, aimed at rationalising the existing regulatory framework, while at the same time increasing the level of clarity and standardisation of the disclosures to be published². The new framework has provided an integrated, comprehensive and uniform set of rules, formats and templates with the objective of ensuring high quality and comparable public disclosures.

² The new technical standards developed by the EBA replaced the uniform disclosure models included in a number of previous ones: a) regulatory technical standards (RTS) and implementing technical standards (ITS) issued by the European Commission on public disclosure of information regarding own funds, leverage, capital buffers, committed and uncommitted balance sheet assets and systemically important indicators; b) guidelines issued by the EBA on disclosure requirements under Part Eight of the CRR (mainly applicable to systemically important institutions), on liquidity coverage ratio (LCR) disclosures as well as on disclosure requirements regarding entities' remuneration policies, systemically important indicators, impaired exposures and exposures subject to concession measures.

Following the revision of the “Pillar 3” regulatory framework, public disclosure obligations by entities are now regulated by:

- the CRR/CRR II, Part Eight “Disclosure by institutions” (articles 431 – 455) and Part Ten, Title I, Chapter 1 “Own funds requirements, unrealised gains and losses measured at fair value and deductions” (article 473-bis) and Chapter 3 “Transitional provisions for disclosure of own funds” (article 492);
- the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to the publication by supervised entities of information to the public;
- the Bank of Italy Circular no. 285 of 17 December 2013, Part Two “Application in Italy of the CRR”, Chapter 13 “Public disclosures”;
- the following guidelines issued by the EBA, which have remained in force:
 - EBA/GL/2014/14 Guidelines on the relevance, exclusivity, confidentiality and frequency of disclosures in accordance with articles 432, paragraphs 1 and 2, and 433 of the CRR;
 - EBA/GL/2018/01 Guidelines on uniform disclosures under article 473-bis of the CRR as regards the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds;
 - Guidelines EBA/GL/2020/11 on supervisory reporting and disclosure requirements in accordance with the CRR “Quick-fix” in response to the COVID-19 pandemic³;
 - EBA/GL/2020/12 Guidelines amending the European Banking Authority Guidelines EBA/GL/2018/01 on uniform disclosures under article 473-bis of the CRR as regards transitional arrangements to mitigate the impact of the introduction of IFRS 9 on own funds in order to ensure compliance with the CRR “Quick-fix” in response to the COVID-19 pandemic⁴;

³ The Guidelines provide indications on the reporting and public disclosure treatment to be adopted in relation to the following regulatory amendments introduced by the CRR “Quick-fix”:

- a) for the purposes of calculating the leverage ratio: i) the temporary exclusion of exposures to central banks from the calculation of the measure of an entity's total exposure (Article 500-ter CRR); ii) the anticipated entry into force, compared to the provisions of CRR II, of the regulatory treatment of purchases and sales of “standardised contracts” (so-called regular-way) pending regulation (CRR Article 500-quinquies);
- b) for the purposes of calculating capital requirements for credit risk, the more favourable prudential treatment provided for SMEs, for infrastructure exposures for loans to pensioners and employees (with permanent contract) secured by the pension or salary of the borrower (Articles 123, 501 and 501-bis of the CRR);
- c) for the purposes of reporting related to own funds: (i) the introduction of a temporary prudential filter for unrealised gains and losses on financial assets measured at fair value with an impact on other comprehensive income (FVOCI) to counterparties referred to in Articles 115, para. 2 and 116 para. 4 of the CRR (Article 468 of the CRR); ii) the amendments to the transitional arrangements for mitigating the impact of IFRS 9 on Common Equity Tier 1 capital (CET1) which provide, inter alia, for an increase in the percentage of expected losses to be reinstated in the amount of own funds and the extension of the transitional period by two years (Article 473-bis of the CRR).

These Guidelines also provide, in relation to the exercise of the exclusion referred to in point (a), for the integration of the public disclosure with a specific disclosure on the amount of exposure to central banks subject to exclusion and the related effect on the leverage ratio.

⁴ The Guidelines amend the EBA/GL/2018/01 Guidelines to take into account the impacts on own funds of the regulatory amendments introduced by the CRR “Quick-fix”. The main amendments relate to: i) the extension of the disclosure period due to the extension of the transitional arrangements for IFRS 9 and the introduction of additional qualitative disclosure requirements aimed at covering decisions taken as part of the discretions provided for in article 473-bis of the CRR, as amended by the CRR “Quick-fix”; ii) the introduction of new disclosure requirements relating to the transitional prudential treatment provided for unrealised gains and losses on exposures to certain counterparties measured at fair value with an impact on other comprehensive income (FVOCI).

The last two Guidelines, issued by the EBA in response to the epidemiological emergency, were implemented by the Bank of Italy in national law with a communication dated 8 September 2020.

With these half-year Public Disclosures, Banca Popolare di Sondrio Group (also referred to as the “Group”) intends to fulfil the disclosure requirements envisaged in the Pillar 3 legislation mentioned.

This document has been prepared by Banca Popolare di Sondrio, the Parent Company, on a consolidated basis with reference to the scope of consolidation used for supervisory purposes (prudential consolidation area) and is made available in the “*Investor Relations*” section, sub-section “*Pillar 3*” of the Bank’s website (<https://istituzionale.popso.it>), together with the consolidated half-year financial report as at 30 June 2021.

The document also contains the attestation referred to in art. 154-bis, paragraph 2, of Legislative Decree 58/98 (Consolidated Law on Finance, “TUF”) by the Manager responsible for preparing the accounting documents of the Parent Company Banca Popolare di Sondrio.

In compliance with article 434 of the CRR/CRR II (“Means of disclosure”), in case of similar information already published in other equivalent documents, reference is made to the document in which such piece of information is disclosed.

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NOTE: All the amounts indicated in the sections of this Public Disclosure, except where explicitly indicated, are shown in thousands of Euro. Any significant change compared with previous reporting periods are mentioned in this document.

In order to provide only significant information for users, the publication of data or information considered not relevant or not applicable to the Group is omitted. In such cases, the omitted elements and the reason of the omission are specified.

Summary of information published in accordance with CRR/CRR II requirements

The following is a summary chart that connects the articles of Regulation (EU) no. 575/2013 ("CRR"), as amended by Regulation (EU) no. 876/2019 ("CRR II"), representing the relevant disclosure requirements for Banca Popolare di Sondrio Group and their respective disclosure frequency. The chart also displays the sections of this document in which the qualitative and/or quantitative information required by the "Pillar 3" regulations are published with regard to the Group's situation at 30 June 2021.

| Art. CRR/ CRR II | Article description | Frequency of publication | Section Public Disclosures at 30 June 2021 |
|---------------------|---|---|--|
| Art. 431 | Policies and disclosure requirements | - | |
| Art. 432 | Non-relevant, exclusive or confidential information | - | |
| Art. 433 | Frequency and scope of disclosure | - | |
| Art. 433-bis | Disclosure by large entities | - | |
| Art. 433-ter | Disclosure by other entities | - | |
| Art. 433-quater | Disclosure by small and non-complex entities | - | |
| Art. 434 | Information means | - | |
| Art. 435 | Disclosure on risk management objectives and policies | Annual | |
| Art. 436 | Disclosure on scope | Quarterly Semi-annual <i>Scope of consolidation</i> | 1 - Scope of application |
| | | Annual <i>Full art. 436</i> | |
| Art. 437 | Own funds disclosure | Semi-annual <i>lett. a)</i> | 3- Own funds disclosure |
| | | Annual <i>Full art. 437</i> | |
| Art. 437-bis | Disclosure on own funds and eligible liabilities | Annual | |
| Art. 438 | Disclosure on own funds requirements and risk-weighted exposure amounts | Quarterly <i>lett. a)</i> | 2 - Disclosure of key metrics and overview of risk-weighted exposure amounts |
| | | Semi-annual <i>lett. d) and h)</i> | 10 - Disclosure of the use of the IRB approach to credit risk 11 - Disclosures of specialised finance and equity exposures under the simple risk-weighted approach 12 - Disclosure of exposures to counterparty risk |
| | | Annual <i>Full art. 438</i> | |

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| Art. 439 | Disclosure on exposures to counterparty risk | Semi-annual <i>lett. e) to l)</i> | 12 - Disclosure of exposures to counterparty risk |
| | | Annual <i>Full art. 439</i> | |
| Art. 440 | Disclosure on countercyclical buffer requirement | Semi-annual | 4 - Disclosure of capital reserves |
| Art. 442 | Disclosure on exposures to credit risk and dilution risk | Semi-annual <i>lett. c), e), f) and g)</i> | 7 - Disclosure of exposures to credit risk |
| | | Annual <i>Full art. 442</i> | |
| Art. 443 | Disclosure on encumbered and unencumbered assets | Annual | |
| Art. 444 | Disclosure on the use of the standardised approach | Semi-annual <i>lett. e)</i> | 9 - Disclosure of the use of the standardised approach to credit risk |
| | | Annual <i>Full art. 444</i> | |
| Art. 445 | Disclosure on exposure to market risk | Semi-annual | 14 - Disclosure of the use of the standardised approach to market risk |
| Art. 446 | Disclosure on operational risk management | Annual | |
| Art. 447 | Key metrics disclosure | Quarterly Semi-annual Annual | 2 - Disclosure of key metrics and overview of risk-weighted exposure amounts |
| Art. 448 | Disclosure on exposures to interest rate risk on positions not held in the trading book | Semi-annual <i>par. 1, lett. a) and b)</i> | 15 - Disclosure of exposures to interest rate risk on positions not held in the trading book |
| | | Annual <i>Full art. 448</i> | |
| Art. 449 | Disclosure on exposure to securitisation positions | Semi-annual <i>lett. j), k) and l)</i> | 13 - Disclosure of exposures to securitisation positions |
| | | Annual <i>Full art. 449</i> | |
| Art. 449-bis | Disclosure on environmental, social and governance risks | Annual | |
| Art. 450 | Disclosure on remuneration policy | Annual | |
| Art. 451 | Leverage ratio disclosure | Semi-annual <i>par. 1, lett. a) and b)</i> | 5 - Disclosure of leverage ratio |
| | | Annual <i>Full art. 451</i> | |
| Art. 451-bis | Disclosure on liquidity requirements | Quarterly <i>par. 2</i> | 6 - Disclosure of liquidity requirements |
| | | Semi-annual <i>par. 3</i> | |
| | | Annual <i>Full art. 451-bis</i> | |
| Art. 452 | Disclosure on the use of the IRB approach to credit risk | Semi-annual <i>lett. g)</i> | 10 - Disclosure of the use of the IRB approach to credit risk |

| | | | |
|--------------|--|--------------------------------------|--|
| | | Annual <i>Full art. 452</i> | |
| Art. 453 | Disclosure on the use of credit risk mitigation techniques | Semi-annual <i>lett. f) to j)</i> | 8 - Disclosure of the use of credit risk mitigation techniques 9 - Disclosure of the use of the standardised approach to credit risk 10 - Disclosure of the use of the IRB approach to credit risk |
| | | Annual <i>Full art. 453</i> | |
| Art. 473-bis | Introduction of IFRS 9 | Quarterly Semi-annual Annual | 2 - Disclosure of key metrics and overview of risk-weighted exposure amounts |

As of the reporting date of this Disclosure, the following articles of Regulation (EU) no. 575/2013, as amended by Regulation (EU) no. 876/2019, to which it would be subject as a listed “large entity” pursuant to article 433-bis, are not relevant for Banca Popolare di Sondrio Group:

- Art. 441 - Disclosure on indicators of global systemic importance
- Art. 454 - Disclosure on the use of advanced measurement methods for operational risk
- Art. 455 - Use of internal models for market risk

Section 1 - Scope of application (art. 436 CRR/CRR II)

These Public Disclosures, prepared by the Parent Company, apply to Banca Popolare di Sondrio Banking Group, which at the reference date is composed by the following entities:

| | Company Name | Status | Registered office | Operative office |
|---|---------------------------------------|---|------------------------|------------------------|
| 1 | Banca Popolare di Sondrio ScpA | Bank – Parent Company | Sondrio | Sondrio |
| 2 | Banca Popolare di Sondrio (SUISSE) SA | Swiss bank (registered in the Lugano Commercial Register) – wholly-owned | Lugano (CH) | Lugano (CH) |
| 3 | Factorit SpA | Factoring company (registered in the Register of Financial Intermediaries pursuant to art. 106 of the CBA) – 60.5% held | Milan | Milan |
| 4 | Sinergia Seconda Srl | Real estate company – wholly-owned | Milan | Milan |
| 5 | Popso Covered Bond Srl | SPV for the issue of covered bonds – 60% held | Conegliano Veneto (TV) | Conegliano Veneto (TV) |
| 6 | Banca della Nuova Terra SpA | Bank – Wholly-owned | Sondrio | Milan |

The scope of consolidation for regulatory purposes, which is determined in accordance with the supervisory regulations currently in force, provides for full (or “line-by-line”) consolidation of the subsidiaries mentioned above, as banking, financial or service companies directly controlled by the Parent Company.

Section 2 - Disclosure of key metrics and overview of risk-weighted exposure amounts (artt. 438 and 447 CRR/CRR II)

The following charts provide a summary of the development of some key figures of Banca Popolare di Sondrio Group, represented by the most important prudential and regulatory metrics envisaged by the CRR/CRR II regulations. The additional Pillar 2 requirements, to which the Group is subject by virtue of regulatory provisions or decisions of the Supervisory Authority, are also represented.

Chart 1 - Template EU KM1: key metrics (1 of 2)

| | | a | b |
|--|--|------------|------------|
| | | 30/06/2021 | 31/03/2021 |
| Available own funds (amounts) | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 3.066.344 | 2.942.749 |
| 2 | Tier 1 capital | 3.074.806 | 2.950.357 |
| 3 | Total capital | 3.425.313 | 3.322.293 |
| Risk-weighted exposure (amounts) | | | |
| 4 | Total risk-weighted exposure amount | 18.355.373 | 17.763.117 |
| Capital ratios (as a percentage of risk-weighted exposure amount) | | | |
| 5 | Common Equity Tier 1 ratio (%) | 16,7054% | 16,5666% |
| 6 | Tier 1 ratio (%) | 16,7515% | 16,6095% |
| 7 | Total capital ratio (%) | 18,6611% | 18,7033% |
| Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) | | | |
| EU 7a | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 3,0000% | 3,0000% |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 1,6875% | 1,6875% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 2,2500% | 2,2500% |
| EU 7d | Total SREP own funds requirements (TSCR) (%) | 11,0000% | 11,0000% |
| Combined buffer requirement (as a percentage of risk-weighted exposure amount) | | | |
| 8 | Capital conservation buffer (%) | 2,5000% | 2,5000% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | - | - |
| 9 | Institution specific countercyclical capital buffer (%) | 0,0021% | 0,0048% |
| EU 9a | Systemic risk buffer (%) | - | - |
| 10 | Global Systemically Important Institution buffer (%) | - | - |
| EU 10a | Other Systemically Important Institution buffer | - | - |
| 11 | Combined buffer requirement (%) | 2,5021% | 2,5048% |
| EU 11a | Overall capital requirements (%) | 13,5021% | 13,5048% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 10,5179% | - |
| Leverage ratio | | | |
| 13 | Leverage ratio total exposure measure | 52.652.000 | 48.880.314 |
| 14 | Leverage ratio (%) | 5,8399% | 6,0359% |
| Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) | | | |
| EU 14a | Additional own funds requirements to address the risk of excessive leverage (%) | - | - |
| EU 14b | of which: to be made up of CET1 capital (percentage points) | - | - |
| EU 14c | Total SREP leverage ratio requirements (%) | 3,2860% | - |
| Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure) | | | |
| EU 14d | Leverage ratio buffer requirement (%) | - | - |

| | | | |
|--|--|------------|-----------|
| EU 14e | Overall leverage ratio requirement (%) | 3,2860% | - |
| Liquidity Coverage Ratio – LCR | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value - average) | 8.396.953 | 8.178.818 |
| EU 16a | Cash outflows - Total weighted value | 9.615.741 | 9.280.172 |
| EU 16b | Cash inflows - Total weighted value | 6.031.582 | 5.363.856 |
| 16 | Total net cash outflows (adjusted value) | 3.584.159 | 3.916.315 |
| 17 | Liquidity coverage ratio - LCR (%) | 238,5352% | 217,9816% |
| Net Stable Funding Ratio – NSFR | | | |
| 18 | Total available stable funding | 38.885.020 | - |
| 19 | Total required stable funding | 30.230.235 | - |
| 20 | NSFR ratio - NSFR (%) | 128,6296% | - |

Source: COREP reporting - Capital Adequacy: Templates C 01.00 - C 02.00 - C 03.00 - C 04.00; Calculation of the leverage ratio: Template C 47.00; Liquidity Coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 75.01 - C 76.00

Chart 2 - Template EU KM1: key metrics (2 of 2)

| | | c | d | e |
|--|--|------------|------------|------------|
| | | 31/12/2020 | 30/09/2020 | 30/06/2020 |
| Available own funds (amounts) | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 2.967.432 | 2.843.354 | 2.775.212 |
| 2 | Tier 1 capital | 2.976.039 | 2.850.509 | 2.782.800 |
| 3 | Total capital | 3.373.534 | 3.262.151 | 3.224.705 |
| Risk-weighted exposure (amounts) | | | | |
| 4 | Total risk-weighted exposure amount | 18.187.330 | 17.405.791 | 17.693.199 |
| Capital ratios (as a percentage of risk-weighted exposure amount) | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 16,3159% | 16,3357% | 15,6852% |
| 6 | Tier 1 ratio (%) | 16,3633% | 16,3768% | 15,7281% |
| 7 | Total capital ratio (%) | 18,5488% | 18,7418% | 18,2257% |
| Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) | | | | |
| EU 7a | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 3,0000% | 3,0000% | 3,0000% |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 1,6875% | 1,6875% | 1,6875% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 2,2500% | 2,2500% | 2,2500% |
| EU 7d | Total SREP own funds requirements (TSCR) (%) | 11,0000% | 11,0000% | 11,0000% |
| Combined buffer requirement (as a percentage of risk-weighted exposure amount) | | | | |
| 8 | Capital conservation buffer (%) | 2,5000% | 2,5000% | 2,5000% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | - | - | - |
| 9 | Institution specific countercyclical capital buffer (%) | 0,0030% | 0,0033% | 0,0034% |
| EU 9a | Systemic risk buffer (%) | - | - | - |
| 10 | Global Systemically Important Institution buffer (%) | - | - | - |
| EU 10a | Other Systemically Important Institution buffer | - | - | - |
| 11 | Combined buffer requirement (%) | 2,5030% | 2,5033% | 2,5034% |
| EU 11a | Overall capital requirements (%) | 13,5030% | 13,5033% | 13,5034% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | - | - | - |
| Leverage ratio | | | | |
| 13 | Leverage ratio total exposure measure | 46.928.386 | 45.753.868 | 50.589.721 |
| 14 | Leverage ratio (%) | 6,3417% | 6,2301% | 5,5007% |
| Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) | | | | |
| EU 14a | Additional own funds requirements to address the risk of excessive leverage (%) | - | - | - |
| EU 14b | of which: to be made up of CET1 capital (percentage points) | - | - | - |

| | | | | |
|---|--|-----------|-----------|-----------|
| EU 14c | Total SREP leverage ratio requirements (%) | - | - | - |
| Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure) | | | | |
| EU 14d | Leverage ratio buffer requirement (%) | - | - | - |
| EU 14e | Overall leverage ratio requirement (%) | - | - | - |
| Liquidity Coverage Ratio – LCR | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value - average) | 8.175.653 | 8.252.835 | 7.961.779 |
| EU 16a | Cash outflows - Total weighted value | 8.962.107 | 8.889.077 | 8.925.157 |
| EU 16b | Cash inflows - Total weighted value | 4.607.697 | 4.067.472 | 4.100.439 |
| 16 | Total net cash outflows (adjusted value) | 4.354.410 | 4.821.605 | 4.824.718 |
| 17 | Liquidity coverage ratio - LCR (%) | 196,3171% | 173,5819% | 167,2052% |
| Net Stable Funding Ratio – NSFR | | | | |
| 18 | Total available stable funding | - | - | - |
| 19 | Total required stable funding | - | - | - |
| 20 | NSFR ratio - NSFR (%) | - | - | - |

Source: COREP reporting - Capital Adequacy: Templates C 01.00 - C 02.00 - C 03.00 - C 04.00; Calculation of the leverage ratio: Template C 47.00; Liquidity Coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 75.01 - C 76.00

Capital requirements

From 1 January 2014, banking groups must comply with the following minimum capital requirements:

- Common Equity Tier 1 (CET1) ratio of 4.5%
- Tier 1 ratio of 5.5% (6% from 2015)
- Total Capital ratio of 8%.

Other capital reserves (known as “capital buffers”) have to be added to these minimum ratios provided by the CRR with the aim of providing supervised entities with high quality capital to be used in case of market tensions to prevent malfunctions of the banking system and avoid interruptions to the credit disbursement process, as well as to face risks deriving from the systemic relevance at a global or domestic level of certain banks.

Each additional capital reserve plays a specific role; in particular:

- *Capital Conservation Buffer*: made up of an additional 2.5% of Common Equity Tier 1 Capital, intended to grant the minimum amount of regulatory capital under adverse market conditions. This requirement, after a period of gradual introduction provided for in Italy through the transposition of the CRD IV Directive, is fully applicable from 1 January 2019.
- *Countercyclical Capital Buffer*: this is also made up of Tier 1 Capital items in order to protect the banking sector in periods of excessive lending growth; following measures by the competent supervisory bodies, it could be set up during periods of economic expansion to cope with losses that might arise during the downward phases of the cycle, based on a specific coefficient established at a national level. The countercyclical coefficient for exposures to Italian counterparties, which is reviewed by the Bank of Italy on a quarterly basis, was 0% in 2020 also confirmed as such in the first two quarters of 2021.
- *Global Systemically Important Institution Buffer (G-SII buffer) and Other Systemically Important Institution Buffer (O-SII buffer)*: reserves consisting of Common Equity Tier 1 capital; applied to Global Systemically Important Institutions (G-SII) and Other Systemically Important Institutions

(O-SII) to account for the increased risks they potentially cause to the stability of the financial system. The buffer for G-SIIs can vary between a minimum of 1% and a maximum of 3.5%, whereas for O-SIIs a non-binding maximum threshold of 2% is foreseen.

- *Systemic Risk Buffer*: additional reserve of an amount equal to at least 1% of the risk exposures, established by each EU Member State in order to mitigate long-term non-cyclical macro-prudential risks and, in this way, cope with the negative effects of unexpected systemic crises.

The sum of regulatory requirements and additional reserves gives the minimum level of capital conservation required for banks and banking groups (known as “combined buffer requirement”). From 1 January 2019, these minimum capital quantities for Banca Popolare di Sondrio Group are the following:

- Common Equity Tier 1 (CET1) ratio of 7%
- Tier 1 Ratio of 8.5%
- Total Capital Ratio of 10.5%.

Banks that do not hold capital reserves to the minimum extent required are subject to distribution limits; in addition, they must adopt a capital conservation plan that indicates the measures to be taken in order to re-establish, within a reasonable period of time, the amount of capital needed to maintain their reserves above the required minimum.

On 13 December 2019, on the basis of the evidence collected as part of the annual Supervisory Review and Evaluation Process (SREP), the European Central Bank had notified Banca Popolare di Sondrio of the Supervisory Board's decision regarding the new minimum ratios to be applied on a consolidated basis for the year 2020, with effect from 1 January. Minimum capital levels to be met by the Group⁵ included:

- a minimum requirement for Common Equity Tier 1 Ratio equal to 10.0%, being the sum of the Pillar 1 regulatory requirement (4.5%), the amount of Capital Conservation Buffer for the current year (2.5%) and the additional Pillar 2 Requirement - P2R (3%);
- a minimum requirement for Tier 1 Ratio of 11.5%, being the sum of the Pillar 1 regulatory requirement (6%), the amount of Capital Conservation Buffer for the current year (2.5%) and the additional Pillar 2 Requirement (3%);
- a minimum requirement for Total Capital Ratio of 13.5%, being the sum of the Pillar 1 regulatory requirement (8%), the amount of Capital Conservation Buffer for the current year (2.5%) and the additional Pillar 2 Requirement (3%).

While the first two items of each coefficient are specified by the prudential regulations and are identical for all financial institutions within the same country, the third item is determined by the ECB on the basis of the actual level of risks faced by the individual entity.

Then, with a press release dated 12 March 2020, the European Central Bank announced the introduction of a temporary loosening of the capital requirements and greater operational flexibility in the implementation of bank-specific supervisory measures as a consequence of the expansion of the Coronavirus pandemic, in order to allow banks directly supervised by the ECB to continue

⁵ The minimum requirements are calculated net of the contribution from the Group's specific countercyclical capital buffer.

playing a central role in financing the real economy and thus mitigating the COVID-19 impact on the European countries. Consequently, through a communication dated 8 April 2020, the European Central Bank established, with effect from 12 March 2020, that the additional Pillar 2 requirement (P2R) of the Group should be satisfied by Common Equity Tier 1 (CET1) capital for a minimum of 56.25% and by Tier 1 (T1) capital for a minimum of 75%. Following the re-composition of capital for P2R component, the following applied to the Group:

- a minimum requirement for the Common Equity Tier 1 Ratio of 8.69%;
- a minimum requirement for the Tier 1 Ratio of 10.75%;
- a minimum requirement for the Total Capital Ratio of 13.5% (unchanged).

At the same time, the possibility of operating temporarily below the level defined by the Capital Conservation Buffer was envisaged as a further measure of flexibility.

As a result of the SREP for the year 2020, carried out by the ECB with a pragmatic approach as a consequence of the difficulties posed by the COVID-19 crisis, the Authority communicated, as a general rule, that the capital requirements of supervised entities set for the previous year, as revised by the aforementioned decision with effect from 12 March 2020, continue to be applied for 2021.

In addition to these minimum ratios a “Pillar 2 Guidance” (P2G) was introduced, which aims to be a guideline to the prospective evolution of the Group's capital position. The latter target parameter, assigned by the Supervisory Authority as a result of the SREP process, however, assumes a confidential nature and, unlike the above mentioned capital requirements, is not publicly disclosed, as it is an element which is not relevant for the calculation of distributable dividends, also according to the Supervisory approach.

Further information on the performance of the Group's capital ratios in relation to the minimum requirements is provided in Section 3 of this Disclosure.

Leverage and liquidity requirements

Banca Popolare di Sondrio Group is also subject to minimum requirements related to:

- Leverage Ratio;
- Liquidity Coverage Ratio (LCR);
- Net Stable Funding Ratio (NSFR).

For further information on the first quotient please refer to Section 5, for the second and third quotients please refer to Section 6 of this Disclosure.

The chart below provides the values of regulatory own funds, risk-weighted assets (RWA), capital ratios and the Group's leverage ratio, calculated as at 30 June 2021 and in the four previous quarterly periods taking into account the complete adhesion to the rules for the gradual introduction of IFRS 9, compared with the same quantities calculated in the case absence of the transitional provisions or of the applicable temporary treatments.

Chart 3 - Template IFRS 9/art. 468-FL (EBA/GL/2020/07): comparison of own funds and capital and leverage ratios, with and without the application of the transitional arrangements for IFRS 9 and with or without the application of the temporary treatment in accordance with Article 468 of the CRR

| | | 30/06/2021 | 31/03/2021 | 31/12/2020 | 30/09/2020 | 30/06/2020 |
|---------------------------------------|---|------------|------------|------------|------------|------------|
| Available capital (amounts) | | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 3.066.344 | 2.942.749 | 2.967.432 | 2.843.354 | 2.775.212 |
| 2 | Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 3.049.798 | 2.912.357 | 2.944.495 | 2.826.464 | 2.756.998 |
| 2a | CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied | 3.066.344 | 2.942.749 | 2.967.432 | 2.843.354 | 2.775.212 |
| 3 | Tier 1 capital | 3.074.806 | 2.950.357 | 2.976.039 | 2.850.509 | 2.782.800 |
| 4 | Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 3.058.260 | 2.919.966 | 2.953.102 | 2.833.618 | 2.764.587 |
| 4a | Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 3.074.806 | 2.950.357 | 2.976.039 | 2.850.509 | 2.782.800 |
| 5 | Total capital | 3.425.313 | 3.322.293 | 3.373.534 | 3.262.151 | 3.224.705 |
| 6 | Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 3.408.767 | 3.291.901 | 3.350.598 | 3.245.261 | 3.206.491 |
| 6a | Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 3.425.313 | 3.322.293 | 3.373.534 | 3.262.151 | 3.224.705 |
| Risk-weighted assets (amounts) | | | | | | |
| 7 | Total risk-weighted assets | 18.355.373 | 17.763.117 | 18.187.330 | 17.405.791 | 17.693.199 |
| 8 | Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 18.345.311 | 17.751.558 | 18.174.801 | 17.395.298 | 17.681.687 |
| Capital ratios | | | | | | |
| 9 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 16,7054% | 16,5666% | 16,3159% | 16,3357% | 15,6852% |
| 10 | Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 16,6244% | 16,4062% | 16,2010% | 16,2484% | 15,5924% |
| 10a | CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 16,7054% | 16,5666% | 16,3159% | 16,3357% | 15,6852% |
| 11 | Tier 1 (as a percentage of risk exposure amount) | 16,7515% | 16,6095% | 16,3633% | 16,3768% | 15,7281% |
| 12 | Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 16,6705% | 16,4491% | 16,2483% | 16,2896% | 15,6353% |
| 12a | Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 16,7515% | 16,6095% | 16,3633% | 16,3768% | 15,7281% |
| 13 | Total capital (as a percentage of risk exposure amount) | 18,6611% | 18,7033% | 18,5488% | 18,7418% | 18,2257% |
| 14 | Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 18,5811% | 18,5443% | 18,4354% | 18,6560% | 18,1345% |

| | | | | | | |
|-----------------------|--|------------|------------|------------|------------|------------|
| 14a | Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 18,6611% | 18,7033% | 18,5488% | 18,7418% | 18,2257% |
| Leverage ratio | | | | | | |
| 15 | Leverage ratio total exposure measure | 52.652.000 | 48.880.314 | 46.928.386 | 45.753.868 | 50.589.721 |
| 16 | Leverage ratio | 5,8399% | 6,0359% | 6,3417% | 6,2301% | 5,5007% |
| 17 | Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 5,8084% | 5,9737% | 6,2928% | 6,1932% | 5,4647% |
| 17a | Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 5,8399% | 6,0359% | 6,3417% | 6,2301% | 5,5007% |

Source: COREP reporting - Capital Adequacy: Templates C 01.00-C05.01 and Leverage ratio calculation: Template C 47.00

Transitional provisions IFRS 9

The Group's own funds, capital and leverage ratios as at 30 June 2021 are calculated applying of the transitional provisions set out in Regulation (EU) 2017/2395 of 12 December 2017, as amended by Regulation (EU) 2020/873 of 24 June 2020 (CRR "Quick-fix")⁶, aimed at containing the capital impacts of the adhesion to the new accounting standard IFRS 9, effective from 1 January 2018, appropriately amending and supplementing Regulation (EU) no. 575/2013 ("CRR"). The adoption of the transitional arrangements by banks was optional and could be "integral" or "partial" depending on whether it concerned all the regulatory provisions or only a portion of them.

These amendments are applicable from 1/1/2018 to 31/12/2024 and allow intermediaries to temporarily include in the calculation of their Common Equity Tier 1 Capital (CET1) an additional amount in order to "neutralise" the potentially significant impact of the possible increase in provisions to cover expected losses on financial instruments that would probably result from the immediate adoption of the new accounting standards.

The total amount related to these additional loss provisions, calculated net of tax effects, is included in regulatory capital as a positive item. This can be broken down into:

- a "static" component, representing the increase in credit risk adjustments during first-time adoption of the new accounting standards; it is calculated as the difference between the amount of impairment losses on financial assets at 31/12/2017 (determined in accordance with the previous IAS 39) and the expected credit losses calculated at 01/01/2018 (date of IFRS 9 FTA); this component remains unvaried throughout the entire transitional period;
- a "dynamic" component, measuring the further increases in credit risk adjustments that could occur at each subsequent accounting date over the transitional period, i.e. with reference to the provisions in place as 01/01/2018 (the changes in loss allowances for lifetime expected credit losses on financial assets that are credit-impaired are excluded).

⁶ Regulation (EU) 2020/873 amended the previous transitional provisions with regard to both the time period and the eligibility percentages. The additional adjustments related to the entry into force of the IFRS 9 accounting standard continue to be calculated according to the percentages already provided for by the previous regulations, while, for those related to the COVID-19 emergency, they are applied to the value of CET1 capital taking into account a decreasing percentage of calculation over time, from 100% in 2020 and 2021, to 75% in 2022, to 50% in 2023, to 25% in 2024, until its total elimination in 2025.

This additional amount is applied to the value of the Common Equity Tier 1 capital of entities that choose to adhere to the aforementioned transitional provisions according to a percentage of eligibility (so-called “adjustment percentage”) progressively decreasing over time.

The amount of the value adjustments included as a positive element of CET1 is therefore “normalized” in the calculation of capital ratios through the application of a scaling factor with the effect of limiting the amounts of new write-downs, which, in relation to positions treated according to the standardised method, are deducted from the exposure value used to calculate risk-weighted assets (RWA). This would ensure that the institutions applying the transitional arrangements would not benefit from both an increase in its Common Equity Tier 1 capital, due to the said compensatory adjustments, as well as a reduced risk exposure amount.

The EU regulations let the banks decide whether to adopt the transitional IFRS 9 arrangements in an “integral” manner, i.e. including both the “static” and “dynamic” components, or in a “partial” manner, i.e. including only the “static” component. Any institution that decided to apply the transitional provisions, in part or in full, had to make a specific communication to the competent Supervisory Authority by 1 February 2018.

Given the above, Banca Popolare di Sondrio Group has chosen to use these transitional arrangements on an “integral” basis, i.e. with reference to the additional credit risk provisions for expected credit losses on performing and credit-impaired financial instruments observed at the time of FTA of IFRS 9 (the “static” component), as well as the increase in impairment losses recorded excluding credit-impaired instruments (only positions classified into Stage 1 and Stage 2) at each reference date following FTA of IFRS 9 (the “dynamic” component). The decision of the Group was communicated to the European Central Bank within the time allowed.

Lastly, it is recalled that, considering the possible effects of the COVID-19 pandemic, Regulation (EU) 2020/873 of 24 June 2020 (“CRR Quick-fix”) granted supervised entities for the three-year period 2020-2022 the further right to mitigate, for prudential purposes, the cumulative effects of profits and losses not yet realised starting from 1 January 2020 on performing exposures to central governments and public sector entities classified in the portfolio of “Financial assets measured at fair value through other comprehensive income” (FVOCI). A complete neutralization of the effects was envisaged for the year 2020, with decreasing percentages in the following two years (70% in 2021 and 40% in 2022), through a corresponding increase in Common Equity Tier 1 (CET1) capital.

At 30 June 2021, the Group decided not to benefit from this temporary treatment.

An analysis of the data presented in chart 3 shows that, in the event of immediate and full recognition of the effects of IFRS 9, the Group’s capital impacts are fully contained also as of 30 June 2021, with further attenuation in the last quarter. Indeed, the gaps between capital solvency and leverage ratios recorded according to the IFRS 9 transitional regime and those calculated on the assumption that the Group had not opted for such a possibility contracted compared to previous periods.

As indicated, the Group does not benefit from the temporary treatment granted by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 (CRR “Quick-fix”) and implemented in article 468 of the CRR. Therefore, the values shown in the chart do not indicate any impact related to this temporary regime as at 30 June 2021.

The chart below provides an overview of the Group's risk-weighted exposures (RWA or TREAs) and capital absorption as at 30 June 2021, broken down by type of exposure and calculation method required by the prudential regulations.

Chart 4 - Template EU OV1: overview on risk-weighted exposures (RWA)

| | | <i>RWA</i> | | <i>Capital requirements</i> |
|-----------|--|-------------------|-------------------|-----------------------------|
| | | <i>a</i> | <i>b</i> | <i>a</i> |
| | | 30/06/2021 | 31/03/2021 | 30/06/2021 |
| 1 | Credit risk (excluding CCR) | 16.216.004 | 15.545.119 | 1.297.280 |
| 2 | Of which the standardised approach | 9.176.057 | 8.515.129 | 734.085 |
| 3 | Of which the foundation IRB (FIRB) approach | - | - | - |
| 4 | Of which: slotting approach | - | - | - |
| EU 4a | Of which: equities under the simple risk-weighted approach | - | - | - |
| 5 | Of which the advanced IRB (AIRB) approach | 7.039.947 | 7.029.991 | 563.196 |
| 6 | Counterparty credit risk - CCR | 138.289 | 121.586 | 11.063 |
| 7 | Of which the standardised approach | 66.211 | 86.924 | 5.297 |
| 8 | Of which internal model method (IMM) | - | - | - |
| EU 8a | Of which exposures to a CCP | 224 | 74 | 18 |
| EU 8b | Of which credit valuation adjustment - CVA | 27.849 | 26.469 | 2.228 |
| 9 | Of which other CCR | 44.005 | 8.119 | 3.520 |
| 15 | Settlement risk | - | - | - |
| 16 | Securitisation exposures in the non-trading book (after the cap) | 97.401 | 212.147 | 7.792 |
| 17 | Of which SEC-IRBA approach | - | - | - |
| 18 | Of which SEC-ERBA (including IAA) | - | 115.242 | - |
| 19 | Of which SEC-SA approach | 87.792 | 86.956 | - |
| EU 19a | Of which 1250% / deduction | 9.610 | 9.949 | - |
| 20 | Position, foreign exchange and commodities risks (Market risk) | 355.136 | 335.721 | 28.411 |
| 21 | Of which the standardised approach | 355.136 | 335.721 | 28.411 |
| 22 | Of which IMA | - | - | - |
| EU 22a | Large exposures | - | - | - |
| 23 | Operational risk | 1.548.543 | 1.548.543 | 123.883 |
| EU 23a | Of which basic indicator approach | - | - | - |
| EU 23b | Of which standardised approach | 1.548.543 | 1.548.543 | 123.883 |
| EU 23c | Of which advanced measurement approach | - | - | - |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) | 96.345 | 115.056 | 7.708 |
| 29 | TOTAL | 18.355.373 | 17.763.191 | 1.468.430 |

Source: COREP reporting - Capital Adequacy: Templates C 02.00 - C 07.00 - C 04.00 - C 08.01 - C 10.01 - C 13.01 - C 14.00 - C 14.01 - C 34.10 - C 34.02

The Group's total risk-weighted assets increased in the last quarter, returning to values in line with those at the end of 2020. In particular, the increase associated with credit risk was significant, sustained by a vigorous expansion of the volume of loans to customers; the contribution of operations that benefit from a state guarantee remains important as a measure to contrast the economic effects of the COVID-19 pandemic.

The new methodological treatments referring to exposures to UCIs (Undertakings for Collective Investments) not included in the trading book, effective from 28 June 2021 with the full entry into force of Regulation (EU) 876/2019 ("CRR II"), resulted in the application of a higher average weighting factor to the CIUs portfolio, even if with impacts that were in any case limited on total

assets. The changes in the framework for calculating exposures that generate counterparty risk introduced by the recent update of prudential rules - replacement of the Current Exposure Method (CEM) with the Standardised Approach (SA-CCR) - had no material effect on total absorption.

With regards to the contribution of other types of risk, the trading book exposure to market risks appears to be moderately growing, in a context of generally stable volumes; the presence of securities purchase transactions to be settled at the end of the first half of the year contributes to defining the increased requirement. The capital requirement for operational risks remains unchanged and is updated annually in accordance with regulatory requirements. Lastly, the CVA risks on OTC derivative transactions have been reconfirmed scarcely material.

Section 3 - Disclosure of own funds (art. 437 CRR/CRR II)

The components of regulatory own funds: main characteristics

The key elements of regulatory own funds consist of:

- Common Equity Tier 1 Capital (CET1)
- Additional Tier 1 capital (Additional Tier 1 - AT1)
- Tier 2 Capital (T2).

CET1 and AT1 constitute Tier 1 Capital (T1) which, added to Tier 2, gives Total Own Funds.

Tier 1 primary capital (Common Equity Tier 1 - CET1)

The Common Equity Tier 1 Capital (CET1) is made up of the following positive and negative components:

- Share capital and related share premium reserve
- Profit reserves
- Valuation reserves as per UCI Accumulated Other Comprehensive Income
- Other reserves
- Previous CET1 instruments subject to transitional instructions (grandfathering)
- Non-controlling interests
- Prudential filters
- Deductions.

The prudential filters (positive or negative) are regulatory adjustments to items of the financial statements aimed at granting the quality of own funds, reducing the potential volatility caused by applying IAS/IFRS. The prudential filters exclude from CET1 the valuation reserve generated by cash flow hedges and unrealised gains/losses arising from changes in own creditworthiness (liabilities under the fair value option and derivative liabilities).

The main Deductions to which common equity capital is subject consist of goodwill and other intangible assets and, with effect from 30 June 2019, for Banca Popolare di Sondrio Group of any excess of expected losses quantified through risk parameters calculated using internal models over total net impairment losses recognised in the financial statements (shortfall), referring to the regulatory portfolios for which the Supervisory Authorities have approved the use of the Advanced Internal Rating Based Approach (IRB) to estimate the capital requirement for credit risk (the Corporate and Retail portfolios).

Additional significant deductions from CET1 are:

- deferred tax assets (DTA) that rely on future profitability;

- deferred tax assets that rely on future profitability and arise from temporary differences (deducted for the amount that exceeds the thresholds provided for in the regulations);
- significant investments in equity instruments issued by financial sector entities (deducted for the amount that exceeds the thresholds provided for in the regulations);
- non-significant investments in equity instruments issued by financial sector entities (deducted for the amount that exceeds the thresholds provided for in the regulations);
- any deductions exceeding the availability of Additional Tier 1 Capital.

Additional Tier 1 capital (Additional Tier 1 - AT1)

The Additional Tier 1 Capital (AT1) consists of the following positive and negative components:

- Equity instruments and related premiums
- Previous AT1 instruments subject to transitional instructions (grandfathering)
- Instruments issued by subsidiaries and included in AT1
- Deductions.

Tier 2 Capital (T2)

The Tier 2 Capital (T2) consists of the following positive and negative elements:

- Equity instruments, subordinated loans and related premiums
- Previous T2 instruments subject to transitional instructions (grandfathering)
- Instruments issued by subsidiaries and included in T2
- Surplus on expected losses of recognised value adjustments, within the limit of 0.60% of weighted exposures for credit risk according to the A-IRB approach
- Deductions.

Transitional arrangements

At 30 June 2021, the Group's own funds were calculated applying the prudential regulations that came into force with the CRR on 1 January 2014, as subsequently amended and supplemented, which transposed the new capital standards defined by the Basel Committee for Banking Supervision ("Basel 3 Framework" and subsequent evolutions and additions to the regulatory framework conventionally referred to as "Basel 4").

The supervisory rules established transitional provisions, which are still in progress, characterised by a progressive introductory period ("phase-in") of part of the regulations on own funds and capital requirements, during which, for example, only a percentage of certain elements are deducted from/ included in Tier 1 Capital, while the residual elements are otherwise included in/deducted from Additional Tier 1 Capital and Tier 2 Capital or considered as part of risk weighted assets.

The transition period also provides for safeguard clauses (known as “grandfathering”) that allow the partial inclusion, with gradual exclusion by the end of 2021, of previous equity instruments that do not meet all the requirements specified by the CRR for inclusion in CET1, AT1 or T2.

As already indicated in Section 2 above, the Group's own funds and prudential capital ratios at 30 June 2021 are calculated in accordance with the transitional arrangements set out in Regulation (EU) 2017/2395 of 12 December 2017, as partially amended by Regulation (EU) 2020/873 of 24 June 2020, designed to mitigate the impact of the introduction of IFRS 9.

Lastly, it is recalled that, considering the possible effects of the COVID-19 pandemic, Regulation (EU) 2020/873 of 24 June 2020 (CRR “Quick-fix”) granted supervised entities the right, only for the three-year period 2020-2022, to mitigate for prudential purposes the cumulative effects of profits and losses not yet realised starting from 1 January 2020 on performing exposures to central governments and public sector entities classified in the portfolio of “Financial assets measured at fair value through other comprehensive income” (FVOCI). At 30 June 2021, the Group decided not to take advantage of this temporary treatment.

Conditions for the inclusion of interim or year-end earnings

With reference to Regulation (EU) no. 575/2013 (“CRR”), on 4 February 2015 the European Central Bank issued a Decision establishing the procedures to be followed by banks or banking groups subject to its direct supervision (Regulation (EU) no. 468/2014) regarding the inclusion in Common Equity Tier 1 Capital (CET1) of interim or year-end earnings before a formal decision-making act is taken to confirm the result.

They can only be included (art. 26 CRR) with the prior approval of the Competent Authority, which in this case is the ECB; this will allow the inclusion if the following conditions are met:

- earnings must be checked and certified by the Independent Auditors of the bank or banking group;
- the bank or banking group must deliver a specific declaration referring to such earnings with reference to the accounting standards applied and the inclusion of foreseeable charges and dividends, the latter calculated on the basis of specific methodologies as indicated.

The Decision also provides the model of certification that banks or banking groups must adopt for the purpose of requesting authorisation.

The chart below provides an illustrative diagram of the main components of the Group's regulatory capital at the reporting date, indicating the values of the capital ratios and the minimum requirements to which they are subject.

Chart 5 - Template EU CC1: composition of regulatory own funds

| | | 30/06/2021 | | 31/12/2020 | |
|--|--|------------------|--|------------------|--|
| | | a | b | a | b |
| | | Amounts | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation | Amounts | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
| CAPITALE PRIMARIO DI CLASSE 1: STRUMENTI E RISERVE | | | | | |
| 1 | Capital instruments and the related share premium accounts | 1.439.162 | 170. SHARE CAPITAL 160. SHARE PREMIUM ACCOUNTS | 1.439.162 | 170. SHARE CAPITAL 160. SHARE PREMIUM ACCOUNTS |
| | <i>of which: Instrument type 1</i> | 1.439.162 | | 1.439.162 | |
| 2 | Retained earnings | - | | - | |
| 3 | Accumulated other comprehensive income (and other reserves) | 1.570.265 | 120. VALUATION RESERVES 150. RESERVES | 1.473.557 | 120. VALUATION RESERVES 150. RESERVES |
| EU-3a | Funds for general banking risk | - | | - | |
| 4 | Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1 | - | | - | |
| 5 | Minority interests (amount allowed in consolidated CET1) | 39.753 | 190. MINORITY SHAREHOLDERS' EQUITY (+/-) | 40.440 | 190. MINORITY SHAREHOLDERS' EQUITY (+/-) |
| EU-5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 100.887 | 200. PROFIT (LOSS) FOR THE PERIOD | 78.962 | 200. PROFIT (LOSS) FOR THE PERIOD |
| 6 | COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS | 3.150.067 | | 3.032.120 | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | | | |
| 7 | Additional value adjustments (negative amount) | (4.544) | | (3.959) | |
| 8 | Intangible assets (net of related tax liability) (negative amount) | (31.103) | 100. INTANGIBLE ASSETS | (28.327) | 100. INTANGIBLE ASSETS |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | (4.850) | 110. TAX ASSETS | (4.916) | 110. TAX ASSETS |
| 11 | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | - | | - | |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | - | | - | |
| 13 | Any increase in equity that results from securitised assets (negative amount) | - | | - | |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | - | | - | |
| 15 | Defined-benefit pension fund assets (negative amount) | - | | - | |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | (36.444) | 180. TREASURY SHARES (-) | (36.618) | 180. TREASURY SHARES (-) |
| 17 | Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | | - | |
| 18 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant | - | | - | |

| | | | | | |
|---|---|------------------|---|------------------|---|
| | investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | | | | |
| | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | | | | |
| 19 | | (12.019) | 70. EQUITY INVESTMENTS | (2.668) | 70. EQUITY INVESTMENTS |
| EU-20a | Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative | - | | - | |
| EU-20b | <i>of which: qualifying holdings outside the financial sector (negative amount)</i> | - | | - | |
| EU-20c | <i>of which: securitisation positions (negative amount)</i> | - | | - | |
| EU-20d | <i>of which: free deliveries (negative amount)</i> | - | | - | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | - | | - | |
| 22 | Amount exceeding the 17,65% threshold (negative amount) | - | | - | |
| 23 | <i>of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i> | - | | - | |
| 25 | <i>of which: deferred tax assets arising from temporary differences</i> | - | | - | |
| EU-25° | Losses for the current financial year (negative amount) | - | 200. PROFIT (LOSS) FOR THE PERIOD | - | 200. PROFIT (LOSS) FOR THE PERIOD |
| EU-25b | Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount) | - | | - | |
| 27 | Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount) | - | | - | |
| 27° | Other regulatory adjustments | 5.236 | | 11.798 | |
| 28 | TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1 (CET1) | (83.723) | | (64.689) | |
| 29 | COMMON EQUITY TIER 1 (CET1) CAPITAL | 3.066.344 | | 2.967.432 | |
| Additional Tier 1 (AT1) capital: instruments | | | | | |
| 30 | Capital instruments and the related share premium accounts | - | | - | |
| 31 | <i>of which: classified as equity under applicable accounting standards</i> | 8.462 | | 8.607 | |
| 32 | <i>of which: classified as liabilities under applicable accounting standards</i> | - | 10. FINANCIAL LIABILITIES AT AMORTISED COST | - | 10. FINANCIAL LIABILITIES AT AMORTISED COST |
| 33 | Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR | - | | - | |
| EU-33° | Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1 | - | | - | |
| EU-33b | Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1 | - | | - | |
| 34 | Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | 8.462 | 190. MINORITY SHAREHOLDERS' EQUITY (+/-) | 8.607 | 190. MINORITY SHAREHOLDERS' EQUITY (+/-) |
| 35 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - | | - | |

| | | | | | |
|--|--|-----------|---|-----------|---|
| 36 | ADDITIONAL TIER 1 (AT1) CAPITAL BEFORE REGULATORY ADJUSTMENTS | 8.462 | | 8.607 | |
| Additional Tier 1 (AT1) capital: regulatory adjustments | | | | | |
| 37 | Direct and indirect holdings by an institution of own AT1 instruments (negative amount) | - | | - | |
| 38 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | | - | |
| 39 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | | - | |
| 40 | Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | | - | |
| 42 | Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) | - | | - | |
| 42° | Other regulatory adjustments to AT1 capital | - | | - | |
| 43 | TOTAL REGULATORY ADJUSTMENTS TO ADDITIONAL TIER 1 (AT1) CAPITAL | - | | - | |
| 44 | ADDITIONAL TIER 1 (AT1) CAPITAL | 8.462 | | 8.607 | |
| 45 | TIER 1 CAPITAL (T1 = CET1 + AT1) | 3.074.806 | | 2.976.039 | |
| Tier 2 (T2) capital: instruments | | | | | |
| 46 | Capital instruments and the related share premium accounts | 301.967 | 10. FINANCIAL LIABILITIES AT AMORTISED COST | 348.966 | 10. FINANCIAL LIABILITIES AT AMORTISED COST |
| 47 | Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR | - | | - | |
| EU-47° | Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2 | - | | - | |
| EU-47b | Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2 | - | | - | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | 11.282 | 190. MINORITY SHAREHOLDERS' EQUITY (+/-) | - | 190. MINORITY SHAREHOLDERS' EQUITY (+/-) |
| 49 | of which: instruments issued by subsidiaries subject to phase out | - | | - | |
| 50 | Credit risk adjustments | 42.310 | | 43.040 | |
| 51 | TIER 2 (T2) CAPITAL BEFORE REGULATORY ADJUSTMENTS | 355.559 | | 392.006 | |
| Tier 2 (T2) capital: regulatory adjustments | | | | | |
| 52 | Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount) | (4.928) | | (5.899) | |
| 53 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | | - | |
| 54 | Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant | - | | - | |

| | | | |
|---|--|-------------------|-------------------|
| | investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | | |
| 55 | Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | - |
| EU-56* | Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount) | - | - |
| EU-56b | Other regulatory adjustments to T2 capital | (125) | 11.388 |
| 57 | TOTAL REGULATORY ADJUSTMENTS TO TIER 2 (T2) CAPITAL | (5.052) | 5.489 |
| 58 | TIER 2 (T2) CAPITAL | 350.507 | 397.496 |
| 59 | TOTAL CAPITAL (TC = T1 + T2) | 3.425.313 | 3.373.534 |
| 60 | TOTAL RISK EXPOSURE AMOUNT | 18.355.373 | 18.187.330 |
| Capital ratios and requirements including buffers | | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount) | 16,7054% | 16,3159% |
| 62 | Tier 1 (as a percentage of total risk exposure amount) | 16,7515% | 16,3633% |
| 63 | Total capital (as a percentage of total risk exposure amount) | 18,6611% | 18,5488% |
| 64 | Institution CET1 overall capital requirements | 8,6896% | 8,6905% |
| 65 | of which: capital conservation buffer requirement | 2,5000% | 2,5000% |
| 66 | of which: countercyclical buffer requirement | 0,0021% | 0,0030% |
| 67 | of which: systemic risk buffer requirement | - | - |
| EU-67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | - | - |
| EU-67b | of which: additional own funds requirements to address the risks other than the risk of excessive leverage | 1,6875% | 1,6875% |
| 68 | COMMON EQUITY TIER 1 AVAILABLE TO MEET BUFFER (AS A PERCENTAGE OF RISK EXPOSURE AMOUNT) | 10,5179% | 10,1284% |
| Amounts below the thresholds for deduction (before risk weighting) | | | |
| 72 | Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 286.470 | 284.615 |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions) | 306.199 | 297.384 |
| 75 | Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) | 38.538 | 43.604 |
| Applicable caps on the inclusion of provisions in Tier 2 | | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap) | - | - |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | - | - |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) | 96.377 | 52.288 |

| | | | |
|--|--|--------|--------|
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | 42.310 | 43.040 |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022) | | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - | - |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | - |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | - | - |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | - | - |
| 84 | Current cap on T2 instruments subject to phase out arrangements | - | - |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | - | - |

Source: COREP reporting - Capital Adequacy: Templates C 01.00 - C 02.00 - C 03.00 - C 04.00 - C 05.01 - C 05.02

The following chart shows the reconciliation of the elements making up regulatory capital, as well as the filters and deductions applied to them, indicated in the previous chart with the relevant items in the Group's balance sheet at the reference date, taking into account the differences in the areas of consolidation for balance sheet and prudential purposes.

Chart 6 - Template EU CC2: reconciliation of regulatory own funds to balance sheet in the audited financial statements

| | | 30/06/2021 | | | 31/12/2020 | | |
|--|---|---|--|------------------|---|--|------------------|
| | | a | b | c | a | b | c |
| | | <i>Balance sheet as in published financial statements</i> | <i>Under regulatory scope of consolidation</i> | <i>Reference</i> | <i>Balance sheet as in published financial statements</i> | <i>Under regulatory scope of consolidation</i> | <i>Reference</i> |
| | | <i>As at period end</i> | <i>As at period end</i> | | <i>As at period end</i> | <i>As at period end</i> | |
| Assets - Breakdown by asset classes according to the balance sheet in the published financial statements | | | | | | | |
| 70. | EQUITY INVESTMENTS | 326.212 | 373.965 | 19 | 305.444 | 350.319 | 19 |
| 100. | INTANGIBLE ASSETS | 31.103 | 31.104 | 8 | 28.328 | 28.327 | 8 |
| | - goodwill | 12.632 | 12.632 | 8 | 12.632 | 12.632 | 8 |
| | - others | 18.471 | 18.471 | 8 | 15.696 | 15.695 | 8 |
| 110. | TAX ASSETS | 371.456 | 371.415 | 10 | 423.785 | 423.740 | 10 |
| b) | advanced | 347.315 | 347.310 | 10 | 377.189 | 377.184 | 10 |
| TOTAL ASSETS | | 728.771 | 776.483 | | 757.557 | 802.385 | |
| Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements | | | | | | | |
| 10. | FINANCIAL LIABILITIES AT AMORTISED COST | 47.832.352 | 47.832.364 | 32,46 | 45.386.148 | 45.386.164 | 32,46 |
| c) | securities issued | 2.919.304 | 2.919.303 | 32,46 | 2.831.112 | 2.831.112 | 32,46 |
| 120. | VALUATION RESERVES | 36.322 | 36.130 | 3 | 27.840 | 27.648 | 3 |
| 150. | RESERVES | 1.539.780 | 1.538.032 | 3 | 1.449.360 | 1.448.990 | 3 |
| 160. | SHARE PREMIUM ACCOUNTS | 79.005 | 79.005 | 1 | 79.005 | 79.005 | 1 |
| 170. | SHARE CAPITAL | 1.360.157 | 1.360.157 | 1 | 1.360.157 | 1.360.157 | 1 |
| 180. | TREASURY SHARES (-) | (25.455) | (25.454) | 16 | (25.388) | (25.387) | 16 |
| 190. | MINORITY SHAREHOLDERS' EQUITY (+/-) | 100.909 | 100.908 | 5, 34, 48 | 98.103 | 98.092 | 5, 34, 48 |
| Shareholders' Equity | | | | | | | |
| 200. | PROFIT (LOSS) FOR THE PERIOD | 136.689 | 136.754 | 5a | 106.597 | 106.467 | 5a |
| TOTAL SHAREHOLDERS' EQUITY | | 51.059.759 | 51.057.895 | | 48.481.822 | 48.481.136 | |

Source: Consolidated balance sheet, FINREP reporting

The composition of own funds at 30 June 2021 took into account the portion of the profits of the considered period, net of an estimate of the dividend payable (dividend pay-out). The portion of profits calculated among the positive elements of regulatory capital was authorised by the European Central Bank in compliance with the provisions of art. 26, para.2 of Regulation (EU) no. 575 of 26/6/2013 ("CRR") for the purpose of determining the Common Equity Tier 1 Capital.

In the first half of 2021, a marked increase in the Group's better-quality assets was observed, mainly thanks to the positive effect of the generation of profits for self-financing. On the other hand, the contribution of the portion of the IFRS 9 first-time adoption reserve, that was "normalized" in accordance with the rules for the gradual introduction of the accounting principle as a result of the adjustment to the transitional rules introduced by the European Union as part of the response to the COVID-19 emergency, was partially eroded.

The CET1 Ratio and the Tier 1 Ratio, despite the increase in total risk-weighted assets, benefited from the strengthening of core capital resources and both exceeded 16.7% at the end of June, positioning the Group at the top of the banking system in terms of capital strength.

In determining the total amount of own funds, the positive dynamics of common equity capital were offset by the application of the regime of progressive exclusion of Tier 2 subordinated liabilities, resulting in a regular decrease in the eligible values of former issues. As a result, the Total Capital Ratio remained stable at around 18.7% since the beginning of the year.

Section 4 - Disclosure of capital buffers (art. 440 CRR/CRR II)

The imposition of additional capital buffers with reference to minimum requirements is intended for providing banks with high-quality capital to be used in case of market tension in order to prevent general malfunctions of the banking system and avoid interruptions in the credit disbursement process, as well as to face the risks deriving from the systemic relevance at global or domestic level of certain intermediaries.

In this context, the countercyclical capital buffer (CCyB) has the purpose of protecting the banking sector in case of excessive credit growth; in fact, its imposition, during phases of overheating of the credit cycle, allows banks to accumulate CET1 capital to absorb losses in a downturn.

As established in Article 140 (1) of Directive 2013/36/EU ("CRD IV"), supervised entities are required to hold a countercyclical capital buffer equal to their overall risk exposure (in terms of risk weighted assets) multiplied by a specific countercyclical coefficient. The European legislation on the countercyclical buffer was implemented in Italy with Bank of Italy Circular no. 285/2013.

Like other national authorities designated by the individual member states of the Single Supervisory Mechanism, Bank of Italy must determine on a quarterly basis the countercyclical coefficient applicable for the Italian banking system regulations and monitor the consistency of analogous coefficients applied by other countries, both EU and non-EU. The specific countercyclical coefficient of each supervised institution is equal to the weighted average of the coefficients applied in the countries where it has significant credit exposures.

Bank of Italy set at 0% the CCyB coefficient to be applied to the exposures held by intermediaries with Italian counterparties at 30 June 2021, the same as for the first quarter of the year.

The charts below show the geographical distribution of credit exposures relevant for the purposes of determining the Group's specific countercyclical capital buffer and the main elements used to calculate the amount of the buffer at the reporting date.

Chart 7 - Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (1 of 2)

| | a | b | c | d | e | f |
|----------------------|---|---|--|---|------------------------------------|------------------------|
| Breakdown by country | <i>Exposures in the banking book</i> | | <i>Exposures in the trading book</i> | | <i>Exposures in securitisation</i> | <i>Total exposures</i> |
| | <i>Exposure value under SA approach</i> | <i>Exposure value under AIRB approach</i> | <i>Sum of long and short positions</i> | <i>Exposure value under internal models</i> | | |
| Italy | 5.953.775 | 25.568.019 | 23.007 | - | 678.951 | 32.223.752 |
| Bulgaria | 34 | 485 | - | - | - | 518 |
| Czech Republic | 1.616 | - | - | - | - | 1.616 |
| Hong Kong | 1.070 | 544 | - | - | - | 1.614 |
| Luxembourg | 2.203 | 162.234 | - | - | - | 164.437 |
| Norvegia | 352 | 24.442 | - | - | - | 24.794 |
| Slovacchia | 79 | 166 | - | - | - | 244 |
| Other countries | 5.478.780 | 526.824 | - | - | - | 6.005.604 |
| TOTAL | 11.437.908 | 26.282.714 | 23.007 | - | 678.951 | 38.422.580 |

Source: COREP reporting - Breakdown of credit exposures relevant for the calculation of the countercyclical buffer by country: Template C 09.04

Chart 8 - Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (2 of 2)

| | g | h | i | j | k | l | m |
|----------------------|---|---|---|------------------|---------------------------------------|---|---|
| Breakdown by country | <i>Own funds requirements</i> | | | | <i>Risk-weighted exposure amounts</i> | <i>Weighting factors of own fund requirements (%)</i> | <i>Counter-cyclical coefficient (%)</i> |
| | <i>of which: generic credit exposures</i> | <i>of which: credit exposures of the trading book</i> | <i>of which: securitisation positions in the banking book</i> | <i>Total</i> | | | |
| Italy | 944.029 | 1.841 | 7.792 | 953.661 | 11.920.765 | 80,8830% | 0,0000% |
| Bulgaria | 11 | - | - | 11 | 136 | 0,0009% | 0,5000% |
| Czech Republic | 129 | - | - | 129 | 1.616 | 0,0110% | 0,5000% |
| Hong Kong | 93 | - | - | 93 | 1.159 | 0,0079% | 1,0000% |
| Luxembourg | 2.001 | - | - | 2.001 | 25.019 | 0,1698% | 0,5000% |
| Norvegia | 1.356 | - | - | 1.356 | 16.955 | 0,1150% | 1,0000% |
| Slovacchia | 7 | - | - | 7 | 91 | 0,0006% | 1,0000% |
| Other countries | 221.803 | - | - | 221.803 | 2.772.539 | 18,8118% | 0,0000% |
| TOTAL | 1.169.430 | 1.841 | 7.792 | 1.179.062 | 14.738.280 | 100,0000% | |

Source: COREP reporting - Breakdown of credit exposures relevant for the calculation of the countercyclical buffer by country: Template C 09.04

Chart 9 - Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

| | a |
|---|------------|
| 1 Total risk exposure amount (RWA) | 18.355.373 |
| 2 Specific countercyclical coefficient of the institution | 0,0021% |
| 3 SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER REQUIREMENT OF THE INSTITUTION | 393 |

Source: COREP reporting - Amount of exposure to risk: Template C 02.00 and Memorandum Items: Template C 04.00

Compared to the previous disclosure as of 31 December 2020, no material changes in the Group's specific countercyclical ratio or in the related reserve amount have occurred.

Section 5 - Disclosure of leverage ratio (art. 451 CRR/CRR II)

Regulation (EU) no. 575/2013 ("CRR"), as partially amended by Delegated Regulation (EU) no. 2015/62, brought into effect from 1 January 2014 introducing a new requirement for supervised entities to calculate a specific Leverage Ratio in order to limit the build-up of an excessive leverage, namely a particularly high level of indebtedness compared with the amount of own funds which can make a bank vulnerable.

The indicator, which was implemented as part of Basel 3 framework, is a simple backstop measure aimed at complementing the traditional risk-based capital requirements. The purposes of its calculation and monitoring are to:

- prevent unsustainable leverage accumulation and, hence, mitigate the impact of sudden deleveraging processes, as experienced during the last global crisis;
- act as a constraint against model risk and measurement errors related to current systems to calculate risk-weighted assets, underlying the way the capital ratios are determined.

To cope with the risk of excessive leverage, banks must adopt policies and procedures aimed at identifying, managing and adequately monitoring the exposure. It is also envisaged that banks should manage leverage risk conservatively, bearing in mind the potential increases in risk due to decreases in own funds caused by expected or realised losses deriving from current accounting rules.

The Leverage Ratio is calculated quarterly as the ratio between a measure of high-quality capital (Tier 1 Capital) and an exposure measure, expressed as a percentage. The exposure measure includes both on-balance and off-balance sheet items; the latter, which are calculated by applying defined "credit conversion factors" (CCF) to the relevant notional amount of each off-balance sheet item, mainly consist of credit commitments (disbursements also connected to undrawn portions of credit lines available to customers), guarantees and exposures in derivative instruments.

Regulation (EU) no. 876/2019 ("CRR II") of the European Parliament and of the Council of 20 May 2019, in amending the dictates of the "CRR", introduced from 28 June 2021 a minimum Pillar 1 leverage requirement of 3% that all banking entities operating in the EU are required to meet on an ongoing basis.

The new regulations provided, among other things, that banks may exclude from the overall exposure measure used for the calculation of the coefficient exposures to central banks represented by: a) coins and banknotes that are the legal currency in the central bank's country; and b) assets representing claims on the central bank, including reserves held with the central bank, if the Competent Authority has determined - after consultation with the relevant central bank - and publicly declared the existence of exceptional circumstances justifying the exclusion in order to facilitate the implementation of monetary policies (art. 429-bis, par. 5, CRR).

With a decision taken in September 2020, the European Central Bank, considering COVID-19 pandemic, authorised supervised banks to temporarily ease, until 27 June 2021, the way their

Leverage Ratio is calculated, recognising the existence of exceptional circumstances for the aforementioned exclusion effective 31 December 2019.

On 18 June 2021, the ECB, in its central bank functions, confirmed for the Euro area the existence of exceptional circumstances for excluding exposures to central banks from the calculation of their Leverage Ratio in order to support the transmission of monetary policy. The Governing Council of the ECB also indicated the 31 December 2019 as the starting date of such exceptional circumstances. This monetary policy advice was followed by an ECB decision, in its supervisory competence⁷, to extend until 31 March 2022 the option, already granted to significant entities under its direct supervision, to exclude certain exposures to central banks from their Leverage Ratio.

If a bank elects to use this option, it will be required to meet an Adjusted Leverage Ratio for the duration of the exclusion.

The charts below summarise the main information on the Group's Leverage Ratio measure as at 30 June 2021 concerning specifically:

- reconciliation of the measure of overall exposure to the denominator of the ratio and the accounting assets as per the latest published consolidated financial statements;
- breakdown of the components of the overall exposure measure, as well as information on the value assumed by the ratio and the minimum leverage requirements applicable;
- breakdown of on-balance sheet exposures that make up the ratio overall exposure measure.

⁷ Decision ECB/2021/27 on the temporary exclusion of certain central bank exposures from the measure of global exposure in light of the COVID-19 pandemic and repealing Decision (EU) 2020/1306

Chart 10 - Template EU LR1 - LRSum - Summary reconciliation of accounting assets and leverage ratio exposures

| | | 30/06/2021 | 31/03/2021 |
|--------|---|-------------------|-------------------|
| | | a | b |
| | | Applicable amount | Applicable amount |
| 1 | Total assets as per published financial statements | 52.947.405 | 51.609.891 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | (1) | (491.756) |
| 3 | (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference) | - | - |
| 4 | (Adjustment for temporary exemption of exposures to central bank (if applicable)) | (4.968.202) | (6.758.283) |
| 5 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR) | - | - |
| 6 | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting | - | - |
| 7 | Adjustment for eligible cash pooling transactions | - | - |
| 8 | Adjustments for derivative financial instruments | 105.536 | (18.849) |
| 9 | Adjustment for securities financing transactions (SFTs) | 6.960 | 124.717 |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 4.595.690 | 4.498.958 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) | - | - |
| EU-11a | (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-11b | (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR) | - | - |
| 12 | Other adjustments | (35.387) | (84.364) |
| 13 | TOTAL EXPOSURE MEASURE | 52.652.000 | 48.880.314 |

Source: COREP reporting - Capital Adequacy: Templates C 01.00 - C 40.00 - C 47.00 and FINREP reporting - Balance sheet: Template F 01.00

Chart 11 - Template EU LR2 - LRCom: Leverage ratio common disclosure

| | | CRR leverage ratio exposures | |
|--|---|------------------------------|-------------------|
| | | 30/06/2021 | 31/03/2021 (*) |
| | | a | b |
| On-balance sheet exposures (excluding derivatives and SFTs) | | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 47.075.933 | - |
| 2 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | - | - |
| 3 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | - | - |
| 4 | Adjustment for securities received under securities financing transactions that are recognised as an asset | - | - |
| 5 | (General credit risk adjustments to on-balance sheet items) | - | - |
| 6 | (Asset amounts deducted in determining Tier 1 capital) | - | - |
| 7 | TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS) | 47.075.933 | 43.544.605 |
| Derivative exposures | | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin) | 52.004 | - |
| EU-8a | Derogation for derivatives: replacement costs contribution under the simplified standardised approach | 28.235 | - |
| 9 | Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions | 87.452 | - |
| EU-9a | Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach | 83.444 | - |
| EU-9b | Exposure determined under Original Exposure Method | - | - |

| | | | |
|---|---|-------------------|-------------------|
| 10 | (Exempted CCP leg of client-cleared trade exposures) (SA-CCR) | - | - |
| EU-10a | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach) | - | - |
| EU-10b | (Exempted CCP leg of client-cleared trade exposures) (original exposure method) | - | - |
| 11 | Adjusted effective notional amount of written credit derivatives | - | - |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - |
| 13 | TOTAL DERIVATIVES EXPOSURES | 251.134 | 37.241 |
| Securities financing transaction (SFT) exposures | | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 722.284 | - |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | (21.075) | - |
| 16 | Counterparty credit risk exposure for SFT assets | 28.035 | - |
| EU-16a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR | - | - |
| 17 | Agent transaction exposures | - | - |
| EU-17a | (Exempted CCP leg of client-cleared SFT exposure) | - | - |
| 18 | TOTAL SECURITIES FINANCING TRANSACTION EXPOSURES | 729.244 | 799.509 |
| Other off-balance sheet exposures | | | |
| 19 | Off-balance sheet exposures at gross notional amount | 18.455.845 | - |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (13.860.156) | - |
| 21 | (General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures) | - | - |
| 22 | OFF-BALANCE SHEET EXPOSURES | 4.595.690 | 4.498.958 |
| Excluded exposures | | | |
| EU-22a | (Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-22b | (Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet)) | - | - |
| EU-22c | (Excluded exposures of public development banks (or units) - Public sector investments) | - | - |
| EU-22d | (Excluded exposures of public development banks (or units) - Promotional loans: | - | - |
| | - Promotional loans granted by a public development credit institution | | |
| | - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State | | |
| EU-22e | (Excluded exposures of public development banks (or units) - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution) | - | - |
| | (Excluded passing-through promotional loan exposures by non-public development banks (or units): | | |
| | - Promotional loans granted by a public development credit institution | | |
| EU-22f | - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State | - | - |
| | - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution) | | |
| EU-22g | (Excluded guaranteed parts of exposures arising from export credits) | - | - |
| EU-22h | (Excluded excess collateral deposited at triparty agents) | - | - |
| EU-22i | (Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR) | - | - |
| EU-22j | (Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR) | - | - |
| EU-22k | (Reduction of the exposure value of pre-financing or intermediate loans) | - | - |
| EU-22k | (TOTAL EXEMPTED EXPOSURES) | - | - |
| Capital and total exposure measure | | | |
| 23 | TIER 1 CAPITAL | 3.074.806 | 2.950.357 |
| 24 | TOTAL EXPOSURE MEASURE | 52.652.000 | 48.880.314 |
| Leverage ratio | | | |
| 25 | Leverage ratio | 5,8399% | 6,0359% |

| | | | |
|---|---|--------------------------|--------------------------|
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 5,8399% | 6,0359% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | 5,3363% | 5,3027% |
| 26 | Regulatory minimum leverage ratio requirement (%) | 3,2860% | 3,0000% |
| EU-26a | Additional own funds requirements to address the risk of excessive leverage (%) | - | - |
| EU-26b | of which: to be made up of CET1 capital | - | - |
| 27 | Leverage ratio buffer requirement (%) | - | - |
| EU-27a | Overall leverage ratio requirement (%) | 3,2860% | 3,0000% |
| Choice on transitional arrangements and relevant exposures | | | |
| EU-27b | Choice on transitional arrangements for the definition of the capital measure | disposizione transitoria | disposizione transitoria |

Source: COREP reporting - Calculation of the Leverage Ratio: Templates C 47.00 - C 40.00 - C 48.00 - C 48.01 - C 48.02

(*) No details of the items that make up the measure of total exposure are given for the comparative period ended 31/03/2021 because the pro-forma reconstruction to which they would be subject by virtue of the significant changes to reporting regulations that came into force in June 2021 would result in a distorted reading in terms of performance

Chart 12 - Template EU LR3 - LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

| | | 30/06/2021 | 31/03/2021 |
|-------|--|------------------------------|------------------------------|
| | | a | b |
| | | CRR leverage ratio exposures | CRR leverage ratio exposures |
| EU-1 | TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS, AND EXEMPTED EXPOSURES), OF WHICH: | 47.075.933 | 43.544.605 |
| EU-2 | Trading book exposures | 121.855 | 129.887 |
| EU-3 | Banking book exposures, of which: | 46.954.078 | 43.414.719 |
| EU-4 | Covered bonds | 216.411 | 216.729 |
| EU-5 | Exposures treated as sovereigns | 11.432.222 | 9.372.946 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | 474.225 | 319.188 |
| EU-7 | Institutions | 2.863.714 | 2.925.094 |
| EU-8 | Secured by mortgages of immovable properties | 10.655.756 | 10.386.411 |
| EU-9 | Retail exposures | 4.255.561 | 4.139.127 |
| EU-10 | Corporates | 12.227.878 | 11.207.741 |
| EU-11 | Exposures in default | 1.021.383 | 1.081.402 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 3.806.928 | 3.766.080 |

Source: COREP reporting - Exposures by Leverage Ratio: Template C 43.00

The Group's Leverage Ratio, calculated by applying the transitional criteria in force for the current year (phased-in), fell in the last quarter by almost 20 basis points. The strong increase in assets in the denominator (partly due to lower shares of exposures to central banks subject to exemptions) was only partially offset by the increased amount of Tier 1 capital in the numerator of the ratio.

By adhering to the temporary exclusion regime for exposures to central banks, the Group is required to observe an Adjusted Leverage Ratio requirement above the minimum limit defined by the CRR. This requirement, amounting to 3.286%, was fulfilled at the reference date.

Section 6 - Disclosure of liquidity requirements (art. 451 bis CRR/CRR II)

The Group regularly monitors its exposure to liquidity risk and the adequacy of the related management and mitigation systems from a current, prospective and stressed perspective, using metrics calculated for both regulatory and internal purposes, the latter defined on the basis of operational specificities and the range of activities performed by the Group.

At an operational level, liquidity management is carried out by Group companies through dedicated business structures; in this context, the Parent Company acts as fund-raising preferential counterparty for its subsidiaries, intervening to cover part of their liquidity needs, as well as in the eventual use of liquidity surplus.

In compliance with the provisions dictated by EU regulations, Banca Popolare di Sondrio calculates and monitors the following synthetic liquidity indicators at a consolidated level: Liquidity Coverage Ratio and Net Stable Funding Ratio.

Liquidity Coverage Ratio (LCR) represents the short-term liquidity coverage requirement determined in accordance with Part Six of the “CRR”, as subsequently supplemented by Delegated Regulation (EU) 2015/61 of 10 October 2014, which in turn was partially amended by Delegated Regulation (EU) 2018/1620 of 13 July 2018. It is calculated as the ratio between the stock of high-quality liquid assets and the total amount of net cash outflows (algebraic sum of inflows and expected cash outflows) over the next 30 calendar days. This parameter aims to ensure the ability of banks to survive a severe short-term liquidity shock by ensuring that they maintain an adequate level of high-quality liquid assets that can be readily converted into cash to meet the very short-term needs that could arise under a particularly acute liquidity stress scenario. The ratio is subject to a minimum regulatory requirement of 100%.

Net Stable Funding Ratio (NSFR) represents the net stable medium to long-term funding ratio determined in accordance with Part Six of the “CRR”, as amended by the “CRR II” dated 20 May 2019, the application of which started with effect from the reporting date of 30 June 2021. This is the ratio of the available amount of stable funding to the required amount of stable funding. It is intended as an additional mechanism compared to the LCR requirement, with the aim of favouring more stable and longer-term financing of company assets, offsetting the incentives that banking institutions would have to finance their stock of liquid assets with short-term funds expiring immediately after the 30-day horizon. In particular, the NSFR requirement should always be kept equal to or higher than 100%, so as to ensure that long-term assets are financed with at least a minimum amount of stable liabilities according with relative liquidity risk profiles.

Overall, the liquidity conditions of the Group are adequate both in the short term (“operational liquidity”) and in the long term (“structural liquidity”), and broadly complies with the minimum levels imposed by regulations for LCR and NSFR ratios.

The charts below show the quarterly trend of the Liquidity Coverage Ratio (LCR) average monthly values of the Group and of the main aggregates making up the ratio (liquidity reserve, liquidity outflows and inflows, high quality liquid assets).

Chart 13 - Template EU LIQ1: quantitative information of LCR (1 of 2)

| | | a | b | c | d |
|--|---|-------------------|------------------|------------------|------------------|
| Total unweighted value (average) | | | | | |
| EU 1a | Quarter ending on (DD Month YYYY) | 30/06/2021 | 31/03/2021 | 31/12/2020 | 30/09/2020 |
| EU 1b | Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 |
| HIGH-QUALITY LIQUID ASSETS (HQLA) | | | | | |
| 1 | TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA) | | | | |
| CASH - OUTFLOWS | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 15.036.628 | 14.563.948 | 14.127.639 | 13.726.119 |
| 3 | Stable deposits | 9.718.932 | 9.460.669 | 9.196.580 | 8.959.108 |
| 4 | Less stable deposits | 5.260.300 | 5.041.960 | 4.884.395 | 4.734.974 |
| 5 | Unsecured wholesale funding, of which: | 17.500.432 | 16.647.769 | 15.917.017 | 15.643.125 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 4.060.250 | 3.797.877 | 3.491.143 | 3.317.902 |
| 7 | Non-operational deposits (all counterparties) | 13.418.915 | 12.830.660 | 12.413.175 | 12.314.924 |
| 8 | Unsecured debt | 21.267 | 19.232 | 12.699 | 10.299 |
| 9 | Secured wholesale funding | | | | |
| 10 | Additional requirements | 559.847 | 559.632 | 547.789 | 546.979 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 8.165 | 9.969 | 11.513 | 12.542 |
| 12 | Outflows related to loss of funding on debt products | - | - | 313 | 313 |
| 13 | Credit and liquidity facilities | 551.683 | 549.663 | 535.963 | 534.125 |
| 14 | Other contractual funding | 3.653 | 45.607 | 45.784 | 45.978 |
| 15 | Other contingent funding obligations | 12.149.638 | 12.424.779 | 12.838.482 | 13.697.845 |
| 16 | TOTAL CASH OUTFLOWS | | | | |
| CASH - INFLOWS | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 756.573 | 744.261 | 896.770 | 1.036.668 |
| 18 | Inflows from fully performing exposures | 5.737.763 | 5.043.542 | 3.984.997 | 3.202.871 |
| 19 | Other cash inflows | 3.707.352 | 3.817.143 | 3.981.241 | 4.183.689 |
| EU-19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | |
| EU-19b | (Excess inflows from a related specialised credit institution) | | | | |
| 20 | TOTAL CASH INFLOWS | 10.201.689 | 9.604.946 | 8.863.009 | 8.423.228 |
| EU-20a | Fully exempt inflows | - | - | - | - |
| EU-20b | Inflows subject to 90% cap | - | - | - | - |
| EU-20c | Inflows subject to 75% cap | - | - | - | - |
| EU-20c | Fully exempt inflows | - | - | - | - |
| EU-20c | Inflows subject to 90% cap | 10.201.689 | 9.604.946 | 9.102.458 | 8.855.112 |
| TOTAL ADJUSTED VALUE | | | | | |

| | |
|-------|------------------------------|
| EU-21 | LIQUIDITY BUFFER |
| 22 | TOTAL NET CASH OUTFLOWS |
| 23 | LIQUIDITY COVERAGE RATIO (%) |

Source: COREP reporting - Liquidity coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 76.00

NOTE: The figures in the chart are calculated as a simple (unweighted) average of the end-of-month observations over the twelve months preceding the end of each quarter

Chart 14 - Template EU LIQ1: quantitative information of LCR (2 of 2)

| | | e | f | g | h |
|-----------------------------------|---|--------------------------------|------------|------------|------------|
| | | Total weighted value (average) | | | |
| EU 1a | Quarter ending on (DD Month YYYY) | 30/06/2021 | 31/03/2021 | 31/12/2020 | 30/09/2020 |
| EU 1b | Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 |
| HIGH-QUALITY LIQUID ASSETS (HQLA) | | | | | |
| 1 | TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA) | 8.396.953 | 8.178.818 | 8.175.653 | 8.252.835 |
| CASH - OUTFLOWS | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 1.177.670 | 1.136.091 | 1.102.227 | 1.069.592 |
| 3 | Stable deposits | 485.947 | 473.033 | 459.829 | 447.955 |
| 4 | Less stable deposits | 691.724 | 663.057 | 642.398 | 621.637 |
| 5 | Unsecured wholesale funding, of which: | 7.877.930 | 7.543.904 | 7.258.872 | 7.201.884 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 975.685 | 911.576 | 836.536 | 794.795 |
| 7 | Non-operational deposits (all counterparties) | 6.880.978 | 6.613.096 | 6.409.638 | 6.396.790 |
| 8 | Unsecured debt | 21.267 | 19.232 | 12.699 | 10.299 |
| 9 | Secured wholesale funding | 313 | 313 | - | - |
| 10 | Additional requirements | 109.629 | 113.123 | 109.919 | 109.143 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 8.165 | 9.969 | 11.513 | 12.542 |
| 12 | Outflows related to loss of funding on debt products | - | - | 313 | 313 |
| 13 | Credit and liquidity facilities | 101.465 | 103.154 | 98.093 | 96.289 |
| 14 | Other contractual funding | 1.623 | 43.563 | 43.730 | 43.914 |
| 15 | Other contingent funding obligations | 448.576 | 443.178 | 447.360 | 464.545 |
| 16 | TOTAL CASH OUTFLOWS | 9.615.741 | 9.280.172 | 8.962.107 | 8.889.077 |
| CASH - INFLOWS | | | | | |
| 17 | Secured lending (e.g. reverse repos) | - | - | 2.333 | 6.547 |
| 18 | Inflows from fully performing exposures | 5.269.848 | 4.580.153 | 3.792.154 | 3.207.247 |
| 19 | Other cash inflows | 761.733 | 783.703 | 813.211 | 853.678 |
| EU-19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | - | - | - | - |
| EU-19b | (Excess inflows from a related specialised credit institution) | - | - | - | - |
| 20 | TOTAL CASH INFLOWS | 6.031.582 | 5.363.856 | 4.607.697 | 4.067.472 |
| EU-20a | Fully exempt inflows Inflows subject to 90% cap | - | - | - | - |
| 20b | Inflows subject to 75% cap Fully exempt inflows | - | - | - | - |
| EU-20c | Inflows subject to 90% cap | 6.031.582 | 5.363.856 | 4.607.697 | 4.067.472 |

| TOTAL ADJUSTED VALUE | | | | | |
|----------------------|------------------------------|-----------|-----------|-----------|-----------|
| EU-21 | LIQUIDITY BUFFER | 8.396.953 | 8.178.818 | 8.175.653 | 8.252.835 |
| 22 | TOTAL NET CASH OUTFLOWS | 3.584.159 | 3.916.315 | 4.354.410 | 4.821.605 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | 238,5352% | 217,9816% | 196,3171% | 173,5819% |

Source: COREP reporting - Liquidity coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 76.00

NOTE: The figures in the chart are calculated as a simple (unweighted) average of the end-of-month observations over the twelve months preceding the end of each quarter

From the evidence reported in previous charts, in the last twelve months an upward trend of the average levels of the indicator can be noted; throughout the entire period the ratio is positioned at values well above the minimum regulatory requirement (100%).

A significant contribution to the LCR development was represented by the progressive increase in on-demand funding volumes, with significant growth attributed to deposits from retail customers. A further boost to funding trends came from the Group's participation in the Targeted Longer-Term Refinancing Operations (TLTRO) promoted by the European Central Bank: as at 30 June 2021, the Group had TLTRO funds totalling Euro 8.874 billion (an increase of approximately Euro 800 million compared to the previous publication as at 31 December 2020), of which Euro 1.6 billion maturing in December 2022, Euro 2.1 billion maturing in March 2023, Euro 4.4 billion maturing in June 2023 and the remainder maturing in March 2024. A minor contribution, although significant, relates to bond issues placed between the end of 2020 and the first half of 2021.

The funds raised were partly reallocated to support the real economy through different types of loans, with a preference for mortgages to retail customers. A further portion was allocated to the purchase of high-quality securities, in particular government bonds. The remaining amounts were placed at the Central Bank in the form of deposits and reserves.

The dynamics described above were reflected in a gradual expansion of outflows but even more of cash inflows recorded on average over the observation period, with consequent positive impacts on the average values of the LCR ratio. It should also be noted that in April 2020 the indicator was subject to regulatory updates regarding the reporting model and some logics underlying its calculation, with non-negligible effects on the levels of the index.

The high-quality liquid assets ("HQLA"), which represents the liquidity reserves that can be computed in the numerator of the index, are held by the Group mainly in Euro currency, to cover any financial needs in this currency; they remain predominantly made up of instruments issued by eligible sovereign entities classified in the "EHQLA" category (Level 1)⁸, recognised as being of extremely high liquidity and credit quality pursuant to Delegated Regulation (EU) 2015/61. These are mainly securities issued by the Italian State. However, the proportion of investments in bonds issued by other sovereign states (in particular Spain and France), supranational organisations, credit institutions and financial companies has increased over time. The Swiss subsidiary Banca Popolare di Sondrio (SUISSE), in turn, holds its own bond portfolio which is mainly composed of

⁸ The rules for calculating the LCR split high quality liquid assets ("HQLA") into three categories, considered in decreasing order of liquidity: "Level 1" ("EHQLA"), "Level 2A" and "Level 2B". Gradually increasing prudential haircuts are applied to these categories, in addition to limits in terms of composition.

Central Bank eligible securities, integrated by cash amounts in CHF deposited with it, aimed at counterbalancing the specific liquidity requirements.

Net cash outflows are determined by applying the liquidity outflow and inflow adjustment factors envisaged by the prudential provisions to all the demand liabilities and assets or those with maturity within 30 days, so as to incorporate in the calculation of the coefficient stress effects of both a systemic and idiosyncratic nature.

The risks associated with the concentration of funding sources are mitigated by the Group by maintaining a consistent retail funding base, which is adequately diversified by definition; further significant sources of funding are represented by national and international private entities and companies, from which the Group has never had problems in raising money at market conditions, given its high level of reputation.

The liquidity risks related to derivative exposures prove to be limited overall, given the risk strategy pursued by the Group which provides for a “back-to-back” hedging of all open positions related to transactions with customers.

The chart below illustrates the value of the Net Stable Funding Ratio (NSFR) of the Group at the reference date and the details regarding its main components (AFS - amount of available stable financing and RSF - amount of required stable financing).

Chart 15 - Template EU LIQ2: Net Stable Funding Ratio

| | | a | b | c | d | e | |
|--------------------------------------|--|---------------------------------------|------------|----------------------|------------|-----------------|-----------|
| (in currency amount) | | Unweighted value by residual maturity | | | | VWeighted value | |
| | | No maturity | < 6 months | 6 months to < 1 year | ≥ 1 year | | |
| Available stable funding (ASF) Items | | | | | | | |
| 1 | Capital items and instruments | 3.158.493 | - | 29.901 | 325.658 | 3.484.151 | |
| 2 | Own funds | 3.158.493 | - | 29.901 | 325.658 | 3.484.151 | |
| 3 | Other capital instruments | | - | - | - | - | |
| 4 | Retail deposits | | 15.964.623 | 354.012 | 869.328 | 16.067.466 | |
| 5 | Stable deposits | | 10.223.648 | 3.686 | 3.318 | 9.719.286 | |
| 6 | Less stable deposits | | 5.740.975 | 350.326 | 866.010 | 6.348.180 | |
| 7 | Wholesale funding: | | 16.662.329 | 179.802 | 10.806.826 | 17.438.452 | |
| 8 | Operational deposits | | 3.483.358 | - | - | 1.741.679 | |
| 9 | Other wholesale funding | | 13.178.971 | 179.802 | 10.806.826 | 15.696.773 | |
| 10 | Interdependent liabilities | | - | - | - | - | |
| 11 | Other liabilities: | - | 3.371.807 | 10.966 | 1.889.467 | 1.894.951 | |
| 12 | NSFR derivative liabilities | - | | | | | |
| 13 | All other liabilities and capital instruments not included in the above categories | | 3.371.807 | 10.966 | 1.889.467 | 1.894.951 | |
| 14 | TOTAL AVAILABLE STABLE FUNDING (ASF) | | | | | 38.885.020 | |
| Required stable funding (RSF) Items | | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | | 4.343.729 |
| EU-15a | Assets encumbered for a residual maturity of one year or more in a cover pool | | 47.960 | 57.130 | 1.275.631 | 1.173.613 | |
| 16 | Deposits held at other financial institutions for operational purposes | | - | - | - | - | |

| | | | | | |
|----|--|------------|-----------|------------|-------------------|
| 17 | Performing loans and securities: | 11.474.831 | 1.439.893 | 18.878.406 | 21.744.045 |
| 18 | <i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i> | 701.223 | - | - | - |
| 19 | <i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i> | 2.477.510 | 145.605 | 332.388 | 652.942 |
| 20 | <i>Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i> | 7.230.352 | 1.019.412 | 9.334.291 | 17.966.269 |
| 21 | <i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i> | 102.983 | 191.767 | 2.428.727 | 6.831.826 |
| 22 | <i>Performing residential mortgages, of which:</i> | 119.996 | 157.994 | 5.738.816 | - |
| 23 | <i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i> | 117.973 | 155.743 | 5.692.209 | - |
| 24 | <i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i> | 945.750 | 116.882 | 3.472.912 | 3.124.834 |
| 25 | Interdependent assets | - | - | - | - |
| 26 | Other assets: | 4.104.716 | 64.860 | 2.597.369 | 2.741.587 |
| 27 | <i>Physical traded commodities</i> | - | - | - | - |
| 28 | <i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i> | - | - | 39.200 | 33.320 |
| 29 | <i>NSFR derivative assets</i> | 18.068 | - | - | 18.068 |
| 30 | <i>NSFR derivative liabilities before deduction of variation margin posted</i> | 22.974 | - | - | 1.149 |
| 31 | <i>All other assets not included in the above categories</i> | 4.063.674 | 64.860 | 2.558.169 | 2.689.050 |
| 32 | Off-balance sheet items | 3.996.015 | - | 528.713 | 227.261 |
| 33 | TOTAL RSF | | | | 30.230.235 |
| 34 | NET STABLE FUNDING RATIO (%) | | | | 128,6296% |

Source: COREP reporting - Net Stable Funding Ratio: Templates C 81.00 - C 86.00

The chart shows that the NSFR ratio of the Group as at 30 June was higher than the minimum regulatory requirement (100%).

The available amount of stable funding (AFS) – consisting mainly of retail deposits and, secondarily, of balances of loans received from the European Central Bank – exceeds the level of the mandatory amount of stable funding (RSF) deriving primarily from the volumes of loans granted to customers.

Section 7 - Disclosure of credit risk exposures (art. 442 CRR/CRR II)

This section provides multiple disclosures referred to the situation of the Group's portfolio of credit exposures as at 30 June 2021, concerning:

- dynamics and composition of performing, non-performing and forborne exposures - including assets acquired as part of execution processes for the recovery of impaired loans - as well as provisions and adjustments on these exposures and the amounts of guarantees received;
- the distribution of exposures with reference to credit quality, counterparty segment, geographical area, economic sector and residual maturity;
- the exposures subject to measures applied in response to the effects of the COVID-19 crisis (payment moratoria and public guarantee schemes on new loans).

Chart 16 - Template EU CR1: Performing and non-performing exposures and related provisions (1 of 3)

| | a | b | c | d | e | f |
|--|---|-------------------------|------------------|---------------------------------|-------------------------|------------------|
| | Gross carrying amount/nominal amount | | | | | |
| | Performing exposures | | | Non-performing exposures | | |
| | of which stage 1 | of which stage 2 | | of which stage 2 | of which stage 3 | |
| 005 Cash balances at central banks and other demand deposits | 7.074.247 | 7.073.842 | 405 | - | - | - |
| 010 Loans and advances | 29.898.944 | 26.551.911 | 2.913.524 | 2.265.257 | - | 2.007.477 |
| 020 Central banks | 2.373 | 2.373 | - | - | - | - |
| 030 General governments | 592.284 | 572.672 | 19.528 | 427 | - | 427 |
| 040 Credit institutions | 398.171 | 397.934 | 237 | - | - | - |
| 050 Other financial corporations | 2.906.936 | 2.872.620 | 23.863 | 35.693 | - | 33.174 |
| 060 Non-financial corporations | 16.076.569 | 13.835.570 | 1.962.296 | 1.590.483 | - | 1.381.016 |
| 070 Of which SMEs | 8.751.891 | 7.009.338 | 1.549.636 | 1.086.951 | - | 907.546 |
| 080 Households | 9.922.611 | 8.870.742 | 907.600 | 638.654 | - | 592.860 |
| 090 Debt securities | 12.305.895 | 12.152.136 | 84.187 | - | - | - |
| 100 Central banks | - | - | - | - | - | - |
| 110 General governments | 9.845.746 | 9.818.823 | - | - | - | - |
| 120 Credit institutions | 1.029.497 | 945.565 | 74.270 | - | - | - |
| 130 Other financial corporations | 1.172.885 | 1.133.457 | 9.917 | - | - | - |
| 140 Non-financial corporations | 257.767 | 254.291 | - | - | - | - |
| 150 Off-balance-sheet exposures | 19.317.618 | 12.479.891 | 469.202 | 219.455 | - | 117.339 |
| 160 Central banks | - | - | - | - | - | - |
| 170 General governments | 522.292 | 439.093 | - | 3 | - | 3 |
| 180 Credit institutions | 442.990 | 88.314 | 383 | - | - | - |
| 190 Other financial corporations | 1.378.070 | 1.231.994 | 11.103 | 15.402 | - | 15.210 |
| 200 Non-financial corporations | 15.208.494 | 9.302.382 | 366.186 | 194.750 | - | 94.690 |
| 210 Households | 1.765.773 | 1.418.108 | 91.529 | 9.300 | - | 7.436 |
| 220 TOTAL AS AT 30/06/2021 | 68.596.704 | 58.257.779 | 3.467.317 | 2.484.712 | - | 2.124.816 |
| TOTAL AS AT 31/12/2020 | 65.823.690 | 54.675.546 | 4.628.340 | 2.534.975 | - | 2.372.499 |

Source: FINREP reporting - Breakdown of financial assets by instrument and counterparty: Templates F 04.03.1 - F 04.04.1 - F 04.09 - F 04.10 - F 18.00

Chart 17 - Template EU CR1: Performing and non-performing exposures and related provisions (2 of 3)

| | g | h | i | j | k | l |
|--|---|-------------------------|--|-------------------------|-------------------------|--------------------|
| | <i>Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions</i> | | | | | |
| | <i>Performing exposures – accumulated impairment and provisions</i> | | <i>Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions</i> | | | |
| | <i>of which stage 1</i> | <i>of which stage 2</i> | | <i>of which stage 2</i> | <i>of which stage 3</i> | |
| 005 Cash balances at central banks and other demand deposits | (2.207) | (2.197) | (10) | - | - | - |
| 010 Loans and advances | (148.047) | (58.998) | (86.393) | (1.245.488) | - | (1.113.259) |
| 020 Central banks | 0 | 0 | - | - | - | - |
| 030 General governments | (1.094) | (985) | (109) | (408) | - | (408) |
| 040 Credit institutions | (191) | (190) | (1) | - | - | - |
| 050 Other financial corporations | (17.357) | (17.032) | (325) | (24.908) | - | (22.388) |
| 060 Non-financial corporations | (87.291) | (26.751) | (59.676) | (887.712) | - | (774.915) |
| 070 Of which SMEs | (55.196) | (12.934) | (41.540) | (557.047) | - | (464.678) |
| 080 Households | (42.113) | (14.040) | (26.281) | (332.460) | - | (315.548) |
| 090 Debt securities | (9.919) | (4.209) | (5.710) | - | - | - |
| 100 Central banks | - | - | - | - | - | - |
| 110 General governments | (2.215) | (2.215) | - | - | - | - |
| 120 Credit institutions | (7.103) | (1.406) | (5.697) | - | - | - |
| 130 Other financial corporations | (463) | (450) | (13) | - | - | - |
| 140 Non-financial corporations | (138) | (138) | - | - | - | - |
| 150 Off-balance-sheet exposures | (17.916) | (13.505) | (4.345) | (22.051) | - | (9.383) |
| 160 Central banks | - | - | - | - | - | - |
| 170 General governments | (220) | (220) | - | - | - | - |
| 180 Credit institutions | (91) | (89) | (2) | - | - | - |
| 190 Other financial corporations | (2.860) | (2.856) | (4) | (325) | - | (210) |
| 200 Non-financial corporations | (10.790) | (7.326) | (3.398) | (20.607) | - | (8.647) |
| 210 Households | (3.956) | (3.014) | (941) | (1.120) | - | (525) |
| 220 TOTAL AS AT 30/06/2021 | (178.089) | (78.909) | (96.458) | (1.267.539) | - | (1.122.642) |
| TOTAL AS AT 31/12/2020 | (219.387) | (88.923) | (130.237) | (1.228.182) | - | (1.195.681) |

Source: FINREP reporting - Breakdown of financial assets by instrument and counterparty: Templates F 04.03.1 - F 04.04.1 - F 04.09 - F 04.10 - F 18.00

Chart 18 - Template EU CR1: Performing and non-performing exposures and related provisions (3 of 3)

| | | <i>m</i> | <i>n</i> | <i>o</i> |
|-----|--|--|---|--|
| | | <i>Accumulated partial write-off</i> | <i>Collateral and financial guarantees received</i> | |
| | | | <i>On performing exposures</i> | <i>On non-performing exposures</i> |
| 005 | Cash balances at central banks and other demand deposits | - | 63 | - |
| 010 | Loans and advances | (183.435) | 20.385.227 | 901.156 |
| 020 | Central banks | - | - | - |
| 030 | General governments | - | 153.820 | - |
| 040 | Credit institutions | - | 26.876 | - |
| 050 | Other financial corporations | - | 1.238.503 | 5.986 |
| 060 | Non-financial corporations | (182.840) | 10.020.695 | 622.938 |
| 070 | Of which SMEs | (10.529) | 6.760.706 | 484.538 |
| 080 | Households | (595) | 8.945.334 | 272.232 |
| 090 | Debt securities | - | - | - |
| 100 | Central banks | - | - | - |
| 110 | General governments | - | - | - |
| 120 | Credit institutions | - | - | - |
| 130 | Other financial corporations | - | - | - |
| 140 | Non-financial corporations | - | - | - |
| 150 | Off-balance-sheet exposures | | 3.127.369 | 79.708 |
| 160 | Central banks | | - | - |
| 170 | General governments | | 639 | - |
| 180 | Credit institutions | | 13.759 | - |
| 190 | Other financial corporations | | 62.596 | 77 |
| 200 | Non-financial corporations | | 2.692.742 | 77.066 |
| 210 | Households | | 357.633 | 2.565 |
| 220 | TOTAL AS AT 30/06/2021 | (183.435) | 23.512.659 | 980.864 |
| | TOTAL AS AT 31/12/2020 | (195.711) | 22.144.761 | 1.044.588 |

Source: FINREP reporting - Breakdown of financial assets by instrument and counterparty: Templates F 04.03.1 - F 04.04.1 - F 04.09 - F 04.10 - F 18.00

Chart 19 - Template EU CR1-A: Maturity of exposures

| | | <i>a</i> | <i>b</i> | <i>c</i> | <i>d</i> | <i>e</i> | <i>f</i> |
|---|-------------------------------|---------------------------|---------------------|----------------------------------|---------------------|---------------------------|-------------------|
| | | <i>Net exposure value</i> | | | | | <i>Total</i> |
| | | <i>On demand</i> | <i><= 1 year</i> | <i>> 1 year <= 5 years</i> | <i>> 5 years</i> | <i>No stated maturity</i> | |
| 1 | Loans and advances | 4.063.994 | 7.836.101 | 6.015.373 | 11.866.648 | 12.293.177 | 42.075.293 |
| 2 | Debt securities | 1.109 | 764.390 | 9.069.264 | 2.461.212 | - | 12.295.976 |
| 3 | TOTAL AS AT 30/06/2021 | 4.065.103 | 8.600.491 | 15.084.637 | 14.327.861 | 12.293.177 | 54.371.269 |

Source: processing of accounting and reporting data

NOTE: The net value of undated exposures associated with 'Loans and advances' includes the amount of endorsement credits and loan commitments outstanding at the reporting date

Chart 20 - Template EU CR2: Changes in the stock of non-performing loans and advances

| | | 30/06/2021 |
|------------|---|------------------------------|
| | | a |
| | | <i>Gross carrying amount</i> |
| 010 | INITIAL STOCK OF NON-PERFORMING LOANS AND ADVANCES | 2.293.060 |
| 020 | Inflows to non-performing portfolios | 352.465 |
| 030 | Outflows from non-performing portfolios | (380.268) |
| 040 | Outflow due to write-off | (51.576) |
| 050 | Outflow due to other situations | (328.692) |
| 060 | FINAL STOCK OF NON-PERFORMING LOANS AND ADVANCES | 2.265.257 |

Source: FINREP reporting - Incoming and outgoing non-performing exposures: Template F 24.01

Chart 21 - Template EU CR2a: changes in the stock of non-performing loans and advances and related net accumulated recoveries

| | | 30/06/2021 | |
|------------|--|------------------------------|---|
| | | a | b |
| | | <i>Gross carrying amount</i> | <i>Related net accumulated recoveries</i> |
| 010 | INITIAL STOCK | 2.293.060 | |
| 020 | Inflows to non-performing portfolios | 352.465 | |
| 030 | Outflows from non-performing portfolios | (380.268) | |
| 040 | Outflow to performing portfolio | (23.405) | |
| 050 | Outflow due to loan repayment, partial or total | (131.679) | |
| 060 | Outflow due to collateral liquidation | (17.148) | 15.757 |
| 070 | Outflow due to taking possession of collateral | - | - |
| 080 | Outflow due to sale of instruments | (23.689) | 8.355 |
| 090 | Outflow due to risk transfer | - | - |
| 100 | Outflow due to write-off | (51.576) | |
| 110 | Outflow due to other situations | (132.771) | |
| 120 | Outflow due to reclassification as held for sale | - | |
| 130 | FINAL STOCK | 2.265.257 | |

Source: FINREP reporting - Incoming and outgoing non-performing exposures: Template F 24.01

The quality of the Group's credit assets improved compared to December. Both the stock of non-performing exposures and their incidence on total loans fell, despite the penalising effects of the new European regulations on the classification of borrowers in a "default" status which came into force on 1 January 2021. The coverage of non-performing loans, based on prudent provisioning policies, further increased during the period. The coverage of performing loans, on the contrary, decreased, mainly due to the improvement in the macroeconomic context and forecasts.

Chart 22 - Template EU CQ1: Credit quality of forborne exposures (1 of 2)

| | a | b | c | d |
|--|--|--------------------------------|----------------|--------------------------|
| | Gross carrying amount/nominal amount of exposures with forbearance measures | | | |
| | Performing forborne | Non-performing forborne | | |
| | | Of which defaulted | | Of which impaired |
| 005 Cash balances at central banks and other demand deposits | - | - | - | - |
| 010 Loans and advances | 778.689 | 963.897 | 963.897 | 934.945 |
| 020 Central banks | - | - | - | - |
| 030 General governments | 18.385 | - | - | - |
| 040 Credit institutions | - | - | - | - |
| 050 Other financial corporations | 439 | 20.925 | 20.925 | 20.925 |
| 060 Non-financial corporations | 495.206 | 694.149 | 694.149 | 671.392 |
| 070 Households | 264.659 | 248.823 | 248.823 | 242.628 |
| 080 Debt securities | - | - | - | - |
| 090 Loan commitments given | 24.752 | 13.030 | 13.030 | 13.030 |
| 100 TOTAL AS AT 30/06/2021 | 803.441 | 976.927 | 976.927 | 947.974 |
| TOTAL AS AT 31/12/2020 | 744.244 | 945.235 | 945.235 | 919.082 |

Source: FINREP reporting - Information on forborne exposures: Template F 19.00

Chart 23 - Template EU CQ1: Credit quality of forborne exposures (2 of 2)

| | e | f | g | h |
|--|---|---|--|----------------|
| | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
| | On performing forborne exposures | On non-performing forborne exposures | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures | |
| 005 Cash balances at central banks and other demand deposits | - | - | - | - |
| 010 Loans and advances | (31.029) | (458.032) | 1.110.445 | 465.477 |
| 020 Central banks | - | - | - | - |
| 030 General governments | (92) | - | - | - |
| 040 Credit institutions | - | - | - | - |
| 050 Other financial corporations | (6) | (16.855) | 207 | 77 |
| 060 Non-financial corporations | (20.713) | (331.324) | 752.508 | 336.274 |
| 070 Households | (10.218) | (109.853) | 357.730 | 129.126 |
| 080 Debt securities | - | - | - | - |
| 090 Loan commitments given | (388) | - | 14.266 | 8.450 |
| 100 TOTAL AS AT 30/06/2021 | (31.417) | (458.032) | 1.124.711 | 473.927 |
| TOTAL AS AT 31/12/2020 | (27.219) | (418.237) | 1.061.438 | 470.111 |

Source: FINREP reporting - Information on forborne exposures: Template F 19.00

Forborne exposures showed an increase compared with 31 December 2020, both in the performing and in the non-performing portion of the credit portfolio.

Chart 24 - Template EU CQ2: Quality of forbearance

| | | 30/06/2021 | 31/12/2020 |
|-----|--|--|--|
| | | a | b |
| | | <i>Gross carrying amount of forborne exposures</i> | <i>Gross carrying amount of forborne exposures</i> |
| 010 | Loans and advances that have been forborne more than twice | 213.151 | 182.341 |
| 020 | Non-performing forborne loans and advances that failed to meet the nonperforming exit criteria | 527.618 | 568.977 |

Source: FINREP reporting - Forbearance management and forbearance quality: Template F 26.00

At 30 June 2021, exposures that have been subject to forbearance measures more than twice represent approximately one quarter of the total amount of forbearance measures arranged by the Group. With regard to forbearance measures related to non-performing loans to customers, more than a half are positions that did not meet the necessary criteria in order to exit the impaired status, despite the end of the cure period.

Chart 25 - Template EU CQ4: Quality of non-performing exposures by geography (1 of 2)

| | a | b | c | d |
|------------------------------------|--|------------------|------------------|--|
| | <i>Gross carrying / nominal amount</i> | | | |
| | <i>Of which: non-performing</i> | | | <i>Of which: subject to impairment</i> |
| | <i>Of which: defaulted</i> | | | |
| On-balance sheet exposures | 44.470.096 | 2.265.257 | 2.265.257 | 43.971.940 |
| Italy | 36.704.156 | 2.174.945 | 2.174.945 | 36.242.883 |
| Switzerland | 4.107.992 | 70.653 | 70.653 | 4.107.991 |
| Spain | 1.793.773 | 392 | 392 | 1.793.773 |
| France | 640.864 | 78 | 78 | 640.018 |
| Monaco | 183.187 | 1.308 | 1.308 | 183.187 |
| Luxembourg | 100.025 | 72 | 72 | 100.025 |
| Germany | 81.986 | 10.119 | 10.119 | 71.704 |
| United states | 13.025 | - | - | 2.193 |
| Others | 845.089 | 7.692 | 7.692 | 830.166 |
| Off-balance sheet exposures | 19.537.073 | 219.455 | 219.455 | |
| Italy | 17.838.347 | 219.433 | 219.433 | |
| Switzerland | 548.770 | 9 | 9 | |
| Spain | 20.527 | - | - | |
| France | 104.947 | 3 | 3 | |
| Monaco | 417.158 | - | - | |
| Luxembourg | 10.204 | - | - | |
| Germany | 17.219 | 9 | 9 | |
| United states | 150.299 | - | - | |
| Others | 429.601 | 0 | 0 | |
| TOTAL | 64.007.169 | 2.484.712 | 2.484.712 | 43.971.940 |

Source: FINREP reporting - Geographical breakdown of activities: Templates F 20.04 - F 20.05

Chart 26 - Template EU CQ4: Quality of non-performing exposures by geography (2 of 2)

| | e | f | g |
|------------------------------------|-------------------------------|---|--|
| | <i>Accumulated impairment</i> | <i>Provisions on off-balance sheet commitments and financial guarantees given</i> | <i>Accumulated negative changes in fair value due to credit risk on non-performing exposures</i> |
| On-balance sheet exposures | (1.389.102) | | (14.351) |
| Italy | (1.340.663) | | (14.351) |
| Switzerland | (31.947) | | - |
| Spain | (882) | | - |
| France | (259) | | - |
| Monaco | (795) | | - |
| Luxembourg | (99) | | - |
| Germany | (9.858) | | - |
| United states | (1) | | - |
| Others | (4.598) | | - |
| Off-balance sheet exposures | | 39.967 | |
| Italy | | 38.960 | |
| Switzerland | | 313 | |
| Spain | | 7 | |
| France | | 3 | |
| Monaco | | 264 | |
| Luxembourg | | 1 | |
| Germany | | 7 | |
| United states | | 350 | |
| Others | | 62 | |
| TOTAL | (1.389.102) | 39.967 | (14.351) |

Source: FINREP reporting - Geographical breakdown of activities: Templates F 20.04 - F 20.05

At 30 June 2021, the greatest part of the Group's exposures (both on and off-balance sheet items) are related to counterparties resident in Italy. They account for more than 82% of total on-balance sheet exposures and about 91% of off-balance sheet exposures. The concentration of domestic exposures on the subset of non-performing loans is even more pronounced: 96% and 99.9%, respectively, with reference to the impaired segment alone.

Chart 27 - Template EU CQ5: Credit quality of loans and advances by industry

| | | a | b | c | d | e | f |
|------------|---|---------------------------------|------------------|--------------------------------|---|---|---|
| | | Gross carrying amount | | | | | |
| | | Of which: non-performing | | | | | |
| | | | | Of which: defaulted | Of which: loans and advances subject to impairment | Accumulat- ed impair- ment | Accumulat- ed negative changes in fair value due to credit risk on non- performing exposures |
| 010 | Agriculture, forestry and fishing | 231.960 | 10.122 | 10.122 | 228.415 | (6.682) | (81) |
| 020 | Mining and quarrying | 53.708 | 7.249 | 7.249 | 53.708 | (4.094) | - |
| 030 | Manufacturing | 4.574.009 | 179.268 | 179.268 | 4.549.172 | (131.632) | (1.076) |
| 040 | Electricity, gas, steam and air conditioning supply | 693.583 | 9.325 | 9.325 | 683.675 | (6.471) | - |
| 050 | Water supply | 202.270 | 2.725 | 2.725 | 202.270 | (5.498) | - |
| 060 | Construction | 1.729.227 | 444.801 | 444.801 | 1.664.712 | (267.416) | (1.656) |
| 070 | Wholesale and retail trade | 2.684.952 | 195.575 | 195.575 | 2.644.177 | (124.356) | (1.276) |
| 080 | Transport and storage | 841.450 | 23.719 | 23.719 | 839.221 | (17.379) | (20) |
| 090 | Accommodation and food service activities | 962.746 | 89.183 | 89.183 | 942.063 | (43.989) | (304) |
| 100 | Information and communication | 315.086 | 38.151 | 38.151 | 314.424 | (29.663) | - |
| 110 | Financial and insurance activities | 218.540 | 27.551 | 27.551 | 214.968 | (15.845) | (11) |
| 120 | Real estate activities | 2.457.745 | 455.995 | 455.995 | 2.379.317 | (244.456) | (7.319) |
| 130 | Professional, scientific and technical activities | 1.279.805 | 56.898 | 56.898 | 1.270.906 | (34.563) | (80) |
| 140 | Administrative and support service activities | 544.021 | 13.142 | 13.142 | 539.616 | (7.963) | - |
| 150 | Public administration and defence, compulsory social security | - | - | - | - | - | - |
| 160 | Education | 25.172 | 667 | 667 | 24.513 | (409) | - |
| 170 | Human health services and social work activities | 264.502 | 2.664 | 2.664 | 261.455 | (2.806) | (8) |
| 180 | Arts, entertainment and recreation | 266.645 | 19.934 | 19.934 | 248.639 | (10.096) | (56) |
| 190 | Other services | 321.633 | 13.516 | 13.516 | 320.124 | (9.795) | - |
| 200 | TOTAL AS AT 30/06/2021 | 17.667.052 | 1.590.483 | 1.590.483 | 17.381.375 | (963.115) | (11.888) |
| | TOTAL AS AT 31/12/2020 | 17.249.460 | 1.624.520 | 1.624.520 | 17.013.570 | (953.857) | (12.569) |

Source: FINREP reporting - Breakdown by NACE codes of loans and advances: Template F 06.01

At 30 June 2021, business sectors where exposure was most concentrated were: Manufacturing (26% of total exposure), Wholesale and Retail Trade (15% of total exposure) and Real Estate (14% of total exposure). With reference to the non-performing portion of the portfolio, the prevailing

segments are: Real Estate (29% of total impaired exposures), Construction (28% of total impaired exposures) and Wholesale and Retail Trade (12% of total impaired exposures).

Chart 28 - Template EU CQ6: Collateral valuation - loans and advances (1 of 2)

| | | a | b | c | d | e |
|-----|--|---------------------------|------------|--|-----------|--|
| | | Loans and advances | | | | |
| | | Performing | | Non performing | | |
| | | | | Of which past due > 30 days < 90 days | | Unlikely to pay that are not past due or are past due <= 90 days |
| 010 | Gross carrying amount | 32.164.201 | 29.898.944 | 47.190 | 2.265.257 | 644.025 |
| 020 | Of which secured | 19.396.166 | 17.720.244 | 24.808 | 1.675.922 | 560.680 |
| 030 | Of which secured with immovable property | 12.584.562 | 11.252.570 | 18.166 | 1.331.992 | 426.546 |
| 040 | Of which instruments with LTV higher than 60% and lower or equal to 80% | 4.125.369 | 3.918.011 | | 207.358 | 88.078 |
| 050 | Of which instruments with LTV higher than 80% and lower or equal to 100% | 444.437 | 310.559 | | 133.878 | 31.443 |
| 060 | Of which instruments with LTV higher than 100% | 606.297 | 232.655 | | 373.641 | 44.844 |
| 070 | Accumulated impairment for secured assets | (873.916) | (108.111) | (1.036) | (765.806) | (183.664) |
| 080 | Collateral | | | | | |
| 090 | Of which value capped at the value of exposure | 16.256.680 | 15.490.046 | 22.134 | 766.634 | 308.883 |
| 100 | Of which immovable property | 12.790.578 | 12.047.462 | 17.192 | 743.116 | 303.307 |
| 110 | Of which value above the cap | 21.545.699 | 18.933.068 | 31.549 | 2.612.631 | 1.074.784 |
| 120 | Of which immovable property | 20.612.220 | 18.038.336 | 31.529 | 2.573.883 | 1.067.719 |
| 130 | Financial guarantees received | 5.029.703 | 4.895.181 | 1.437 | 134.522 | 66.714 |
| 140 | Accumulated partial write-off | (183.435) | (2) | - | (183.433) | (20.669) |

Source: FINREP reporting - Loans and advances: Templates F 23.02 - F 23.03 - F 23.04 - F 23.05 - F23.06

Chart 29 - Template EU CQ6: Collateral valuation - loans and advances (2 of 2)

| | | f | g | h | i | j | k | l |
|-----|--|------------------------------|--|--|---|--|--|--|
| | | Loans and advances | | | | | | |
| | | Non performing | | | | | | |
| | | Past due > 90 days | | | | | | |
| | | | <i>Of which past due > 90 days <= 180 days</i> | <i>Of which: past due > 180 days <= 1 year</i> | <i>Of which: past due > 1 year <= 2 years</i> | <i>Of which: past due > 2 years <= 5 years</i> | <i>Of which: past due > 5 years <= 7 years</i> | <i>Of which: past due > 7 years</i> |
| 010 | Gross carrying amount | 1.621.232 | 116.205 | 210.165 | 151.132 | 415.141 | 288.490 | 440.098 |
| 020 | Of which secured | 1.115.241 | 72.501 | 131.954 | 111.998 | 300.361 | 210.372 | 288.055 |
| 030 | Of which secured with immovable property | 905.446 | 53.700 | 114.628 | 91.806 | 239.339 | 186.016 | 219.957 |
| 040 | Of which instruments with LTV higher than 60% and lower or equal to 80% | 119.279 | | | | | | |
| 050 | Of which instruments with LTV higher than 80% and lower or equal to 100% | 102.435 | | | | | | |
| 060 | Of which instruments with LTV higher than 100% | 328.797 | | | | | | |
| 070 | Accumulated impairment for secured assets | (582.141) | (22.457) | (57.471) | (44.446) | (159.268) | (123.547) | (174.952) |
| 080 | Collateral | | | | | | | |
| 090 | Of which value capped at the value of exposure | 457.750 | 38.719 | 68.994 | 57.681 | 126.335 | 75.981 | 90.039 |
| 100 | Of which immovable property | 439.809 | 38.036 | 68.075 | 56.201 | 112.418 | 75.320 | 89.758 |
| 110 | Of which value above the cap | 1.537.847 | | | | | | |
| 120 | Of which immovable property | 1.506.165 | | | | | | |
| 130 | Financial guarantees received | 67.808 | 11.192 | 5.197 | 8.621 | 10.941 | 10.242 | 21.615 |
| 140 | Accumulated partial write-off | (162.765) | - | (12.194) | - | (88.261) | (867) | (61.442) |

Source: FINREP reporting - Loans and advances: Templates F 23.02 - F 23.03 - F 23.04 - F 23.05 - F23.06

At 30 June 2021, secured exposures represented well over a half of the total loans and advances disbursed by the Group (60%); secured loans rose to over 69% for the impaired segment alone. It should also be noted that, for the portion of the lending portfolio secured by real estate assets (around 39% in terms of total exposure), only a 16% of credit positions had an LTV ratio (loan/guarantee value) higher than 60%.

Chart 30 - Template EU CQ7: Collateral obtained by taking possession and execution processes

| | | 30/06/2021 | | 31/12/2020 | |
|-----|---|--|------------------------------|--|------------------------------|
| | | a | b | a | b |
| | | Collateral obtained by taking possession | | Collateral obtained by taking possession | |
| | | Value at initial recognition | Accumulated negative changes | Value at initial recognition | Accumulated negative changes |
| 010 | Property, plant and equipment (PP&E) | - | - | - | - |
| 020 | Other than PP&E | 26.541 | (2.680) | 70.004 | (2.789) |
| 030 | Residential immovable property | 10.784 | (2.680) | 8.745 | (2.789) |
| 040 | Commercial Immovable property | - | - | - | - |
| 050 | Movable property (auto, shipping, etc.) | - | - | - | - |
| 060 | Equity and debt instruments | - | - | - | - |
| 070 | Other | 15.757 | - | 61.259 | - |
| 080 | TOTAL | 26.541 | (2.680) | 70.004 | (2.789) |

Source: FINREP reporting - Guarantees obtained by taking possession accumulated: Template F 13.03.1

Likewise at 31 December 2020, the main contributions to the figures above came from the enforcement of collaterals obtained by the Group on a voluntary basis or in the context of legal proceedings.

Chart 31 - Template EU CQ8: Collateral obtained by taking possession and execution processes - vintage breakdown (1 of 2)

| | | a | b | c | d | e | f |
|-----|---|------------------------|------------------------------|---|------------------------------|------------------------------|------------------------------|
| | | Debt balance reduction | | Total collateral obtained by taking possessions | | | |
| | | Foreclosed <= 2 years | | | | | |
| | | Gross carrying amount | Accumulated negative changes | Value at initial recognition | Accumulated negative changes | Value at initial recognition | Accumulated negative changes |
| 010 | Collateral obtained by taking possession classified as PP&E | - | - | - | - | | |
| 020 | Collateral obtained by taking possession other than that classified as PP&E | 26.541 | (2.680) | 26.541 | (2.680) | 23.330 | (1.560) |
| 030 | Residential immovable property | 10.784 | (2.680) | 10.784 | (2.680) | 7.573 | (1.560) |
| 040 | Commercial immovable property | - | - | - | - | - | - |
| 050 | Movable property (auto, shipping, etc.) | - | - | - | - | - | - |
| 060 | Equity and debt instruments | - | - | - | - | - | - |
| 070 | Other | 15.757 | - | 15.757 | - | 15.757 | - |
| 080 | TOTAL AS AT 30/06/2021 | 26.541 | (2.680) | 26.541 | (2.680) | 23.330 | (1.560) |
| | TOTAL AS AT 31/12/2020 | 8.745 | (2.789) | 70.004 | (2.789) | 65.101 | (1.203) |

Source: FINREP reporting - Incoming and outgoing guarantees obtained by taking possession: Templates F 25.03 - F 25.02

Chart 32 - Template EU CQ8: Collateral obtained by taking possession and execution processes - vintage breakdown (2 of 2)

| | | g | h | i | j | k | l |
|-----|---|--|---|---|---|--|---|
| | | Total collateral obtained by taking possessions | | | | | |
| | | Foreclosed > 2 years <= 5 years | | Foreclosed > 5 years | | Of which non-current assets held-for-sale | |
| | | Value at initial recognition | Accumulated negative changes | Value at initial recognition | Accumulated negative changes | Value at initial recognition | Accumulated negative changes |
| 010 | Collateral obtained by taking possession classified as PP&E | | | | | | |
| 020 | Collateral obtained by taking possession other than that classified as PP&E | 3.211 | (1.120) | - | - | - | - |
| 030 | Residential immovable property | 3.211 | (1.120) | - | - | - | - |
| 040 | Commercial immovable property | - | - | - | - | - | - |
| 050 | Movable property (auto, shipping, etc.) | - | - | - | - | - | - |
| 060 | Equity and debt instruments | - | - | - | - | - | - |
| 070 | Other | - | - | - | - | - | - |
| 080 | TOTAL AS AT 30/06/2021 | 3.211 | (1.120) | - | - | - | - |
| | TOTAL AS AT 31/12/2020 | 4.903 | (1.586) | - | - | - | - |

Source: FINREP reporting - Incoming and outgoing guarantees obtained by taking possession: Templates F 25.03 - F 25.02

At 30 June 2021, collaterals obtained by taking possession and through execution processes were marginal in terms of numbers. The activity focuses almost entirely on residential properties with a foreclosure date no later than two years after the date of the possession of the property.

The charts below contain pieces of information, as of 30 June 2021, regarding the Group's risk exposures subject to measures applied to face the economic consequences of the COVID-19 pandemic, i.e. legislative and non-legislative moratoria for loan repayments and public guarantees on new loans granted.

The formats of the charts comply with the uniform schemes provided by the EBA/GL/2020/07 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" published on 2 June 2020. In particular, the following are included:

- exposures benefiting from payment moratoria complying with the characteristics defined in the "EBA/GL/2020/02 guidelines on legislative and non-legislative moratoria on loan payments applied in light of the COVID-19 crisis" ("general payment moratoria"), granted on the basis of laws, decrees, regulatory measures, agreements and memoranda of understanding, however named, related to the pandemic;
- new loans to customers backed by guarantee schemes provided by the state or other public entity or, in any case, backed by disbursements of state funds to deal with the negative economic consequences of the pandemic.

Chart 33 - Template 1 EBA/GL/2020/07: Information on loans and advances subject to legislative and non-legislative moratoria (1 of 2)

| | | a | b | c | d | e | f | g |
|---|--|-------------------------|---------|--|---|-------|--|--|
| | | Gross book value | | | | | | |
| | | Performing | | | Non-performing | | | |
| | | | | <i>Of which: exposures with forbearance measures</i> | <i>Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)</i> | | <i>Of which: exposures with forbearance measures</i> | <i>Of which: unlikely to pay that are not past due or past due <= 90 days</i> |
| 1 | Loans and advances subject to moratorium | 136.932 | 135.492 | 8.284 | 37.061 | 1.441 | 1.066 | 1.441 |
| 2 | of which: to households | 45.252 | 44.463 | 3.514 | 19.181 | 790 | 592 | 790 |
| 3 | of which: collateralised by residential immovable property | 32.566 | 32.276 | 1.571 | 16.255 | 291 | 164 | 291 |
| 4 | of which: to non-financial companies | 91.624 | 90.972 | 4.769 | 17.881 | 651 | 474 | 651 |
| 5 | of which: to SMEs | 64.168 | 63.518 | 4.379 | 17.491 | 650 | 474 | 650 |
| 6 | of which: collateralised by non-residential immovable property | 47.404 | 46.930 | 1.698 | 6.939 | 474 | 474 | 474 |

Source: ECB COVID-19 reporting package - COVID-19 Moratoria and State Guarantees template (EBA)

Chart 34 - Template 1 EBA/GL/2020/07: Information on loans and advances subject to legislative and non-legislative moratoria (2 of 2)

| | | h | i | j | k | l | m | n | o |
|---|--|--|---------|---|--|-------|---|--|-------------------------------------|
| | | Accumulated impairment losses, accumulated negative changes in fair value due to credit risk | | | | | | | Gross book value |
| | | Performing | | | Non-performing | | | | |
| | | | | Of which: exposures with forbearance measures | Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: unlikely to pay that are not past due or past due <= 90 days | Inflows to non-performing exposures |
| 1 | Loans and advances subject to moratorium | (2.029) | (1.599) | (506) | (1.360) | (430) | (335) | (430) | 602 |
| 2 | of which: to households | (1.196) | (960) | (207) | (866) | (236) | (168) | (236) | 601 |
| 3 | of which: collateralised by residential immovable property | (835) | (730) | (72) | (694) | (106) | (61) | (106) | 126 |
| 4 | of which: to non-financial companies | (833) | (639) | (299) | (494) | (194) | (167) | (194) | 1 |
| 5 | of which: to SMEs | (796) | (602) | (292) | (486) | (194) | (167) | (194) | - |
| 6 | of which: collateralised by non-residential immovable property | (515) | (349) | (98) | (261) | (167) | (167) | (167) | - |

Source: ECB COVID-19 reporting package - COVID-19 Moratoria and State Guarantees template (EBA)

At 30 June 2021, Banca Popolare di Sondrio Group granted moratoria on loans and advances for a total exposure of Euro 3.9 billion, of which Euro 137 million with suspensions still underway. More in detail, the Group granted:

- legislative moratoria for a total exposure of Euro 2.6 billion;
- moratoria promoted by trade associations for a total exposure of Euro 1.4 billion;
- moratoria granted on the initiative of a Group company (non-legislative and non-associational) for a total exposure of Euro 416 million, of which about Euro 133 million referred to retail customers and the rest, about Euro 283 million, to non-financial corporations.

In addition to Households, the economic sectors that have submitted more requests for moratoria were Food and Accommodation, Tourism and Travel Agencies, Textiles and Clothing, Transport and Warehousing, Retail Trade.

Chart 35 - Template 2 EBA/GL/2020/07: Breakdown of loans and advance subject to legislative and non-legislative moratoria by residual maturity of moratoria (1 of 2)

| | | a | b | c | d |
|---|--|-----------------------|---------------------------------------|----------------------|-----------|
| | | Number of obligors | Gross book value | | |
| | | | Of which: legislative moratoria | Of which: expired | |
| 1 | Loans and advances for which moratorium was offered | 18.631 | 3.947.881 | | |
| 2 | Loans and advances subject to moratorium (granted) | 18.580 | 3.930.094 | 2.566.076 | 3.793.162 |
| 3 | of which: to households | | 1.166.392 | 344.372 | 1.121.140 |
| 4 | of which: collateralised by residential immovable property | | 714.255 | 104.028 | 681.688 |
| 5 | of which: to non-financial companies | | 2.699.015 | 2.198.405 | 2.607.391 |
| 6 | of which: to SMEs | | 2.252.169 | 1.989.327 | 2.188.001 |
| 7 | of which: collateralised by non-residential immovable property | | 1.477.747 | 1.325.040 | 1.430.343 |

Source: ECB COVID-19 reporting package - COVID-19 Moratoria and State Guarantees template (EBA)

Chart 36 - Template 2 EBA/GL/2020/07: Breakdown of loans and advance subject to legislative and non-legislative moratoria by residual maturity of moratoria (2 of 2)

| | | e | f | g | h | i |
|---|--|--------------------------------|------------------------|------------------------|-------------------------|----------|
| | | Gross book value | | | | |
| | | Residual maturity of moratoria | | | | |
| | | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |
| 1 | Loans and advances for which moratorium was offered | | | | | |
| 2 | Loans and advances subject to moratorium (granted) | 81.528 | 42.708 | 12.696 | - | - |
| 3 | of which: to households | 25.238 | 15.689 | 4.325 | - | - |
| 4 | of which: collateralised by residential immovable property | 19.224 | 10.578 | 2.764 | - | - |
| 5 | of which: to non-financial companies | 56.254 | 26.998 | 8.372 | - | - |
| 6 | of which: to SMEs | 41.553 | 17.063 | 5.552 | - | - |
| 7 | of which: collateralised by non-residential immovable property | 34.715 | 8.938 | 3.750 | - | - |

Source: ECB COVID-19 reporting package - COVID-19 Moratoria and State Guarantees template (EBA)

The moratoria granted by the Group to face the COVID-19 emergency differ not only by type but also by residual maturity, according to the number of instalments for which the borrowers asked for temporary suspension due to difficulties related to the pandemic.

At 30 June 2021, the portfolio moratoria granted were mostly concentrated in the residual maturity time range of less than 3 months, mainly represented by legislative suspensions under the “Cura Italia” Decree.

Chart 37 - Template 3 EBA/GL/2020/07: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

| | | a | b | c | d |
|---|--|------------------|-------------------------|--|---|
| | | Gross book value | | Maximum amount of the guarantee that can be considered | Gross book value |
| | | | <i>Di cui: forborne</i> | <i>Garanzia pubblica ricevuta</i> | <i>Afflussi nelle esposizioni deteriorate</i> |
| 1 | Newly originated loans and advances subject to public guarantee schemes | 2.464.241 | 25.927 | 2.090.629 | 4.657 |
| 2 | <i>of which: to households</i> | 217.033 | | | 2.317 |
| 3 | <i>of which: collateralised by residential immovable property</i> | - | | | - |
| 4 | <i>of which: to non-financial companies</i> | 2.221.107 | 21.323 | 1.865.355 | 2.340 |
| 5 | <i>of which: to SMEs</i> | - | | | - |
| 6 | <i>of which: collateralised by non-residential immovable property</i> | - | | | - |

Source: ECB COVID-19 reporting package - COVID-19 Moratoria and State Guarantees template (EBA)

At 30 June 2021, new loans and advances secured by public guarantee schemes disbursed by the Group amounted to a total of Euro 2.5 billion, of which Euro 2.2 billion to Non-financial corporations and the remaining to Households; they are mostly represented by loans of up to a maximum of Euro 30.000. Almost all the disbursements made were performing exposures at the reference date.

Section 9 - Disclosure of the use of the standardised approach for credit risk (artt. 444 and 453 CRR/CRR II)

The chart below shows, for each of the Group's exposure classes as at 30 June 2021, the effect of the credit risk mitigation (CRM) techniques recognised as part of the determination of the capital requirement for credit risk under the "Standardised Approach". For each regulatory class the relative density of RWA is also measured, a concise indicator of the riskiness of each portfolio of exposures.

Chart 39 - Template EU CR4 - Standardised approach: Credit risk exposure and CRM effects

| EXPOSURES CLASS | Exposures before CCF and CRM | | Exposures after CCF and CRM | | RWAs and RWA density | |
|--|------------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------|-----------------|
| | On-balance-sheet exposures | Off-balance-sheet exposures | On-balance-sheet exposures | Off-balance-sheet exposures | RWAs | RWA density |
| | a | b | c | d | e | f |
| 1 Central governments or central banks | 16.023.923 | 3.140 | 18.824.009 | 19.466 | 232 | 0,0012% |
| 2 Regional governments or local authorities | 56.397 | 90.981 | 56.674 | 10.833 | 15.566 | 23,0580% |
| 3 Public sector entities | 417.829 | 306.724 | 417.043 | 30.266 | 309.264 | 69,1388% |
| 4 Multilateral development banks | 150.394 | - | 171.570 | 788 | - | - |
| 5 International organisations | 137.100 | 557 | 137.100 | 279 | - | - |
| 6 Institutions | 2.843.899 | 694.182 | 2.910.783 | 280.969 | 1.295.988 | 40,6043% |
| 7 Corporates | 3.225.377 | 1.240.730 | 3.087.910 | 327.868 | 2.978.753 | 87,2057% |
| 8 Retail | 771.774 | 446.165 | 508.795 | 34.759 | 300.391 | 55,2642% |
| 9 Secured by mortgages on immovable property | 3.929.901 | 5.452 | 3.929.901 | 2.288 | 1.611.839 | 40,9909% |
| 10 Exposures in default | 56.010 | 223 | 55.830 | 34 | 58.069 | 103,9483% |
| 11 Higher-risk categories | 98.000 | 2.010 | 98.000 | 1.005 | 148.508 | 150,0000% |
| 12 Covered bonds | 216.411 | - | 216.411 | - | 40.145 | 18,5502% |
| 13 Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 14 Collective investments undertakings | 797.368 | 246.103 | 797.368 | 5.822 | 631.496 | 78,6235% |
| 15 Equity | 535.739 | - | 535.739 | - | 875.844 | 163,4832% |
| 16 Other items | 1.785.838 | 12.419 | 1.785.838 | 6.209 | 909.963 | 50,7778% |
| 17 TOTAL AS AT 30/06/2021 | 31.045.958 | 3.048.687 | 33.532.968 | 720.588 | 9.176.057 | 26,7886% |
| TOTAL AS AT 31/12/2020 | 29.284.475 | 3.595.201 | 31.060.286 | 589.617 | 8.919.560 | 28,1820% |

Source: COREP reporting - Credit and counterparty risks, standardised approach to capital requirements: Template C 07.00

Key:

- *Exposure before CCF and CRM*: the value of the on-balance sheet or off-balance sheet exposure calculated after the application of loan impairments, deductions and write-offs defined in the Framework but before the application of credit conversion factors (CCF) and the effect of CRM techniques
- *Exposure after CCF and CRM*: the value of the on-balance sheet or off-balance sheet exposure calculated after the application of the loan impairments, deductions and write-offs defined in the Framework as well as after the application of credit conversion factors (CCF) and the effect of CRM techniques
- *RWA density*: an indicator measuring the average weighting of credit risk assets, given by the ratio of the weighted exposure amount (RWA) to the amount of on-balance sheet/off-balance sheet exposures calculated after taking into account the effects of credit risk mitigation techniques (CRM) and the application of credit conversion factors (CCF)

The following charts show the breakdown by asset class and risk weight of the Group's exposures as at 30 June 2021 included in the calculation of the capital requirement for credit risk under the "Standardised Approach".

Chart 40 - Template EU CR5: standardised approach (1 of 3)

| EXPOSURES CLASSES | Classes of credit worthiness (Weighting Factors) | | | | | |
|--|--|----------|----------|----------------|------------------|------------------|
| | 0% | 2% | 4% | 10% | 20% | 35% |
| | a | b | c | d | e | f |
| 1 Central governments or central banks | 18.842.503 | - | - | - | 846 | - |
| 2 Regional governments or local authorities | - | - | - | - | 64.927 | - |
| 3 Public sector entities | - | - | - | - | 172.493 | - |
| 4 Multilateral development banks | 172.358 | - | - | - | - | - |
| 5 International organisations | 137.378 | - | - | - | - | - |
| 6 Institutions | - | - | - | - | 1.896.678 | - |
| 7 Corporates | - | - | - | - | 82.669 | 14.849 |
| 8 Retail | - | - | - | - | - | 206.716 |
| 9 Secured by mortgages on immovable property | - | - | - | - | - | 3.516.782 |
| 10 Exposures in default | - | - | - | - | - | - |
| 11 Higher-risk categories | - | - | - | - | - | - |
| 12 Covered bonds | - | - | - | 122.209 | 63.924 | - |
| 13 Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 14 Collective investments undertakings | 301.752 | - | - | 649 | 6.760 | - |
| 15 Equity | - | - | - | - | - | - |
| 16 Other items | 913.985 | - | - | - | 32.508 | - |
| 17 TOTAL AS AT 30/06/2021 | 20.367.976 | - | - | 122.858 | 2.320.804 | 3.738.347 |
| TOTAL AS AT 31/12/2020 | 17.803.960 | - | - | 99.190 | 2.308.529 | 3.663.753 |

Source: COREP reporting - Credit and counterparty risks, standardised approach to capital requirements: Template C 07.00

Chart 41 - Template EU CR5: standardised approach (2 of 3)

| EXPOSURES CLASSES | Classes of credit worthiness (Weighting Factors) | | | | | |
|--|--|----------------|----------------|------------------|----------------|----------------|
| | 50% | 70% | 75% | 100% | 150% | 250% |
| | g | h | i | j | k | l |
| 1 Central governments or central banks | 125 | - | - | - | - | - |
| 2 Regional governments or local authorities | - | - | - | 2.580 | - | - |
| 3 Public sector entities | 101 | - | - | 274.714 | - | - |
| 4 Multilateral development banks | - | - | - | - | - | - |
| 5 International organisations | - | - | - | - | - | - |
| 6 Institutions | 756.860 | - | - | 538.197 | 17 | - |
| 7 Corporates | 489.016 | 113.348 | - | 2.690.275 | 25.621 | - |
| 8 Retail | - | - | 336.838 | - | - | - |
| 9 Secured by mortgages on immovable property | 1.226 | - | 134.118 | 280.063 | - | - |
| 10 Exposures in default | - | - | - | 51.452 | 4.411 | - |
| 11 Higher-risk categories | - | - | - | - | 99.005 | - |
| 12 Covered bonds | 30.278 | - | - | - | - | - |
| 13 Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 14 Collective investments undertakings | 43.726 | - | - | 379.336 | 59.472 | 392 |
| 15 Equity | - | - | - | 309.003 | - | 226.736 |
| 16 Other items | - | - | - | 806.950 | - | 38.604 |
| 17 TOTAL AS AT 30/06/2021 | 1.321.333 | 113.348 | 470.956 | 5.332.571 | 188.526 | 265.733 |
| TOTAL AS AT 31/12/2020 | 1.175.391 | 108.858 | 333.193 | 5.207.601 | 142.233 | 270.482 |

Source: COREP reporting - Credit and counterparty risks, standardised approach to capital requirements: Template C 07.00

Chart 42 - Template EU CR5: standardised approach (3 of 3)

| EXPOSURES CLASSES | Classes of credit worthiness (Weighting Factors) | | | Total | Without rating |
|--|---|---------------|----------------|-------------------|-------------------|
| | 370% | 1250% | Others | | |
| | m | n | o | p | q |
| 1 Central governments or central banks | - | - | - | 18.843.475 | 210.475 |
| 2 Regional governments or local authorities | - | - | - | 67.507 | 67.507 |
| 3 Public sector entities | - | - | - | 447.309 | 437.115 |
| 4 Multilateral development banks | - | - | - | 172.358 | - |
| 5 International organisations | - | - | - | 137.378 | - |
| 6 Institutions | - | - | - | 3.191.752 | 1.086.561 |
| 7 Corporates | - | - | - | 3.415.778 | 1.780.414 |
| 8 Retail | - | - | - | 543.554 | 543.554 |
| 9 Secured by mortgages on immovable property | - | - | - | 3.932.189 | 3.932.189 |
| 10 Exposures in default | - | - | - | 55.864 | 55.864 |
| 11 Higher-risk categories | - | - | - | 99.005 | 99.005 |
| 12 Covered bonds | - | - | - | 216.411 | 87.201 |
| 13 Institutions and corporates with a short-term credit assessment | - | - | - | - | - |
| 14 Collective investments undertakings | - | 11.104 | - | 803.190 | 668.978 |
| 15 Equity | - | - | - | 535.739 | 535.739 |
| 16 Other items | - | - | - | 1.792.047 | 1.792.047 |
| 17 TOTAL AS AT 30/06/2021 | - | 11.104 | - | 34.253.555 | 25.109.258 |
| TOTAL AS AT 31/12/2020 | - | - | 536.714 | 31.649.903 | 25.002.641 |

Source: COREP reporting - Credit and counterparty risks, standardised approach to capital requirements: Template C 07.00

Section 10 - Disclosure of the use of the IRB approach for credit risk (artt. 438, 452 and 453 CRR/CRR II)

On 27 May 2019, the European Central Bank authorised Banca Popolare di Sondrio Group to adopt its internal rating models for the purpose of measuring the capital requirements for credit risk (Advanced IRB Approach - A-IRB) relating to “Corporate” and “Retail” regulatory portfolios, with effects starting from the supervisory reporting at 30 June 2019.

The initial model validation scope includes exclusively the Parent Company Banca Popolare di Sondrio Scpa. The subsidiaries Factorit Spa and Banca Popolare di Sondrio (SUISSE) SA are included in a multi-year roll-out program for internal models, which also envisages the extension of advanced metrics for risk exposures which form part of the “Institutions – Financial Intermediaries” regulatory portfolio. The subsidiaries Sinergia Seconda Srl and Banca della Nuova Terra Spa, on the other hand, are not included in the roll-out plan: subject to future reconsideration, they will continue to use the Standardised Approach on a permanent basis (known as “PPU”, Permanent Partial Use perimeter).

More specifically, the Group has been authorised by the ECB to use its own internal models to estimate the following risk parameters:

- PD (Probability of Default), the probability that a borrower will not be able to meet his credit commitments;
- LGD (Loss Given Default), the estimated loss rate associated with a position at the time of default of a borrower;
- EAD (Exposure at Default), an estimate of a borrower's expected credit exposure at the time of default⁹.

The charts below show, for each exposure class envisaged at regulatory level, the values of the main parameters used by the Group to calculate capital requirements for credit risk under the “Advanced IRB Approach” (A-IRB) as at 30 June 2021. In particular, the following are specified per individual counterparty PD value range:

- information on the value of the nominal exposure (on- and off-balance sheet) and EAD;
- information on the number of debtors corresponding to each PD range;
- information on the weighted average PD, weighted average LGD, weighted average credit conversion factor (CCF) and weighted average maturity of exposures;
- information on risk-weighted exposure amounts (RWA) and the RWA density associated with the exposures;
- information on the expected loss quantified on the exposures based on the risk parameters produced by the rating system;

⁹ The authorisation received by the Supervisory Authority only concerned the EAD model for “Retail” regulatory portfolio. The development of a similar model for “Corporate” counterparties will be included in the multi-year roll-out plan.

- information on the specific impairment and provisions made in the balance sheet in respect of exposures.

Chart 43 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|-------------------------------|----------|----------------------------|--|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| a | | b | c | d | e | f | g |
| Total exposures | | | | | | | |
| 0.00 to <0.15 | | 1.105.592 | 2.702.119 | 0 | 1.730.803 | 0,1110% | 15.478 |
| 0.00 to <0.10 | | 86.934 | 248.017 | 0 | 281.157 | 0,0720% | 9.782 |
| 0.10 to <0.15 | | 1.018.658 | 2.454.103 | 0 | 1.449.645 | 0,1180% | 5.696 |
| 0.15 to <0.25 | | 1.542.652 | 2.198.512 | 0 | 2.009.641 | 0,1660% | 15.592 |
| 0.25 to <0.50 | | 4.096.578 | 4.659.507 | 0 | 5.289.296 | 0,3690% | 14.819 |
| 0.50 to <0.75 | | 1.364.860 | 414.609 | 0 | 1.722.693 | 0,5840% | 21.723 |
| 0.75 to <2.50 | | 4.628.945 | 3.682.312 | 0 | 5.876.392 | 1,3880% | 33.942 |
| 0.75 to <1.75 | | 2.958.607 | 2.061.415 | 0 | 3.648.472 | 1,1180% | 26.783 |
| 1.75 to <2.50 | | 1.670.338 | 1.620.897 | 0 | 2.227.920 | 1,8310% | 7.159 |
| 2.50 to <10.00 | | 2.603.465 | 1.453.468 | 0 | 3.188.782 | 4,5660% | 19.319 |
| 2.50 to <5.00 | | 1.345.811 | 835.299 | 0 | 1.693.444 | 2,9830% | 10.361 |
| 5.00 to <10.00 | | 1.257.653 | 618.169 | 0 | 1.495.338 | 6,3580% | 8.958 |
| 10.00 to <100.00 | | 1.502.357 | 580.060 | 0 | 1.715.370 | 28,4230% | 22.194 |
| 10.00 to <20.00 | | 573.227 | 121.702 | 0 | 630.218 | 12,4960% | 7.382 |
| 20.00 to <30.00 | | 263.140 | 120.151 | 0 | 319.103 | 23,2460% | 3.158 |
| 30.00 to <100.00 | | 665.989 | 338.207 | 0 | 766.049 | 43,6830% | 11.654 |
| 100.00 (Default) | | 2.147.037 | 219.016 | 0 | 2.193.028 | 100,0000% | 10.030 |
| TOTAL AS AT 30/06/2021 | | 18.991.485 | 15.909.604 | 1 | 23.726.005 | 12,4024% | 153.097 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Key:

- *On-balance-sheet exposure*: original value of the on-balance sheet exposure without taking into account loan impairments and the application of credit conversion factors (CCF)
- *Off-balance sheet exposure before CCF*: original value of the off-balance sheet exposure without taking into account loan impairments and the application of credit conversion factors (CCF). Off-balance sheet exposures include all committed but undrawn amounts and all off-balance sheet items listed in Annex I of the CRR
- *Exposure before CCF and after CRM*: the value of the on-balance sheet or off-balance sheet exposure calculated in accordance with the CRR provisions governing the use of the IRB approach after application of credit conversion factors (CCF)

Chart 44 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expected loss amount | Value adjustments and provisions |
|-------------------------------|----------|-----------------------------------|--|--|-----------------|----------------------|----------------------------------|
| | a | h | i | j | k | l | m |
| Total exposures | | | | | | | |
| 0.00 to <0.15 | | 27,0160% | 2 | 212.586 | 12,2825% | 525 | (941) |
| 0.00 to <0.10 | | 22,9030% | 2 | 10.014 | 3,5617% | 49 | (50) |
| 0.10 to <0.15 | | 27,8140% | 2 | 202.572 | 13,9739% | 476 | (891) |
| 0.15 to <0.25 | | 22,9220% | 2 | 275.186 | 13,6933% | 754 | (1.316) |
| 0.25 to <0.50 | | 25,6320% | 2 | 1.408.388 | 26,6271% | 5.068 | (6.767) |
| 0.50 to <0.75 | | 11,9230% | 3 | 163.525 | 9,4924% | 1.271 | (1.839) |
| 0.75 to <2.50 | | 20,4190% | 3 | 2.133.003 | 36,2978% | 16.740 | (24.354) |
| 0.75 to <1.75 | | 18,3270% | 3 | 1.010.921 | 27,7081% | 7.157 | (12.287) |
| 1.75 to <2.50 | | 23,8460% | 3 | 1.122.082 | 50,3645% | 9.584 | (12.067) |
| 2.50 to <10.00 | | 18,7760% | 3 | 1.401.087 | 43,9380% | 26.480 | (50.441) |
| 2.50 to <5.00 | | 20,0860% | 2 | 737.747 | 43,5649% | 9.945 | (19.500) |
| 5.00 to <10.00 | | 17,2930% | 3 | 663.341 | 44,3606% | 16.535 | (30.942) |
| 10.00 to <100.00 | | 14,2040% | 3 | 848.500 | 49,4645% | 70.969 | (44.295) |
| 10.00 to <20.00 | | 13,4640% | 3 | 265.434 | 42,1178% | 10.744 | (14.247) |
| 20.00 to <30.00 | | 15,3120% | 3 | 190.483 | 59,6932% | 11.286 | (10.656) |
| 30.00 to <100.00 | | 14,3510% | 3 | 392.583 | 51,2477% | 48.939 | (19.392) |
| 100.00 (Default) | | 53,7110% | 2 | 597.673 | 27,2533% | 1.132.138 | (1.220.514) |
| TOTAL AS AT 30/06/2021 | | 24,0646% | 3 | 7.039.947 | 29,6719% | 1.253.946 | (1.350.468) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Key:

- *RWA density*: indicator that measures the average risk weighting of credit risk assets, given by the ratio of the weighted exposure amount (RWA) after application of the supporting factors to the value of post-CCF and post-CRM exposures
- *Expected loss amount*: expected credit loss on on-balance sheet or off-balance sheet exposures calculated in accordance with article 158 of the CRR based on actual risk parameters used in the internal rating system
- *Value adjustments and provisions*: the sum of general and specific loan impairments, provisions and further reductions in own funds related to exposures assigned to each category of PD range

Chart 45 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Central governments or central banks

The chart is not published due to the absence of significant exposures treated with the IRB approach in the specific counterparty segment.

Chart 46 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Institutions

The chart is not published due to the absence of significant exposures treated with the IRB approach in the specific counterparty segment.

Chart 47 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Corporates - SME (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|----------------------------------|----------|----------------------------|--|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| | a | b | c | d | e | f | g |
| Corporates - SME | | | | | | | |
| 0.00 to <0.15 | | 434.780 | 1.189.354 | 0 | 524.283 | 0,1160% | 1.174 |
| 0.00 to <0.10 | | 1.636 | 8.172 | 0 | 2.907 | 0,0800% | 47 |
| 0.10 to <0.15 | | 433.144 | 1.181.182 | 0 | 521.376 | 0,1160% | 1.127 |
| 0.15 to <0.25 | | 530.656 | 765.019 | 0 | 594.581 | 0,1630% | 882 |
| 0.25 to <0.50 | | 1.428.047 | 1.175.353 | 0 | 1.581.291 | 0,3890% | 1.672 |
| 0.50 to <0.75 | | 22.141 | 15.586 | 0 | 23.449 | 0,7300% | 145 |
| 0.75 to <2.50 | | 1.571.486 | 753.773 | 0 | 1.693.566 | 1,3720% | 1.440 |
| 0.75 to <1.75 | | 831.415 | 487.290 | 0 | 902.415 | 1,0040% | 815 |
| 1.75 to <2.50 | | 740.070 | 266.484 | 0 | 791.151 | 1,7920% | 625 |
| 2.50 to <10.00 | | 940.422 | 452.787 | 0 | 1.046.460 | 4,7290% | 896 |
| 2.50 to <5.00 | | 462.712 | 190.685 | 0 | 505.226 | 2,8490% | 450 |
| 5.00 to <10.00 | | 477.710 | 262.102 | 0 | 541.234 | 6,4840% | 446 |
| 10.00 to <100.00 | | 312.048 | 243.532 | 0 | 355.945 | 24,5750% | 432 |
| 10.00 to <20.00 | | 152.527 | 39.596 | 0 | 156.472 | 12,7950% | 140 |
| 20.00 to <30.00 | | 74.327 | 84.802 | 0 | 106.657 | 23,4620% | 66 |
| 30.00 to <100.00 | | 85.194 | 119.134 | 0 | 92.816 | 45,7130% | 226 |
| 100.00 (Default) | | 929.694 | 94.569 | 0 | 941.479 | 100,0000% | 485 |
| SUBTOTAL AS AT 30/06/2021 | | 6.169.273 | 4.689.974 | 0 | 6.761.054 | 16,4113% | 7.126 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 48 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Corporates - SME (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expected loss amount | Value adjustments and provisions |
|----------------------------------|----------|-----------------------------------|--|--|-----------------|----------------------|----------------------------------|
| | a | h | i | j | k | l | m |
| Corporates - SME | | | | | | | |
| 0.00 to <0.15 | | 26,4350% | 2 | 66.812 | 12,7435% | 161 | (331) |
| 0.00 to <0.10 | | 28,7980% | 2 | 292 | 10,0448% | 1 | (2) |
| 0.10 to <0.15 | | 26,4220% | 2 | 66.520 | 12,7585% | 160 | (329) |
| 0.15 to <0.25 | | 25,1540% | 2 | 89.859 | 15,1130% | 243 | (555) |
| 0.25 to <0.50 | | 23,1080% | 3 | 383.484 | 24,2513% | 1.432 | (2.769) |
| 0.50 to <0.75 | | 22,4840% | 3 | 7.007 | 29,8836% | 38 | (164) |
| 0.75 to <2.50 | | 20,6760% | 3 | 606.393 | 35,8057% | 4.675 | (10.693) |
| 0.75 to <1.75 | | 21,8340% | 3 | 309.761 | 34,3258% | 1.957 | (5.468) |
| 1.75 to <2.50 | | 19,3560% | 3 | 296.632 | 37,4937% | 2.718 | (5.225) |
| 2.50 to <10.00 | | 19,9810% | 3 | 481.281 | 45,9914% | 9.498 | (14.401) |
| 2.50 to <5.00 | | 22,1000% | 3 | 230.794 | 45,6813% | 3.147 | (5.769) |
| 5.00 to <10.00 | | 18,0020% | 3 | 250.488 | 46,2808% | 6.351 | (8.633) |
| 10.00 to <100.00 | | 19,6200% | 3 | 260.635 | 73,2234% | 17.248 | (13.989) |
| 10.00 to <20.00 | | 18,7200% | 3 | 96.377 | 61,5937% | 3.705 | (5.685) |
| 20.00 to <30.00 | | 21,0390% | 3 | 97.861 | 91,7527% | 5.244 | (4.237) |
| 30.00 to <100.00 | | 19,5070% | 3 | 66.398 | 71,5368% | 8.299 | (4.067) |
| 100.00 (Default) | | 49,3710% | 2 | 276.535 | 29,3724% | 443.681 | (493.915) |
| SUBTOTAL AS AT 30/06/2021 | | 25,9241% | 3 | 2.172.007 | 32,1253% | 476.975 | (536.817) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 49 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Corporates - Specialised Lending

The chart is not published due to the absence of significant exposures treated with the IRB approach in the specific counterparty segment.

Chart 50 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Corporates - Other (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance- sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|--------------------------------------|----------|----------------------------------|--|-------------------------------------|---|---|-----------------------|
| | a | b | c | d | e | f | g |
| Corporates - Other | | | | | | | |
| 0.00 to <0.15 | | 477.191 | 938.066 | 0 | 599.280 | 0,1170% | 188 |
| 0.00 to <0.10 | | 0 | - | - | 0 | 0,0800% | 1 |
| 0.10 to <0.15 | | 477.191 | 938.066 | 0 | 599.280 | 0,1170% | 187 |
| 0.15 to <0.25 | | 547.815 | 1.068.476 | 0 | 667.924 | 0,1600% | 189 |
| 0.25 to <0.50 | | 2.081.158 | 2.828.755 | 0 | 2.649.060 | 0,3720% | 337 |
| 0.50 to <0.75 | | 490 | 481 | - | 490 | 0,7300% | 3 |
| 0.75 to <2.50 | | 976.872 | 2.209.988 | 0 | 1.604.060 | 1,4200% | 231 |
| 0.75 to <1.75 | | 439.738 | 1.090.300 | 0 | 702.418 | 0,9820% | 113 |
| 1.75 to <2.50 | | 537.134 | 1.119.688 | 0 | 901.643 | 1,7610% | 118 |
| 2.50 to <10.00 | | 477.313 | 600.475 | 0 | 677.055 | 4,0570% | 140 |
| 2.50 to <5.00 | | 278.502 | 429.503 | 0 | 427.202 | 2,7530% | 83 |
| 5.00 to <10.00 | | 198.811 | 170.972 | 0 | 249.853 | 6,2870% | 57 |
| 10.00 to <100.00 | | 34.527 | 104.826 | 0 | 38.383 | 35,1050% | 78 |
| 10.00 to <20.00 | | 8.215 | 5.965 | 0 | 9.801 | 13,5040% | 16 |
| 20.00 to <30.00 | | 3.749 | 6.518 | 0 | 4.274 | 24,7630% | 9 |
| 30.00 to <100.00 | | 22.563 | 92.342 | 0 | 24.308 | 45,6330% | 53 |
| 100.00 (Default) | | 335.556 | 68.074 | 0 | 352.165 | 100,0000% | 209 |
| SUBTOTAL AS AT 30/06/2021 | | 4.930.922 | 7.819.139 | 0 | 6.588.417 | 6,4889% | 1.375 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 51 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Corporates - Other (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expected loss amount | Value adjustments and provisions |
|----------------------------------|----------|-----------------------------------|--|--|-----------------|----------------------|----------------------------------|
| | a | h | i | j | k | l | m |
| Corporates - Other | | | | | | | |
| 0.00 to <0.15 | | 28,7420% | 2 | 114.352 | 19,0816% | 201 | (422) |
| 0.00 to <0.10 | | 26,1550% | 5 | 0 | 25,8065% | - | - |
| 0.10 to <0.15 | | 28,7420% | 2 | 114.352 | 19,0816% | 201 | (422) |
| 0.15 to <0.25 | | 29,0410% | 2 | 151.068 | 22,6175% | 311 | (411) |
| 0.25 to <0.50 | | 28,3810% | 2 | 914.209 | 34,5107% | 2.818 | (2.590) |
| 0.50 to <0.75 | | 35,8400% | 1 | 262 | 53,5173% | 1 | (2) |
| 0.75 to <2.50 | | 30,0830% | 2 | 1.110.469 | 69,2286% | 6.849 | (5.222) |
| 0.75 to <1.75 | | 29,9860% | 2 | 406.223 | 57,8322% | 2.067 | (1.839) |
| 1.75 to <2.50 | | 30,1600% | 2 | 704.245 | 78,1069% | 4.782 | (3.383) |
| 2.50 to <10.00 | | 26,3350% | 2 | 549.382 | 81,1429% | 6.872 | (21.478) |
| 2.50 to <5.00 | | 28,3380% | 2 | 336.489 | 78,7657% | 3.294 | (8.426) |
| 5.00 to <10.00 | | 22,9110% | 2 | 212.893 | 85,2075% | 3.578 | (13.052) |
| 10.00 to <100.00 | | 19,2610% | 3 | 39.176 | 102,0663% | 2.689 | (1.080) |
| 10.00 to <20.00 | | 19,5980% | 4 | 9.893 | 100,9380% | 254 | (165) |
| 20.00 to <30.00 | | 10,8930% | 2 | 2.635 | 61,6548% | 113 | (84) |
| 30.00 to <100.00 | | 20,5960% | 3 | 26.648 | 109,6263% | 2.321 | (831) |
| 100.00 (Default) | | 64,2450% | 1 | 102.355 | 29,0644% | 218.531 | (240.929) |
| SUBTOTAL AS AT 30/06/2021 | | 30,5493% | 2 | 2.981.272 | 45,2502% | 238.271 | (272.133) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 52 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Secured by immovable property SME (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|---|----------|----------------------------|--|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| | a | b | c | d | e | f | g |
| Retail - Secured by immovable property SME | | | | | | | |
| 0.00 to <0.15 | | 45.905 | 3.077 | 0 | 48.147 | 0,1220% | 437 |
| 0.00 to <0.10 | | 9.210 | 1.033 | 0 | 9.937 | 0,0800% | 67 |
| 0.10 to <0.15 | | 36.695 | 2.043 | 0 | 38.209 | 0,1330% | 370 |
| 0.15 to <0.25 | | 236.236 | 5.361 | 0 | 239.505 | 0,1820% | 2.190 |
| 0.25 to <0.50 | | 271.299 | 6.288 | 0 | 276.024 | 0,3130% | 2.360 |
| 0.50 to <0.75 | | 48.357 | 1.609 | 0 | 49.449 | 0,7300% | 291 |
| 0.75 to <2.50 | | 335.811 | 10.943 | 0 | 344.827 | 1,5740% | 2.363 |
| 0.75 to <1.75 | | 191.501 | 6.568 | 0 | 196.670 | 1,1980% | 1.364 |
| 1.75 to <2.50 | | 144.311 | 4.375 | 0 | 148.158 | 2,0720% | 999 |
| 2.50 to <10.00 | | 207.068 | 3.312 | 0 | 209.851 | 4,9630% | 1.321 |
| 2.50 to <5.00 | | 99.886 | 1.993 | 0 | 101.537 | 3,3820% | 695 |
| 5.00 to <10.00 | | 107.181 | 1.318 | 0 | 108.314 | 6,4450% | 626 |
| 10.00 to <100.00 | | 311.461 | 5.044 | 0 | 314.088 | 32,4550% | 2.924 |
| 10.00 to <20.00 | | 85.455 | 2.575 | 0 | 86.007 | 13,6040% | 652 |
| 20.00 to <30.00 | | 40.690 | 288 | 0 | 40.972 | 24,3700% | 304 |
| 30.00 to <100.00 | | 185.317 | 2.181 | 0 | 187.109 | 42,8900% | 1.968 |
| 100.00 (Default) | | 152.141 | 1.183 | - | 152.141 | 100,0000% | 907 |
| SUBTOTAL AS AT 30/06/2021 | | 1.608.278 | 36.816 | 1 | 1.634.033 | 16,6239% | 12.793 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 53 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Secured by immovable property SME (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expected loss amount | Value adjustments and provisions |
|---|----------|-----------------------------------|--|--|-----------------|----------------------|----------------------------------|
| | a | h | i | j | k | l | m |
| Retail - Secured by immovable property SME | | | | | | | |
| 0.00 to <0.15 | | 14,3130% | - | 1.494 | 3,1033% | 8 | (19) |
| 0.00 to <0.10 | | 17,8730% | - | 287 | 2,8864% | 1 | (5) |
| 0.10 to <0.15 | | 13,3870% | - | 1.207 | 3,1597% | 7 | (14) |
| 0.15 to <0.25 | | 9,7400% | - | 7.002 | 2,9234% | 42 | (171) |
| 0.25 to <0.50 | | 11,8320% | - | 14.939 | 5,4123% | 105 | (450) |
| 0.50 to <0.75 | | 17,7780% | - | 7.197 | 14,5534% | 64 | (359) |
| 0.75 to <2.50 | | 13,1060% | - | 60.253 | 17,4733% | 702 | (2.741) |
| 0.75 to <1.75 | | 13,0100% | - | 29.037 | 14,7646% | 305 | (1.375) |
| 1.75 to <2.50 | | 13,2330% | - | 31.215 | 21,0690% | 397 | (1.366) |
| 2.50 to <10.00 | | 12,8780% | - | 71.066 | 33,8652% | 1.381 | (4.061) |
| 2.50 to <5.00 | | 12,2710% | - | 27.002 | 26,5929% | 428 | (1.510) |
| 5.00 to <10.00 | | 13,4460% | - | 44.065 | 40,6824% | 953 | (2.550) |
| 10.00 to <100.00 | | 10,8700% | - | 147.958 | 47,1071% | 11.197 | (7.974) |
| 10.00 to <20.00 | | 10,7240% | - | 37.767 | 43,9116% | 1.254 | (2.482) |
| 20.00 to <30.00 | | 10,9660% | - | 20.963 | 51,1658% | 1.078 | (1.817) |
| 30.00 to <100.00 | | 10,9160% | - | 89.227 | 47,6873% | 8.864 | (3.675) |
| 100.00 (Default) | | 37,3460% | - | 59.941 | 39,3985% | 52.025 | (56.613) |
| SUBTOTAL AS AT 30/06/2021 | | 14,3722% | - | 369.850 | 22,6342% | 65.524 | (72.387) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 54 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Secured by immovable property non-SME (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|---|----------|----------------------------|--|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| | a | b | c | d | e | f | g |
| Retail - Secured by immovable property non-SME | | | | | | | |
| 0.00 to <0.15 | | 34.440 | 795 | 0 | 35.132 | 0,0640% | 551 |
| 0.00 to <0.10 | | 34.440 | 795 | 0 | 35.132 | 0,0640% | 551 |
| 0.10 to <0.15 | | - | - | - | - | - | - |
| 0.15 to <0.25 | | 74.484 | 2.877 | 0 | 77.153 | 0,1700% | 869 |
| 0.25 to <0.50 | | - | - | - | - | - | - |
| 0.50 to <0.75 | | 959.389 | 11.458 | 0 | 970.478 | 0,5580% | 8.626 |
| 0.75 to <2.50 | | 1.022.737 | 10.265 | 0 | 1.032.000 | 1,2250% | 9.097 |
| 0.75 to <1.75 | | 1.022.737 | 10.265 | 0 | 1.032.000 | 1,2250% | 9.097 |
| 1.75 to <2.50 | | - | - | - | - | - | - |
| 2.50 to <10.00 | | 456.467 | 3.219 | 0 | 459.787 | 4,2990% | 3.789 |
| 2.50 to <5.00 | | 254.204 | 2.323 | 0 | 256.518 | 2,9900% | 2.096 |
| 5.00 to <10.00 | | 202.262 | 896 | 0 | 203.269 | 5,9500% | 1.693 |
| 10.00 to <100.00 | | 466.875 | 1.685 | 0 | 468.332 | 26,8690% | 4.428 |
| 10.00 to <20.00 | | 181.487 | 510 | 0 | 181.973 | 11,1780% | 1.607 |
| 20.00 to <30.00 | | 78.901 | 607 | 0 | 79.528 | 22,6700% | 720 |
| 30.00 to <100.00 | | 206.486 | 568 | 0 | 206.832 | 42,2900% | 2.101 |
| 100.00 (Default) | | 164.440 | 466 | - | 164.440 | 100,0000% | 963 |
| SUBTOTAL AS AT 30/06/2021 | | 3.178.831 | 30.766 | 1 | 3.207.323 | 10,2345% | 28.323 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 55 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Secured by immovable property non-SME (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expected loss amount | Value adjustments and provisions |
|---|----------|-----------------------------------|--|--|-----------------|----------------------|----------------------------------|
| a | | h | i | j | k | l | m |
| Retail - Secured by immovable property non-SME | | | | | | | |
| 0.00 to <0.15 | | 8,1340% | - | 503 | 1,4322% | 2 | (5) |
| 0.00 to <0.10 | | 8,1340% | - | 503 | 1,4322% | 2 | (5) |
| 0.10 to <0.15 | | - | - | - | - | - | - |
| 0.15 to <0.25 | | 8,1230% | - | 2.361 | 3,0604% | 11 | (16) |
| 0.25 to <0.50 | | - | - | - | - | - | - |
| 0.50 to <0.75 | | 8,0620% | - | 69.797 | 7,1920% | 436 | (598) |
| 0.75 to <2.50 | | 8,0620% | - | 125.247 | 12,1363% | 1.019 | (1.612) |
| 0.75 to <1.75 | | 8,0620% | - | 125.247 | 12,1363% | 1.019 | (1.612) |
| 1.75 to <2.50 | | - | - | - | - | - | - |
| 2.50 to <10.00 | | 8,0950% | - | 117.267 | 25,5046% | 1.597 | (2.967) |
| 2.50 to <5.00 | | 8,1380% | - | 54.962 | 21,4262% | 624 | (1.328) |
| 5.00 to <10.00 | | 8,0400% | - | 62.305 | 30,6513% | 972 | (1.639) |
| 10.00 to <100.00 | | 8,2980% | - | 216.048 | 46,1313% | 10.615 | (8.805) |
| 10.00 to <20.00 | | 8,0540% | - | 73.614 | 40,4535% | 1.638 | (2.170) |
| 20.00 to <30.00 | | 8,0660% | - | 39.051 | 49,1035% | 1.454 | (1.756) |
| 30.00 to <100.00 | | 8,6000% | - | 103.383 | 49,9839% | 7.523 | (4.879) |
| 100.00 (Default) | | 30,1230% | - | 41.910 | 25,4866% | 46.204 | (62.547) |
| SUBTOTAL AS AT 30/06/2021 | | 9,2345% | - | 573.133 | 17,8695% | 59.884 | (76.550) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 56 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Qualifying revolving (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|--------------------------------------|----------|----------------------------|--|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| a | | b | c | d | e | f | g |
| Retail - Qualifying revolving | | | | | | | |
| 0.00 to <0.15 | | 2.135 | 45.545 | 0 | 58.308 | 0,0610% | 5.807 |
| 0.00 to <0.10 | | 2.135 | 45.545 | 0 | 58.308 | 0,0610% | 5.807 |
| 0.10 to <0.15 | | - | - | - | - | - | - |
| 0.15 to <0.25 | | 3.153 | 27.468 | 0 | 39.005 | 0,1700% | 3.103 |
| 0.25 to <0.50 | | - | - | - | - | - | - |
| 0.50 to <0.75 | | 24.708 | 48.478 | 0 | 90.676 | 0,5460% | 5.975 |
| 0.75 to <2.50 | | 14.587 | 20.146 | 0 | 40.581 | 1,2610% | 2.605 |
| 0.75 to <1.75 | | 14.587 | 20.146 | 0 | 40.581 | 1,2610% | 2.605 |
| 1.75 to <2.50 | | - | - | - | - | - | - |
| 2.50 to <10.00 | | 11.480 | 7.856 | 0 | 22.955 | 4,2090% | 1.833 |
| 2.50 to <5.00 | | 6.441 | 5.033 | 0 | 13.501 | 2,9900% | 1.081 |
| 5.00 to <10.00 | | 5.040 | 2.822 | 0 | 9.454 | 5,9500% | 752 |
| 10.00 to <100.00 | | 9.889 | 10.178 | 0 | 24.297 | 28,3020% | 2.037 |
| 10.00 to <20.00 | | 4.579 | 2.666 | 0 | 8.777 | 11,2330% | 736 |
| 20.00 to <30.00 | | 1.891 | 951 | 0 | 3.429 | 22,6700% | 284 |
| 30.00 to <100.00 | | 3.419 | 6.561 | 0 | 12.091 | 42,2900% | 1.017 |
| 100.00 (Default) | | 2.319 | 508 | - | 2.319 | 100,0000% | 224 |
| SUBTOTAL AS AT 30/06/2021 | | 68.272 | 160.179 | 1 | 278.141 | 4,0522% | 21.584 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 57 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Qualifying revolving (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expected loss amount | Value adjustments and provisions |
|--------------------------------------|----------|-----------------------------------|--|--|----------------|----------------------|----------------------------------|
| a | | h | i | j | k | l | m |
| Retail - Qualifying revolving | | | | | | | |
| 0.00 to <0.15 | | 15,4250% | - | 378 | 0,6478% | 6 | (4) |
| 0.00 to <0.10 | | 15,4250% | - | 378 | 0,6478% | 6 | (4) |
| 0.10 to <0.15 | | - | - | - | - | - | - |
| 0.15 to <0.25 | | 15,4810% | - | 598 | 1,5324% | 10 | (7) |
| 0.25 to <0.50 | | - | - | - | - | - | - |
| 0.50 to <0.75 | | 15,5110% | - | 3.565 | 3,9318% | 77 | (61) |
| 0.75 to <2.50 | | 15,5290% | - | 3.029 | 7,4636% | 79 | (59) |
| 0.75 to <1.75 | | 15,5290% | - | 3.029 | 7,4636% | 79 | (59) |
| 1.75 to <2.50 | | - | - | - | - | - | - |
| 2.50 to <10.00 | | 15,5100% | - | 4.019 | 17,5062% | 150 | (113) |
| 2.50 to <5.00 | | 15,5190% | - | 1.904 | 14,1006% | 63 | (47) |
| 5.00 to <10.00 | | 15,4970% | - | 2.115 | 22,3694% | 87 | (65) |
| 10.00 to <100.00 | | 15,4980% | - | 10.476 | 43,1151% | 1.065 | (307) |
| 10.00 to <20.00 | | 15,5280% | - | 2.870 | 32,7035% | 153 | (99) |
| 20.00 to <30.00 | | 15,5260% | - | 1.551 | 45,2252% | 121 | (70) |
| 30.00 to <100.00 | | 15,4670% | - | 6.055 | 50,0744% | 791 | (138) |
| 100.00 (Default) | | 39,4790% | - | 89 | 3,8395% | 909 | (877) |
| SUBTOTAL AS AT 30/06/2021 | | 15,6900% | - | 22.153 | 7,9646% | 2.295 | (1.427) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 58 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Other SME (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|----------------------------------|----------|----------------------------|--|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| a | | b | c | d | e | f | g |
| Retail - Other SME | | | | | | | |
| 0.00 to <0.15 | | 93.387 | 500.408 | 0 | 427.712 | 0,1100% | 6.428 |
| 0.00 to <0.10 | | 21.758 | 167.596 | 0 | 136.931 | 0,0800% | 2.221 |
| 0.10 to <0.15 | | 71.628 | 332.811 | 0 | 290.781 | 0,1240% | 4.207 |
| 0.15 to <0.25 | | 130.009 | 306.181 | 0 | 348.291 | 0,1720% | 8.832 |
| 0.25 to <0.50 | | 316.073 | 649.111 | 0 | 782.921 | 0,3410% | 11.263 |
| 0.50 to <0.75 | | 107.481 | 143.998 | 0 | 201.918 | 0,7300% | 3.066 |
| 0.75 to <2.50 | | 518.165 | 528.226 | 0 | 842.355 | 1,5440% | 12.826 |
| 0.75 to <1.75 | | 269.341 | 297.876 | 0 | 455.386 | 1,1740% | 6.935 |
| 1.75 to <2.50 | | 248.823 | 230.350 | 0 | 386.969 | 1,9790% | 5.891 |
| 2.50 to <10.00 | | 410.583 | 315.026 | 0 | 612.987 | 5,0280% | 8.359 |
| 2.50 to <5.00 | | 186.652 | 161.484 | 0 | 293.754 | 3,4010% | 4.165 |
| 5.00 to <10.00 | | 223.931 | 153.541 | 0 | 319.233 | 6,5250% | 4.194 |
| 10.00 to <100.00 | | 292.488 | 191.431 | 0 | 419.474 | 30,9710% | 9.257 |
| 10.00 to <20.00 | | 101.686 | 58.702 | 0 | 138.099 | 13,6550% | 2.934 |
| 20.00 to <30.00 | | 51.622 | 24.585 | 0 | 69.827 | 22,9690% | 1.327 |
| 30.00 to <100.00 | | 139.180 | 108.144 | 0 | 211.548 | 44,9160% | 4.996 |
| 100.00 (Default) | | 401.489 | 52.108 | 0 | 418.758 | 100,0000% | 5.417 |
| SUBTOTAL AS AT 30/06/2021 | | 2.269.675 | 2.686.489 | 1 | 4.054.416 | 14,7423% | 65.448 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 59 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Other SME (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expect-ed loss amount | Value adjust-ments and provisions |
|----------------------------------|----------|-----------------------------------|--|--|-----------------|-----------------------|-----------------------------------|
| | a | h | i | j | k | l | m |
| Retail - Other SME | | | | | | | |
| 0.00 to <0.15 | | 31,2360% | - | 28.226 | 6,5993% | 145 | (160) |
| 0.00 to <0.10 | | 33,2430% | - | 7.733 | 5,6476% | 36 | (33) |
| 0.10 to <0.15 | | 30,2910% | - | 20.493 | 7,0474% | 108 | (126) |
| 0.15 to <0.25 | | 22,0170% | - | 22.333 | 6,4120% | 129 | (151) |
| 0.25 to <0.50 | | 26,2890% | - | 95.755 | 12,2305% | 714 | (959) |
| 0.50 to <0.75 | | 29,1420% | - | 41.821 | 20,7118% | 430 | (510) |
| 0.75 to <2.50 | | 23,5160% | - | 187.326 | 22,2384% | 2.985 | (3.699) |
| 0.75 to <1.75 | | 24,4850% | - | 97.337 | 21,3746% | 1.298 | (1.607) |
| 1.75 to <2.50 | | 22,3760% | - | 89.989 | 23,2549% | 1.687 | (2.092) |
| 2.50 to <10.00 | | 20,6160% | - | 151.566 | 24,7258% | 6.280 | (6.881) |
| 2.50 to <5.00 | | 20,9810% | - | 71.052 | 24,1874% | 2.082 | (2.194) |
| 5.00 to <10.00 | | 20,2800% | - | 80.514 | 25,2212% | 4.199 | (4.687) |
| 10.00 to <100.00 | | 19,2800% | - | 154.219 | 36,7649% | 26.120 | (10.882) |
| 10.00 to <20.00 | | 17,2990% | - | 36.534 | 26,4550% | 3.244 | (3.219) |
| 20.00 to <30.00 | | 18,8050% | - | 24.984 | 35,7801% | 2.962 | (2.384) |
| 30.00 to <100.00 | | 20,7310% | - | 92.701 | 43,8202% | 19.914 | (5.279) |
| 100.00 (Default) | | 67,5890% | - | 107.286 | 25,6199% | 274.823 | (260.567) |
| SUBTOTAL AS AT 30/06/2021 | | 28,6926% | - | 788.532 | 19,4487% | 311.627 | (283.810) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 60 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Other non-SME (1 of 2)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures before CCF | Exposure weighted average CCF | Exposure before CCF and after CRM | Exposure weighted average PD (%) | Number of obligors |
|----------------------------------|----------|----------------------------|--|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| | a | b | c | d | e | f | g |
| Retail - Other non-SME | | | | | | | |
| 0.00 to <0.15 | | 17.755 | 24.875 | 0 | 37.942 | 0,0640% | 2.158 |
| 0.00 to <0.10 | | 17.755 | 24.875 | 0 | 37.942 | 0,0640% | 2.158 |
| 0.10 to <0.15 | | - | - | - | - | - | - |
| 0.15 to <0.25 | | 20.299 | 23.130 | 0 | 43.183 | 0,1700% | 1.477 |
| 0.25 to <0.50 | | - | - | - | - | - | - |
| 0.50 to <0.75 | | 202.295 | 192.998 | 0 | 386.233 | 0,5530% | 7.477 |
| 0.75 to <2.50 | | 189.288 | 148.971 | 0 | 319.002 | 1,2410% | 8.390 |
| 0.75 to <1.75 | | 189.288 | 148.971 | 0 | 319.002 | 1,2410% | 8.390 |
| 1.75 to <2.50 | | - | - | - | - | - | - |
| 2.50 to <10.00 | | 100.133 | 70.794 | 0 | 159.687 | 4,1760% | 5.105 |
| 2.50 to <5.00 | | 57.414 | 44.276 | 0 | 95.706 | 2,9900% | 2.931 |
| 5.00 to <10.00 | | 42.719 | 26.518 | 0 | 63.980 | 5,9500% | 2.174 |
| 10.00 to <100.00 | | 75.069 | 23.364 | 0 | 94.851 | 23,2460% | 5.308 |
| 10.00 to <20.00 | | 39.278 | 11.688 | 0 | 49.088 | 11,2550% | 2.198 |
| 20.00 to <30.00 | | 11.960 | 2.401 | 0 | 14.418 | 22,6700% | 921 |
| 30.00 to <100.00 | | 23.831 | 9.276 | 0 | 31.345 | 42,2900% | 2.189 |
| 100.00 (Default) | | 161.398 | 2.109 | 0 | 161.725 | 100,0000% | 2.774 |
| SUBTOTAL AS AT 30/06/2021 | | 766.235 | 486.241 | 1 | 1.202.622 | 16,3505% | 32.689 |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Chart 61 - Template EU CR6 - IRB approach: Credit risk exposures by exposure class and PD range - Retail - Other non-SME (2 of 2)

| A-IRB | PD scale | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | RWA density | Expected loss amount | Value adjustments and provisions |
|----------------------------------|----------|-----------------------------------|--|--|-----------------|----------------------|----------------------------------|
| a | | h | i | j | k | l | m |
| Retail - Other non-SME | | | | | | | |
| 0.00 to <0.15 | | 11,6210% | - | 821 | 2,1633% | 3 | (2) |
| 0.00 to <0.10 | | 11,6210% | - | 821 | 2,1633% | 3 | (2) |
| 0.10 to <0.15 | | - | - | - | - | - | - |
| 0.15 to <0.25 | | 11,1170% | - | 1.966 | 4,5528% | 8 | (5) |
| 0.25 to <0.50 | | - | - | - | - | - | - |
| 0.50 to <0.75 | | 10,3580% | - | 33.875 | 8,7707% | 224 | (144) |
| 0.75 to <2.50 | | 10,7850% | - | 40.286 | 12,6288% | 431 | (328) |
| 0.75 to <1.75 | | 10,7850% | - | 40.286 | 12,6288% | 431 | (328) |
| 1.75 to <2.50 | | - | - | - | - | - | - |
| 2.50 to <10.00 | | 10,7450% | - | 26.507 | 16,5993% | 702 | (540) |
| 2.50 to <5.00 | | 10,8270% | - | 15.546 | 16,2430% | 308 | (225) |
| 5.00 to <10.00 | | 10,6230% | - | 10.961 | 17,1323% | 394 | (315) |
| 10.00 to <100.00 | | 9,2530% | - | 19.988 | 21,0734% | 2.035 | (1.258) |
| 10.00 to <20.00 | | 9,1820% | - | 8.378 | 17,0672% | 495 | (426) |
| 20.00 to <30.00 | | 9,5960% | - | 3.438 | 23,8465% | 314 | (309) |
| 30.00 to <100.00 | | 9,2070% | - | 8.172 | 26,0718% | 1.226 | (523) |
| 100.00 (Default) | | 59,6880% | - | 9.557 | 5,9094% | 95.967 | (105.066) |
| SUBTOTAL AS AT 30/06/2021 | | 17,1364% | - | 133.000 | 11,0592% | 99.370 | (107.343) |

Source: COREP reporting - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

The following chart shows the impact of credit derivatives recognised as credit risk mitigation (CRM) techniques on the values at 30 June 2021 of risk-weighted exposures (RWA) and credit risk capital requirements calculated by the Group under the “Advanced IRB Approach”, broken down by category of relevant exposure at regulatory level.

Chart 62 - Template EU CR7 - IRB Approach: Effect on the RWEAs of credit derivatives used as CRM techniques

| | | 30/06/2021 | | 31/12/2020 | |
|-----------|---|---|---|---|---|
| | | <i>Pre-credit derivatives risk weighted exposure amount</i> | <i>Actual risk weighted exposure amount</i> | <i>Pre-credit derivatives risk weighted exposure amount</i> | <i>Actual risk weighted exposure amount</i> |
| | | a | b | a | b |
| 1 | Exposures under FIRB | - | - | - | - |
| 2 | Central governments and central banks | - | - | - | - |
| 3 | Institutions | - | - | - | - |
| 4 | Corporates | - | - | - | - |
| 4,1 | of which Corporates - SMEs | - | - | - | - |
| 4,2 | of which Corporates - Specialised lending | - | - | - | - |
| 5 | Exposures under AIRB | 7.039.947 | 7.039.947 | 7.173.360 | 7.173.360 |
| 6 | Central governments and central banks | - | - | - | - |
| 7 | Institutions | - | - | - | - |
| 8 | Corporates | 5.153.279 | 5.153.279 | 5.233.971 | 5.233.971 |
| 8,1 | of which Corporates - SMEs | 2.172.007 | 2.172.007 | 2.266.817 | 2.266.817 |
| 8,2 | of which Corporates - Specialised lending | - | - | - | - |
| 9 | Retail | 1.886.668 | 1.886.668 | 1.939.389 | 1.939.389 |
| 9,1 | of which Retail – SMEs - Secured by immovable property collateral | 369.850 | 369.850 | 407.284 | 407.284 |
| 9,2 | of which Retail – non-SMEs - Secured by immovable property collateral | 573.133 | 573.133 | 550.723 | 550.723 |
| 9,3 | of which Retail – Qualifying revolving | 22.153 | 22.153 | 21.980 | 21.980 |
| 9,4 | of which Retail – SMEs - Other | 788.532 | 788.532 | 833.870 | 833.870 |
| 9,5 | of which Retail – Non-SMEs- Other | 133.000 | 133.000 | 125.532 | 125.532 |
| 10 | TOTAL AS AT 30/06/2021 | 7.039.947 | 7.039.947 | 7.173.360 | 7.173.360 |

Source: COREP reporting - Credit and counterparty risks, IRB approach to capital requirements: Template C 08.01

As at 30 June 2021, no hedging transactions using credit derivatives were in place.

The chart below shows, for each class of exposures relevant for calculating the capital requirement for credit risk under the “Advanced IRB Approach”, the portion of the Group's exposures at 30 June 2021 secured by real and personal credit risk mitigation (CRM) techniques. It also shows the amounts of risk-weighted exposures (RWA), including any reduction due to the existence of credit protection, with and without the application of the “substitution approach”¹⁰.

¹⁰ Under the Advanced IRB Approach, banks may recognise the effects of personal guarantees and, more generally, personal credit protection instruments by adjusting the risk parameters associated with the guaranteed exposure, provided certain minimum requirements for such guarantees are met. Specifically, it is possible to replace the PD or risk weight of the principal debtor with those of the guarantor, or to change the LGD of the covered credit exposure (so-called “substitution approach”).

Chart 63 - Template EU CR7-A - IRB approach: Disclosure of the extent of the use of CRM techniques (1 of 3)

| A-IRB | | Total exposures | Credit Risk Mitigation techniques | | | | |
|-------|---|-----------------|--|---|--|---|---|
| | | | Funded Credit Protection (FCP) | | | | |
| | | | Part of exposures covered by Financial collaterals (%) | Part of exposures covered by Other eligible collaterals (%) | | | Part of exposures covered by Other physical collaterals (%) |
| | | | | Part of exposures covered by Immovable property collaterals (%) | Part of exposures covered by Receivables (%) | | |
| | | | | | | | |
| a | b | c | d | e | f | | |
| 1 | Central governments and central banks | - | - | - | - | - | - |
| 2 | Institutions | - | - | - | - | - | - |
| 3 | Corporates | 13.349.471 | 2,1595% | 24,0070% | 23,1241% | - | 0,8829% |
| 3,1 | Of which Corporates – SMEs | 6.761.054 | 3,3696% | 40,9398% | 39,4392% | - | 1,5007% |
| 3,2 | Of which Corporates – Specialised lending | - | - | - | - | - | - |
| 3,3 | Of which Corporates – Other | 6.588.417 | 0,9178% | 6,6305% | 6,3814% | - | 0,2490% |
| 4 | Retail | 10.376.534 | 2,6753% | 52,3903% | 52,3517% | - | 0,0386% |
| 4,1 | Of which Retail – Immovable property SMEs | 1.634.033 | 0,0098% | 99,6587% | 99,6574% | - | 0,0013% |
| 4,2 | Of which Retail – Immovable property non-SMEs | 3.207.323 | 0,0037% | 98,6425% | 98,6425% | - | - |
| 4,3 | Of which Retail – Qualifying revolving | 278.141 | - | - | - | - | - |
| 4,4 | Of which Retail – Other SMEs | 4.054.416 | 3,5510% | 13,3772% | 13,2790% | - | 0,0982% |
| 4,5 | Of which Retail – Other non-SMEs | 1.202.622 | 11,0883% | 8,4556% | 8,4556% | - | - |
| 5 | TOTAL AS AT 30/06/2021 | 23.726.005 | 2,3851% | 36,4204% | 35,9067% | - | 0,5137% |

Source: COREP reporting - Credit and counterparty risks, IRB approach to capital requirements: Template C 08.01

Chart 64 - Template EU CR7-A - IRB approach: Disclosure of the extent of the use of CRM techniques (2 of 3)

| A-IRB | | Credit Risk Mitigation techniques | | | | | |
|-------|---|---|--|--|---|---|----------|
| | | Funded Credit Protection (FCP) | | | Unfunded Credit Protection (UFCP) | | |
| | | Part of exposures covered by Other funded credit protection (%) | | | | | |
| | | Part of exposures covered by Cash on deposit (%) | Part of exposures covered by Life insurance policies (%) | Part of exposures covered by Instruments held by a third party (%) | Part of exposures covered by Guarantees (%) | Part of exposures covered by Credit derivatives (%) | |
| | | g | h | i | j | k | l |
| 1 | Central governments and central banks | - | - | - | - | - | - |
| 2 | Institutions | - | - | - | - | - | - |
| 3 | Corporates | - | - | - | - | 11,8552% | - |
| 3,1 | Of which Corporates – SMEs | - | - | - | - | 15,9101% | - |
| 3,2 | Of which Corporates – Specialised lending | - | - | - | - | - | - |
| 3,3 | Of which Corporates – Other | - | - | - | - | 7,6941% | - |
| 4 | Retail | 0,0027% | - | 0,0027% | - | 8,2048% | - |
| 4,1 | Of which Retail – Immovable property SMEs | - | - | - | - | 0,2370% | - |
| 4,2 | Of which Retail – Immovable property non-SMEs | - | - | - | - | 0,1075% | - |
| 4,3 | Of which Retail – Qualifying revolving | - | - | - | - | - | - |
| 4,4 | Of which Retail – Other SMEs | 0,0012% | - | 0,0012% | - | 18,9170% | - |
| 4,5 | Of which Retail – Other non-SMEs | 0,0194% | - | 0,0194% | - | 6,4097% | - |
| 5 | TOTAL AS AT 30/06/2021 | 0,0012% | - | 0,0012% | - | 10,2587% | - |

Source: COREP reporting - Credit and counterparty risks, IRB approach to capital requirements: Template C 08.01

Chart 65 - Template EU CR7-A - IRB approach: Disclosure of the extent of the use of CRM techniques (3 of 3)

| A-IRB | | Credit Risk Mitigation methods in the calculation of RWEAs | |
|----------|---|--|---|
| | | RWEA without substitution effects (reduction effects only) | RWEA with substitution effects (both reduction and substitution effects) |
| | | m | n |
| 1 | Central governments and central banks | - | - |
| 2 | Institutions | - | - |
| 3 | Corporates | 5.131.605 | 5.153.279 |
| 3,1 | Of which Corporates – SMEs | 2.151.563 | 2.172.007 |
| 3,2 | Of which Corporates – Specialised lending | - | - |
| 3,3 | Of which Corporates – Other | 2.980.042 | 2.981.272 |
| 4 | Retail | 1.874.196 | 1.886.668 |
| 4,1 | Of which Retail – Immovable property SMEs | 369.834 | 369.850 |
| 4,2 | Of which Retail – Immovable property non-SMEs | 572.839 | 573.133 |
| 4,3 | Of which Retail – Qualifying revolving | 22.153 | 22.153 |
| 4,4 | Of which Retail – Other SMEs | 781.435 | 788.532 |
| 4,5 | Of which Retail – Other non-SMEs | 127.935 | 133.000 |
| 5 | TOTAL AS AT 30/06/2021 | 7.005.800 | 7.039.947 |

Source: COREP reporting - Credit and counterparty risks, IRB approach to capital requirements: Template C 08.01

The chart below shows the changes compared to the previous quarter in the amounts of risk-weighted exposure (RWA) calculated on the basis of the “Advanced IRB Approach”, with details of the key factors that contributed significantly to the changes.

Chart 66 - Template EU CR8: RWEA flow statements of credit risk exposures under the IRB approach

| | | RWA |
|----------|---|------------------|
| | | a |
| 1 | RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE PREVIOUS REPORTING PERIOD | 7.029.991 |
| 2 | Asset size (+/-) | 270.015 |
| 3 | Asset quality (+/-) | (383.435) |
| 4 | Model updates (+/-) | - |
| 5 | Methodology and policy (+/-) | - |
| 6 | Acquisitions and disposals (+/-) | - |
| 7 | Foreign exchange movements (+/-) | 1.978 |
| 8 | Other (+/-) | 121.398 |
| 9 | RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE REPORTING PERIOD | 7.039.947 |

Source: COREP reporting - Flow statements for credit risk, IRB approach to capital requirements: Template C 08.04

Section 11 - Disclosures of specialised finance and equity exposures under the simple risk-weighted approach (art. 438 CRR/CRR II)

This section provides quantitative information on specialised finance exposures and equity exposures calculated by adopting the “Simple risk-weighted approach” held by Banca Popolare di Sondrio Group as at 30 June 2021.

Chart 67 - Template EU CR10: Specialised lending and equity exposures under the simple risk-weighted approach

Template EU CR10.1 - Specialised lending: Project Finance

The chart is not published due to the absence of significant exposures related to the provision of specialised lending.

Template EU CR10.2 - Specialised lending: Income-producing real estate and high volatility commercial real estate

The chart is not published due to the absence of significant exposures related to the provision of specialised lending.

Template EU CR10.3 - Specialised lending: Object finance

The chart is not published due to the absence of significant exposures related to the provision of specialised lending.

Template EU CR10.4 - Specialised lending: Commodities finance

The chart is not published due to the absence of significant exposures related to the provision of specialised lending.

Template EU CR10.5 - Equity exposures under the simple risk-weighted approach

The chart is not published due to the absence of material exposures in equity instruments treated under the “Simple risk-weighted approach”.

Section 12 - Disclosure of exposures to counterparty risk (artt. 438 and 439 CRR/CRR II)

The charts below show the Group's exposure profile to Counterparty Credit Risk (CCR) as at 30 June 2021 according to a variety of disclosures, including:

- an overview of the approaches adopted by the Group to quantify its capital requirements for counterparty risk and the main parameters used in each method;
- all derivative transactions subject to the capital requirement on credit valuation adjustment (CVA) risk;
- a breakdown of exposures to counterparty risk by type of regulatory portfolio and risk weight;
- information on parameters used to calculate capital requirements for counterparty risk under the IRB approach;
- the composition of collateral (cash, sovereign debt, corporate bonds, etc.) provided or received by the Group as collateral for the purpose of supporting or reducing exposures to counterparty risk arising from derivative transactions or SFT (Securities Financing Transactions), including transactions cleared through a central counterparty (CCP);
- the total exposure for any credit derivative transactions (purchased or sold);
- the dynamics of change in the risk-weighted exposure amounts to counterparty risk (RWA) determined according to the “Internal Models approach”;
- a report of exposures to central counterparties due to transactions, margins and contributions to collateral funds and the associated capital requirements.

Chart 68 - Template EU CCR1: analysis of CCR exposure by approach (1 of 2)

| | | a | b | c | d |
|----------|---|----------------------------------|--|-------------|---|
| | | <i>Replacement cost (RC)</i> | <i>Potential future exposure (PFE)</i> | <i>EEPE</i> | <i>Alpha used for computing regulatory exposure value</i> |
| EU-1 | EU - Original Exposure Method (for derivatives) | - | - | | 1.4 |
| EU-2 | EU - Simplified SA-CCR (for derivatives) | 28.235 | 51.536 | | 1.4 |
| 1 | SA-CCR (for derivatives) | 37.146 | 52.901 | | 1.4 |
| 2 | IMM (for derivatives and SFTs) | | | - | - |
| 2a | <i>Of which securities financing transactions netting sets</i> | | | - | |
| 2b | <i>Of which derivatives and long settlement transactions netting sets</i> | | | - | |
| 2c | <i>Of which from contractual cross-product netting sets</i> | | | - | |
| 3 | Financial collateral simple method (for SFTs) | | | | |
| 4 | Financial collateral comprehensive method (for SFTs) | | | | |
| 5 | VaR for SFTs | | | | |
| 6 | TOTAL AS AT 30/06/2021 | | | | |

Source: COREP reporting - Size of the derivatives business: Template C34.02

Key:

- *SA-CCR simplified*: simplified standardised approach (applicable to derivatives)
- *SA-CCR*: standardised approach (applicable to derivatives)
- *IMM*: Internal Model Method (applicable to derivatives and SFT)
- *Replacement Cost (RC) and Potential Future Exposure (PFE)*: amounts calculated: a) in accordance with article 282(3) and (4) of part three, title II, chapter 6, section 5 of the CRR in the case of the original exposure method; b) in accordance with article 281 of part three, title II, chapter 6, section 5 of the CRR in the case of the simplified SA-CCR method; c) in accordance with articles 275 and 278 of part three, title II, chapter 6, sections 4 and 5 of the CRR in the case of the SA-CCR Method.
- *Effective Expected Positive Exposure (EEPE)*: a technique for estimating the future credit exposure of transactions exposed to counterparty risk as a weighted average - over a defined time period - of the expected values of credit exposures, where the weights are represented by the ratio of the fraction of the predefined time period relevant to the individual expected exposure with respect to the entire time period considered. Effective EPE for a set of assets subject to netting is defined in article 272(22) of the CRR and calculated in accordance with article 284(6) of the CRR. The EEPE shown in the chart is that applied for the determination of own funds requirements in accordance with article 284(3) of the CRR, i.e. EEPE calculated using current market data or EEPE calculated using a stress calibration, whichever results in a higher own funds requirement.

Chart 69 - Template EU CCR1: analysis of CCR exposure by approach (2 of 2)

| | | e | f | g | h |
|----------|--|----------------------------------|---------------------------------|-----------------------|----------------|
| | | <i>Exposure value before CRM</i> | <i>Exposure value after CRM</i> | <i>Exposure value</i> | <i>RWEA</i> |
| EU-1 | EU - Original Exposure Method (for derivatives) | - | - | - | - |
| EU-2 | EU - Simplified SA-CCR (for derivatives) | 111.679 | 111.679 | 111.679 | 33.572 |
| 1 | SA-CCR (for derivatives) | 126.065 | 126.034 | 126.443 | 66.211 |
| 2 | IMM (for derivatives and SFTs) | - | - | - | - |
| 2a | Of which securities financing transactions netting sets | - | - | - | - |
| 2b | Of which derivatives and long settlement transactions netting sets | - | - | - | - |
| 2c | Of which from contractual cross-product netting sets | - | - | - | - |
| 3 | Financial collateral simple method (for SFTs) | - | - | - | - |
| 4 | Financial collateral comprehensive method (for SFTs) | 21.075 | 20.861 | 20.861 | 10.434 |
| 5 | VaR for SFTs | - | - | - | - |
| 6 | TOTAL AS AT 30/06/2021 | 258.819 | 258.574 | 258.983 | 110.216 |

Source: COREP reporting - Size of the derivatives business: Template C34.02

Key:

- *SA-CCR simplified*: simplified standardised approach (applicable to derivatives)
- *SA-CCR*: standardised approach (applicable to derivatives)
- *IMM*: Internal Model Method (applicable to derivatives and SFT)
- *Exposure value after CRM*: the exposure value for assets subject to the CCR calculated taking into account the effect of netting, but excluding any other credit risk mitigation techniques (e.g. collateral posted as margin). In the case of SFT, the securities component is not taken into account in determining the value of the pre-CRM exposure if collateral is received and therefore does not reduce the value of the exposure. Conversely, the securities component of SFT is taken into account in determining the value of the pre-CRM exposure on a regular basis if collateral is provided. In addition, collateralised transactions are treated as unsecured, i.e. no margining effects are applied. The pre-CRM exposure value does not take into account the deduction for any CVA loss incurred.
- *Exposure value after CRM*: the exposure value for assets subject to the CCR calculated taking into account applicable credit risk mitigation techniques in accordance with part three, title II, chapters 4 and 6 of the CRR. In accordance with article 273(6) of the CRR, any CVA loss incurred is not deducted from the value of the post-CRM exposure.
- *Exposure value*: the exposure value for assets subject to the CCR used for the purposes of calculating the related capital requirement, determined by applying the effects of credit risk mitigation techniques in accordance with part three, title II, chapters 4 and 6 of the CRR and considering the deduction of any CVA loss incurred. The exposure value for transactions for which a specific unfavourable correlation risk has been identified shall be determined in accordance with article 291 of the CRR. In cases where more than one CCR method is used for an individual counterparty, the incurred CVA loss, deducted at the counterparty level, shall be allocated to the exposure value of the different netting sets of assets in each CCR method reflecting the proportion of the post-CRM exposure value of the respective netting sets of assets to the counterparty's total post-CRM exposure value.

Chart 70 - Template EU CCR2: Transactions subject to own funds requirements for CVA risk

| | | 30/06/2021 | | 31/12/2020 | |
|------|--|----------------|--------|----------------|--------|
| | | a | b | | |
| | | Exposure value | RWAs | Exposure value | RWAs |
| 1 | TOTAL PORTFOLIOS SUBJECT TO THE ADVANCED METHOD | - | - | - | - |
| 2 | (i) VaR component (including the 3× multiplier) | | - | | - |
| 3 | (ii) SVaR component (including the 3× multiplier) | | - | | - |
| 4 | ALL PORTFOLIOS SUBJECT TO THE STANDARDISED METHOD | 202.269 | 27.849 | 154.877 | 22.488 |
| EU-4 | Based on the original exposure method | - | - | - | - |
| 5 | TOTAL SUBJECT TO THE CVA CAPITAL CHARGE | 202.269 | 27.849 | 154.877 | 22.488 |

Source: COREP reporting - Credit assessment adjustment risk (CVA risk): Template C25.00

Chart 71 - Template EU CCR3 - Standardised approach: CCR exposures by regulatory exposure class and risk weights (1 of 2)

| | | Classes of credit worthiness (Weighting Factors) | | | | | |
|------------------|---|--|-------|----|-----|---------|--------|
| EXPOSURE CLASSES | | a | b | c | d | e | f |
| | | 0% | 2% | 4% | 10% | 20% | 50% |
| 1 | Central governments or central banks | - | - | - | - | - | - |
| 2 | Regional governments or local authorities | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | - | - | - |
| 4 | Multilateral development banks | - | - | - | - | - | - |
| 5 | International organisations | - | - | - | - | - | - |
| 6 | Institutions | - | 7.747 | - | - | 102.283 | 86.413 |
| 7 | Corporates | - | - | - | - | - | 549 |
| 8 | Retail | - | - | - | - | - | - |
| 9 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 10 | Other items | - | - | - | - | - | - |
| 11 | TOTAL AS AT 30/06/2021 | - | 7.747 | - | - | 102.283 | 86.962 |
| | TOTAL AS AT 31/12/2020 | - | 3.470 | - | - | 83.478 | 58.178 |

Source: COREP reporting - Credit and counterparty risks, standardised approach to capital requirements: Template C 07.00

Chart 72 - Template EU CCR3 - Standardised approach: CCR exposures by regulatory exposure class and risk weights (2 of 2)

| EXPOSURE CLASSES | | Classes of credit worthiness (Weighting Factors) | | | | | |
|------------------|---|--|--------------|---------------|------|--------|----------------------|
| | | g | h | i | j | k | l |
| | | 70% | 75% | 100% | 150% | Others | Total exposure value |
| 1 | Central governments or central banks | - | - | 14.922 | - | - | 14.922 |
| 2 | Regional governments or local authorities | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | 61 | - | - | 61 |
| 4 | Multilateral development banks | - | - | - | - | - | - |
| 5 | International organisations | - | - | - | - | - | - |
| 6 | Institutions | - | - | 1.664 | - | - | 198.108 |
| 7 | Corporates | - | - | 243 | - | - | 792 |
| 8 | Retail | - | 2.522 | - | - | - | 2.522 |
| 9 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 10 | Other items | - | - | 15.786 | - | - | 15.786 |
| 11 | TOTAL AS AT 30/06/2021 | - | 2.522 | 32.677 | - | - | 232.192 |
| | TOTAL AS AT 31/12/2020 | - | 2.005 | 12.479 | - | - | 159.609 |

Source: COREP reporting - Credit and counterparty risks, standardised approach to capital requirements: Template C 07

Chart 73 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Central governments or central banks

The chart is not published due to the absence of significant exposures subject to counterparty risk in the specific segment.

Chart 74 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Institutions

The chart is not published due to the absence of significant exposures subject to counterparty risk in the specific segment.

Chart 75 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Corporates (1 of 2)

| | a | b | c |
|---|----------------|----------------------------------|--------------------|
| PD SCALE | Exposure value | Exposure weighted average PD (%) | Number of obligors |
| 0.00 to <0.15 | 2.612 | 0,1172% | 20 |
| 0.15 to <0.25 | 6.962 | 0,1600% | 20 |
| 0.25 to <0.50 | 10.768 | 0,3474% | 32 |
| 0.50 to <0.75 | - | - | - |
| 0.75 to <2.50 | 7.110 | 1,3486% | 18 |
| 2.50 to <10.00 | 6.010 | 2,8666% | 7 |
| 10.00 to <100.00 | 0 | 23,4600% | 1 |
| 100.00 (Default) | 272 | 100,0000% | 3 |
| SUBTOTAL AS AT 30/06/2021 (Exposure class: Corporates) | 33.734 | 1,7556% | 101 |

Source: COREP reporting - Counterparty risk, IRB approach to capital requirements - PD ranges: Template C 34.07

Chart 76 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Corporates (2 of 2)

| | d | e | f | g |
|---|-----------------------------------|------------------------------------|---------------|--|
| PD SCALE | Exposure weighted average LGD (%) | Exposure weighted average maturity | RWEA | Density of risk weighted exposure amount |
| 0.00 to <0.15 | 26,1837% | 1 | 309 | 11,8463% |
| 0.15 to <0.25 | 26,1941% | 1 | 909 | 13,0584% |
| 0.25 to <0.50 | 26,2596% | 1 | 2.723 | 25,2920% |
| 0.50 to <0.75 | - | - | - | - |
| 0.75 to <2.50 | 26,9087% | 1 | 3.587 | 50,4437% |
| 2.50 to <10.00 | 26,3463% | 1 | 4.018 | 66,8590% |
| 10.00 to <100.00 | 16,9630% | 1 | 0 | 60,2076% |
| 100.00 (Default) | 48,6160% | 1 | 67 | 24,7585% |
| SUBTOTAL AS AT 30/06/2021 (Exposure class: Corporates) | 26,5730% | 1 | 11.614 | 34,4294% |

Source: COREP reporting - Counterparty risk, IRB approach to capital requirements - PD ranges: Template C 34.07

Chart 77 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (1 of 2)

| | a | b | c |
|---|----------------|----------------------------------|--------------------|
| PD SCALE | Exposure value | Exposure weighted average PD (%) | Number of obligors |
| 0.00 to <0.15 | 20 | 0,0919% | 10 |
| 0.15 to <0.25 | 40 | 0,1773% | 23 |
| 0.25 to <0.50 | 68 | 0,3080% | 14 |
| 0.50 to <0.75 | 498 | 0,5696% | 30 |
| 0.75 to <2.50 | 148 | 1,0209% | 15 |
| 2.50 to <10.00 | 21 | 7,0727% | 7 |
| 10.00 to <100.00 | 10 | 33,4910% | 9 |
| 100.00 (Default) | 1 | 100,0000% | 2 |
| SUBTOTAL AS AT 30/06/2021 (Exposure class: Retail) | 804 | 1,2956% | 110 |
| TOTAL (All CRR Exposure classes) AS AT 30/06/2021 | 34.538 | 1,7450% | 211 |

Source: COREP reporting - Counterparty risk, IRB approach to capital requirements - PD ranges: Template C 34.07

Chart 78 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (2 of 2)

| | d | e | f | g |
|---|-----------------------------------|------------------------------------|---------------|--|
| PD SCALE | Exposure weighted average LGD (%) | Exposure weighted average maturity | RWEA | Density of risk weighted exposure amount |
| 0.00 to <0.15 | 24,5612% | - | 1 | 4,7437% |
| 0.15 to <0.25 | 13,9318% | - | 2 | 4,7119% |
| 0.25 to <0.50 | 23,1910% | - | 7 | 10,1502% |
| 0.50 to <0.75 | 11,6596% | - | 47 | 9,5378% |
| 0.75 to <2.50 | 25,0624% | - | 31 | 20,7132% |
| 2.50 to <10.00 | 16,6669% | - | 4 | 21,0667% |
| 10.00 to <100.00 | 14,8908% | - | 3 | 30,4897% |
| 100.00 (Default) | 38,5900% | - | 0 | 2,2805% |
| SUBTOTAL AS AT 30/06/2021 (Exposure class: Retail) | 15,7149% | - | 95 | 11,8416% |
| TOTAL (All CRR Exposure classes) AS AT 30/06/2021 | 26,3200% | 1 | 11.710 | 33,9030% |

Source: COREP reporting - Counterparty risk, IRB approach to capital requirements - PD ranges: Template C 34.07

Chart 79 - Template EU CCR5: composition of collateral for CCR exposures (1 of 2)

| | | a | b | c | d |
|-----------------|-------------------------------|---|---------------------|--|---------------------|
| | | <i>Collateral used in derivative transactions</i> | | | |
| COLLATERAL TYPE | | <i>Fair value of collateral received</i> | | <i>Fair value of posted collateral</i> | |
| | | <i>Segregated</i> | <i>Unsegregated</i> | <i>Segregated</i> | <i>Unsegregated</i> |
| 1 | Cash – domestic currency | - | 25.247 | 33.660 | 16.431 |
| 2 | Cash – other currencies | - | - | - | - |
| 3 | Domestic sovereign debt | - | - | 56.319 | - |
| 4 | Other sovereign debt | - | - | - | - |
| 5 | Government agency debt | - | - | - | - |
| 6 | Corporate bonds | - | - | - | - |
| 7 | Equity securities | - | - | - | - |
| 8 | Other collateral | - | - | - | - |
| 9 | TOTAL AS AT 30/06/2021 | - | 25.247 | 89.979 | 16.431 |

Source: COREP reporting - Composition of guarantees for counterparty risk: Template C 34.08

Chart 80 - Template EU CCR5: composition of collateral for CCR exposures (2 of 2)

| | | e | f | g | h |
|-----------------|-------------------------------|--|---------------------|--|---------------------|
| | | <i>Collateral used in SFTs</i> | | | |
| COLLATERAL TYPE | | <i>Fair value of collateral received</i> | | <i>Fair value of posted collateral</i> | |
| | | <i>Segregated</i> | <i>Unsegregated</i> | <i>Segregated</i> | <i>Unsegregated</i> |
| 1 | Cash – domestic currency | - | - | - | - |
| 2 | Cash – other currencies | - | - | - | - |
| 3 | Domestic sovereign debt | - | - | - | 21.075 |
| 4 | Other sovereign debt | - | - | - | - |
| 5 | Government agency debt | - | - | - | - |
| 6 | Corporate bonds | - | - | - | - |
| 7 | Equity securities | - | - | - | - |
| 8 | Other collateral | - | 701.629 | - | - |
| 9 | TOTAL AS AT 30/06/2021 | - | 701.629 | - | 21.075 |

Source: COREP reporting - Composition of guarantees for counterparty risk: Template C 34.08

Chart 81 - Template EU CCR6: credit derivatives exposures

The chart is not published due to the absence of exposures related to credit derivative transactions.

Chart 82 - Template EU CCR7: RWEA flow statements of CCR exposures under the IMM

The chart is not published due to the absence of counterparty risk exposures treated according to the “Internal Model Method” (IMM).

Chart 83 - Template EU CCR8: exposures to CCPs

| | | 30/06/2021 | |
|----------|---|-----------------------|-------------|
| | | a | b |
| | | <i>Exposure value</i> | <i>RWEA</i> |
| 1 | EXPOSURES TO QCCPS (TOTAL) | | 224 |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 7.747 | 155 |
| 3 | (i) OTC derivatives | - | - |

| | | | |
|-----------|---|--------|-----|
| 4 | (ii) Exchange-traded derivatives | - | - |
| 5 | (iii) SFTs | 7.747 | 155 |
| 6 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 7 | Segregated initial margin | 33.660 | |
| 8 | Non-segregated initial margin | - | - |
| 9 | Prefunded default fund contributions | 3.495 | 69 |
| 10 | Unfunded default fund contributions | - | - |
| 11 | EXPOSURES TO NON-QCCPS (TOTAL) | | - |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - |
| 13 | (i) OTC derivatives | - | - |
| 14 | (ii) Exchange-traded derivatives | - | - |
| 15 | (iii) SFTs | - | - |
| 16 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 17 | Segregated initial margin | - | |
| 18 | Non-segregated initial margin | - | - |
| 19 | Prefunded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

Source: COREP reporting - Exposures to central counterparties: Template C 34.10

Key:

- QCCP: Qualifying Central Counterparty. Entity licensed to act as a central counterparty (including by way of derogation) and authorised by the relevant regulatory and/or supervisory body to act as such for the products it offers. QCCP status requires that the CCP be established and supervised in a jurisdiction where the relevant regulatory and/or supervisory body has determined and publicly notified that it will apply to the CCP, on an ongoing basis, national standards and rules that comply with the Principles for Financial Market Infrastructures jointly issued by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO).

Section 13 - Disclosure of exposures to securitisation positions (art. 449 CRR/CRR II)

Own securitisations

In 2020 Banca Popolare di Sondrio completed two securitisation transactions of non-performing loans, as part of a broader programme of interventions on impaired loans.

With regard to the first transaction, called “Diana”, a portfolio of non-performing loans with a gross value of Euro 999.7 million (74% of which were secured loans) was sold on a massive scale, with economic effect from 1 April 2019, to the securitisation vehicle called “DIANA” set up pursuant to Law 130/99, which in turn issued three ABS notes tranches for a total of Euro 274 million (27.4% of the gross value of the loans sold):

- a senior tranche for Euro 235 million, equal to 23.5% of the gross value of the loans sold, rated BBB/Baa2/BBB by the agencies DBRS Morningstar, Moody's and Scope Ratings. This tranche has structural characteristics of eligibility for the GACS State guarantee;
- a mezzanine tranche for Euro 35 million, equal to 3.5% of the gross value of the loans securitised;
- a junior tranche for Euro 4 million.

All the notes issued were underwritten by Banca Popolare di Sondrio at the closing of the transaction, and most of them were then offered on the market for subscription. Senior securities were entirely retained by the bank; for these, the coverage by the Italian State through the GACS scheme was requested and obtained. In order to obtain the deconsolidation for accounting purposes of the loans sold in accordance with the applicable sector regulations, 95% of the mezzanine and junior tranches were placed with institutional investors.

The second securitisation transaction, called “POP NPLS 2020”, was completed by Banca Popolare di Sondrio together with 14 other participating banks as part of a multi-originator initiative coordinated by Luzzatti S.c.p.a., a company set up by a pool of participating cooperative banks with the aim of managing extraordinary transactions. In particular, a portfolio of non-performing loans with a gross value of Euro 371.8 million (71% of which secured loans) was sold, effective from 1 January 2020, to the securitisation vehicle called “POP NPLs 2020 S.r.l.”, which in turn issued three ABS tranches for a total of Euro 125.69 million (33.8% of the gross value of the loans sold), of which:

- a senior tranche for Euro 109.78 million, equal to 29.5% of the gross value of the loans sold, rated BBB by the agencies DBRS Morningstar and Scope Ratings. This tranche, kept in the portfolio by Banca Popolare di Sondrio, has structural characteristics of eligibility for the GACS state guarantee;
- a mezzanine tranche for Euro 11.36 million, rated CCC by DBRS Morningstar and CC by Scope Ratings, equal to 3.1% of the gross value of the loans securitised;
- a junior tranche for Euro 4.55 million, equal to 1.2% of the gross value of the loans sold.

95% of the mezzanine and junior tranches were placed with institutional investors, while the remaining 5% was retained by the bank, in compliance with current regulatory obligations. For senior notes, coverage from the Italian State was requested and obtained through the GACS scheme.

Third-party securitisations

As an investor, the Group holds exposures in ABS securities related to traditional (not synthetic) securitisations, “Senior” type, not STS (Simple, Transparent and Standardised)¹¹ and deriving from third-party transactions. This type of investments, held entirely not for trading purposes, is classified in “Financial assets measured at fair value” and “Financial assets measured at amortised cost” for accounting purposes. No guarantees or credit lines are provided on these issues.

As for the calculating methods of risk-weighted exposures, assets deriving from third-party securitisations are subject to a specific capital requirement with reference to credit and counterparty risk, determined by the Group in application of the SEC-SA standardised methodology (art. 261 – Regulation (EU) 2401/2017).

Since the ABS securities held in portfolio do not have an external credit rating (ECAI rating) but given full knowledge of the underlying assets in which they are invested, the aforementioned SEC-SA methodology is applicable, which is largely based on the availability of information on the riskiness of the underlying assets from which the related capital requirement derives. This latter element, together with the presence of other information related to the securitisation (such as, for example, attachment/detachment points), allows the application of the calculation algorithm foreseen by the SEC-SA approach.

The charts below show the Group's exposure to securities deriving from its own and third-party securitisations as at 30 June 2021.

¹¹ Regulation (EU) 2401/2017 represents the general framework on the prudential treatment of securitisation transactions. In this context, a specific framework is established for Simple, Transparent and Standardised securitisations (so-called “STS securitisations”) which meet particular requirements.

Chart 84 - Template EU SEC1: securitisation exposures in the non-trading book (1 of 3)

| | a | b | c | d | e |
|----------------------------|---------------------------------------|---|---------------------|------------|------------------|
| | <i>Institution acts as originator</i> | | | | |
| | <i>Traditional</i> | | | | <i>Synthetic</i> |
| | <i>STS</i> | | <i>Non-STS</i> | | |
| | <i>of which SRT</i> | | <i>of which SRT</i> | | |
| 1 TOTAL EXPOSURES | - | - | 769 | 769 | - |
| 2 Retail (total) | - | - | 769 | 769 | - |
| 3 Residential mortgage | - | - | - | - | - |
| 4 Credit card | - | - | - | - | - |
| 5 Other retail exposures | - | - | 769 | 769 | - |
| 6 Re-securitisation | - | - | - | - | - |
| 7 Wholesale (total) | - | - | - | - | - |
| 8 Loans to corporates | - | - | - | - | - |
| 9 Commercial mortgage | - | - | - | - | - |
| 10 lease and receivables | - | - | - | - | - |
| 11 Other wholesale | - | - | - | - | - |
| 12 Re-securitisation | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 85 - Template EU SEC1: securitisation exposures in the non-trading book (2 of 3)

| | f | g | h | i | j |
|----------------------------|---------------------------------------|------------------|------------------------------------|----------------|------------------|
| | <i>Institution acts as originator</i> | | <i>Institution acts as sponsor</i> | | |
| | <i>Synthetic</i> | | <i>Traditional</i> | | <i>Synthetic</i> |
| | <i>of which SRT</i> | <i>Sub-total</i> | <i>STS</i> | <i>Non-STS</i> | |
| 1 TOTAL EXPOSURES | - | 769 | - | - | - |
| 2 Retail (total) | - | 769 | - | - | - |
| 3 Residential mortgage | - | - | - | - | - |
| 4 Credit card | - | - | - | - | - |
| 5 Other retail exposures | - | 769 | - | - | - |
| 6 Re-securitisation | - | - | - | - | - |
| 7 Wholesale (total) | - | - | - | - | - |
| 8 Loans to corporates | - | - | - | - | - |
| 9 Commercial mortgage | - | - | - | - | - |
| 10 lease and receivables | - | - | - | - | - |
| 11 Other wholesale | - | - | - | - | - |
| 12 Re-securitisation | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 86 - Template EU SEC1: securitisation exposures in the non-trading book (3 of 3)

| | k | l | m | n | o |
|----------------------------|------------------------------------|--------------------|-------------------------------------|------------------|------------------|
| | <i>Institution acts as sponsor</i> | | <i>Institution acts as investor</i> | | |
| | <i>Sub-total</i> | <i>Traditional</i> | | <i>Synthetic</i> | <i>Sub-total</i> |
| | | <i>STS</i> | <i>Non-STS</i> | | |
| 1 TOTAL EXPOSURES | - | - | 428.705 | - | 428.705 |
| 2 Retail (total) | - | - | 28.743 | - | 28.743 |
| 3 Residential mortgage | - | - | - | - | - |
| 4 Credit card | - | - | - | - | - |
| 5 Other retail exposures | - | - | 28.743 | - | 28.743 |
| 6 Re-securitisation | - | - | - | - | - |
| 7 Wholesale (total) | - | - | - | - | - |
| 8 Loans to corporates | - | - | - | - | - |
| 9 Commercial mortgage | - | - | - | - | - |
| 10 lease and receivables | - | - | 399.962 | - | 399.962 |
| 11 Other wholesale | - | - | - | - | - |
| 12 Re-securitisation | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Investments in traditional securitisations in the portfolio do not include Asset-Backed Commercial Paper (ABCP) programs¹².

Chart 87 - Template EU SEC2: Securitisation exposures in the trading book (1 of 2)

| | a | b | c | d | e | f |
|----------------------------|---------------------------------------|----------------|------------------|------------------------------------|--------------------|----------------|
| | <i>Institution acts as Originator</i> | | | <i>Institution acts as Sponsor</i> | | |
| | <i>Traditional</i> | | <i>Synthetic</i> | <i>Sub-total</i> | <i>Traditional</i> | |
| | <i>STS</i> | <i>Non-STS</i> | | | <i>STS</i> | <i>Non-STS</i> |
| 1 TOTAL EXPOSURES | - | - | - | - | - | - |
| 2 Retail (total) | - | - | - | - | - | - |
| 3 Residential mortgage | - | - | - | - | - | - |
| 4 Credit card | - | - | - | - | - | - |
| 5 Other retail exposures | - | - | - | - | - | - |
| 6 Re-securitisation | - | - | - | - | - | - |
| 7 Wholesale (total) | - | - | - | - | - | - |
| 8 Loans to corporates | - | - | - | - | - | - |
| 9 Commercial mortgage | - | - | - | - | - | - |
| 10 lease and receivables | - | - | - | - | - | - |
| 11 Other wholesale | - | - | - | - | - | - |
| 12 Re-securitisation | - | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

¹² An Asset-Backed Commercial Paper (ABCP) is a short-term money market debt instrument secured by a package of loans. ABCP are issued by a vehicle (SPV) and are sold through placement agents.

Chart 88 - Template EU SEC2: Securitisation exposures in the trading book (2 of 2)

| | | g | | h | | i | | j | | k | | l | |
|----|------------------------|-----------------------------|-----------|-------------|---------|------------------------------|-----------|---|---|---|---|---|--|
| | | Institution acts as Sponsor | | | | Institution acts as Investor | | | | | | | |
| | | Synthetic | Sub-total | Traditional | | Synthetic | Sub-total | | | | | | |
| | | | | STS | Non-STS | | | | | | | | |
| 1 | TOTAL EXPOSURES | - | - | - | - | - | - | - | - | - | - | | |
| 2 | Retail (total) | - | - | - | - | - | - | - | - | - | - | | |
| 3 | Residential mortgage | - | - | - | - | - | - | - | - | - | - | | |
| 4 | Credit card | - | - | - | - | - | - | - | - | - | - | | |
| 5 | Other retail exposures | - | - | - | - | - | - | - | - | - | - | | |
| 6 | Re-securitisation | - | - | - | - | - | - | - | - | - | - | | |
| 7 | Wholesale (total) | - | - | - | - | - | - | - | - | - | - | | |
| 8 | Loans to corporates | - | - | - | - | - | - | - | - | - | - | | |
| 9 | Commercial mortgage | - | - | - | - | - | - | - | - | - | - | | |
| 10 | lease and receivables | - | - | - | - | - | - | - | - | - | - | | |
| 11 | Other wholesale | - | - | - | - | - | - | - | - | - | - | | |
| 12 | Re-securitisation | - | - | - | - | - | - | - | - | - | - | | |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 89 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as originator or as sponsor (1 of 3)

| | | a | b | c | d | e |
|----|--------------------------|--|----------------------|-----------------------|--------------------------|--------------------------|
| | | Exposure values (by RW bands/deductions) | | | | |
| | | RW ≤20% | RW >20% to 50% | RW >50% to 100% | RW >100% to <1250% | RW 1250% / deductions |
| 1 | TOTAL EXPOSURES | - | - | - | - | 769 |
| 2 | Traditional transactions | - | - | - | - | 769 |
| 3 | Securitisation | - | - | - | - | 769 |
| 4 | Retail underlying | - | - | - | - | 769 |
| 5 | Of which STS | - | - | - | - | - |
| 6 | Wholesale | - | - | - | - | - |
| 7 | Of which STS | - | - | - | - | - |
| 8 | Re-securitisation | - | - | - | - | - |
| 9 | Synthetic transactions | - | - | - | - | - |
| 10 | Securitisation | - | - | - | - | - |
| 11 | Retail underlying | - | - | - | - | - |
| 12 | Wholesale | - | - | - | - | - |
| 13 | Re-securitisation | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 90 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as originator or as sponsor (2 of 3)

| | f | g | h | i | j | k |
|-----------------------------------|---|--|--------------------|---------------------------------|--|--|
| | <i>Exposure values (by RW bands/deductions)</i> | | | | <i>RWEA (by regulatory approach)</i> | |
| | <i>SEC- IRBA</i> | <i>SEC- ERBA (including IAA)</i> | <i>SEC- SA</i> | <i>RW 1250% /deductions</i> | <i>SEC- IRBA</i> | <i>SEC- ERBA (including IAA)</i> |
| 1 TOTAL EXPOSURES | - | - | - | 769 | - | - |
| 2 Traditional transactions | - | - | - | 769 | | |
| 3 Securitisation | - | - | - | 769 | - | - |
| 4 Retail underlying | - | - | - | 769 | - | - |
| 5 Of which STS | - | - | - | - | - | - |
| 6 Wholesale | - | - | - | - | - | - |
| 7 Of which STS | - | - | - | - | - | - |
| 8 Re-securitisation | - | - | - | - | - | - |
| 9 Synthetic transactions | - | - | - | - | - | - |
| 10 Securitisation | - | - | - | - | - | - |
| 11 Retail underlying | - | - | - | - | - | - |
| 12 Wholesale | - | - | - | - | - | - |
| 13 Re-securitisation | - | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 91 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as originator or as sponsor (3 of 3)

| | l | m | n | o | EU-p | EU-q |
|-----------------------------------|--|---------------------------------|----------------------|--|--------------------|---------------------------------|
| | <i>RWEA (by regulatory approach)</i> | | | <i>Capital charge after cap</i> | | |
| | <i>SEC-SA</i> | <i>RW 1250% /deductions</i> | <i>SEC- IRBA</i> | <i>SEC- ERBA (including IAA)</i> | <i>SEC- SA</i> | <i>RW 1250% /deductions</i> |
| 1 TOTAL EXPOSURES | - | 9.610 | - | - | - | 769 |
| 2 Traditional transactions | - | 9.610 | - | - | - | 769 |
| 3 Securitisation | - | 9.610 | - | - | - | 769 |
| 4 Retail underlying | - | 9.610 | - | - | - | 769 |
| 5 Of which STS | - | - | - | - | - | - |
| 6 Wholesale | - | - | - | - | - | - |
| 7 Of which STS | - | - | - | - | - | - |
| 8 Re-securitisation | - | - | - | - | - | - |
| 9 Synthetic transactions | - | - | - | - | - | - |
| 10 Securitisation | - | - | - | - | - | - |
| 11 Retail underlying | - | - | - | - | - | - |
| 12 Wholesale | - | - | - | - | - | - |
| 13 Re-securitisation | - | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 92 - Template EU SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as investor (1 of 3)

| | a | b | c | d | e | f |
|-----------------------------------|---|----------------------------------|-----------------------------------|---|---|----------------------|
| | <i>Exposure values (by RW bands/deductions)</i> | | | | <i>Exposure values (by regulatory approach)</i> | |
| | <i>RW ≤20%</i> | <i>RW >20% to 50%</i> | <i>RW >50% to 100%</i> | <i>RW >100% to <1250%</i> | <i>RW 1250% /deductions</i> | <i>SEC- IRBA</i> |
| 1 TOTAL EXPOSURES | 399.962 | - | - | 28.743 | - | - |
| 2 Traditional transactions | 399.962 | - | - | 28.743 | - | - |
| 3 Securitisation | 399.962 | - | - | 28.743 | - | - |
| 4 <i>Retail underlying</i> | - | - | - | - | - | - |
| 5 <i>Of which STS</i> | - | - | - | - | - | - |
| 6 <i>Wholesale</i> | 399.962 | - | - | 28.743 | - | - |
| 7 <i>Of which STS</i> | - | - | - | - | - | - |
| 8 Re-securitisation | - | - | - | - | - | - |
| 9 Synthetic transactions | - | - | - | - | - | - |
| 10 Securitisation | - | - | - | - | - | - |
| 11 <i>Retail underlying</i> | - | - | - | - | - | - |
| 12 <i>Wholesale</i> | - | - | - | - | - | - |
| 13 Re-securitisation | - | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 93 - Template EU SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as investor (2 of 3)

| | g | h | i | j | k |
|-----------------------------------|---|----------------|---------------------------------|--|---|
| | <i>Exposure values by regulatory approach</i> | | | <i>RWEA (by regulatory approach)</i> | |
| | <i>SEC-ERBA (including IAA)</i> | <i>SEC-SA</i> | <i>RW 1250% /deductions</i> | <i>SEC-IRBA</i> | <i>SEC-ERBA (including IAA)</i> |
| 1 TOTAL EXPOSURES | - | 428.705 | - | - | - |
| 2 Traditional transactions | - | 428.705 | - | - | - |
| 3 Securitisation | - | 428.705 | - | - | - |
| 4 <i>Retail underlying</i> | - | 28.743 | - | - | - |
| 5 <i>Of which STS</i> | - | - | - | - | - |
| 6 <i>Wholesale</i> | - | 399.962 | - | - | - |
| 7 <i>Of which STS</i> | - | - | - | - | - |
| 8 Re-securitisation | - | - | - | - | - |
| 9 Synthetic transactions | - | 428.705 | - | - | - |
| 10 Securitisation | - | - | - | - | - |
| 11 <i>Retail underlying</i> | - | - | - | - | - |
| 12 <i>Wholesale</i> | - | - | - | - | - |
| 13 Re-securitisation | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 94 - Template EU SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as investor (3 of 3)

| | | l | m | n | o | EU-p | EU-q |
|----|--------------------------|----------------------------------|-------------------------|--------------|------------------------------------|------------|-------------------------|
| | | RWEA (by regulatory approach) | | | Capital charge after cap | | |
| | | SEC-SA | RW 1250% /deductions | SEC- IRBA | SEC- ERBA (including IAA) | SEC- SA | RW 1250% /deductions |
| 1 | TOTAL EXPOSURES | 328.386 | - | - | - | 7.023 | - |
| 2 | Traditional transactions | 328.386 | - | - | - | 7.023 | - |
| 3 | Securitisation | 328.386 | - | - | - | 7.023 | - |
| 4 | Retail underlying | 268.392 | - | - | - | 2.224 | - |
| 5 | Of which STS | - | - | - | - | - | - |
| 6 | Wholesale | 59.994 | - | - | - | 4.800 | - |
| 7 | Of which STS | - | - | - | - | - | - |
| 8 | Re-securitisation | - | - | - | - | - | - |
| 9 | Synthetic transactions | - | - | - | - | - | - |
| 10 | Securitisation | - | - | - | - | - | - |
| 11 | Retail underlying | - | - | - | - | - | - |
| 12 | Wholesale | - | - | - | - | - | - |
| 13 | Re-securitisation | - | - | - | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Templates C 14.00 - C 14.01

Chart 95 - Template EU SEC5 - Exposures securitised by the institution: exposures in default and specific credit risk adjustments

| | | a | b | c |
|----|---------------------------------|--|---|--|
| | | <i>Exposures securitised by the institution - Institution acts as originator or as sponsor</i> | | |
| | | <i>Total outstanding nominal amount</i> | | <i>Total amount of specific credit risk adjustments made during the period</i> |
| | | <i>Of which exposures in default</i> | | |
| 1 | TOTAL EXPOSURES | 1.371.499 | - | - |
| 2 | Traditional transactions | 1.371.499 | - | - |
| 3 | Securitisation | - | - | - |
| 4 | Retail underlying | - | - | - |
| 5 | Of which STS | 1.371.499 | - | - |
| 6 | Wholesale | - | - | - |
| 7 | Of which STS | - | - | - |
| 8 | Re-securitisation | - | - | - |
| 9 | Synthetic transactions | - | - | - |
| 10 | Securitisation | - | - | - |
| 11 | Retail underlying | - | - | - |
| 12 | Wholesale | - | - | - |

Source: COREP reporting - Detailed information on securitisation: Template C 14.00

Key:

- *SEC-SA (Standardised Approach)*: basic approach to determining the capital requirement for credit risk on securitisation exposures under Regulation (EU) 2401/2017.
- *SEC-IRBA (Internal Rating Based Approach)*: an approach to determining the capital requirement for credit risk on securitisation exposures required by Regulation (EU) 2401/2017 based on the use of internal ratings.
- *SEC-ERBA (External Rating Based Approach)*: basic approach to determining the capital requirement for credit risk on securitisation exposures under Regulation (EU) 2401/2017.
- *IAA (Internal Assessment Approach)*: an approach used to calculate the weight of exposures arising from Asset-Backed Commercial Paper (ABCP) programs without an external rating. The weighting factors depend on the "equivalent external rating".

Section 14 - Disclosure of the use of the standardised approach for market risk (art. 445 CRR/CRR II)

This section provides quantitative evidence of the main components of the market risk capital requirement based on the use of the supervisory “Standardised Approach” to which the Group is subject as at 30 June 2021.

Chart 96 - Template EU MR1: market risk under the standardised approach

| | 30/06/2021 | 31/12/2020 |
|---|----------------|----------------|
| | a | b |
| | RWEAs | RWEAs |
| Outright products | | |
| 1 Interest rate risk (general and specific) | 31.960 | 10.678 |
| 2 Equity risk (general and specific) | 319.413 | 299.280 |
| 3 Foreign exchange risk | - | - |
| 4 Commodity risk | 2.638 | 2.472 |
| Options | | |
| 5 Simplified approach | - | - |
| 6 Delta-plus approach | 1.125 | 984 |
| 7 Scenario approach | - | - |
| 8 Securitisation (specific risk) | - | - |
| 9 TOTAL | 355.136 | 313.413 |

Source: COREP reporting - Capital Adequacy: Template C 02.00 and Market risk: Templates C 18.00 - C 21.00 - C 22.00 - C 23.00

The Group does not adopt the “Internal Model Approach” (IMA) for measuring its market risk exposures for the purposes of determining the regulatory capital requirements. Therefore, the following Pillar 3 reporting template, to which the Group would be subject pursuant to art. 438, letter h), of the CRR, will not be published.

Template EU MR2-B: RWEA flow statements of market risk exposures under the IMA

Section 15 - Disclosure of exposures to interest rate risk on positions not included in the trading book (art. 448 CRR/CRR II)

This section summarises the Group's exposure to interest rate risk on non-trading book positions (the so-called “banking book”) measured over the past twelve months, compared to similar measurements conducted at the end of June 2020.

With regard to all the assets and liabilities generating interest income other than debt securities in the supervisory trading book, repurchase agreements and reverse repurchase agreements (with debt securities in the supervisory trading book as underlying assets), forward foreign exchange contracts, interest rate options and interest rate swaps in the supervisory trading book, the effects of a change in interest rates on both net interest income and future earnings over twelve months and on the value of equity are shown.

It should be noted that the results of the measurements reported below refer to hypothetical scenarios of interest rate movements that include both parallel variations in interest rates of +/-200 basis points, and the alternative scenarios defined in “*Annex III - Standardised interest rate shock scenarios*” of the “*Guidelines EBA/GL/2018/02 on the management of interest rate risk arising from non-trading activities*” published by the European Banking Authority (EBA) on 19 July 2018.

It should also be noted that, starting from the end of December 2020, interest rate risk measurement systems were affected by several methodological changes¹³.

The following charts show the effects of the different interest rates scenarios on future earnings and net interest income, as well as on the economic value of the Group's shareholders' equity.

¹³ From December 2020, the risk measurement scope was expanded to include the credit exposures of Banca Popolare di Sondrio classified as non-performing and probable defaults, as well as the portions of expected use of fixed-rate irrevocable credit lines, including the related hypothetical funding component. An updated version of the behavioural models relating to all on-demand items receivable and payable and the portfolio of mortgages and instalment loans granted was also adopted. Other significant methodological innovations include the introduction of a new treatment for positions in inflation-linked BTP-Italy and BTP-€i securities and the inclusion of a spread component in the calculation systems of net interest income and its potential changes when simulating new fixed-rate transactions.

Effects of a change in interest rates over a twelve-month period on the future net interest income

Chart 97 - Interest rate risk exposure: change in net interest income (June 2020 - June 2021)

| RISK EXPOSURE | Change in net interest income | | | | 31/12/2020 |
|---------------------------|-------------------------------|---------|---------|---------|------------|
| | 30/06/2021 | | | | |
| | at period end | average | minimum | maximum | |
| positive parallel shift | 157.522 | 137.049 | 105.500 | 157.522 | 154.398 |
| negative parallel shift | 26.128 | 18.140 | 4.746 | 28.632 | 7.718 |
| shock up parallel shift | 142.056 | 121.198 | 89.039 | 142.056 | 139.571 |
| shock down parallel shift | 26.124 | 18.142 | 4.745 | 28.640 | 7.721 |
| steepener shock | 31.363 | 22.309 | 8.445 | 34.007 | 11.865 |
| flattener shock | 71.894 | 66.550 | 50.732 | 79.231 | 83.682 |
| short shock up | 117.321 | 105.252 | 80.297 | 117.347 | 120.408 |
| short shock down | 27.240 | 18.633 | 4.746 | 29.882 | 7.716 |
| worst-case scenario | 26.124 | 18.140 | 4.745 | 28.632 | 7.716 |

Source: internal information

NOTE: The "future interest margin" is understood as being the difference between the future interest income and the future interest expense, based solely on transactions outstanding at the reference date, possibly renewed with the same volumes.

Effects of a change in interest rates over a twelve-month period on the future earnings

Chart 98 - Interest rate risk exposure: change in earnings (June 2020 - June 2021)

| RISK EXPOSURE | Change in earnings | | | | 31/12/2020 |
|---------------------------|--------------------|----------|----------|---------|------------|
| | 30/06/2021 | | | | |
| | at period end | average | minimum | maximum | |
| positive parallel shift | 56.395 | (5.614) | (39.512) | 56.395 | - |
| negative parallel shift | 72.426 | 74.554 | 51.434 | 89.776 | - |
| shock up parallel shift | 40.938 | (21.403) | (55.400) | 40.938 | - |
| shock down parallel shift | 72.422 | 74.556 | 51.434 | 89.784 | - |
| steepener shock | 45.883 | 29.376 | 20.519 | 45.883 | - |
| flattener shock | 49.883 | 29.376 | 20.519 | 45.883 | - |
| short shock up | 63.445 | 46.604 | 28.113 | 63.445 | - |
| short shock down | 72.365 | 73.035 | 51.435 | 87.201 | - |
| worst-case scenario | 40.938 | (21.403) | (55.400) | 40.938 | - |

Source: internal information

NOTE: The "future earnings" are understood as being the difference between the future revenues and costs, based solely on transactions outstanding at the reference date, possibly renewed with the same volumes. The values shown in the chart refer only to the period between 31/12/2020 (which is the first date of recognition on which this type of analysis was carried out) and 30/06/2021.

Effects of a change in interest rates on the economic value of equity

Chart 99 - Interest rate risk exposure: change in net equity value (June 2020 - June 2021)

| RISK EXPOSURE | Change in net equity value | | | | |
|---------------------------|----------------------------|-----------|-----------|----------|------------------------|
| | 30/06/2021 | | | | 31/12/2020 |
| | at period end | average | minimum | maximum | at beginning of period |
| positive parallel shift | (396.157) | (267.222) | (467.425) | (1.877) | 14.109 |
| negative parallel shift | 187.143 | 89.606 | (21.809) | 195.770 | (25.948) |
| shock up parallel shift | (347.256) | (216.806) | (404.269) | 36.271 | 50.628 |
| shock down parallel shift | 187.131 | 89.599 | (21.818) | 195.765 | (25.948) |
| steepener shock | 35.988 | 41.694 | (11.163) | 108.051 | 111.651 |
| flattener shock | 2.379 | (11.000) | (71.239) | 39.177 | (44.899) |
| short shock up | (122.298) | (83.917) | (127.364) | (25.653) | (11.017) |
| short shock down | 193.985 | 102.183 | 7.024 | 193.985 | 7.532 |
| worst-case scenario | (396.157) | (267.222) | (467.425) | (25.653) | (44.899) |

Source: internal information

NOTE: "Net equity value" is defined as the difference between the present value of assets and liabilities, computed only for transactions outstanding on the reference date, assuming inertial volumes.

The risk exposure amounts reported in the charts above have been impacted in different ways by the methodological changes mentioned above.

In particular, the expansion of the scope of recognition resulted mainly in an increase in exposure to the risk of rising interest rate levels measured in terms of changes in equity. Similarly, the behavioural models of on-demand items were updated, resulting in a shortening of the repricing dates of liabilities and contributing to an upsurge in the exposure in the event of an increase in interest rates and on the other side, although to a lesser extent, to a decrease in exposure in the event of a decrease in the interest rate curve. These trends were only partially mitigated by the approaching of the repricing dates of the assets due to the updating of the behavioural model for the portfolio of mortgages and instalment loans and by the dedicated treatment for positions in inflation-linked BTP-Italy and BTP-€i securities.

The inclusion of a spread component in the calculation systems when simulating new fixed-rate transactions, instead, did not produce any discontinuity in the quantification of any of the three interest rate risk measures.

Focusing the analysis on the evolution of the exposure to risk in terms of change in shareholders' equity value, in the last 12 months there has been an increase in values in the event of a positive interest rate shock and a simultaneous decrease in exposure due to a fall in interest rates. In addition to the above methodological innovations, these trends are also linked to changes in the amounts of specific balance sheet aggregates. In particular, the expansion of fixed-rate mortgages led to a lengthening of the repricing dates for assets and there was also an increase in the volume of floating-rate loans during the period and the purchase of Italian government securities with floating yields. On the liabilities side, there was a significant increase in current accounts, with a consequent

shortening of the relative repricing dates; wholesale funding of TLTRO-III funds also increased, although these were only minimally comparable to fixed-rate transactions.

There were no significant changes in the exposure to risk as measured by the potential change in net interest income and earnings.

Certification of the Manager responsible for preparing the Company's accounting documents

The undersigned Maurizio Bertoletti, as Manager responsible for preparing the Company's accounting documents of Banca Popolare di Sondrio S.c.p.a., taking account of the provisions of article 154-bis, paragraph 2, of Legislative Decree no. 58 of 24 February 1998, certifies that the accounting information contained in this document corresponds with the underlying accounting entries, records and documentation.

Sondrio, 8 September 2021

Signed Maurizio Bertoletti

Manager responsible for preparing
the Company's accounting documents



Glossary

ABS – Asset Backed Securities

Debt securities generally issued in securitisation transactions by a Special Purpose Vehicle (SPV) guaranteed by portfolios of various types of assets (mortgage loans, consumer loans, receivables from credit card transactions, etc.) and intended solely to satisfy the rights incorporated in the financial instruments. The repayment of principal and the payment of interest are conditioned by the performance of the assets subject to securitisation and by any additional guarantees backing the transaction. ABS securities are divided into different tranches (senior, mezzanine, junior) based on the priority attributed to them in the repayment of principal and interest.

Securitisation

Transaction involving the transfer of asset portfolios to a special purpose vehicle and the issue by the latter of securities with varying degrees of subordination in bearing any losses incurred on the underlying assets.

Common Equity Tier 1 (CET1) Ratio

Prudential capital adequacy coefficient expressed by the ratio between Common Equity Tier 1 capital (CET1) and total risk exposure amount represented by risk-weighted assets (RWAs).

EAD – Exposure At Default

Expected exposure at the time of insolvency of the counterparty of a risk position.

EBA – European Banking Authority

European Banking Authority. Regulatory body of the European Union, based in London, established by Regulation 1093/2010/EU to replace the Committee of European Banking Supervisors (in abbreviated form, “CEBS”).

ECAI – External Credit Assessment Institutions

External agencies for the assessment of creditworthiness recognised by the Supervisory Authorities, specialised in providing rating service to banks that adopt the Standardised Approach for measuring the capital requirement against credit risk.

Fair value

Fair value. Value for which an asset could be exchanged or a liability settled in an orderly market transaction between knowledgeable and independent parties.

GACS

Securitisation guarantee Non-performing loans. Italian state guarantee scheme to facilitate the disposal of non-performing bank loans through securitisation transactions. Admission to the GACS, granted by decree of the Ministry of Economy and Finance, is envisaged only for tranches of senior ABS (securities with the lowest degree of subordination) issued as part of the securitisation.

IAS/IFRS

International Accounting Standards (IAS) issued by the International Accounting Standard Board (IASB), a body in which the accounting professionals of the major countries worldwide are represented, with the European Union, the IOSCO (International Organisation of Securities Commissions) and the Basel Committee on Banking Supervision taking part as observers. This body, which inherited the legacy of the International Accounting Standards Committee (IASC), aims to promote the harmonisation of the accounting rules for the preparation of company financial statements. With the transformation of the IASC into IASB, it was decided, among other things, to call the new accounting standards “International Financial Reporting Standards” (IFRS).

IFRS 9 (Financial instruments)

International accounting standard which, from 1 January 2018, replaced IAS 39 “Financial Instruments: Recognition and Measurement”. It applies to all financial instruments that can be classified as assets and liabilities in the balance sheet, having regard to the classification and measurement criteria and the methods for determining impairment adjustments.

ICAAP – Internal Capital Adequacy Assessment Process

Internal process to evaluate capital adequacy, as provided for by the “Pillar 2” rules of prudential supervisory regulations, which financial institutions are required to implement to determine an adequate level of internal capital to cope with all relevant risks; these may differ from those covered by the total regulatory capital requirements (“Pillar 1”), as they are part of an individual assessment - both current and prospective - that takes into account the business strategies and the evolution of the macro-economic context, also under stress conditions.

ILAAP – Internal Liquidity Adequacy Assessment Process

Internal process for evaluating the adequacy of the governance and management mechanisms in place to face current and prospective liquidity risks, consisting in the processes for the identification, measurement, management and monitoring of liquidity implemented by the financial institutions.

IRB – Internal Rating Based Approach

Methods Based on Internal Ratings. They can be distinguished between a “basic” (F-IRB, Foundation Internal Rating-Based Approach) and an “advanced” approach (A-IRB, Advanced Internal Rating-Based Approach) in relation to the credit risk parameters that the banks are allowed to estimate internally. In particular, the Advanced IRB method involves internal estimation of all the main risk parameters (PD, LGD, EAD, CCF and, where required, actual maturity) used in the weighting formulas for calculating the capital requirement for credit risk. Adoption of IRB methods for the purpose of calculating capital requirements is subject to authorisation from the Supervisory Authority, after verification of compliance with a set of organisational and quantitative requirements.

LCR – Liquidity Coverage Ratio

Short-term liquidity coverage indicator determined according to Part 6 of Regulation (EU) no. 575/2013 of 26 June 2013 (“CRR”). The coefficient aims to ensure that intermediaries hold an amount of high-quality liquid reserves, readily convertible into cash, sufficient to cover liquidity outflows for a period of at least 30 days, even in a scenario of particularly severe liquidity stress. The indicator is calculated as the ratio between the stock of high-quality liquid assets (HQLA) and total net cash outflows scheduled in the 30 calendar days following the observation date, determined under particularly acute stress assumptions. The parameter must always remain at or above the minimum level of 100%.

Leverage Ratio

Prudential ratio introduced by the Basel 3 framework with the aim of containing the degree of financial leverage in the banking sector, which complements the traditional risk-based capital requirements with a metric based on financial aggregates not weighted for risk. It is obtained as the ratio between Tier 1 Capital and Total Exposure, the latter being the sum of on-balance and off-balance sheet exposures.

LGD – Loss Given Default

Loss rate in the event of insolvency of a borrower, determined as the ratio between the expected loss on a credit exposure due to the default of the counterparty and the estimated residual exposure at the time of default.

General payment moratorium

Measure to suspend payment obligations connected to a credit agreement, applied to a debtor in financial difficulty in compliance with the following characteristics defined by the EBA/GL/2020/02 Guidelines:

- a) a moratorium is based on the applicable national legislation (“legislative moratorium”) or on a non-legislative initiative that provides for the reduction of payments promoted by an institution within the framework of an industrial or sector moratorium scheme agreed or coordinated within the banking sector or a significant part of it, possibly in agreement with the public authorities, so that participation in this type of scheme is open and that in this context the credit institutions concerned adopt similar payment reduction measures (“non-legislative moratorium”);
- b) a moratorium applies to a large group of debtors pre-defined on the basis of broad criteria, where a criterion to determine the scope of the moratorium should allow a debtor to take advantage of the moratorium without its

creditworthiness being subjected to rating. Such criteria include, for example, exposure class and subclass, industry sector, product ranges or geographical location. While, on the one hand, the scope of the moratorium may be limited only to non-performing debtors who did not encounter payment difficulties prior to the application of the moratorium, on the other hand it should not be limited solely to debtors in financial difficulties before the outbreak of the COVID-19 pandemic;

- c) the moratorium only provides for changes to the payment plan, in particular by suspending, postponing or reducing payments of principal, interest or entire instalments, for a predefined and limited period of time; there are no changes to any other terms and conditions of the loans, such as the interest rate;
- d) the moratorium is offered to all exposures that are subject to the same conditions for the modification of the payment plan, even if the moratorium is not mandatory for debtors;
- e) the moratorium does not apply to new loan agreements granted after the date of its announcement;
- f) the moratorium was initiated to address the COVID-19 pandemic and applied before 30 September 2020; however, this deadline may be revised depending on how the current situation of the pandemic evolves.

Separate general payment moratoria can be applied to broad and diverse segments of borrowers or exposures.

NSFR – Net Stable Funding Ratio

Regulatory long-term liquidity indicator envisaged by the Basel 3 frameworks. It is intended as a mechanism aimed at complementing the LCR index with a view to favouring more stable and longer-term financing of assets, offsetting the incentives that banking and financial institutions would have to finance their stock of liquid assets with short-term funds that expire immediately after the 30-day horizon. The index is calculated as the ratio between the available amount of stable funding (ASF) and the required amount of stable funding (RSF). This parameter, which should always be kept equal to or greater than 100%, is structured in such a way as to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to the respective liquidity risk profiles.

OTC – Over The Counter

Specific attribute of transactions in derivative instruments traded “over the counter”, i.e. concluded directly between parties without recourse to an organised market.

PD – Probability of Default

Probability that a counterparty becomes insolvent within a given time horizon.

ECL – Expected Credit Loss

Losses that on average are expected to be incurred on a financial instrument, a loan or a portfolio; it represents the average value of the statistical distribution of losses, resulting from the product of three elements: the Exposure At Default (EAD), the Probability of Default (PD) and the Loss Given Default (LGD). As required by accounting principles set by IFRS 9, it is calculated over a time horizon of 12 months for positions classified in Stage 1 and over the entire residual life of the instrument for positions classified in Stage 2 and Stage 3.

Subordinated loan

An unsecured bond/loan characterised by a subordination clause which, in the event of liquidation of the issuer, gives the subscribers a right to repayment, but only once any privileged and general creditors have been satisfied in full.

Rating

Synthetic estimate of a debtor's ability to fulfil its credit commitments issued by specialised agencies (external rating) or by the bank itself (internal rating) on the basis of aspects such as financial solvency and growth prospects.

RWA – Risk-Weighted Assets

RWEA – Risk-Weighted Exposure Amounts

TREA – Total Risk Exposure Amount

On-balance sheet and off-balance sheet assets classified and weighted for their associated risks, established in accordance with the regulations issued by supervisory authorities in relation to calculation of capital ratios of banks.

SREP – Supervisory Review and Evaluation Process

Prudential review and assessment process with which the Supervisory Authorities periodically assess the ICAAP of financial institutions and its results. Through the SREP the Authority: a) analyses the risk profiles of a supervised entity, individually and in an aggregate perspective, also under stress conditions, and the related contribution to systemic risk; b) evaluates its corporate governance system, the functionality of its internal bodies, its organisational structure and the internal control system; c) verifies compliance of the institution with the set of prudential rules applicable.

Tier 1 Ratio

Prudential capital adequacy coefficient expressed by the ratio between Tier 1 Capital and total risk exposure amount represented by risk-weighted assets (RWA).

Total Capital Ratio

Prudential capital adequacy coefficient expressed by the ratio between Total Capital and total risk exposure amount represented by Risk-Weighted Assets (RWA).