



**Banca Popolare
di Sondrio**

FONDATA NEL 1871

PILLAR 3 REPORT

PUBLIC DISCLOSURES AS AT 31.12.2024

Banca Popolare di Sondrio Group

This document is an English translation of the original Italian document "Terzo Pilastro Informativa al pubblico al 31/12/2024 – Gruppo Banca Popolare di Sondrio", prepared only for the convenience of the international readers. In the case of discrepancies between the Italian version and the English translation, the Italian document shall prevail.

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Sondrio Companies Register No. 00053810149
Official List of Banks under No. 842
Parent Company of the Banca Popolare di Sondrio Banking Group,
Official List of Banking Groups under No. 5696.0
Member of the Interbank Deposit Guarantee Fund
Tax code: 00053810149
VAT number: 01086930144
Share capital: € 1,360,157,331; Reserves: € 1,564,088,615
(Figures approved at the Shareholders' meeting of 27 April 2024)
Stock listed on the Mercato Telematico Azionario (MTA or Screen-Traded Market)

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Introduction

The "Basel III" regulatory framework transposed into the European Union regulatory system 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.

On 7 June 2019, after the publication in the Official Journal of the European Union, the following reform package introducing significant changes to the Union's regulatory framework was issued:

- Regulation (EU) No. 2019/876 of the European Parliament and of the Council of 20 May 2019, amending Regulation (EU) No. 575/2013 (known as "CRR II");
- Directive (EU) No. 2019/878 of the European Parliament and of the Council of 20 May 2019, amending Directive (EU) 2013/36/EU (known as "CRD V").

The prudential regime applicable to financial institutions is based on three "Pillars".

«**Pillar 1**» (*Minimum prudential requirements*) imposes specific capital requirements to all supervised entities designed to cope with the typical banking and finance risks, providing for alternative calculation methods, characterised by different levels of complexity. This is integrated by the imposition of constraints 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 equip themselves with 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. Verifying the reliability and consistency of the results of these two processes and adopting, if necessary, appropriate corrective measures, is up to the Supervisory Authorities as part of their Supervisory Review and Evaluation Process (SREP). Increasing importance is also attributed to corporate governance structures and internal control frameworks as determining factors for the stability of individual institutions as well as of the financial system as a whole.

«**Pillar 3**» (*Market discipline*) establishes specific public disclosure requirements 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, key developments have concerned the introduction of broader transparency requirements for supervised entities, given the market's need for more and more information on the qualitative composition of intermediaries' regulatory capital and the ways in which they quantify their own capital ratios.

«Pillar 3» disclosure is governed by the CRR, 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), as amended by Regulation (EU) 2019/876 ("CRR II").

The provisions have been transposed by the Bank of Italy into Circular No. 285 of 17 December 2013, Part Two "*Application in Italy of the CRR*", Chapter 13 "*Public disclosures*".

The relevant regulatory framework on a European basis for «Pillar 3» disclosure 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 (ESA).

With the issuance of the CRR II Regulation, public disclosure requirements provided for by the «Pillar 3» of prudential regulations have undergone a thorough revision. New publication requirements, effective from 28 June 2021, were detailed in the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, published on 21 April 2021 in the Official Journal of the European Union, which established innovative technical standards of implementation regarding the publication of information to the public by entities. The draft implementing technical standards drawn up by the European Banking Authority (EBA), ITS/2020/04, established a new organic set of rules governing the models 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 published¹. The framework has provided an integrated, comprehensive and uniform set of rules, formats and schedules with the objective of ensuring high quality and comparable public disclosures.

The templates and tables provided are applied according to the entity's classification in terms of size and complexity. From the reporting of 30 June 2021, Banca Popolare di Sondrio Group publishes its information in adherence to the aforementioned Implementing Regulations.

The regulatory structure of «Pillar 3» also includes:

- EBA/GL/2014/14 Guidelines on the materiality, proprietary, confidentiality and on disclosure frequency under 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 on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR, EBA/GL/2020/12 Guidelines amending EBA/GL/2018/01 Guidelines to ensure compliance with the CRR "Quick-fix" in response to the COVID-19 pandemic;
- EU Regulation No. 2020/873 of 24 June 2020 (CRR Quick-fix), amending Regulations (EU) No. 575/2013 and (EU) 2019/876 with regard to certain adjustments in response to the spread of the COVID-19 pandemic (CRR "Quick-fix");
- Regulation (EU) No. 2022/631 of 13 April 2022 amending the Implementing Technical Standards laid down by the Implementing Regulation (EU) No. 2021/637 on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with article 448 of CRR II (paragraph 1, points a) and b));

¹ The 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 forbearance measures.



- Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks;
- Implementing Regulation (EU) 2021/763 of 23 April 2021, as subsequently amended by Implementing Regulation (EU) 2024/1618, laying down implementing technical standards for the application of Regulation (EU) No. 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to supervisory reporting and public disclosure of minimum own funds and eligible liabilities (MREL).

With these 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 above. The frequency of disclosure conforms to the rules dictated by article 433-bis of CRR/CRR II for the category of listed "large institutions".

This document has been prepared by Banca Popolare di Sondrio S.p.A., the Parent Company, on a consolidated basis with reference to the prudential scope of consolidation and is available in the "Investor Relations" section of the Bank's website (<https://istituzionale.popso.it>), sub-section «Pillar 3». It is accompanied by the Certification of the Manager responsible for preparing the Company's accounting documents of the Parent Company Banca Popolare di Sondrio S.p.A., pursuant to Article 154-bis, paragraph 2, of Legislative Decree 58/98 (Consolidated Law on Finance, "TUF").

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

* * *

NOTE:

All the amounts indicated in the sections of this Disclosure, except where expressly indicated, are shown in thousands of euro. Any failure to reconcile between the figures shown in this document depends solely on rounding.

Any significant changes with respect to previous publication periods are mentioned in this document.

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

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

The following summary table links the articles of Regulation (EU) No. 575/2013 ("CRR"), as amended by (EU) Regulation No. 876/2019 ("CRR II") to the relevant disclosure requirements for Banca Popolare di Sondrio Group, integrated by the respective disclosure frequency and the sections of this document in which qualitative or quantitative information required by the "Pillar 3" regulations are reported with regard to the Group's situation at 31 December 2024.

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures at 31 December 2024
Art. 431	Disclosure requirements and policies	-	
Art. 432	Non-material, proprietary or confidential information	-	
Art. 433	Frequency and scope of disclosures	-	
Art. 433-bis	Disclosure by large institutions	-	
Art. 433-ter	Disclosure by small and non-complex entities	-	
Art. 433-quater	Disclosure by other institutions	-	
Art. 434	Information means	-	
Art. 435	Disclosure of risk management objectives and policies	Annual	2 - Disclosure of risk management objectives and policies
Art. 436	Disclosure of the scope of application	Quarterly/ Half-yearly <i>Scope of consolidation</i> Annual <i>Full art. 436</i>	1 - Scope of application
Art. 437	Disclosure of own funds	Half-yearly <i>lett. a)</i> Annual <i>Full art. 437</i>	4 - Disclosure of own funds and eligible liabilities
Art. 437-bis	Disclosure of own funds and eligible liabilities	Half-yearly/Annual	4 - Disclosure of own funds and eligible liabilities
Art. 438	Disclosure of own funds requirements and risk-weighted exposure amounts	Quarterly <i>lett. d) and h)</i> Half-yearly <i>lett. e)</i> Annual <i>Full art. 438</i>	3 - Disclosure of key metrics and overview of risk-weighted exposure amounts 11 - Disclosure of the use of the IRB approach to credit risk 13 - Disclosure of exposures to counterparty risk



Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures at 31 December 2024
Art. 439	Disclosure of exposures to counterparty risk	Half-yearly <i>lett. e) to l)</i> Annual <i>Full art. 439</i>	13 - Disclosure of exposures to counterparty risk
Art. 440	Disclosure of countercyclical capital buffers	Half-yearly/Annual	5 - Disclosure of capital buffers
Art. 442	Disclosure of exposures to credit risk and dilution risk	Half-yearly <i>points c), e), f) and g)</i> Annual <i>Full art. 442</i>	8 - Disclosure of exposures to credit risk
Art. 443	Disclosure of encumbered and unencumbered assets	Annual	18 - Disclosure of encumbered and unencumbered assets
Art. 444	Disclosure of the use of the Standardised Approach	Half-yearly <i>lett. e)</i> Annual <i>Intero art. 444</i>	10 - Disclosure of the use of the standardised approach to credit risk
Art. 445	Disclosure of exposure to market risk	Half-yearly/Annual	16 - Disclosure of the use of the standardised approach to market risk
Art. 446	Disclosure of operational risk management	Annual	15 - Disclosure of operational risk management
Art. 447	Disclosure of key metrics	Quarterly/Half-yearly/Annual	3 - Disclosure of key metrics and overview of risk-weighted exposure amounts
Art. 448	Disclosure of exposures to interest rate risk on positions not held in the trading book	Half-yearly <i>par. 1, lett. a) and b)</i> Annual <i>Full art. 448</i>	17 - Disclosure of exposures to interest rate risk on positions not held in the trading book
Art. 449	Disclosure of exposure to securitisation positions	Half-yearly <i>lett. j), k) and l)</i> Annual <i>Full art. 449</i>	14 - Disclosure of exposure to securitisation positions
Art. 449-bis	Disclosure of environmental, social and governance risks (ESG risks)	Half-yearly/Annual	12 - Environmental, social and governance risks (ESG)
Art. 450	Disclosure of remuneration policy	Annual	19 - Disclosure of remuneration policy
Art. 451	Disclosure of the leverage ratio	Half-yearly <i>par. 1, lett. a) and b)</i> Annual <i>Full art. 451</i>	6 - Disclosure of the leverage ratio
Art. 451-bis	Disclosure of liquidity requirements	Quarterly <i>par. 2</i> Half-yearly <i>par. 3</i> Annual <i>Full art. 451-bis</i>	7 - Disclosure of liquidity requirements

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures at 31 December 2024
Art. 452	Disclosure of the use of the IRB Approach to credit risk	Half-yearly <i>lett. g)</i> Annual <i>Full art. 452</i>	11 - Disclosure of the use of the IRB approach to credit risk
Art. 453	Disclosure of the use of credit risk mitigation techniques	Half-yearly <i>lett. f) to j)</i> Annual <i>Full art. 453</i>	9 - Disclosure of the use of credit risk mitigation techniques 10 - Disclosure of the use of the standardised approach to credit risk 11 - Disclosure of the use of the IRB approach to credit risk
Art. 473-bis	Introduction of IFRS 9	Quarterly/Half-yearly/Annual	3 - Disclosure of key metrics and overview of risk-weighted exposure amounts

At 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 institution" pursuant to article 433-bis of the same EU provision, are not relevant for Banca Popolare di Sondrio Group:

- Art. 441 - Disclosure of indicators of global systemic importance.
- Art. 454 - Disclosure of the use of Advanced Measurement Approaches to operational risk.
- Art. 455 - Use of internal market risk models.



Section 1

Scope of application (art. 436 CRR/CRR II)

These Public Disclosures, prepared by the Parent, apply to the Banca Popolare di Sondrio Banking Group, which at the reference date is made up as follows:

Company Name		Status	Registered office	Operative office
1	Banca Popolare di Sondrio S.p.A.	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 S.p.A.	Factoring company (registered in the Register of Financial Intermediaries pursuant to art. 106 of the CBA) - wholly-owned	Milano	Milano
4	Sinergia Seconda S.r.l.	Real estate company - wholly-owned	Milano	Milano
5	Popso Covered Bond S.r.l.	SPV for the issue of covered bonds - 60% held	Conegliano Veneto (TV)	Conegliano Veneto (TV)
6	BNT Banca S.p.A.	Bank - Wholly-owned	Sondrio	Sondrio
7	PrestiNuova S.r.l. - Agenzia in Attività Finanziaria	Financial corporation - Wholly owned (100%) by BNT S.p.A.	Roma	Roma

The prudential scope of consolidation, which is determined in accordance with the supervisory regulations currently in force, provides for full consolidation of the subsidiaries mentioned above, as banking, financial or service companies controlled directly by the Parent Company.

Table 1 - Template EU LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (1 of 2)

(in millions of euro)	a	b	c	d
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items	
			Subject to the credit risk framework	Subject to the CCR framework
ASSETS				
Cash and cash equivalents	3,738	3,720	3,720	-
Financial assets held for trading	174	174	-	36
Financial assets designated at fair value	-	-	-	-
Other financial assets mandatorily designated at fair value	566	636	621	-
Financial assets at fair value through other comprehensive income	2,656	2,656	2,656	-
Loans to banks	2,136	2,136	2,136	-
Loans to customers	43,323	43,419	42,425	-
Hedging derivatives	-	-	-	-
Change in value of macro-hedged financial assets	2	2	2	-
Equity investments	403	476	476	-
Reinsurers' share of technical reserves	-	-	-	-
Property, plant, and equipment	664	462	462	-
Intangible assets	36	36	-	-
Tax assets	190	189	185	-
Non-current assets and disposal groups classified as held for sale	109	109	109	-
Other assets	2,632	2,606	2,606	-
TOTAL ASSETS	56,629	56,620	55,398	36
LIABILITIES				
Amounts owed to banks	6,229	6,229	-	-
Amounts owed to customers	39,346	39,352	-	-
Securities issued	5,154	5,154	-	-
Financial liabilities held for trading	17	17	-	17
Financial liabilities designated at fair value	-	-	-	-
Hedging derivatives	2	2	-	2
Change in value of macro-hedged financial liabilities	-	-	-	-
Tax liabilities	72	72	-	-
Liabilities included in disposal groups classified as held for sale	-	-	-	-
Other liabilities	1,229	1,217	-	-
Provision for employee severance pay	33	32	-	-
Provisions for risks and charges	391	390	-	-
Technical reserves	-	-	-	-
Valuation reserves	7	6	-	-
Redeemable shares	-	-	-	-



Table 1 - Template EU LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (1 of 2)

(in millions of euro)	a	b	c	d
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items	
			Subject to the credit risk framework	Subject to the CCR framework
Equity	-	-	-	-
Interim dividends	-	-	-	-
Reserves	2,161	2,164	-	-
Share premium accounts	79	79	-	-
Share capital	1,360	1,360	-	-
Treasury shares (-)	(25)	(25)	-	-
Minority shareholders' equity	-	-	-	-
Profit (Loss) for the period	575	571	-	-
TOTAL LIABILITIES	56,629	56,620	-	19

Source: Consolidated balance sheet, FINREP/COREP reporting framework

Table 2 - Template EU LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (2 of 2)

(in millions of euro)	e	f	g
	Carrying values of items		
	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
ASSETS			
Cash and cash equivalents	-	-	-
Financial assets held for trading	-	138	-
Financial assets designated at fair value	-	-	-
Other financial assets mandatorily designated at fair value	14	-	-
Financial assets at fair value through other comprehensive income	-	-	-
Loans to banks	-	-	-
Loans to customers	994	-	-
Hedging derivatives	-	-	-
Change in value of macro-hedged financial assets	-	-	-
Equity investments	-	-	-
Reinsurers' share of technical reserves	-	-	-
Property, plant, and equipment	-	-	-
Intangible assets	-	-	36
Tax assets	-	-	5
Non-current assets and disposal groups classified as held for sale	-	-	-

Table 2 - Template EU LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (2 of 2)

(in millions of euro)	e	f	g
	Carrying values of items		
	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Other assets	-	-	-
TOTAL ASSETS	1,008	138	40
LIABILITIES			
Amounts owed to banks	-	-	6,229
Amounts owed to customers	-	-	39,352
Securities issued	-	-	5,154
Financial liabilities held for trading	-	-	-
Financial liabilities designated at fair value	-	-	-
Hedging derivatives	-	-	-
Change in value of macro-hedged financial liabilities	-	-	-
Tax liabilities	-	-	72
Liabilities included in disposal groups classified as held for sale	-	-	-
Other liabilities	-	-	1,217
Provision for employee severance pay	-	-	32
Provisions for risks and charges	-	-	390
Technical reserves	-	-	-
Valuation reserves	-	-	6
Redeemable shares	-	-	-
Equity	-	-	-
Interim dividends	-	-	-
Reserves	-	-	2,164
Share premium accounts	-	-	79
Share capital	-	-	1,360
Treasury shares (-)	-	-	(25)
Minority shareholders' equity			-
Profit (Loss) for the period			571
TOTAL LIABILITIES	-	-	56,601

Source: Consolidated balance sheet, FINREP/COREP reporting framework



For the compilation of EU LI1 Template, a logic of prevalence is adopted regarding the prudential treatment of items separately for each balance sheet item. The only exception relates to the portfolio of financial assets held for trading (HFT) for which the portion attributable to derivative exposures has been separated out in order to bring it under the counterparty risk (CCR) framework.

Table 3 - Template EU LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(in millions of euro)		a	b	c	d	e
		Items subject to				
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	56,580	55,398	1,008	36	138
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	(19)	-	-	(19)	-
3	Total net amount under the regulatory scope of consolidation	56,561	55,398	1,008	17	138
4	Off-balance-sheet amounts	27,259	27,259	-	-	
5	Differences in valuations	(17)	-	-	(17)	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	1,010	1,010	-	-	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(6,634)	(6,485)	(149)	-	
9	Differences due to credit conversion factors	(21,678)	(21,678)	-	-	
10	Differences due to Securitisation with risk transfer	-	-	-	-	
11	Other differences	6,619	5,971	-	648	
12	EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES	63,121	(61,475)	(860)	(648)	

Source: Consolidated balance sheet, FINREP/COREP reporting framework

The main differences between carrying values and exposure amounts determined for regulatory purposes, regarding:

- the *Credit Risk Framework*, can be ascribed to the following phenomena:
 - amounts of off-balance sheet exposures: not included in carrying amounts and reported for regulatory purposes at nominal value after application of credit conversion factors;
 - amounts referring to value adjustments: deducted from the gross value for accounting purposes, while for regulatory purposes and for cash exposures subject to internal rating models, they do not have a reducing effect on the value of EAD (Exposure at Default);
 - amounts related to the value of financial collateral received: with the standardised methodology, they subtract the book value for the purpose of determining the value of exposure to risk (EAD);
- the *Securitisation Framework*, can be ascribed to the following phenomena:
 - amounts related to the value of the GACS guarantee on own securitisations: the portion of exposure covered by a government guarantee and therefore subject to credit risk mitigation (CRM) techniques is brought back to the credit risk framework.

Table 4 - Template EU LI3: Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of regulatory consolidation			Neither consolidated nor deducted	Deducted	Description of the entity
		Full consolidation	Proportional consolidation	Equity method			
Banca Popolare di Sondrio (Suisse) SA	Full consolidation	X					Credit institution
BNT Banca S.p.A.	Full consolidation	X					Credit institution
Factorit S.p.A.	Full consolidation	X					Financial corporations
Servizi Internazionali e Strutture Integrate 2000 S.r.l.	Full consolidation				X		Non-financial corporations
Sinergia Seconda S.r.l.	Full consolidation	X					Real estate company
Pirovano Stelvio S.p.A.	Full consolidation				X		Non-financial corporations
Immobiliare San Paolo S.r.l.	Full consolidation				X		Real estate company
Immobiliare Borgo Palazzo S.r.l.	Full consolidation				X		Real estate company
PrestiNuova AAF S.r.l.	Full consolidation	X					Financial corporations
Rent2Go S.r.l.	Full consolidation				X		Non-financial corporations
Popso Covered Bond S.r.l.	Full consolidation	X					Financial corporations
Centro delle Alpi SME S.r.l.	Full consolidation				X		Financial corporations
Rajna Immobiliare S.r.l.	Equity method				X		Real estate company
Liquid Factory	Equity method			X			Non-financial corporations
Alba Leasing S.p.A.	Equity method			X			Leasing company
Arca Vita S.p.A.	Equity method			X			Insurance company
Arca Holding S.p.A.	Equity method			X			Financial corporations
Unione Fiduciaria S.p.A.	Equity method			X			Financial corporations
Polis Fondi Sgrpa	Equity method			X			Financial corporations
Bormio Golf S.p.A.	Valued at cost				X		Non-financial corporations
Lago di Como Gal S.c.r.l.	Valued at cost				X		Non-financial corporations
Acquedotto dello Stelvio S.r.l.	Valued at cost				X		Non-financial corporations
Sifas S.p.A.	Valued at cost				X		Non-financial corporations



Table 5 - Template EU PV1: Prudent valuation adjustments (PVA)

The template is not subject to publication because the Group, in accordance with Chapter II of Delegated Regulation (EU) No. 101/2016, adopts the simplified method for determining Additional Valuation Adjustments (AVA) required by prudential rules in order to adjust the fair value of assets to their prudent value.

* * *

With regard to any impediments to the prompt transfer of equity or repayment of liabilities within the Group, and specifically between the Parent Company and the controlled entities, there are no particular regulatory, legal or contractual restrictions or constraints that could significantly affect mutual financial support within the Group in the ordinary course of business. For the sake of full disclosure, it should be noted that, in line with the prudential approach of the Swiss Financial Market Supervisory Authority (FINMA) aimed at protecting Swiss banks in the event of a negative performance of their parent companies, the Parent Company, Banca Popolare di Sondrio, is required to hold a security deposit in the form securities on behalf of the subsidiary BPS (SUISSE) with the Federation's central clearing house in order to guarantee the full operation of the investee; consequently, the subsidiary must always appear as a net debtor of the Parent Company for these positions in the money market context.

As of the reporting date, there are no subsidiaries excluded from the scope of consolidation with amounts of own funds below the minimum required, and there are no conditions for exemptions to the application of prudential requirements on an individual basis or to the consolidation method under articles 7 and 9 of the CRR, respectively.

Section 2

Disclosure of risk management objectives and policies (art. 435 CRR/CRR II)

Coherence between the overall risk profile and the Group's strategies

With reference to the provisions of art. 435, paragraph 1, letter f) of Regulation (EU) 575/2013 ("CRR"), some key evidence representing the link between the overall risk profile and the Group's strategies is provided below.

In compliance with the supervisory provisions, the Group has defined and formalised the procedures for the connection between the Risk Appetite Framework (RAF) schemes, the strategic planning process and the business model pursued.

The risk appetite, in the various forms adopted in the RAF, is a key element for the activities aimed at defining, implementing and possibly revising the Group's strategic planning and periodically monitoring the results achieved by the management. Business choices and strategic directions are in fact defined in compliance with the capital adequacy, liquidity and risk-taking constraints established by the RAF over the prospective horizon, consistent with the objectives and characteristics of the business project pursued by the Group.

Below are the values at 31 December 2024, of the main indicators representative of the Banca Popolare di Sondrio Group's risk profile, compared with what was recorded in the previous year.

Group risk profile: key summary indicators at 31 December 2024

Summary indicator	Value at 31/12/2024	Value at 31/12/2023
Common Equity Tier 1 ratio (fully phased)	15.25%	15.13%
Tier 1 ratio (fully phased)	15.25%	15.13%
Total Capital ratio (fully phased)	18.04%	17.50%
Leverage ratio (fully phased)	5.81%	5.46%
Liquidity Coverage ratio (LCR)	168%	188%
Net Stable Funding ratio (NSFR)	130%	126%
Counterbalancing Capacity (CBC)	13,980 million euro	11,779 million euro
Loans to customers/direct customer deposits (Loan-to-Deposit ratio)	78.71%	81.33%
NPL ratio	2.9%	3.7%
Texas ratio	9.7%	14.9%
Cost of credit	0.53%	0.65%
Return on Equity (ROE)	16.1%	13.8%
Cost Income ratio	39.0%	39.6%



The Board of Directors of the Parent Company Banca Popolare di Sondrio periodically monitors the alignment with the risk appetite of the entire Group by comparing, for each metric adopted by the RAF, the risk tolerance targets and limits set by it with the corresponding values recorded. Based on the analysis and monitoring conducted during 2024, the Group's overall risk profile was found to be consistent with the internal objectives and business strategy adopted by the management body.

With reference to transactions and activities of particular economic, financial, and equity significance carried out during 2024 by the Bank or Group Subsidiaries that are likely to affect the Group's risk profile, there are no reported transactions that are likely to significantly affect the financial position or results of operations for the year. The same applies to related party transactions of greater or lesser significance completed during the period under review.

For a review of the major economic, financial, and balance sheet activities that took place in 2024, please refer to the 2024 Annual Report (<https://istituzionale.popso.it/en/investor-relations/reports>), paying particular attention to:

- Directors' Report on Operations
- Report of the Board of Statutory Auditors to the Shareholders' Meeting convened to approve the financial statements at 31 December 2024
- Notes to the Financial Statements, Part H (*Related Party Transactions*).

* * *

In general, the guidelines in terms of risk assumption and management help the Board of Directors to formulate orientation and guiding principles with which to conform the definition of strategic objectives and the overall programming of the business in the medium term at Group level. These guidelines express the Group's strategic attitude towards risk and are the basis of decision-making processes regarding risk governance over the forecast horizon. They are connected to the company's operations by making explicit the risk assumption objectives established by the RAF and adopting coherent risk management policies.

The Banca Popolare di Sondrio Group's risk management policies aim to foster a complete, integrated and consistent view of risks and to constantly strengthen "risk culture" so as to fully enhance corporate management in terms of prudential, far-sighted choices.

The guidelines for managing risks and their qualitative-quantitative classification through the parameters of risk appetite represent a key condition to be respected for the identification of strategic priorities and the definition of long-term objectives over the planning horizon.

The forward-looking assumptions taken as a point of reference for planning the business activity, elaborated on the basis of the guidelines formulated by the Strategic Supervisory Body, are submitted for a feasibility analysis with respect to maintaining the Group's financial and capital balance, so as to ensure consistency with the constraints of capital adequacy and financial structure of liabilities, leverage, asset quality, liquidity, profitability and risk assumption specified in the Risk Appetite Framework.

Taking into account the results of these analyses, the proposal to determine the Group's risk appetite is calibrated annually through a recurring process; the sustainability of the risk objectives is also tested under alternative, stressed scenarios. In this context, the Group foresees a synergistic interaction between the definition of the Group's strategic guidelines and the risk appetite or risk tolerance profile in the various areas envisaged by the RAF.

Verification of the degree of achievement of the objectives defined in the strategic plan is continuously combined with the corresponding monitoring of compliance with the risk objectives set in the RAF, providing for a harmonious approach to identify corrective measures in the event of significant deviations.

Risk assumption and management strategies can be summarised in the following general guidelines:

- Pursuit of an entrepreneurial model oriented towards a conscious, prudent and balanced assumption of risk, such as to prevent the emergence of any risk that could threaten the stability, solvency and continuity of the Group or to damage its reputation.
- Promotion of a solid "risk culture" capable of enhancing the importance of sound and prudent management, of promoting a complete, integrated and coherent vision of risks, while ensuring that the risk dimension is adequately incorporated into strategic decisions and choices that have to be made by the management.
- Pursuit of corporate policies aimed at a stable and recurring generation of profits and an adequate remuneration of risk capital, creating reliable and sustainable value over time, in line with the business and service model.
- Compliance with the reasonable remuneration expectations of the shareholder base with the need to self-finance the dimensional growth of the business and the risks assumed, promoting a balanced and conservative level of pay-out.
- Keeping of adequate safety margins in relation to the capital and liquidity constraints imposed by regulations or required by Supervisory Bodies, also defined in relation to the positioning of competitors and the measurement metrics adopted, allowing the Group to face unexpected risk manifestations and mitigate their potential effects on its economic and financial situation.
- Conservative management of the balance sheet structure by maintaining a dynamic equilibrium between assets and liabilities, with a view to limiting the amount of financial leverage required.
- Prudent liquidity profile to be pursued through:
 - policies to foster lending and investment in financial assets commensurate with the actual funding inputs and the diversification of funding sources, capable of ensuring a stable trend of short and long-term liquidity measures;
 - holding top quality reserves that can easily be turned into cash, represented to a large extent by sovereign securities, and can guarantee a high capacity to refinance with central counterparties in order to cope with any liquidity crises;
 - the keeping of a structural liquidity position supported by a stable and diversified funding base.
- Cautious attitude towards the assumption of risks associated with lending and confirmation that they are closely monitored throughout the credit life cycle, which is expressed through:
 - a rigorous preliminary investigation of loan requests, aimed at understanding counterparties effective degree of risk by analysing their ability to generate wealth, not only in the present but also in the future;
 - the inadmissibility of all lending transactions that involve taking risks that are not consistent with the Group's risk objectives and the rejection of those that might compromise its profitability and stability;
 - a prudent assumption of risks associated with leveraged finance transactions, to be subjected to adequate supervision;
 - an adequate remuneration for the risk assumed on the basis of the type of credit facility granted and the adoption of prudent provisioning policies;
 - the systematic and shared use of rating models in credit management processes, favouring a selective, efficient and predictive assessment of the customer's creditworthiness and probability of default;
 - an intensification of risk identification, monitoring and management in order to safeguard the quality of credit assets from deterioration, with the aim of progressively limiting the cost of risk and the amount of non-performing loans;
 - carefully monitoring the risks related to an excessive concentration of the lending portfolio, also through the imposition of limits: i) on exposure to larger counterparties and economic sectors with a more evident risk profile; ii) towards counterparties that present a negative climate-environmental risk assessment.
- Trading operations on financial markets, aimed at seizing the investment opportunities that may arise due to the market context, based on a management model inspired by the containment and rigorous assessment of the risks assumed.



- Assumption of interest rate risks, closely connected to the Group's role as "financial intermediary", to be contained within sustainable levels through the promotion of stabilisation policies that provide for the balancing of the financial structure, supported by intervention plans that can be activated in the event of the need to mitigate exposure.
- Management of operational risks, including conduct risk, based on an effective prevention and mitigation policies aimed at reducing the main sources of risk by limiting the frequency and/or severity of events that generate or could generate economic losses and damages to the Group's assets and reputation.
- Adequate control and containment of risks relating to the technologies adopted for information and communications management, including those arising from cyber threats, and the use of artificial intelligence systems, by means of: i) the promotion and adoption of security standards suitable for ensuring the availability (including business continuity and disaster recovery plans), confidentiality and integrity of data and technological components, including from third-party suppliers; ii) the continuous strengthening of the flexibility, resilience and agility of information systems, to enhance the available resources and in response to a context of increasing centrality and innovation of digital channels, as part of a consolidated multi-channel approach towards the customer.
- Protection of the Group's distinctive reputation, considered to be the main critical success factor, through:
 - a full formal and substantial observance, with a view to compliance, of the primary and secondary legislation and a timely compliance with the implementing regulations as well as with the self-regulation provisions;
 - safeguarding the trust placed in the Group by shareholders, customers and institutional counterparties as well as by the staff, who have a particularly strong sense of belonging;
 - maintaining clear and correct relationships devoted to mutual respect with stakeholders and adopting accurate behavioural models;
 - a customer-centric business conduct, aimed at applying the principles of correctness, transparency, integrity and professionalism;
 - the supply of products and services linked to the risk profile and the needs of each specific customer segment and not characterised by particularly complex structures or elements that may be difficult to understand nor by an uncertain assessment of the associated risk;
 - initiatives aimed at promoting cultural, civic and social growth in the community in which the Group is active.
- The importance of an integrated and informed management of climate, environmental, social and governance risks to which the Group is exposed, including through its counterparties, by means of governance tools and processes designed to ensure the integrity of the Group's assets and its long-term viability and to contribute to an orderly transition to a sustainable economy, in accordance with the values and principles set forth in the Articles of Association.
- Maintaining an "issuer rating" issued by specialised agencies at least of investment grade, and in any case expressive of a creditworthiness among the best attributed to Italian banks, even in the knowledge that the creditworthiness of an intermediary is closely dependent on that of the country to which it belongs.

Risk control system

The purpose of risk management and control activities is to ensure a reliable and sustainable generation of value, to safeguard the Group's financial solidity and reputation and provide transparent disclosure about the risks taken. In particular, the risk control system aims to:

- identify the criteria and methods for detecting, measuring/evaluating and managing all types of risk deemed relevant in consideration of the activity being performed, with a view to their responsible governance;
- verify the respect of the limits to risk assumption, ensuring that the transactions carried out by the various business areas are consistent with the risk objectives assigned to them;
- monitor the adequacy of the capital position in relation to the risks to which the Group is or might be exposed.

Risk governance and control activities are part of the Group's overall internal control system, as drawn by the internal regulation in compliance with the supervisory provisions in force (Bank of Italy Circular No. 285 of 17 December 2013) and the indications provided by regulatory and supervisory bodies from time to time, aimed at ensuring a sound and prudent management, based on effectiveness, efficiency, fairness and responsive to the Group's strategies and risk appetite.

The internal control system constitutes an organic set of rules, organisational controls, processes and procedures designed to ensure, through the identification, measurement, management and monitoring of risks, the achievement of the following purposes:

- the verification of the implementation of company's strategies and policies and operational equilibrium;
- the containment of risks within the limits set in the reference framework for determining the risk appetite (Risk Appetite Framework, RAF);
- the safeguard of the assets value and the protection from losses;
- the efficiency and effectiveness of business processes and the operational correctness;
- the reliability and security of the company information and the supporting procedures;
- the prevention of the risk that the Group might suffer reputational damage by being involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- the compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and practices.

This system is an integral part of day-to-day operations: it involves all corporate areas and structures, each called upon to ensure constant and continuous monitoring of risks, to the extent of their own sphere of competence, and it is formalised in a specific internal regulatory framework aimed at defining, for each type of risk, the roles and responsibilities of corporate bodies, managerial functions and organisational units.

The Group's internal control system, in accordance with the indications provided by the current legislation, complies with the following guiding principles:

- clear attribution of tasks and responsibilities to each Group company;
- ensuring the necessary separation and independence of control functions from operating units;
- definition of control activities at each operating level, which means controls extended to all relevant business areas;
- diffusion of a risk culture and language shared at all levels of the organisation;
- full awareness of the risks assumed through the identification, measurement and monitoring of all types of risk, assumed or assumable, which are considered material;
- homogeneity in the definition and adoption of valuation methods and tools, avoiding inconsistent use of taxonomies, metrics and qualitative/quantitative methodologies;



- methods of interaction between the corporate entities consistent with an articulation of responsibilities at increasing levels, i.e. differentiated between control bodies and functions in charge of designing and/or assessing the internal control system;
- direct communication, without restrictions or intermediations, between control functions and corporate bodies in order to guarantee that any significant anomaly or deficiency found is brought to the attention of the appropriate hierarchical levels and then handled as quickly as possible;
- development of reliable information systems, capable of providing prompt and adequately detailed data and information for recipients to carry out their activities.

According to the powers provided for by the regulatory provisions and the statements of the Supervisory Authorities, ultimate responsibility for the establishment of the Group's internal control system and the overseeing of its correct functioning lies with the corporate bodies of the Group companies, in accordance with the guidelines provided by the Parent Company. Specific control tasks are assigned to functions responsible for the scrutiny of certain risk areas and/or operations.

The Parent Company has the task of ensuring effective risk management through a proper articulation of the roles and responsibilities of key decision-making functions, as well as the integrity and completeness of the entire Group's control system. This principle involves the centralisation of essential choices in terms of risk management, in order to ensure the harmonisation of all risk evaluation and control systems developed within the Group and to implement risk management policies in such a way that they can result as integrated and consistent as possible.

The Board of Directors, as a Body with strategic supervisory responsibilities, has the role of stating the general guidelines for the management and control of the Group, by defining the Group's business model, strategic objectives and risk appetite and approving key internal processes. Specifically, the Board of Directors:

- establishes the strategic guidelines and risk management policies, as well as the guidelines for their application, so as to ensure that the risks to which the Group is exposed are correctly identified, monitored and managed;
- approves: i) the constitution of any internal body and committee with control duties (Board Committees and Managerial Committees), providing for the appointment and dismissal of their members; ii) the constitution of control functions and their duties and responsibilities, the coordination mechanisms and the information flows among these functions and between these and the corporate bodies, providing for the appointment and revocation of their heads;
- defines and approves: i) the Risk Appetite Framework (RAF), overseeing the Group's adherence to it, as well as the remedial actions to be activated where necessary to bring the risks back down to levels consistent with the RAF limits/objectives; ii) the general framework of the Group's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), ensuring their consistency with the RAF;
- approves: i) the draft of annual financial statements and interim reports, both for consolidated and individual balance sheets; ii) the results of the ICAAP and ILAAP processes and related reporting; iii) the key internal regulations, the Recovery Plan, the capital and liquidity contingency plans; iv) the adoption of internal models to quantify regulatory capital requirements and related implementation projects, in relation to which the Board ensures that the choices initially made about these models maintain their validity over time, approving any substantial changes;
- is constantly aware of the risk exposures and their dynamics over time, both on a consolidated basis and individually for each component of the Group, ensuring that the risk profiles are correctly identified and adequately measured, managed and monitored by the competent units;
- ensures that adequacy and functionality of the internal control system are regularly checked and, if deficiencies or anomalies emerge, promptly adopts appropriate corrective measures;
- ensures that the organisational framework is consistent with the risk policies and that roles and responsibilities are

allocated in a clear and appropriate way;

- oversees the definition of a correct, complete and timely information system, consistent with the importance and complexity of the information needed;
- plays a lead role in promoting the establishment and diffusion at all levels of a "risk culture" able to enhance the importance of controls with a view to ensuring healthy and prudent management; in relation to this, the Board ascertains that the personnel are adequately involved and aware of the role assigned to them as part of the internal control system.

The Control and Risk Committee, created and mandated by the full Board of Directors, supports the Management Body in shaping the guidelines of internal control and risk management systems, regularly checking their adequacy with respect to the characteristics and risk profiles of the Group and the effective functioning of the control mechanisms. Specifically, it supports the Management Body in defining the Group's risk objectives and strategies regarding the prevention and governance of relevant risks from both a current and a forward-looking perspective, in periodically monitoring risk exposure in relation to set objectives and limits, and in verifying the completeness, adequacy and functionality of the internal control system.

The Chief Executive Officer (CEO), the members of the Top Management and the Heads of Governance Areas, according to their respective powers and attributions, are responsible for setting up and maintaining an effective risk management and control system, in line with the strategic objectives stated by the Board of Directors.

In particular, the CEO, assisted by members of Top Management and the Heads of Governance Areas:

- submits for the examination and approval of the Board of Directors the strategic guidelines, the multi-year strategic plans and related operating budgets, the updates/revisions to the Risk Appetite Framework (RAF) and the risk management policies;
- establishes, by submitting them to the Board of Directors for the final approval, the key aspects of the processes relevant for the purposes of the internal control system, overseeing their subsequent implementation;
- previously examines the transactions of major strategic, economic, equity-related and financial relevance, and then submits them to the Board of Directors for approval;
- establishes rules, activities, procedures and organisational structures relating to the risk management process, taking care of its implementation;
- takes care of the implementation of the decisions taken by the Board of Directors, with particular regard to: i) initiatives and interventions to continuously guarantee the completeness, adequacy, functionality and reliability of the internal control system; ii) the ICAAP and ILAAP processes, ensuring their compliance with the strategic guidelines and consistency with the RAF; iii) the Recovery Plan and the capital and liquidity contingency Plans in the event of their activation; iv) the necessary interventions for the set up and functioning of the chosen internal risk measurement systems, ensuring that they are integrated into the decision-making and operational processes;
- oversees the functionality of each relevant processes and of the internal control system as a whole in terms of efficiency and effectiveness;
- ensures the necessary remedial actions to eliminate any weaknesses, anomalies or malfunctions found in the internal control system, activating the competent functions;
- ensures the proper, timely and safe management of information systems for accounting, management and reporting purposes.

The CEO is also responsible for overseeing the management, coordination and control of the Group companies, with specific regard to the maintenance of an effective internal control system in adherence with the guidelines set by the Parent Company.



The General Manager exercises the powers conferred making proposals referring to specific aspects of the business management and, to the extent of the sphere of competence, implements the decisions taken by the corporate Bodies regarding the conduct of current affairs. Specifically, it oversees the general operation and administrative processes of the company, as well as the supervision of the Bank's territorial network, verifying the effective application of the provisions issued and ensuring the concrete and correct exercise of the delegated powers.

The organisational structure of the Governance Area brings together a number of Services and Offices responsible for carrying out activities that are consistent with each other. The Heads of the Governance Areas, who together make up the so-called "C-Level Suite", oversee the Services and Offices that report to them; at the same time, they report hierarchically and functionally to the CEO, who oversees all the Governance Areas. The heads of the Governance Areas are also entrusted with specific management and coordination tasks towards the other components of the banking Group, in accordance with their respective areas of operation.

The Board of Statutory Auditors ascertains the completeness, adequacy, functionality and reliability of the risk management and control systems and their compliance with the requirements established by law, acting with the contribution and cooperation of the internal control units. It is required to oversee the effectiveness of all the structures and functions involved in the control system and their adequate coordination, promoting corrective actions for any deficiency and irregularity found. With its supervisory action it contributes to ensure the regularity and legitimacy of management and compliance with laws and rules governing the bank's activity.

The strategic guidelines for risk management and mitigation are established by the Board of Directors of the Parent Company, evaluating the overall business activity of the Group and the actual risks that it incurs, based on the specific type of operations carried out and the risk profiles of the companies belonging to it. The decisions are supported by monitoring and control mechanisms inherent to the evolution of the various risks assumed within the perimeter of the Group and their compatibility to the pursuit of sound and prudent management.

The Parent Company provides the Group with a system of internal controls that is as homogeneous as possible, capable of allowing effective control both on the strategic choices of the Group as a whole and on the managerial equilibrium of its individual components, while also being able to oversee the typical risks associated with the business on an ongoing basis. Through the exercise of the powers of management, control and coordination over the Group, it ensures the overall consistency of the Group's governance frameworks, having regard the need of adequate connections and interchange among the bodies, structures and corporate functions of the components.

Each Group company adopts an internal control system consistent with the Group's strategy and policies regarding risk governance and controls, in accordance with the general principle of proportionality and in compliance with the regulations applicable for the single component at an individual level, while ensuring that there are appropriate procedures in place and regular flows of information to the Parent Company about relevant risk profiles.

Depending on the organisational structure characterising the single business sectors, the application of the relevant risk strategies and policies is entrusted to the central Departments and Offices and/or to the Branches which operate in each territory.

The Group's organisational Units, operating at the various levels of the corporate structures, are continuously involved so

that they make their own and progressively consolidate a corporate culture that enhances controls in daily operations. In particular, each Unit is called upon to ensure the correct performance of the operations to the extent of its sphere of competence by carrying out so-called "first-line controls".

The internal control system is periodically subject to recognition and adaptations according to the evolution of company operations and changes in the frame of reference. The assessment of the adequacy and effectiveness of the internal control system is subject to internal auditing, as a whole and in its relevant components.

As part of the internal control system, risk management and compliance controls ("second-line controls") are aimed, among other things, at ensuring the correct implementation of the risk management processes, defining criteria and methodologies for risk exposure measurements and evaluations; they are also intended to verify that risk limits assigned to the various business functions are not overcome and ascertain that the company processes and procedures are compliant with laws and the provisions of the supervisory authorities.

From an organisational point of view, these control activities are carried out by functions which are separated and independent from the risk-taker Units.

At Banca Popolare di Sondrio, the risk management function is managed by the Chief Risk Officer Governance Area (CRO Area), which is composed by a series of specialist and support offices coordinated by the Chief Risk Officer (CRO).

The mission of the CRO Area is to assist management bodies in the configuration and implementation of the Risk Appetite Framework (RAF) and risk management policies and in monitoring the adequacy of the Group's capital and liquidity positions. It is responsible for the design, development, updating, validation and management of systems, methodologies and procedures for the identification, measurement, evaluation and control of material risks. It carries out second-level controls on the main types of risk, monitoring how their exposure evolves over time in a current and future perspective. It also supports the dialogue with the Supervisory Authorities for issues of its competence - in particular with the Authorities which form part of the Single Supervisory Mechanism (European Central Bank, Bank of Italy) - also by producing relevant data and information and, if necessary, assuming the role of direct contact point.

More specifically, the Chief Risk Officer Area, whose manager reports hierarchically and functionally to the Chief Executive Officer:

- supports corporate governing bodies in formulating guidelines for risk taking, management and control policies;
- contributes to the definition, review and updating of the Group's Risk Appetite Framework and operational limits for the assumption of the various types of risk, continuously verifying their adequacy and functionality;
- oversees the development, validation, and management of systems for identifying, assessing, measuring and controlling risks related to company activities, ensuring that they are regularly tested and reviewed;
- monitors the performance of relevant risks, checking their consistency with the system of limits expressive of risk appetite and preparing the relative reports;
- with regard to credit risk, verifies that credit exposures are monitored properly, especially impaired exposures, and assesses the consistency of classifications, the adequacy of provisions and recovery processes; it also performs assessment and control activities on the most significant positions and checks on the overall riskiness of the loan portfolio;
- supervises and coordinates the Group's internal capital adequacy (ICAAP) and liquidity (ILAAP) assessment processes,



the periodic preparation of the Public Disclosure of the entities in application of the «Pillar 3» discipline as well as the annual update of the Group Recovery Plan;

- executes supervisory systemic stress tests;
- analyses, on a precautionary basis, the risk profiles associated with the offer of new products and services, entry into new operating and market segments, decisions to outsource activities and information systems and, in general, the pursuit of "innovative" corporate projects;
- assumes, with reference to the areas of competence, a role of direct representative with the Supervisory Authority, promoting initiatives for the provision of data and information.

The structure of the CRO Area is characterised by:

- an articulated coverage of credit risk, which extends, given its particular significance, to four distinct Offices: i) the *Credit Risk Office*, responsible for monitoring credit risk exposure through the preparation and use of methodologies and tools suitable for identifying the critical aspects of the underlying processes and the actions aimed at overcoming them, contributing to assessing the consistency of NPL portfolio management strategies with RAF parameters, and estimating the impacts of the reduction and recovery objectives of bad loans on profitability and capital profiles; in relation to the A-IRB internal rating system, it carries out parallel calculation activities with reference to the impacts arising from the revision of the models, supports the Bank's structures in the use of credit risk parameters in business processes, and assists the development offices in coordinating activities related to the development of the models; ii) the *Credit Model Development Office*, in charge of designing, developing and maintaining credit risk measurement models and metrics for both regulatory and management purposes (A-IRB system), verifying their performance from time to time, as well as defining and updating credit risk parameters used to determine accounting provisions, directly overseeing the periodic calculation of impairment and fair value of loans classified as performing and past due; iii) the *Large Exposures and Rating Desk Office*, responsible for assessing the riskiness of major credit exposures, validating internal rating judgements assigned to customers belonging to the "major customers" management segment, and carrying out verification and validation activities for exceptions to rating judgements requested by the Bank's competent operating structures; iv) the *Second-Level Credit Control Office* is responsible for verifying the proper functioning of performance monitoring on individual entrusted positions, the consistency of classifications of performing and impaired loans, the adequacy of provisions, and the adequacy and effectiveness of the credit recovery process, having regard, in particular, to the risk profile of the positions and the reference legislation;
- the presence of an organisational unit specifically responsible for monitoring the exposure to market, interest rate, credit spread and liquidity risks, as well as for the development and maintenance of the related identification, measurement, control and reporting systems (*Financial Risks Office*);
- a unit entrusted with carrying out the processes of detection, assessment and measurement of operational, IT² and reputational risks inherent to the conduct of the company's business, in order to ensure the monitoring of the relevant exposure (actual and prospective) and to promote/address the necessary mitigation measures (*Operational and ICT Risk Office*);
- a unit operating in an integrated perspective for all significant risks, designed to oversee the definition and monitoring of the risk objectives set by the RAF, to fulfil the Second (ICAAP) and Third Pillar (Public Disclosure) obligations, as well as those relating to the Recovery Plan, to govern the conduct of the stress tests promoted by the Supervisory Authorities at a systemic level, and to oversee the framework for the management of ESG (Environmental, Social and Governance) risk factors, with particular regard to climate and environmental risk factors, while ensuring their inclusion in the integrated risk management processes³; the unit is also responsible for overseeing exposure to other risks not directly monitored

² In implementation of the new provisions concerning the establishment of an ICT and security risk control function introduced by the Bank of Italy with the 40th update to Circular No. 285/2013 "Supervisory Provisions for Banks", with effect June 2023 the operational management of IT risks, previously delegated – by virtue of a dedicated inter-company service agreement – to the *ICT Risk Technical Committee*, within the Chief Information & Operations Officer (CIOO) Government Area, was divided between the existing risk control and regulatory compliance functions for areas of their respective competence. Within the risk management function, responsibility for control was assigned to the new Operational and ICT Risk Office.

by other specialist units, with particular regard to strategic risks (*Integrated Risk Office*);

- the presence of a unit responsible for designing, developing and monitoring specific quantitative methodologies and risk models (e.g. IFRS 9 stage allocation and impairment, counterparty and operational risk measurement, analysis of macro-economic scenarios) and valuation models (e.g. pricing models, Independent Price Verification methodologies, fair value determination and related adjustments) (*Pricing and Valuation Models Office*);
- a unit dedicated to governance, risk data management and the relative quality controls (data quality), guaranteeing integration with the company's data governance processes, in addition to promoting and developing initiatives to improve the IT system in support of the CRO Area, in line with the Data Governance and Data Aggregation and Reporting Framework and with the BCBS 239 principles; the unit also carries out the tasks of monitoring the IT infrastructure in support of the internal rating system and that of the analysis of ESG risk factors (*Risk Data Management Office*);
- a unit responsible for ensuring effective and homogeneous risk management among the Group's components through project management and support functions for risk governance activities, assisting the Group entities in coordinating and overseeing the overall risk control framework in adherence to the Parent Company's guidelines, as well as implementing and supervising risk mitigation initiatives (*Group Risk Control Coordination Office*);
- a function, which operates autonomously and independently from other units in charge of internal models' development, responsible for verifying the quality and reliability of the internal risk measurement systems, at the initial set-up stage as well as on an ongoing basis, and for the evaluation of company activities used for both regulatory and management purposes, with specific regard to the correct calibration and use of rating systems (*Validation Office*).

The other control functions composing the "second line of defence" of the Bank are:

- the *Compliance and DPO Function*, a unit placed under the hierarchical-functional dependence of the Chief Executive Officer, responsible for overseeing the risk of non-compliance with the regulations of the entire company activity - except for issues already the responsibility of other specialised functions - carrying out consultancy and control activities for the purpose of detecting and preventing the risks of non-compliance of corporate processes and procedures with the system of hetero-regulation (laws and regulations) and self-regulation (internal provisions) applicable from time to time; the Head of the Function is also assigned the role of Data Protection Officer (DPO), a figure that forms an integral part of the data protection business model, adopted pursuant to Regulation (EU) 2016/679 of 27 April 2016 (General Regulation on the Protection of Personal Data, "GDPR") relating to the protection of individuals with regard to the processing of personal data (privacy);
- the *Anti-Money Laundering Function*, also reporting hierarchically and functionally to the CEO, which is responsible for implementing a stable control to oversee the prevention of and fight the risks arising from involvement in money laundering and terrorist financing operations, through: a) supervising the controls on the persons, relationships and transactions carried out on a daily basis by the operational areas, towards which the MD directs an intense action of stimulation and awareness; b) continuously verifying the suitability of the processes and procedures adopted in order to ensure adequate supervision of the risks connected to the violation of the legislation in force from time to time on money laundering and terrorist financing;

while the "third line of defence" is represented by:

- the *Internal Audit Department* which, with a view to third-level controls and also with on-site inspections, is required to verify the regular performance of company operations and the evolution of risks and, on the other hand, to evaluate the adequacy and functionality of the organisational structures, information systems (ICT Audit) and the other components of the internal control system, bringing possible enhancements to the attention of upper-level corporate bodies; it directly

³ All other offices in the CRO Area are assigned responsibilities related to the processes of identifying, measuring, controlling and managing ESG risks and related data governance, consistently with and in continuity with their regular duties.



supports the Board of Directors, both for the purpose of adequate fulfilment of Supervisory requirements and also to satisfy specific needs for risks to be put under control and for the organisational efficiency/effectiveness to be scrutinised.

In addition to the aforementioned control functions, there are further specialised safeguards that, like the control functions proper, contribute to the sound functioning of the overall structure of governance and control of company and Group risks.

- The Supervisory Body pursuant to Legislative Decree 231/2001 supervises the operation of and compliance with the organisational, management and control model adopted by the Parent Company for the prevention and conscious management of the risk of commission of the predicate offences governed by the decree, in dialogue with any similar structures that may have been set up at the Subsidiaries to standardise the organisational measures put in place to mitigate the specific risks.
- The *Manager responsible for preparing the Company's accounting documents*, placed under the General Manager, ensures the reliability of the accounting and financial information by preparing adequate administrative and accounting procedures for the formation of the annual financial statements and consolidated financial statements and monitoring their adequacy and effective application.
- The *Group Outsourcing Manager*, a key figure appointed by the Bank in implementation of the EBA provisions on outsourcing, ensures centralised governance of all services acquired under outsourcing arrangements by Group members, in addition to overseeing the assessment processes preparatory to any outsourcing decision, thus guaranteeing effectiveness and uniformity in the reporting and control of outsourced activities.

Specific Committees at management and executive level are also set up within the Parent Company, with consultative, propositional and/or decision-making roles, responsible for providing technical and operational assistance and support to corporate Bodies in their specific areas of competence, contributing to integrated risk management and sound and prudent business management. In addition to those with investigative and decision-making duties, in relation to the disbursement of credit and the management of NPL exposures as well as governance and management of financial activities, the following permanent Committees with policy and control functions, associated with propositional, advisory and/or decision-making powers, are worthy of note:

- Risk Committee⁴
- Steering Committee
- NPL Committee
- ALM and Investment Committee
- Scenario Committee
- Outsourcing Committee
- Financial Products Governance Committee
- Sustainability Committee (management)
- ICT Risk Technical Committee

as well as the following Committees that can be convened in an emergency situation:

- Crisis Management Committee
- Business Continuity Committee.

The high-level information required to monitor the evolution of risks, prepared by the internal control functions according to their respective responsibilities, is structured in such a way as to allow the Corporate Bodies and the top management for a documented, complete and aware assessment of risk exposures, favouring the related management, control and mitigation activities, as well as of the adequacy of the capital available to cover them. Key trends in risk profiles are also communicated

⁴ The Risk Committee also avails itself of a new *Risk Methodology Committee* in charge of providing technical and operational support in the definition, implementation, maintenance and updating of the specific methodological, procedural and modelling frameworks adopted by the Bank in the area of risk management and measurement. The new Committee plays an advisory, propositional and decision-making role preparatory to the activities falling within the remit of the Risk Committee, carrying out technical analyses and assessments and making determinations to ensure optimal management of the risk models and methodologies in use.

to competent operational areas by means of specific reporting designed to make personnel aware of the need to prevent and attenuate risks.

The Group internal regulation on risk governance relates, in particular, to the Risk Appetite Framework (RAF), the internal capital (ICAAP) and liquidity (ILAAP) adequacy assessment processes and the management process of the single types of risk considered material. Each regulation describes the roles and responsibilities pertaining to the Bodies, Committees and organisational units involved, making sure that the functions assigned to business activities are kept separate from those that carry out control activities. Furthermore, with regards to the Group's corporate governance framework, the internal policies establish the tasks pertaining to the Parent Company in the exercise of its management and coordination powers over the entire Group, as well as the roles and responsibilities of the subsidiaries for the implementation of the interaction mechanisms among the components of the Group.

Risk management strategies and processes

A) Risk Appetite Framework

The Risk Appetite Framework (RAF) represents the general reference system, in terms of methodologies, processes, policies, controls and systems, aimed at establishing, communicating and monitoring the risk appetite of the Group and its components. It provides for the ex-ante configuration of risk objectives consistent with the Group's business model and strategies, taking into account the maximum levels of risk that can be assumed.

The formalisation, through the RAF, of the levels of risk that the Group is willing to take on in pursuing its strategic goals is an essential reference point for a coordinated risk governance framework based on the principle of sound and safe management.

The overarching risk strategies, as well as the single policies and processes for the identification, evaluation and management of significant risk categories, are all based on RAF, both at Group level and for the individual companies; the framework also includes the set of instruments, methods and controls aimed at ensuring the correct measurement and adequate monitoring and reporting of risks actually taken in relation to the established risk targets.

Within this context, the Group has developed a specific RAF structure and governance model where the roles and responsibilities of the corporate bodies and functions involved, both for the Parent Company and for the subsidiaries, are clearly defined and disciplined together with coordination mechanisms aimed at allowing the integration of risk appetite into management processes.

The framework for determining risk objectives and the related tolerance levels is a fundamental part of the Group's risk governance system, which includes:

- a regulation governing the processes for defining, monitoring and implementing the Risk Appetite Framework (RAF);
- the Risk Appetite Statement (RAS);
- the regulation on risk management policies and processes;
- the Capital and Liquidity Contingency Plans;
- the Group Recovery Plan.



The main elements of the RAF are ordinarily expressed with quantitative measures (indicators, objectives, limits and thresholds), which are re-calibrated annually in a proportionate way both for the Group and its main components. Qualitative considerations are also included to address the way the risks should be assumed or avoided as well as the internal control systems and processes should be shaped to take risks appropriately under control.

With reference to quantitative elements, the risk appetite is articulated in coherent schemes of metrics and thresholds based on progressively increasing levels of severity and alert, aimed at promptly detecting any deviation from the risk objectives set from time to time. This system is functional for monitoring the current and prospective positioning of the Group in relation to the parameters deemed to be the most representative of risk appetite, in order to consistently run the company activities and, if necessary, to adjust its patterns through the adoption of initiatives intended to realign the capital, financial and liquidity situation of the Group.

The RAF metrics configure a "cascade system" which is articulated on three hierarchical levels; more general and aggregate measures for the desired appetite for risk are placed at the top, and then split into specific indicators for each material risk type, following a consistent approach. These are divided into:

1. *Primary indicators* (Level 1): Set of main aggregate metrics representative of: i) the comprehensive risk appetite, pertaining to areas for which strategic objectives are pursued and/or where there are regulatory requirements and/or additional prudential constraints imposed by the Supervisory Authorities; ii) all major risk exposures strictly related to the Group's typical business.
2. *Complementary indicators* (Level 2): specific metrics for each type of risk, representative of the factors that cause material changes in the Level 1 indicators, identified in accordance with the most important risk profiles for the Group; they can be supplemented by qualitative objectives and statement, which drive the assumption, control and mitigation of risks to which they pertain.
3. *Operational indicators* (Level 3): metrics characterised by a higher level of analyticity and granularity, which are part of the ordinary risk monitoring and management tools; through them, the risk appetite levels set on higher-ranking indicators is properly linked to current business operations; they can be intended to limit risk assumption by the business units or highlight to the control functions any potential deviations of the actual risks from the ones desired.

With reference to primary indicators, the Group's appetite for risk is expressed through key metrics which can be classified into the following categories:

- Capital adequacy and liability structure
- Liquidity
- Profitability
- Credit risk and asset quality
- Other major risks.

The following types of thresholds are provided for each primary indicator, expressive of the comprehensive framework of risk objectives and limits defined along the forecast horizon:

- risk appetite
- risk trigger
- risk tolerance
- risk capacity, where present.

The quantities summarised by the primary indicators are broken down, for the risk categories deemed relevant, into quantitative parameters and/or qualitative statements aimed at guiding risk-taking and risk control (*complementary indicators*).

All second-stage parameters adopted as notable Level 2 measures of risk appetite refer to the set of techniques and methods ordinarily used by the Group to quantify risks and economic capital in order to comply with regulatory obligations, as well as for managerial and internal capital adequacy (ICAAP) purposes.

These indicators serve as early warning signals aimed at catching negative developments in strategic variables for the Group at an early stage; they also aim to ensure the desired strategic, reputation and regulatory compliance profiles. Complementary metrics cover those cases of risk considered "material" as a result of the internal process of identification, mapping and analysis of the significance of risks, supplemented by those risk profiles whose assumption, regardless of the relative degree of materiality, may not be eliminated insofar as related to the nature and characteristics of the activity performed.

At the complementary level, a key threshold is set for each monitoring metric (risk trigger), whose breach involves the evaluation of suitable corrective actions to mitigate risk. Depending on the type of indicator and the nature of the risk under control, the identification of one or more monitoring thresholds may also be envisaged, in order to draw attention to the fact that the risk profile is getting close to the limit: exceeding it would determine an increase in alert levels, which in turn will mean a strengthening of controls over the risk phenomenon considered.

More detailed or granular metrics and limits are also connected to the set of primary and complementary indicators (*operational indicators*); they can be monitored through systems and procedures adopted by the company for the various risk profiles, with the aim of reactively reporting any increase in exposures, placing restrictions on business operations where necessary and directing the remedial actions to be put into practice by the structures involved in risk-taking activities.

In this way, the risk appetite formulated for the higher hierarchical levels of RAF is articulated in more specific and granular limits to risk assumption (risk limits) based on the principle of proportionality. These are split into sub-categories of material risks, business units and/or business lines, product types, customer segments, asset/liability portfolios, etc., which can be combined with the setting of as many *monitoring thresholds* acting as early warning signals.

In line with the described system of metrics underpinning the risk objectives of the RAF, additional systems of operational limits assigned by top management to the various internal organisational levels may be adopted. The risk control Function of each Group component ensures consistency with the set of RAF parameters set to monitor the assumption of the relevant types of risk.

The Risk Appetite Statement (RAS) is the written expression of the Group's risk appetite. This statement, made annually by the Board of Directors of the Parent Company, explains the following points according to an integrated and overall vision:

- the risk profiles to which the Group is most exposed, based on materiality degree, and those whose assumption cannot be completely avoided due to the nature and type of the activity carried out;
- the setting of risk objectives and the related system of alert thresholds for the forecast horizon being considered, accompanied by any qualitative indications, with reference to the primary and complementary metrics of the RAF.



On the other hand, the Level 3 risk limits system, articulated in accordance with the RAS metrics, is defined in the context of the risk policies to which they apply.

In addition to the identification and setting of the risk appetite parameters, the Bank establishes the organisational mechanisms which regulate the governance and the processes for determining and implementing the RAF, in terms of updating, monitoring, reporting and escalation procedures towards the competent decision-makers (Committees, functions and corporate Bodies).

Specifically, the RAF management procedures envisages, usually once a year:

- the review/update of the qualitative and quantitative elements that globally express the Group's risk appetite levels;
- the calibration of thresholds in accordance with the evolution of company operations, which acts as limits on the formulation of the economic and financial forecasts outlined in the strategic planning;
- the formalisation and approval of risk objectives and related tolerance levels by the Board through the Risk Appetite Statement (RAS).

The RAF is continuously implemented by:

- monitoring the risk parameters defined and managing any breaches of "critical" targets/thresholds, with the consequent adoption of mitigating measures in case of deviation from them;
- the periodic reporting on both the evolution of risk profiles with respect to the reference objectives/thresholds and on the implementation of any intervention plans.

B) Risk categories

The prudential regulation requires banks to carry out an accurate identification and materiality assessment of risks to which they are or could be exposed in managing their operations.

This activity, performed at least annually, is aimed at identifying the risks likely to compromise the business operations, the pursuit of the strategies and the achievement of the Group's management objectives. The analysis is carried out by assessing both current and potential conditions, in order to identify any risk profile already present in the environment and yet not adequately captured by the risk categories mapped in the current inventory, or to anticipate types of risk that have never been material for the Group before but could become relevant in a forward-looking perspective, as they are connected to foreseeable changes in the economic, financial and regulatory context, as well as in the bank's operations.

This recognition process is particularly relevant for the entire risk governance system as it constitutes a link between the RAF, ICAAP, ILAAP and Recovery Plan: it is in fact functional to the identification of the most significant risk types for which it makes sense to define a specific "risk appetite", as well as for the purposes of determining the risk categories that could have an impact on the adequacy of the Group's current and perspective capital and liquidity situations, also assessed under stressed conditions.

This process, which is coordinated by the Parent Company and formalised in specific internal regulations, is divided into the following sub-phases:

- identification of potentially assumable risks;
- identification, within the context of those assumable, of the risk profiles that are indeed applicable to the Group's business context and definition of the risk inventory;

- analysis of the degree of materiality of risks with respect to current and future operations.

From a taxonomic and definitory point of view, the framing process of the "Risk Map" (the comprehensive inventory of risks that are deemed to be material for the Group) consists of two successive levels of analysis, which can be qualified as follows:

- Level 1: risks are grouped into categories as proposed in the regulatory provisions and guidelines issued by the Supervisory Authorities, taking into account the arrangements and methods used to monitor and control those risks applicable to the Group;
- Level 2: those risks are divided into sub-categories on the basis of the event that could potentially entail losses for the Group.



The list of risks potentially assumable by the Group is shown below.

Level 1	Level 2
Credit and counterparty risks	Default and recovery risks
	Migration risk
	Sovereign risk on banking book (Italy)
	Other (non-sovereign) banking book instruments risk
	Single-name concentration risk
	Geo-sectoral concentration risk
	Securitisation risk
	Country and transfer risks
	FX lending risk
	Residual risk
	Counterparty risk
	Credit valuation adjustment risk (CVA risk)
Market risk	Position risk on the trading book
	Concentration risk on the trading book
	Foreign exchange risk
	■ Structural foreign exchange risk
	Commodity risk
	Basis risk on the trading book
Operational, reputational and compliance risks	Operational risk, including:
	■ IT Risk
	■ Legal risk (including conduct risk)
	■ Model risk
	■ Other operational risks
	Compliance risk
	Money laundering and terrorist financing risks
	Reputational risk
Interest rate and credit spread risks	Interest rate risk (IRRBB), including:
	■ Repricing or yield-curve risk (gap risk)
	■ Basis risk
	■ Option risk
	Credit spread risk (CSRBB)
Liquidity risk	Funding liquidity risk
	Market liquidity risk
Strategic and business risk	Strategic risk
	Equity investment-related risk
	Business risk
	Real estate risk
Other risks	Risk of excessive leverage
	Risks related to Activity as Depository Bank for UCIs and Pension Funds
	Risks related to covered bond issuance
	Pension risk
	Insurance risk
	Regulatory risk
	Risk from exposures to shadow banking entities (<i>Shadow-banking risk</i>)
	Step-in risk
	Risk concentrations

With reference to risk categories and sub-categories considered most significant ("material") for the Group and, as such, placed at the cornerstone of the Group's Risk Appetite Statement, we provide elements to illustrate the risk management objectives and policies, as well as the set of control systems, tools and processes that the Group has adopted to assess and manage risks.

CREDIT AND COUNTERPARTY RISKS

DEFINITION

The risk that a counterparty which has been granted credit might not be able to meet its obligations on time and in full, or that a change in its creditworthiness might generate a corresponding change in the economic or market value of the position.

Within this category, the following cases are considered relevant:

- *Credit risk*: the risk that a counterparty which has been granted credit might not be able to meet its obligations on time and in full (*default risk*), or that the amount recovered after liquidating the assets of an insolvent counterparty might be lower than the amount originally foreseen (*recovery risk*). This includes the risk deriving from cash credit facilities and guarantees to central and local governments of the Italian Republic;
- *Counterparty and credit valuation adjustment risks*; in particular:
 - *Counterparty risk*: the risk of suffering losses due to a counterparty's failure to fulfil obligations deriving from assets recorded on or off the balance sheet under contracts of financial nature; it can manifest itself both in the period between the date of signature of the financial contract and the settlement date of the transaction, as well at the time of the final settlement of the cash flows relating to the transaction, if there is a time lag between the irrevocably performed contractual obligation and the related transaction consideration or, in the absence of a reciprocal exchange, if there is a delay in the fulfilment of the only obligation owed by the counterparty (*delivery and settlement risks*);
 - *Credit Valuation Adjustment (CVA)*: the risk of suffering losses due to changes in market prices as an effect of deterioration in the creditworthiness of counterparties of over-the-counter derivatives (excluding transactions with qualified central counterparties);
- *Italy sovereign risk (banking book)*: risk to which Italian government bonds in banking books are exposed, consisting alternatively: a) for securities measured at fair value, in the possibility of suffering a reduction in economic or market value that may originate from various risk factors, among which are adverse trends in risk-free interest rates, inflation and credit risk-related yield spreads; b) for securities measured at amortised cost, in the exposure to risks of insolvency, recovery and migration associated with the Italian government's inability or unwillingness to honour its payment commitments in the time and manner originally foreseen. Risks associated with possible cash and unsecured credit exposures to central and local government entities of the Italian State are excluded;
- *Other securities risk (banking book)*: risk to which financial assets other than Italian government bonds in banking books are exposed, consisting alternatively: a) for securities measured at fair value, in the possibility of suffering a reduction in economic or market value that may originate from various risk factors, among which are adverse trends in risk-free interest rates, inflation and credit risk-related yield spreads; b) for securities measured at amortised cost, in the exposure to risks of insolvency, recovery and migration associated with the issuer's inability or unwillingness to honour its payment commitments in the time and manner originally foreseen;
- *Single name concentration risk*: the risk arising from relevant credit exposures to individual counterparties - including central counterparties - and groups of related counterparties, as well as similar risks related to credit risk mitigation techniques (also associated with indirect credit exposures);
- *Geo-sectoral concentration risk*: the risk arising from relevant credit exposures to counterparties belonging to the same economic sector or geographical region or which carry on the same business activity or deal in the same goods or services, as well as similar risks related to credit risk mitigation techniques (also associated with indirect credit exposures).



Credit risk

STRATEGY

The Group continues, through the exercise of lending activities, to fulfil its function as an entity primarily oriented towards supporting local economies by granting financial resources to those who pursue worthy goals and meet adequate reliability criteria in requesting those resources.

In this context, the lending activity is based on principles of healthy and prudent management, fair remuneration of the risk assumed and correct and efficient operational conduct, with a view to establishing a two-way relationship with borrowers based on mutual trust and transparency; this in order to enhance the Group's distinctive attitude for building long-term customised relationships with local business owners.

The sizing and composition of the Group's credit portfolio reflects the financial needs of families, small and medium-sized enterprises and institutions - mainly located in the areas where the Bank has opened branches - which constitute the economic and social fabric of the local territory.

The Bank favours lending towards SMEs and small businesses since they do not take part to broader financial circles and, consequently, they need a point of reference able to understand their requirements and meet their specific needs with expertise, efficiency and speed, following the evolution of their business over time. This does not mean that the Bank neglects the needs of larger counterparties, whether belonging to the "productive" sector or the "institutional" and "public" sectors, when creditworthiness, ascertained through a rigorous preliminary investigation, demonstrates solidity and reliability.

In consideration of the Group's strategic objectives and business, its lending strategy is based on a low risk appetite and a full awareness of the same; this involves:

- measurement of the current and prospective risk linked to the credit portfolio, both as a whole and/or at various levels of disaggregation;
- monitoring the risks linked to an excessive concentration of the portfolio, also through the settlement of limits on exposure towards larger counterparties and economic sectors with a more pronounced risk profile;
- rejection of transactions that could compromise the Group's profitability and stability.

In particular, the medium-term strategy is characterised by the maintenance of a cautious attitude towards the assumption of risks associated with the lending activity and a careful monitoring of them throughout the credit life cycle, to be implemented through:

- a rigorous examination of credit applications, aimed at understanding the effective risk of the counterparties by analysing their ability to generate wealth in the present and in the future;
- an intensification of risk identification, monitoring and management to prevent the quality of credit assets from deterioration, with the aim of progressively limiting the cost of risk and the amount of non-performing loans (NPLs);
- the search for an adequate remuneration for the risk assumed on the basis of the type of credit facility granted and the adoption of prudent provisioning policies;
- the systematic use of rating models in the credit management processes, favouring selective, efficient and predictive assessments of the probability of counterparties' default.

In implementing the strategic guidelines set and in compliance with the risk thresholds established, the credit policy defines credit portfolio objectives in terms of size and qualitative composition in order to guarantee an adequate combination between the risk profile assumed and the levels of return achieved. Guidelines are declined in the definition of products, segments, sectors and categories of counterparties that maximise the expected profitability while, at the same time, governing the quality of the portfolio and ensuring capital adequacy on a prospective basis.

For planning purposes, the guidelines establish objectives for the operational offices, covering the quality of the portfolio, as well as its growth and profitability. These objectives must be achieved while respecting the capital adequacy requirements and risk limits.

Procedures and organisational structures in place are formalised in the internal regulatory framework, clearly specifying activities, roles and responsibilities. In order to avoid potential conflicts of interest, the separation between operating functions and control functions is ensured.

The system of decision-making powers approved by the top corporate Bodies, based on the principle of "cascade delegation", provides the attribution of limited powers to peripheral structures, preferring to give control duties to specialist central units.

Impaired loans monitoring and management comply with strategic guidelines aimed at limiting volumes and the impact of non-performing loans on total lending as well as the cost of the risk associated, also through targeted de-risking actions.

The Parent Company, in exercising its strategic and coordination function towards the Subsidiaries, ensures that at Group level uniform credit policies are adopted and that homogeneous classification, valuation, management and monitoring criteria are set. The strategic guidelines promoted are generally aimed at supporting local economies and, in particular, small and medium-sized economic operators and private individuals, pursuing the maintenance of a low risk profile and level of concentration.

The credit guidelines are declined by Subsidiaries in compliance of the peculiarities that can derive from the nature of the counterparties served and the specific types of products offered, as well as the characteristics of reference markets, taking into account any differences in local laws in the countries where the foreign Subsidiaries operate.

Measurement and control systems

Assumption of risks associated to lending takes place through the use of methodologies, procedures, organisational structures and tools that are capable of guaranteeing the awareness of the exposure's size and evolution over time. In this regard, in compliance with current regulations and inspired by best practices, the Group develops a structured system for detecting and managing credit risk and promotes its use in the context of operational, management and control processes.

With reference to the measurement of credit risk, supervisory regulations leave intermediaries the possibility to choose between three alternative approaches to determine capital requirements. As regards Parent Company's "Corporate" and "Retail" exposures, the Advanced Internal Rating-Based Approach (A-IRB) is applied, which uses risk parameters calculated by means of internally estimated rating models. For further details on the methods applied for determining risk factors and on their pervasive use within credit management and control processes, please refer to Section 11 of this Document. As



for the rest of the loan portfolio, the Group uses the traditional Standardised Approach (TSA) which involves the attribution of exposure weighting ratios on the basis of ratings assigned to each counterparty by specialised companies, called ECAI - External Credit Assessment Institutions (independent credit rating agencies recognised by the Supervisory Authorities, such as Standard & Poor's, Moody's, Fitch Ratings, Cerved Group), where available; if no external rating is available, the exposures included in the loan portfolio are divided into sub-aggregates and, for each of them, differentiated prudential treatments are applied depending on the nature of the counterparty and the technical form of the credit granted.

For ICAAP purposes, it is also important to highlight the Bank's adoption of a statistical portfolio model (Credit Portfolio Model) for measuring the economic capital to be allocated to the risk considered.

From an operational point of view, the credit risk management process is based on the full involvement of the different levels of the Group's organisation, in order to balance the necessity to give a prompt reply to customers' financial support requests with an analytical assessment of the risk involved. More in detail, the process is divided into different stages: credit policy and planning, appraisal phase, disbursement, periodic review, monitoring and management/recovery of impaired loans.

In implementing the strategic guidelines dictated by corporate governance Bodies, the credit policy defines portfolio volumes and qualitative composition in terms of technical forms, customer segments and geo-sectoral distribution of loans, in line with the desired performance and risk profile. The guidelines thus established are implemented by the organisational units responsible for the assumption and management of risk and are consequently reflected in the operations that characterise each phase of the credit process.

The appraisal phase, which aims at establishing if applicants satisfy certain conditions for credit-worthiness, considers whether the loan characteristics are consistent with its purpose, whether any collateral provided is suitable for covering the risk of non-repayment and reviews the economic effectiveness of the loan itself. In this context, the evaluation expressed by the internal rating system, if available, and the associated probability of default are taken into maximum consideration as essential elements for an overall assessment of the customer and of the transaction.

The use of indicators of risk-adjusted value creation (EVA, Economic Value Added) meets the need to assess more selectively certain loan positions and to control more closely the quality of loans granted. Through a specific application integrated within the electronic credit line system, it is possible to determine a measure of profitability that is adjusted for credit risk (expected loss based on the customer's rating and on the LGD of the transaction) and for the opportunity cost of the regulatory capital absorbed that is connected to the individual lending relationship, reaching an estimate of the value added by current or potential exposures. This tool makes it possible to identify non-performing exposures more rapidly, thereby taking measures to restore a profitable situation and guide the criteria for setting the correct price of loans on the basis of requests for new financing or for a review of existing relationships.

The final decision whether to grant a loan or not is taken by the competent decision-making Bodies prior to loan disbursement, carefully assessing all of the information emerged during the appraisal procedure, as well as any other useful input that might be available. In order to ensure greater control over risks, the mechanism for establishing the autonomy of decision-making Bodies that constitute the decision-making ladder operates alongside the nominal value of the operation with another system of powers that also takes into account an objective measure of the counterparty risk which is reflected in the internal rating.

The credit lines are made operational and, therefore, available to the borrower only once the provisions of the resolution approving the loan have been completed, having specific regard to the acquisition and verification of collaterals and personal guarantees and to the assessment of their suitability to mitigate credit risk.

After disbursement, credit positions are reviewed periodically to check whether all of the conditions established during the appraisal and taken into consideration when granting the loan are still valid. Credit lines can also be automatically reviewed for low-risk positions, ascertained through the examination of suitable indicators that are established in advance, among which the internal rating takes on a great deal of importance.

The monitoring of the loan and the supporting guarantees, carried out in order to detect as quickly as possible any negative symptom that might arise and to implement promptly and effectively the necessary actions to prevent further deterioration, is performed in compliance with formal organisational procedures and is supported by automatic tools and applications. These entail a constant observation of the degree of reliability of the counterparties and a periodic verification of the persistence of general and specific requirements of acquisition and the possible loss of value of the credit protection acquired, with the aim of ensuring their full and effective enforcement in the event of the borrower's insolvency.

The entire monitoring system on the lending portfolio quality and the phenomena that characterise its deterioration is based on a complex set of rules, processes and control methods. In this regard, the organisational units responsible for credit positions management play an important role since they are able to immediately identify any sign of anomaly or deterioration of credit quality thanks to their direct relationships with borrowers. The competent structures are supported in these activities by a variety of reports produced internally or by external contributors.

Specific central structures are in charge of analysing the available information, in order to continuously assess the creditworthiness of each exposure and identify those potentially subject to excessive risk. The depth of this analysis is linked to the needs expressed. These structures can elaborate presumptive data and synthetic indicators representative of an increase in the risk of the borrower by using methodologies and performance control processes that take into account internal and system data together with the rating assigned by the rating system, where available.

With regard to the monitoring of loans showing signs of anomaly, formal processes have been established for the identification, resolution and monitoring of forborne position (credit exposures for which modifications to the terms and conditions or refinancing have been granted due to the borrower's financial difficulties); the forborne attribute is transversal to the administrative status of the credit. It is also important to specifically analyse overruns in terms of both severity and duration, so that the Bank can promptly intervene on positions that are beginning to show critical repayment issues.

Positions identified as being at significant risk are analysed appropriately and, if there are clear signs of difficulty, they are classified as "impaired", depending on their actual severity.

The management of non-performing loans is entrusted to specific central offices which carry on their activities, aimed at regularising positions, where possible, or recovering the amount owed in the event of the borrowers' insolvency, in close collaboration with the domiciliary structures of the relationships and with "corporate managers" and "retail managers" located throughout the territory. In order to simplify operational tasks, the involvement of these internal functions is combined with the intervention of selected specialised external companies which, under the supervision of the staff in charge, are used to send reminders to defaulting customers and/or recover the unpaid loans.



To rapidly intervene on deteriorating relationships and effectively monitor the credit quality of the overall loan portfolio, monitoring processes which, supported by dedicated tools, promote actions aimed at regularising relationships are adopted. At the Parent Company, specialised risk management units (CRO Area) provide support to the functions responsible for identifying "performing" customers showing first signs of difficulties and relationship anomalies, as well as counterparties with persistently past due. Said structures also operate through the second-level credit control office responsible for ensuring the correct performance monitoring of the positions, the consistency of their classification, the adequacy of the related provisions and the adequacy of the recovery process.

In-depth controls are performed during the appraisal phase, pay-out, review and monitoring stages with regard to risks concentration for significant exposures to individual counterparties or groups of counterparties that are linked by legal and/or economic relationships. In addition, a process has been established to identify and manage separately the most significant credit transactions, differentiated on the basis of specific size and risk parameters, in order to evaluate whether they are in line with the Bank's risk appetite before completing the procedure.

In order to support credit management activities and risk exposure monitoring, periodic heterogeneous reports are prepared, both at managerial and operational level, concerning the development of the lending portfolio, assessed according to different axes of analysis (with particular regard to the trend and composition of non-performing loans), as well as the risk components produced by the rating system.

The Parent Company, by exercising its strategic and coordination functions, ensures that uniform credit policies are adopted at Group level and homogeneous criteria for the assessment, classification, monitoring and risk management are set. These policies are then applied by every company of the Group according to the peculiarities of their counterparties and the particular types of products being offered, as well as the characteristics of the reference market.

The subsidiaries - depending on the specific sector to which they belong, on their organisational peculiarities and, as regards to Banca Popolare di Sondrio (SUISSE), on the constraints deriving from a different legal system - adopt substantially homogeneous procedures for credit risk managing and controlling.

In this regard, it should be noted that the Swiss entity has its own rating system to be applied for management purposes to its loans towards customers, based on the opinion expressed by industry insiders. This approach gathers various primary indicators and financial and qualitative information together, depending on the counterparty characteristics; the combined assessment of these elements allows to reach a score, which is used by the person making the final evaluation to assign a rating to the counterparty on a scale of eleven risk classes. This methodology is analysed by independent auditors, who consider it appropriate given the size, complexity and risks involved in the activities performed.

An internal rating system for the assessment of counterparties was also developed for the subsidiary Factorit, which also makes use of the risk ratings assigned by the Parent Company for common customers. The relevant models - currently used for management purposes only - are awaiting validation by the Supervisory Authority for recognition in the calculation of the company's individual capital requirements.

In order to limit so-called "residual risk" (i.e. the possibility that the credit risk mitigation techniques adopted are less effective than expected, if activated), the Group is equipped with an articulated system for managing real and personal guarantees which makes it possible to oversee the entire process of acquiring, evaluating, verifying and disposing them. This system involves formal policies and procedures relating to the use of guarantees, eligibility requirements - both general and specific - required by regulatory provisions and constant monitoring to ensure that the amount is appropriate.

Guarantees acquired are revalued on the basis of events connected to the status of the loan and/or the collateral and also according to methods and periodicity consistent with the nature of the assets or financial instruments in place and in line with current regulatory standards. Information systems and operating procedures in fact allow the acquisition, storage and management of all data useful for the correct identification and assessment of the guarantees assumed.

Suitable arrangements are made when obtaining, assessing and verifying guarantees to ensure that they will prevail over third parties, both in the present and in the future, and can be fully enforced in case of a counterparty default.

With regard to mortgage guarantees, Group companies adopt reliable principles and standards for the assessment of properties in order to obtain realistic and detailed estimates of the value of the assets being used as collateral. There are also processes that are capable of ensuring an efficient management and a timely assessment of properties that are subject to real encumbrances, by realizing an inventory of the assets and filing expert appraisals in specific IT applications.

At the Parent Company, the value of the properties is updated using external expert appraisers, equipped with the right professional skills and independent from the proposal, resolution and loan pay-out processes. In order to ensure timely alignment with developments in the real estate market, the revaluation of the entire property portfolio used as collateral is also envisaged, based on statistical parameters that reflect market conditions. The entire loans portfolio backed by mortgage guarantees is periodically undergoes a further level of monitoring, centrally managed by the relevant departments with the aim of highlighting the exposures and related collateral property valuations that present risk characteristics. This can lead to specific controls and, depending on the outcome, corrective actions may be required, updating the appraisal if necessary.

Within the Group, the elements of uncertainty ascribable to the political, macro-economic and institutional situation of the countries where it is intended to lend money (i.e. country risk) are carefully assessed in the formulation of the company guidelines.

As for managing this type of risk, the credit assessment process incorporates specific control activities to be performed while screening the individual positions to monitor risk aspects attributable to the geographical area of the contracting parties.

The examination of risk profiles related to the occurrence, in the country of origin or of the customer's main business, of socio-political, economic or other types of events likely to compromise their solvency, from an operational point of view can be traced back to the broader and detailed creditworthiness analysis of the counterparties conducted when the risk was assumed.



Counterparty risk and credit valuation adjustment risk

STRATEGY

Counterparty risk represents the risk of suffering losses deriving from the failure of a counterparty to fulfil its contractual obligations, where the term "counterparty" identifies, primarily, a financial intermediary or other institutional operator (e.g. banks, SIMs, investment, SICAV, SICAF, UCIs, AMC) with which financial transactions are carried out (repurchase agreements, transactions in derivative instruments, spot or forward exchange rates, interbank deposits). This risk does not apply to financial contracts negotiated on regulated markets where clearing and guarantee mechanisms operate.

Another risk driver originates from trading in derivatives on a variety of underlying assets (such as debt and interest rate securities, equity securities, stock indexes, currencies, gold and metals) carried out by the Group with customers. Transactions in OTC derivatives are mainly aimed at hedging risks on currencies, interest rates or commodities on behalf of households and companies. The Group mainly offers plain vanilla derivatives to its customers. and these deals are usually matched by similar back-to-back derivative transactions with bank counterparties.

In general, the assumption of risks stemming from the financial activities performed by the Group with market counterparties, public and corporate issuers of bonds and similar securities held by the Group in its proprietary portfolios or ordinary customers operating in derivatives, is preceded by the assignment of dedicated credit lines ("plafonds") according to procedures set in internal regulations.

Specific risk limits are also established in terms of portfolio exposures with counterparties/issuers.

MEASUREMENT AND CONTROL SYSTEMS

The Group determines its capital requirement for counterparty risk on the basis of: a) the "Internal Model Method" for exposures to counterparties falling within the A-IRB Corporate and Retail segments and b) the "Standardised Approach" for the remaining exposure portfolios. The latter approximates the cost to the Group for finding another party willing to take over the obligations of the original contractual counterparty if the latter proves insolvent.

In this regard, the following categories of transactions are relevant:

- Over-The-Counter (OTC) derivative instruments;
- Securities Financing Transactions (SFT); typically, repurchase agreements on securities;
- Long Settlement Transactions (LST); typically, forward currency trading transactions.

The exposures subject to counterparty risk are quantified according to the "Market value method", as stated by prudential provisions.

Furthermore, limited to OTC derivative transactions - with the exception of any credit derivatives possibly recognised for the purpose of mitigating weighted exposures for credit risk - an additional capital requirement is calculated to meet the specific risk of Credit Valuation Adjustment (CVA), intended to hedge the risk associated with reductions in the market value of derivatives in the portfolio due to a deterioration in the creditworthiness of counterparties. For this purpose, the "standardised method" envisaged by prudential regulations in force is adopted.

With regard to the management of "credit risks arising from financial activities" (a category to which counterparty and issuer risks are managerially attributed), the management framework establishes that each counterparty/issuer can be authorised to operate with the Group only after opening specific internal credit lines (plafond) and being assigned to a defined creditworthiness class; the operating ceilings granted are subject to periodic review by the competent corporate structures.

With regard to the exposures to Italian and foreign banks, Banca Popolare di Sondrio uses the ratings given by leading agencies, wherever available, for valuation purposes. Otherwise, an internal rating, based on the application of a simplified model, is used. This model involves the examination of a series of quantitative and qualitative indicators and information, which produce values for the determination of a final score. This score is positioned on a scale of ten classes, where the first one represents a counterparty/issuer with minimal risk and the ninth identifies the highest level of risk, beaten only by a state of default, represented by the tenth class. In order to allow an easier correlation with the assessments expressed by international rating agencies, these ten classes are in turn aggregated into four macro-classes of rating.

A specific analysis of each risk position taken towards the various counterparties/issuers is also carried out on a regular basis, conducted by competent central structures by considering a series of indicators, including the rating trend (internal or external), data deriving from the accounting information of the counterparty/issuer and market data.

The results of the controls carried out are periodically reported to corporate Bodies and functions belonging to the Chief Risk Officer Area.

The aforementioned processes for counterparty and issuer risk monitoring and management apply to exposures towards the following subjects:

- ordinary customers (natural and legal persons), if they intend to carry out transactions in OTC derivatives;
- banks and operators included in the list contained in Legislative Decree No. 58 of 24/2/98 (e.g. SIM, investment companies, SICAV, SICAF, UCIs, AMCs);
- other issuers of bonds and similar securities acquired in the portfolio (limited to issuer risk), excluding the Italian State and other specific issuers, central counterparties and governments with an equal or lower risk profile.

The estimates of risk exposure in question refer to transactions involving the following financial assets: interbank deposits, repurchase agreements, securities (bonds and similar securities), derivative transactions, spot or forward exchange rates.

In addition to the previously described monitoring system, a methodological and procedural framework aimed at quantifying and monitoring "counterparty risk" properly referred to according to both a regulatory and management perspective is in place.

Within the Chief Risk Officer Area, a dedicated office provides periodic risk exposure measurement with reference to specific types of financial transactions carried out by the Bank and other Group entities, namely over-the-counter (OTC) derivatives trading, Security Financing Transactions (SFT) and Long Settlement Transactions (LST).

In particular, a monthly calculation of the estimated capital requirement is carried out for regulatory purposes in accordance with the current standardised supervisory approach (SA-CCR), which is also used in reporting. For transactions in OTC



derivatives that have a positive mark-to-market, an independent calculation of CVA (Credit Valuation Adjustment) and DVA (Debt Valuation Adjustment) metrics is also performed, respectively expressing the risk component of loss and/or "gain" linked to the default by and/or towards the counterparty in determining the fair value of the instruments, applying an alternative methodology to that adopted for accounting purposes⁵.

The control of exposure to risk related to possible changes in the creditworthiness of the counterparty of derivative transactions envisages a framework, also managerial, of measurement and monitoring that is based on the calculation of effective positive expected exposure metrics (EffEPE) aligned to industry best practices in this area. The analyses conducted feed into the production of periodic reports for internal reporting of the main findings.

With regard to OTC derivatives offered to corporate and retail customers exclusively for the purpose of hedging financial risks (exchange rate, interest rate or goods), each contract is offset by an opposite-sign contract, signed with primary market counterparties (typically, financial institutions of proven reliability) to neutralise or minimize any loss that might arise on hedged instruments.

For all exposures towards financial counterparties, mainly banks, Credit Support Annex (CSA) agreements are stipulated; these are bilateral contracts that assist operations in derivative instruments regulated by the "ISDA Master Agreement" in which the conditions for collateral mutual exchange are defined, i.e. a guarantee deposit (for BPS, cash deposits in euro) in order to mitigate the credit risk associated with a positive mark-to-market. The amount of these collateral guarantee assets is recalculated periodically based on the fair value of the underlying derivative.

Additional forms of risk mitigation are represented by the use of "Qualified Central Counterparties" (as defined by EU regulations), as well as the participation in central clearing and guarantee systems or mechanisms for guaranteeing the settlement of foreign exchange transactions (e.g., the interbank circuit CLS, Continuous Linked Settlement).

SOVEREIGN RISK ON BANKING BOOK (ITALY)

STRATEGY

According to management guidelines, direct investments in Italian government securities are mainly allocated to financial assets not held for trading purposes, in which available liquidity is invested to limit, at least to a certain extent, the impact of financial market volatility on the income statement.

The Group's assumption of long-term positions in domestic sovereign debt is strongly influenced by monetary policy decisions taken by the European Central Bank, by the trend in the national economic situation and by any need to maintain adequate financial assets reserves that can easily be turned into cash.

The strategy of increasing diversification of the proprietary securities portfolio continued, with Italian sovereign debt securities as a percentage of the total market value of the banking book gradually decreasing from 47.9% at the end of 2023 to 44.2% at the end of 2024. The modified duration of the Italian sovereign portfolio increased slightly to close to 2 years, compared to just under a year earlier. The share of floating-rate government bonds declined slightly, amounting to around 63% of the segment under analysis at the end of 2024 (74% last year).

⁵ The methodology based on positive expected effective exposure (effective EPE or EffEPE) also prescribed by the prudential supervisory framework is used in the estimation.

For the Parent Company the main source of risk exposure on the sovereign portfolio - an expression of both the risk of suffering reductions in economic or market value from Italian government securities held in the banking book portfolios measured at fair value for accounting purposes, and the exposure to default, recovery and migration risks on government securities included among the banking book instruments measured at amortised cost - is given by the holdings of Italian government debt securities classified for accounting purposes among "financial assets measured at fair value through other comprehensive income" (HTCS - Held To Collect and Sell), in which only 4% of the type of securities under analysis is allocated, and "financial assets measured at amortised cost" (HTC - Held To Collect), which accounts for the majority of the investments in question. A minimal portion of Italian government securities belonging to the "financial activities valued at the amortised cost" portfolio can be attributed to the BPS employee retirement scheme, which does not fall under the Italian sovereign risk monitoring.

Among the Subsidiaries, only BNT Banca has marginal exposures classifiable under this type of risk, having purchased, mainly for the purpose of holding reserves of liquidity, debt instruments issued by the Italian Republic which do fall within the risk perimeter.

Relevant collective Bodies define strategic guidelines regarding the management of financial instruments within the scope of the risk under consideration, taking into account potential impacts on current risk objectives and limits. The Operating Areas then undertake risk by operating in the financial markets and manage the exposure following the guidelines received, and also monitor any operational limit to trading activities.

MEASUREMENT AND CONTROL SYSTEMS

As regards the determination of the capital absorption associated with Italian sovereign debt securities, the portfolio in question is included in the calculation of the «Pillar 1» requirement for credit risk in accordance with the applicable supervisory regulations. The "Standardised Approach" is therefore adopted, according to which a risk weight of 0% is assigned to exposures towards Central Administrations and Central Banks of the EU Member States - including Italy - denominated and financed in the national currency.

From a management perspective, the CRO Area determines on a daily basis the risk exposure related to investments in Italian government debt securities falling within the scope of activity identified above separately for amortised cost and fair value positions.

For positions at amortised cost, exposure reviews are based on the risk metric known as "Stressed Expected Credit Loss" (sECL), a measure that aims to quantify the degree of risk associated with the specific portion of the portfolio, focusing specifically on the credit risk profile: this, in fact, represents the estimated expected loss in the event of a reduction in the creditworthiness of securities/issuers in the portfolio. The sECL limit expressed as a percentage of Tier 1 primary capital (CET1) and structured distinctly on an individual and consolidated basis, is configured as a complementary RAF parameter, like the "Maximum Acceptable Loss" limits described below (which instead find application to instruments measured at fair value) and is accompanied by attention thresholds aimed at reporting any tightening of risk as it approaches the threshold-limit.

With reference to banking book instruments measured at fair value, the exposure to risk - derived from the possibility of suffering impairment losses as a result of unexpected trends in market rates representative of risk-free asset yields, the risk of incurring losses as a result of unexpected changes in the differential between the yield on securities and the current



level of risk-free interest rates (so-called credit spread risk) by virtue of elements related to the issuer's situation and/or the characteristics of the instrument issued, as well as the risk of incurring losses because of changes in inflationary expectations (inflation risk) for inflation-linked securities - is determined primarily through an internal historical Value-at-Risk (VaR) quantification method. The figure resulting from this model is an estimate of the maximum potentially achievable loss on the portfolio, over a defined period of time and with a certain degree of probability, calculated on the basis of the actual historical observations of the returns of the risk factors that contribute to determining the value of the elements making up the portfolio. The aggregation of the VaR at portfolio level occurs by taking into account implicit correlations between the various risk profiles, by virtue of which the overall VaR value is normally lower than the sum of the individual VaRs.

Backtesting is performed on the results of the statistical model, comparing them with the results achieved on the sovereign portfolio in the past. This involves a comparison between the daily VaR figures and the changes in market value the next day for the same positions on which the VaR measurements were calculated (theoretical losses), the changes in the hypothetical present value of the instrument/portfolio, calculated using the respective pricing model applied by the risk exposure calculation tool (theoretical losses from the model) and the changes in market value on the following day recorded on the portfolio including the actual increases/decreases that have taken place (actual losses).

VaR estimates on domestic government securities in the portfolio fall within a wider system of internal limits designed to ensure an organic and coherent control structure of risk profiles originating from investments in financial portfolios. In this regard, the Board of Directors of the Parent Company quantifies on an annual basis, within the Risk Appetite Framework (RAF), the maximum level of losses that would be considered tolerable ("Maximum Acceptable Loss") on the overall positions in securities at fair value held for purpose other than trading, both on a consolidated basis and at the Parent Company level alone, in line with the investment policies and with the financial transactions expected to take place over a one year horizon (*risk trigger - first level limits*). A monitoring threshold is also set in order to signal that the risk profile is approaching the set "Maximum Acceptable Loss" (MAL) limit; exceeding it leads to more intense controls over the risk exposure.

The measure of "Maximum Acceptable Loss" compares with an aggregate equal to the sum of the "Effective Cumulative Loss" (ECL), which reflects any negative result of the portfolio management, including both realised and unrealised losses, and an estimate of the "Maturity VaR" (VaRhp), representing the potential loss that the portfolio could still suffer over a one-month horizon, quantified using statistical techniques. There is no specific reference threshold for ECL; however, this metric is taken into account in the dynamic determination of the VaRhp limit (*second-level limit*) which is calculated as a percentage of the MAL monitoring threshold less any ECL amount, to take account - where present - of the negative results already achieved on the portfolio. A monitoring threshold is also set to report the approach of the risk profile to the identified VaRhp limit.

This second level operational limit is in turn split, only for positions in financial instruments measured at fair value, into daily early warning thresholds which can promptly report any increase in the risk associated with portfolio positions (*third level operational limits*). These are specific daily VaR thresholds provided for exposure towards individual risk factors underlying the aggregates of assets in the portfolio. In particular, as regards to the instruments of the banking book exposed to "sovereign risk", these thresholds aim to contain the daily exposure towards the risk-free interest rate risk, credit spread risk and inflation risk.

An early warning threshold is also set for the measurement of Maturity VaR estimated in stress conditions ("Stressed VaR"), which is determined monthly on the overall banking book at fair value, i.e. not only on the positions in Italian sovereign securities.

In addition to the metrics system described, a maximum limit is set on the proportion of domestic sovereign debt securities to the overall market value of the banking book, considered in the RAF as complementary risk appetite limit.

If the existing limits are found to have been exceeded, based on the measurements made on the level reached by one of the indicators of exposure to the above risks, differentiated escalation processes are activated according to the materiality of the limit/threshold exceeded, thus taking the most appropriate steps to mitigate the risk. For example, management measures that can be implemented to bring risk exposure back within set limits may include: reshaping financial investment strategies; recomposition of proprietary portfolios by investment size and/or issuer type (e.g. by changing risk allocation toward issuers characterised by more favourable regulatory weighting); imposition of additional operational limits expressed in terms of position ceilings (nominal, book, or market values; stop losses) or sensitivities; and use of hedging transactions.

The control system also contemplates additional daily risk metrics (so-called sensitivities, which are synthetic parameters that measure the extent of potential changes in the value of financial assets in reaction to smaller changes in the respective risk factors) and monthly (so-called "Stressed Present Value", which is a measure of the impact on the securities value in the portfolio of an hypothetical stress scenario), calculated by type of instrument and separately for each portfolio to which it belongs.

In support of the monitoring processes described, adequate internal reporting is prepared, in a timely and performance-oriented manner, to document risk analyses carried out by the Chief Risk Officer Area upon request or with a predefined frequency.

The global VaR and sECL calculated on the sovereign portfolio are also used for the purpose of quantifying, within the Group's capital adequacy assessment process (ICAAP), the internal capital intended to hedge the risk in question.

OTHER (NON-SOVEREIGN) BANKING BOOK INSTRUMENTS RISK

STRATEGY

Exposed to this type of risk - understood as the risk of suffering impairment losses on financial assets (other than securities issued by the Italian State) present in the banking book portfolios due both to adverse changes in financial markets and to deterioration in the creditworthiness of issuers or issues - are equity securities and other capital interests not included in the accounting item "Equity investments", UCIs and debt instruments falling under the non-trading portfolios, excluding assets issued by the Italian state (treated, as mentioned, under "Italy sovereign risk"), units of real estate funds in the portfolio (treated under "real estate risk") and financial investments made by the personnel pension fund (treated under "pension fund-related risk").

The overall exposure to this risk is broken down, for the portion of securities measured at fair value, into the sub-type of "interest rate risk" (risk-free), "credit spread risk" (credit spread), "inflation risk", "price risk" and "optionality risk", depending on whether the risk consists, respectively, of a fluctuation in risk-free interest rates, in risk premiums related to the situation of the issuer and/or the characteristics of the debt security issued, in inflation expectations (so-called "inflation risk") for *inflation-linked* securities in the portfolio, in the prices of equities or UCITS, or in the volatility of the underlyings of optional components.



As regards interest rate, credit spread and inflation risk, the Group's exposure is represented by holdings of debt instruments not issued by the Italian Government and classified at the accounting level under "other financial assets mandatorily measured at fair value", "financial assets measured at fair value through other comprehensive income". Exposure to default, recovery and migration risks, on the other hand, comes from the same types of financial assets found under "financial assets measured at amortised cost" (HTC - Held To Collect).

The focus on prudent risk assumption and management translates into a bond portfolio more than one-half of which consists of fixed-rate European government bonds (specifically, Spain, France, Germany and, residually, Austria) and debt securities of corporate issuers, mainly senior preferred, green and social financials, with good credit quality. During 2024, the reduction in the share allocated to HTC continued, which nevertheless remains prevalent, also being a prudential choice. The share of securitisations in the portfolio decreased, thanks to the partial repayment of the repurchased ABS securities issued against the sales of NPL loans made by the Bank in previous years.

The overall modified duration of the banking bond portfolio falling within the scope of other securities risk, net of the aforementioned securitisations, was essentially stable year-on-year to 2.7 years at the end of 2024 (2.6 years at the end of 2023).

The main source of exposure to "price risk" consists of equity securities and UCIs classified under "other financial assets mandatorily measured at fair value" and "financial assets measured at fair value through other comprehensive income". As a matter of prudence, after the divestment carried out in 2023, the share of UCIs held remained limited in 2024 (at the end of the period, investments of this kind amounted to 1.8% of the banking portfolio as a whole, compared to 1.1% at the end of 2023): these were mainly private equity and private debt funds, as well as AIFs deriving from the sale of our non-performing loans. Equity securities represent a marginal investment with no significant change from the previous year.

There are no inflation-linked securities in the portfolio and therefore the exposure to inflation risk is zero. Finally, the source of exposure to optionality risk stems from the few bonds with implicit optionality in the portfolio.

The subsidiary Banca Popolare di Sondrio (SUISSE) is marginally exposed to other securities risk as regards the fair value component of its own financial securities. The other Subsidiaries are not significantly exposed to this type of risk.

The relevant collective Bodies define strategic guidelines regarding the management of financial instruments within the scope of the risk under consideration, taking into account potential impacts on current risk objectives and limits. The Operating Areas then undertake risk by operating in the financial markets and manage the exposure following the guidelines received, and also monitor any operational limit to trading activities.

MEASUREMENT AND CONTROL SYSTEMS

As for measuring this type of risk, the Standardised Approach adopted by the Group is applied for regulatory purposes to determine the capital requirement for credit risk. This involves weighting the exposures on the basis of the rating assigned to each issuer, where one is available.

From a management perspective, the Chief Risk Officer Area of the Parent Company determines on a daily basis the risk exposure at consolidated and individual levels, separately for amortised cost and fair value positions.

For positions at amortised cost, controls on exposures are based, similarly to what has been exposed for "Italy sovereign risk," on the metric of "Stressed Expected Credit Loss" (sECL - stressed ECL). This measure aims to quantify the degree of risk associated with the specific portion of the portfolio by focusing specifically on the credit risk profile: this, in fact, represents the amount of estimated expected loss assuming a reduction in the creditworthiness of securities/issuers in the portfolio. The sECL limit, expressed as a percentage of Tier 1 primary capital (CET1) and distinctly articulated on both an individual and consolidated basis, is configured as a complementary RAF parameter and is accompanied by an attention threshold aimed at reporting any tightening of risk as it approaches the threshold-limit.

With reference to banking book instruments measured at fair value, the overall risk exposure - investigated separately in its components of "interest rate risk" (risk-free), "credit spread risk", "price risk", "inflation risk" and "optionality risk" - is quantified through the same Value-at-Risk (VaR) statistical model illustrated for "Italy sovereign risk". The resulting figure indicates, at aggregate level, the estimate of the maximum potentially achievable loss on financial instruments (other than Italian sovereign debt securities) not held for trading purposes, in a defined period of time and with a certain degree of probability, calculated on the basis of the implicit returns and correlations observed historically between the individual risk factors to which these assets are exposed.

For debt securities, equities and UCIs falling within the fair value part of the portfolio under analysis, the forecast results of the VaR model are backtested with those historically achieved on the entire portfolio of instruments according to the same method illustrated in the paragraph dedicated to "Italian sovereign risk".

VaR estimates concerning the risk in question fall within the broader system of internal limits explained in the section on "sovereign risk", to which reference should be made; however, for the banking sub-portfolio exposed to "other securities risk" measured at fair value, second level limits applied to "Maturity VaR" (VaRhp) translate into more specific daily VaR thresholds (early warnings), set separately to monitor "risk-free interest rate risk", "credit spread risk", "price risk", "inflation risk" (established at 0 since no such transactions are present) and "optionality risk" on the instruments in the portfolio.

If, thanks to the surveys on the level from time to time reached by the indicators of exposure to the aforementioned risks, the existing limits are found to be exceeded, differentiated escalation processes are activated based on the relevance of the violated limit/threshold, in order to achieve the management actions deemed most suitable for risk mitigation.

The control system also contemplates additional daily risk metrics (so-called Sensitivities, which are synthetic parameters that commensurate the extent of potential changes in the value of assets in reaction to smallest changes in the respective risk factors) and monthly (so-called Stressed Present Value, which is a metric of the impact securities value in the portfolio of a hypothetical stress scenario), calculated by type of instrument and separately for each portfolio to which it belongs.

In support of monitoring processes, adequate internal reporting is prepared, in a timely and performance-oriented manner, to document risk analyses carried out by the Chief Risk Officer Area upon request or with a predefined frequency.

The measurements of maturity VaR and sECL calculated on the instruments included in the banking book, other than securities issued by the Italian Government, are also used for the purpose of quantifying the internal capital intended to cover the risk in question as part of the Group's capital adequacy assessment process (ICAAP).



Single-name and geo-sectoral credit concentration risks

STRATEGY

The Group manages its lending activities by ensuring a strict control of risk concentration levels, which is in turn an expression of its traditional vocation to sustain local economic operators, especially SMEs and households.

This implies a managerial appetite to risk diversification and fragmentation (except for a number of exposures towards large counterparties, which are however carefully monitored) in order to prevent an excessive credit risk concentration in the Group's asset portfolios, also by the imposition of maximum exposure limits to single counterparties/groups of connected customers, economic sectors and/or geographical areas with higher risk profiles.

As for the distribution of the portfolio by economic sector, the Group's overall exposure in the real estate sector assumes importance for the mortgage loans granted to households (mainly for buying, building or renovating their own property) and productive enterprises that actually do not belong to construction and real estate macro-segments, as well as through the direct financing of companies operating in these sectors, whose repayment capacity mainly depends on the building, rental or sale of real estate.

In geographical terms, loans to customers, broken down by residence of the counterparty, are mainly concentrated in Italy and especially in the Group's traditional "home ground" (Lombardy and Lazio regions, where the Group's presence on the territory is particularly widespread).

Business activities could be therefore significantly influenced by changes in domestic macro-economic conditions, with specific regard to the dynamics of geographical areas with an intensive industrial development in the Northern and Central Italy.

MEASUREMENT AND CONTROL SYSTEMS

The prudential discipline does not prescribe, for the purposes of «Pillar 1», the determination of specific minimum capital requirements to deal with the exposure to credit concentration risks (single-name and geo-sectoral), leaving the evaluation to intermediaries, as part of «Pillar 2» analyses, regarding the advisability of placing specific capital amounts to cover these risk profiles. Considering the importance of these risk types, the Group chooses to allocate a certain amount of capital for each of them. This is communicated to the Supervisory Authority during the periodic ICAAP reporting.

The need to attribute a magnitude of economic capital to the concentration risk derives from the need to fill the gaps inherent in regulatory models for measuring credit risk; in fact, supervisory approaches to quantify capital absorption do not take into account the fact that a loan portfolio concentrated on a few large borrowers and/or towards a limited number of geographical areas or production sectors incorporates a higher level of risk than a perfectly diversified portfolio. For this quantification, the Group adopts a special statistical portfolio model, which is used more generally for estimating economic capital requirements for credit risk exposure strictly as well as for additional risk components related to it (e.g., residual risk, migration risk, concentration risks).

From a managerial point of view, during the appraisal phase, as well as in credits disbursement, review and monitoring processes, in-depth controls are carried out by the Group's components on the credit portfolio risk concentration related to major exposures towards individual counterparties or groups of connected clients.

For loans applications qualified to be "of greater significance" according to the size of the outstanding exposure and the request for new credit lines, specific procedures, in line with the regulatory framework, are followed by the Group. In particular, such applications originating from the main members of the Group, supplemented by the related report, are sent to a dedicated office operating at the Parent Company's Chief Risk Officer Area, which is requested to check that the transaction is consistent with the Risk Appetite Framework (RAF).

For positions that are classified as "Large exposures" for supervisory purposes, in addition to the ordinary preliminary appraisal, an in-depth analysis by this unit is envisaged to support the assessments of the decision-making Bodies.

The Chief Risk Officer Area is also responsible for:

- monitoring the development of main credit exposures, whenever there are signals of risk increase, punctually reviewing positions and, if applicable, informing the competent corporate Bodies on the matter;
- analysing periodically the credit portfolio composition by economic sectors and counterparties.

The Risk Appetite Framework in turn sets limits on the concentration of the loan portfolio towards larger counterparties and "unattractive" economic sectors.

If needed or in order to hold down the level of concentration, specific mitigation measures can be taken as part of credit and the related risk management. The tools for pursuing this objective include:

- preventive measures to limit particularly concentrated exposures, leading to an intensification of controls and risk analyses to be carried out before the execution of the transactions;
- actions to correct the risk profile, to be implemented in the event of an increase in the levels of risk assumed, with the aim of bringing the amount of exposure back down below the limits of acceptability and restoring a situation in line with the Bank's risk appetite.

The concentration profile of the Group's loans, both at business portfolios and economic sectors levels, is periodically monitored by the competent central offices of the Parent Company, producing for the benefit of the Company's top management a specific report concerning, among others, the quality of the exposures at an aggregate level, the concentration of risks and the distribution of loans by rating classes. If necessary, an in-depth review of the degree of reliability is conducted for exposures of significant size, based on the economic sector, the internal/external rating of the counterparty, the technical form of credit lines, guarantees given and received and the duration of the credit lines granted.

With reference to financial operations, the concentration of risk is monitored through the periodic determination of the exposure to risk against the credit lines granted towards financial counterparties or issuers of debt securities in portfolio, calculated using the "amount effectively granted"⁶ by credit line, suitably weighted by means of risk ratios linked to the creditworthiness class in which each counterparty/issuer is classified.

This exposure, neither at the time of granting the credit lines nor on an ongoing basis, may exceed the quantitative limits illustrated in the paragraph dedicated to "counterparty and credit valuation adjustment risks", respectively expressed in terms of:

- the maximum exposure to each counterparty/issuer ("Single counterparty limit");
- the maximum cumulative exposure to the top 10 counterparties/issuers ("Concentration limit");
- the maximum cumulative exposure to counterparties/issuers belonging to the same country, other than Italy ("Country risk limit").

⁶ In operating terms, the "amount effectively granted" is the amount, measured at a specific point in time, obtained by multiplying the credit limit granted to counterparties/issuers by a corrective factor corresponding to the higher of the individual credit lines and the amount historically observed, in relation to all the credit lines granted, at a high level of statistical significance.



MARKET RISK

DEFINITION

Risk of economic losses due to decreases in value of activities and / or increases in value of liabilities induced by adverse trends in financial markets, in connection with trading operations in securities and other financial instruments, currencies and commodities. It can be broken down into:

- *Position risk on financial instruments*: the risk of suffering impairment losses due to fluctuations in the economic or market value of transferable securities due to factors relating to the performance of markets and the situation of the issuer; it is in turn divided into:
 - *Generic risk*: rischio di perdite the risk of losses caused by an unfavourable trend in the economic or market value of almost all traded financial instruments (for fixed-yield securities and similar instruments, dependent on an adverse change in market interest rates levels representing yields on risk-free assets; for equities and similar instruments, linked to a generally unfavourable trend in market prices);
 - *Specific risk*: the risk of losses originating from an unfavourable change in the economic or market value of traded financial instruments, which is in turn due to factors or events connected with the situation of the issuer (e.g., insolvency or other circumstances that determine a change in the issuer's creditworthiness). *Credit spread risk* is attributable in this case, given by the risk of suffering impairment due to unexpected changes in the difference between the yield on a debt security or similar instrument in portfolio and the risk-free interest rate, representing the risk premium related to the situation of the issuer and/or the characteristics of the financial instrument issued;
- *Concentration risk on the trading book*: the risk deriving from exposures towards individual counterparties or issuers, of specific issuances, identified economic sectors and/or geographical areas. As regards exposure to market risks, concentration refers to the financial instruments held in the trading portfolio issued by customers or groups of connected customers pursuant to the supervisory provisions on "Large exposures";
- *Exchange rate risk*: the risk of incurring losses as a result of adverse changes in foreign currency exchange rates and on positions held by the Group, regardless of the portfolio to which they are allocated; it includes the *structural exchange rate risk* arising from the risk that adverse changes in foreign currency exchange rates may produce negative impacts on income or equity as a result of holding financial assets denominated in foreign currencies measured at historical cost or at fair value through other comprehensive income recognised as foreign exchange positions of a structural nature;
- *Commodity risk*: the risk of suffering losses due to adverse changes in commodity prices on the positions held by the Group, regardless of the portfolio they have been allocated to;
- *Basis risk on the trading book*: the risk of suffering losses caused by non-aligned variations in the values of opposite-sign positions that are similar but not identical, considered in the context of market risk. Particular attention is paid to the possibility, provided for by the standardised approach to the calculation of capital requirements on position risk, to offset the positions in one or more equity securities included in an equity index with one or more positions in futures or other derivatives related to this index or to offset opposite positions in futures in an equity index, which however are not identical in terms of maturity, composition or both.

STRATEGY

The objectives and strategies underlying proprietary trading, designed to manage the portfolio of securities held for trading purposes, are aimed at maximising its profitability, seizing any investment opportunities that may arise due to the market context, as part of an approach inspired by the containment and rigorous assessment of the risk profile. The Parent Company's role in trading activities essentially consists of arbitrage in securities to benefit from short-term trading opportunities, rather

than taking long-term risk positions.

The overall exposure to market risk, referring to all financial assets held for trading purposes, is divided, for management monitoring purposes, into the subspecies of "interest rate risk", "inflation risk", "exchange risk", "price risk", "commodity risk", "credit spread risk" and "optionality risk", depending on whether the relevant risk factor consists, respectively, of a change in interest rates risk-free, inflationary expectations, exchange rates, prices of equities, UCIs or commodities, risk premiums related to the situation of the issuer and/or the characteristics of the financial instrument issued, the volatility of the optional underlying components.

The source of exposure to interest rate risk (risk-free) mainly consists of fixed-yield securities classified as "financial assets held for trading"; there is also a marginal contribution from derivative instruments, both in the strict sense (options on interest rates and exchange rates, options on shares and indices, interest rate swaps) and forward exchange rate contracts. With regard to the trading of derivative instruments in the strict sense, the Bank's competent offices carry out trading at the request of customers, which is then hedged with other financial counterparties, with the exception of trading in options on listed shares and indices, which is carried out for trading purposes. Activities with other innovative or complex instruments are almost irrelevant.

Still in relation to the bond component, exposure to credit spread risk consists exclusively of fixed-yield securities classified for accounting purposes as "financial assets held for trading" (FVTPLT - Fair Value Through Profit or Loss Trading).

There were no exposures subject to "inflation risk" during the year.

The main source of price risk is represented by equities and UCIs classified in the portfolio of "financial assets held for trading" (FVTPLT - Fair Value Through Profit or Loss Trading), from which the investments of the personnel pension fund are excluded (treated as part of the identification of the "risk associated with pension funds") and the shares of real estate funds in the portfolio (treated as part of the measurement of "real estate risk").

As for the interest rate risk, also for the price risk the strategy pursued in the context of the overall assumption of market risks is oriented towards a prudent management of the assets held. Likewise, the composition within equity securities in the portfolio favours those issued by primary financial and non-financial large markets companies, in order to take advantage of trading opportunities. Operations focus in particular on Italian and European equities, but also include investments in funds (ETFs and UCI units) aimed at increasing the sector-based and geographical diversification of the portfolio. With regard to derivative instruments, reference is made to the already mentioned equity option and index option trading.

Exposure to commodities risk, recognised on all items in the financial statements, arises from: forward commodities and commodity transactions, executed to meet specific customer operating requirements and then balanced with mirror contracts signed with leading financial counterparties; loans in precious metals; current accounts receivable and payable in precious metals; and residual balances also in precious metals. The resulting overall risk exposure is, however, insignificant.

The subsidiaries Factorit, Sinergia Seconda and BNT Banca have no exposures inherent to the trading portfolio in a strict sense; Popso Covered Bond, consolidated on a synthetic basis with the Parent Company, contributes to the exposures referred to with reference to the Parent Company Banca Popolare di Sondrio, albeit only minimally. For Banca Popolare di Sondrio (SUISSE), the interest rate risk arising from the trading portfolio is attributable to the underwriting of forward



exchange rate contracts; commodity risk originates from occasional trading in commodity options on behalf of customers, which are readily settled, and from limited trading in precious metals (coins, loans, forward transactions); during the year, the marginal exposure to price risk arising from the share of funds held in the portfolio of "financial assets held for trading" was extinguished.

For the Parent Company the main sources of exposure to exchange rate risk, recognised on all financial statement items, lie in the equity shareholding in the subsidiary Banca Popolare di Sondrio (SUISSE) - denominated in Swiss francs and falling under the particular sub-type of exchange rate risk of a structural nature by virtue of the waiver granted by the Supervisory Authority relating to the exclusion of capital requirements for exchange rate risk from the regulatory calculation, in the holding of certain other equities and UCIs and bonds in foreign currency and, lastly, in daily foreign currency imbalances managed by relevant operating structures. These imbalances stem essentially from intermediation on spot and forward transactions with both customers (households, companies, entities) and on the interbank market, as well as from the implications on foreign exchange positions deriving from the negotiation of other financial products (difference between premiums on currency options, interest on currency deposits, etc.). Excluding securities, the Bank's role in foreign currency transactions is largely commercial, with a view to meeting customers' operating needs.

For the subsidiary Factorit, the exposure to exchange rate risk is marginal, given the company's policy of systematically hedging items in foreign currencies: it exists mainly, but for limited volumes, with regard to accrued interest and interest income not offset by interest expense expressed in currencies other than the euro, as well as with regard to guarantees denominated in foreign currencies against transactions in euro. For the Swiss subsidiary Banca Popolare di Sondrio (SUISSE), excluding the positions in securities held on own account, operations in foreign currency are carried out to meet the needs of its customers, except for transitory treasury phases, which would still comply with the prudent limits set internally. The remaining components of the Group have no material exposures, as they have no assets or liabilities denominated in foreign currencies.

Lastly, the exposure to optionality risk derives from the trading of assets with optional elements, including implicit ones; however, it is limited in scope given the substantial back-to-back balancing of derivative transactions carried out on behalf of customers.

The relevant collective Bodies define strategic guidelines regarding the management of financial instruments within the scope of the risk under consideration, taking into account potential impacts on current risk objectives and limits. The Operating Areas then undertake risk by operating in the financial markets and manage the exposure following the guidelines received, and also monitor any operational limit to trading activities.

MEASUREMENT AND CONTROL SYSTEMS

The Group quantifies its capital requirement on market risk by aggregating individual requirements for each component, as obtained on the basis of the respective national rules. The Parent Company determines accordingly a capital requirement separately for each particular type of market risk, applying the standardised measurement methods envisaged by prudential regulations.

According to supervisory regulations, the following risk types are identified in the market risk category for which, where relevant, the quantification of a «Pillar 1» capital requirement is needed:

- with reference to financial assets included in the trading portfolio:

- *position risk*
- *concentration risk*
- with reference to the entire financial statements:
 - *settlement risk*
 - *foreign exchange risk*⁷
 - *commodity risk*.

During 2024, the determination of the alternative standard capital requirement to cover market risks continued for information purposes only through dedicated COREP reporting, based on the provisions of the FRTB (Fundamental Review of the Trading Book) regulation. This new capital requirement, recognised on a quarterly basis, is equivalent to the sum of the requirements calculated for each of the following three components:

- Sensitivity Based Approach (SBA): a calculation methodology based on sensitivities;
- Default Risk Charge (DRC): a metric that captures issuer risk-Jump-To-Default (JTD) for debt, equity, and derivative instruments that have these instruments as underlying assets;
- Residual Risk Add-On (RRAO): an additional metric that captures residual risks not considered by the previous two components.

From an operational point of view, the daily estimate of the global exposure to market risk (combination of position risks in trading, exchange rate and position in commodities) managed by the offices of the Chief Risk Officer Area of the Parent Company - investigated separately in its components of risk-free interest rate risk, credit spread risk, inflation risk, price risk, commodity risk, optionality risk and exchange rate risk - is based on an internal method for determining the Value at Risk (VaR), applied to the financial instruments subject to measurement in relation to the fluctuations of market variables observed on historical bases. The figure resulting from the statistical model indicates, at both a consolidated and individual level, the estimate of the maximum loss potentially achievable on a portfolio of financial instruments, in a defined period of time and with a pre-established degree of probability.

Similarly to as described in the paragraphs dedicated to "Italian sovereign risk" and "other securities risk" of the banking book, the VaR model adopted in the management measurement processes of exposure to market risks is a historical simulation model. The aggregation of the VaR at portfolio level occurs by taking into account implicit correlations between the various risk profiles covered by the measurement, by virtue of which the overall VaR value is normally lower than the sum of the individual VaRs.

Backtesting is performed on the forecasting results of the statistical model, comparing them with the results achieved in the past. This involves a comparison, on the one hand, between the daily VaR figures and on the other hand, the changes in market value the next day for the same financial positions on which the VaR was calculated (theoretical losses), the change in the hypothetical present value of the instrument/portfolio, calculated using the pricing model applied by the risk exposure calculation tool (theoretical losses from the model) or the change in market value recorded on the following day on the portfolio including the increases or decreases that have taken place (actual losses).

VaR measurements are part of a wider system of internal limits aimed at ensuring an organic and coherent control structure of market risk profiles. In this regard, the Board of Directors of the Parent Company quantifies on an annual basis, within the Risk Appetite Framework (RAF), the maximum level of losses that would be considered tolerable ("Maximum Acceptable

⁷ The Supervisory Authority granted an exemption from the calculation of the capital requirement for the capital stake of the subsidiary Banca Popolare di Sondrio (SUISSE), in light of its structural nature, as of 13/02/2024 with effect from the fulfilment of the prudential reporting requirements on the accounting date of 31 March 2024.



Loss", MAL) for the positions in the trading portfolio and foreign currency transactions foreseen in the period, both on a consolidated and individual level, but only for the Parent Company, in line with the investment policies and with the financial transactions expected to take place over a set horizon (*risk trigger - first level limit*).

The general measure of "Maximum Acceptable Loss" in turn compares with an aggregate corresponding to the sum of the "Effective Cumulative Loss" (ECL), which reflects any negative result of the portfolio management, including both realised and unrealised losses, and an estimate of the "Maturity VaR" (VaRhp), representing the potential loss that the portfolio could still suffer over a 10-day horizon, quantified using statistical techniques. No specific maximum threshold is set for ECL; however, the metric is taken into account in the dynamic determination of the VaRhp limit (*second level operational limit*): in fact, this is calculated as a percentage of the MAL monitoring threshold less any ECL accrued, to take account - where present - of the negative results already achieved on the portfolio from the beginning of the year. A monitoring threshold is also set to report the approach of the overall risk profile to the identified VaRhp limit.

This second level limit is then split into daily early warning thresholds which can promptly report any increase in the risk associated with portfolio positions (*third level operational limits*). These are specific VaR thresholds on a daily basis, provided for exposure to the individual risk factors underlying the assets aggregates in the portfolio; these thresholds aim in particular to contain the daily exposure to "risk-free interest rate risk", "credit spread risk", "inflation risk", "price risk", "commodity risk", "optionality risk" and "exchange rate risk".

An early warning threshold is also established for the measurement of Maturity VaR estimated under stress conditions ("Stressed VaR").

The control system also contemplates additional daily risk metrics (so-called sensitivities, which are synthetic parameters that measure the extent of potential changes in the value of financial assets in reaction to smaller changes in the respective risk factors) and monthly (so-called "Stressed Present Value", which is a measure of the impact on the securities value in the portfolio of an hypothetical stress scenario), calculated by type of instrument and separately for each portfolio to which it belongs.

"Exchange rate risk of a structural nature" associated with the equity investment in CHF held by the Bank at historical cost in the Swiss subsidiary BPS (SUISSE), is subject to a specific monitoring framework based on two indicators: the first expresses the sensitivity of the CET1 Ratio to a change in the structural exchange rate (SFX Sensitivity), falling under the second-level RAF metrics (complementary); the second represents the maximum acceptable loss on structural foreign exchange positions (SFX Maximum Loss), included among the operational RAF indicators (third-level operational limit). Both measures are observed on a daily basis.

If the existing limits are found to be exceeded, from the surveys on the level from time to time reached by all the indicators of exposure to the aforementioned risks, differentiated escalation processes are activated based on the relevance of the violated limit/threshold, in order to achieve the management actions deemed most suitable for risk mitigation.

In support of monitoring processes, adequate internal reporting is prepared, in a timely and performance-oriented manner, to document risk analyses carried out by the Chief Risk Officer Area upon request or with a predefined frequency.

The global VaR calculated on the financial instruments of the trading portfolio is also used for the purpose of quantifying, within the Group's capital adequacy assessment process (ICAAP), the internal capital intended to hedge the risk in question.

OPERATIONAL, REPUTATIONAL AND COMPLIANCE RISKS

DEFINITION

The risks of suffering loss or damage resulting from: a) the inadequacy or malfunction of procedures, human resources and internal systems, or from external events; b) failure to comply with rules and regulations; c) negative impacts on the Group's credibility and image. This category includes the following types of risk:

- *Operational risk*: the risk of suffering losses or damage resulting from the inadequacy or malfunction of procedures, human resources and internal systems, or from the occurrence of external events; this category also includes losses caused by fraud, human error, operational interruptions, system downtime, contractual non-performance and natural catastrophes. This definition includes:
 - *Legal risk*: the risk of incurring losses and/or expenses (at trial, for the services of legal professionals) arising from judicial or extra-judicial proceedings or from the formal deficiency or inadequacy of contractual prospectuses and legal documentation. It may be broken down into:
 - » *Legal conduct risk* (or conduct risk): the risk of losses or other expenses arising from litigation attributable to wilful breach and/or non-compliance with professional obligations, codes and internal rules of conduct for the protection of customers (including proceedings for inappropriate offer of products/services, adoption of intentionally inappropriate or negligent business practices);
 - » *Other legal risks*: the risk of losses or other expenses arising from litigation not directly attributable to fraudulent, intentionally inappropriate or negligent conduct towards customers, including proceedings brought by non-customer counterparties (e.g. business counterparties, suppliers), including for legal liability related to climate and environmental impacts;
 - *ICT risk (or security and ICT risk)*: the risk of incurring losses caused by breaches of confidentiality, lack of integrity and/or unavailability of corporate systems and data, as well as by failure to adapt and/or update the technological components of ICT (Information and Communication Technology) systems within reasonable time and at reasonable costs, depending on internal or external factors or changes in business needs. This includes (logical or physical) security risks arising from inadequate or inefficient internal processes as well as from culpable or wilful violations by internal or external actors, including cyber attacks (cyber risk). It may be broken down into:
 - » *ICT availability and continuity risk*: the risk that the performance and availability of corporate ICT systems will be compromised, including the risk of an inability to restore corporate services in a timely manner following a failure of ICT components (hardware or software);
 - » *ICT security risk*: the risk of unauthorised access to the company's ICT systems and data, from inside or outside (e.g. in the case of cyber attacks);
 - » *ICT change risk*: risk arising from the inability to manage changes impacting the company's ICT systems, in a timely and controlled manner, with a focus on complex and large change interventions;
 - » *ICT data integrity risk*: risk that data stored and processed by corporate ICT systems is incomplete, inaccurate or inconsistent across systems;
 - » *ICT third party risk*: the risk that the use of a third party or another Group company for the provision of ICT systems or related services, especially if qualifying as outsourcing, will negatively affect performance and business risk management;
 - *Model risk*: the risk of suffering losses, reputational damage or negative consequences on strategic and business decisions related to the development, implementation or improper or incorrect use of models applied internally to



- estimate risks or for other measurements of financial phenomena, also deriving from their inaccuracy or malfunctioning;
- *Other operational risks*: the risk of incurring losses resulting from operational events that are not attributable to the group of IT, legal and model risks; it includes losses resulting from exogenous events (e.g., physical risk threats) and errors in the conduct of business operations;
 - *Compliance risk*: the risk of incurring judicial or administrative sanctions, significant financial losses or damage to the reputation deriving from failure to comply with laws, regulations, self-regulation codes, internal procedures and codes of conduct applicable to the Group's business; the risk of non-compliance with the rules is mainly attributable to the *risk associated with operations with related parties*, i.e. the risk of compromising the objectivity and impartiality of decisions regarding the granting of loans and the disbursement of other transactions with subjects who, by virtue of their proximity to the decision-making centres, can - directly or indirectly - exercise an influence on the management of the Group, as well as of persons connected to them ("connected subjects"), with possible distortions in the process of allocating resources, exposure to risks not adequately measured or monitored, resulting in potential damages for depositors and shareholders;
 - *Money laundering and terrorist financing risk (ML/TF risk)*: current or prospective risks arising from the violation of legal, regulatory and self-regulatory provisions designed to prevent the use of the financial system for the purpose of laundering, terrorist financing or weapons of mass destruction development programmes as well as risks of involvement in episodes of laundering and terrorist financing or weapons of mass destruction development programmes;
 - *Reputational risk*: the current or prospective risk of a decline in profits or capital resulting from the negative perception of the Group's image by its shareholders, customers, suppliers, counterparties, investors or Authorities.

Operational risk

STRATEGY

The operational risk management system is supported by a solid internal risk culture aimed at preventing and/or mitigating risk sources to which business operations are exposed.

To this end, the Group is aware that suffering operating losses could have a negative impact on its financial position and could also seriously affect its reputation. Accordingly, the Group adopts methods to detect, properly assess and measure operational risk and defines specific monitoring and controlling processes with the aim of adopting suitable technical and organisational solutions for preventing and limiting the frequency and the severity of risk occurrence, and thus containing their adverse consequences.

Specifically, the control system aims, on a continuing basis, to operational risk management that responds to the evolving company characteristics through the adoption of quantitative and qualitative procedures, processes and methodologies directed at identifying and monitoring operational risk both on a historical and on a forward-looking basis.

The task of monitoring operational risks tends to create consistent mitigation measures, involving the adaptation of business processes, organisational structures and company systems to the specific needs for mitigating the identified critical issues; if these measures do not allow the risk exposure to be brought back to levels deemed acceptable and/or are deemed to be not very convenient from an economic point of view, the opportunity is assessed to take out specific insurance coverages with the aim of transferring the risk to third parties (for example, against exposure to the risk of operational losses of exogenous origin or of a potentially significant amount).

Strategies for the operational risk governance include the adequate control and containment of risks, including those arising from cyber threats, as well as the use of artificial intelligence systems, attributable to the use of information and

communication technology (ICT) in support of company operations, by means of:

- the promotion and adoption of appropriate security standards to guarantee availability (including business continuity and disaster recovery plans), confidentiality and integrity of data and technological components, including those made available by external suppliers;
- the continuous strengthening of the flexibility, resilience and agility of information systems, in order to enhance the available ICT resources and technology, and also in response to a context of increasing centrality and innovation of digital channels, as part of a consolidated multi-channel approach to customer services.

MEASUREMENT AND CONTROL SYSTEMS

For management purposes the Group adopts a monitoring model based on the integrated use of quantitative and qualitative information, which makes it possible to detect operational risk in terms of losses actually suffered, as well as assessing the potential risk, continuously monitoring related exposure and finding the appropriate risk prevention and mitigation measures.

This framework was further strengthened in the course of 2024, in particular through the revision of the organisational and operational/procedural framework for the quantification - as of 2025 - of the regulatory requirement to cover operational risk according to the new standardised approach (so-called Standardised Measurement Approach - SMA), as well as through the evolutionary refinement of methodologies and tools for tracking, analysing and monitoring the risks of the kind attributable to climatic-environmental threats.

Specifically, the operational risk management system envisages:

- a quarterly Loss Data Collection (LDC) process, designed for the accurate detection of internal or external economic events linked to operational risk; particular attention is given to the registration of accounting events related to legal risk (including conduct risk), such as provisions set aside for legal disputes that Group companies can incur and possible revisions (Loss Adjustments), as well as any expenses incurred for external legal activities;
- an Operational Risk Self-Assessment (RSA) process, aimed at estimating on a periodical basis the main operational criticality to which the Group is exposed and at gathering indications from company experts about proposed, activated or implemented interventions for the risk prevention and mitigation;
- an operational risk measuring process for managerial purpose, through the implementation of an internal statistical model aimed at calculating quantitative risk metrics (Operational VaR - OpVaR), adopted also for the determination of the Group's capital adequacy assessment process (ICAAP);
- periodic monitoring activities of the actual and prospective exposure to operational risk and its developments, as well through the enhancement of Key Risk Indicators (KRI) and risk appetite parameters.

Evidences of the above-mentioned processes form the subject of dedicated information flows (reporting) destined for the competent corporate Bodies and Functions, in order to ensure full knowledge and governance, as well as an effective control of risks, including potential ones, to which the Group is exposed, in support of the identification of any operational criticalities / areas of vulnerability (and related triggering factors) as well as the activation of the most appropriate prevention, mitigation and, where possible, transfer of the identified risks.

At Parent Company level, the findings of the aforementioned processes are also brought to the attention, as part of dedicated annual disclosures, of the business functions involved at the forefront of identifying, assessing and mitigating operational risks, in order to spread the risk culture and lead to activities aimed at refining existing management safeguards and/or to



actions aimed at mitigating any areas of operational weakness detected.

Information sources derived from the operational risk management system are integrated with findings from the ICT and security risk management model, forming the object of dedicated information flows, to support the implementation of suitable actions to resolve vulnerabilities verified and protect against the multiple threats weighing on corporate information systems. Specifically, this model is based on dynamic processes of:

- identification, primarily, of i) the perimeter of critical IT resources for the conduct of the company's business, ii) IT risk scenarios, as well as iii) the relevant ICT threats that can potentially be ascribed to, i.e., manifested by the functional, technical and infrastructural characteristics of the company's information system;
- assessment, including in response to major incidents or major information systems change projects, of the (residual) risk exposure of the company's ICT assets, according to:
 - level of impact (in terms of confidentiality, integrity and availability) on the company's business resulting from the manifestation of ICT threats;
 - level of probability of exposure to ICT risk and security with respect to ICT threats, taking into account specific qualitative/quantitative drivers;
 - level of maturity of countermeasures to mitigate the potential risk.

The above processes, supported by structured monitoring of selected management indicators (enhanced in 2024 with two new operational risk appetite metrics relating to ICT data integrity risk and ICT third-party risk), contribute to providing a broad view of the company's ICT risk and security posture and to structuring a strengthening programme aimed at identifying and/or promoting appropriate strengthening/evolutionary refinement measures aimed at preventing the occurrence or at least limiting the detrimental effects of potential critical issues related to the use of ICT systems and, in this way, ensuring that the risk profile assumed complies with the limits defined as acceptable by the company.

Management model to be strengthened in the course of 2024 with a view to recalibrating roles and operational responsibilities between the first and second line of defence, in order to ensure a greater level of independence in second-level control activities on ICT and security risks, also in compliance with the requirements of Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA Regulation - Digital Operational Resilience Act).

Equally important in the financial year: the definition of a new methodology for assessing the risks associated with third-party ICT supplies, also qualifying as outsourcing, and the consolidation of a dedicated methodological and operational approach for assessing the risks associated with the execution of relevant ICT projects.

Albeit with some inevitable adaptations dictated by the different operating and market context, the operational risk management systems defined by the Parent Company are implemented and applied by the subsidiaries, which contribute with specific information flows to understand the degree of operational and IT risk exposure to which the entire Group is subject.

Compliance risk

STRATEGY

The Banking Group's policies are traditionally oriented towards a correct and timely compliance with all regulations to which it is subject in carrying out its operations, in any capacity and in any form. This with the primary purposes of ensuring that the conduct of the business maintains a proper balance and keeping over time the good reputation it enjoys with its stakeholders.

On these consolidated bases, the Group acts with the intention of forming and maintaining long-term relationships with its customer base, avoiding actions and behaviours which could be inconsistent with respect to the commercial and risk profiles of customers and/or aimed at achieving high profits in the short term. This contributes to a full compliance with and timely fulfilment of the regulatory provisions applicable to the Parent Company and the other companies belonging to the Group, in both form and substance.

Compliance risk involves all levels of the organisation, especially operating lines; prevention and monitoring must therefore take place primarily where the risk is generated, making necessary adequate training, empowerment and awareness of all personnel, within the framework of a corporate culture based on the basic principles of honesty, fairness and compliance with the rules.

Various organisational aids aimed at managing and mitigating non-compliance risk help in carrying out an organic Compliance Risk Assessment process, aimed at identifying the actual level of compliance of the company processes and procedures with current regulations and an assessment of the adequacy of the existing controls.

MEASUREMENT AND CONTROL SYSTEMS

The process for managing compliance takes place, on the one hand, through a structured, constantly evolving monitoring of the external normative framework and self-regulation (for example, self-regulatory codes, internal procedures and codes of conduct) and, on the other, through the identification, measurement and control of the compliance risks, according to the provisions of the Group's internal policies.

Compliance risk management is based on the principle of widespread individual responsibility, according to which the carrying out of business activities in line with regulatory provisions should be a personal responsibility of each individual, regardless of its role in the company. Since the risk in question involves all levels of the company organisation, especially within the operational lines, the prevention activities are first of all implemented where the risk is generated, thus making it necessary to make all personnel responsible and aware of the risk and, in this way, spreading a "culture of compliance" throughout the organisation, as an essential element for correct behaviour and a good and healthy company management.

Within the Banking Group the risk of non-compliance with regulations is mainly and in a specialised manner, overseen by specific organisational units operating on the basis of common principles and guidelines, with the aim of mitigating related legal and reputational risks. This is done preventively, on an ongoing basis, by identifying applicable provisions and analysing their impact on company processes and procedures and, after the event, by verifying the effectiveness of any change made to ensure regulatory compliance.



At the Parent Company, in line with the provisions of the supervisory regulations (Bank of Italy Circular No. 285/2013), the Compliance Function oversees non-compliance risk for the whole business, with the exclusion of certain areas of competence of dedicated second level functions/control bodies (e.g. Risk Control Function, Anti-Money Laundering Function, Validation Function, Manager responsible for the preparation of corporate accounting documents and Supervisory Body pursuant to Legislative Decree No. 231/2001).

The Compliance Function operates through a "widespread compliance" model, which is structured as follows:

- for the most important regulations for compliance risk management purposes (known as "core legislation"), such as those relating to intermediation, compensation and incentive policies, transparency towards customers, ICT, information security and, more generally, consumer protection regulations, the Compliance Function is directly responsible for monitoring non-compliance;
- a specialised staff member belonging to another organisational unit ("Compliance Contact Person"), with appropriate skills and professionalism, is entrusted with the additional area of conflicts of interest (relations with related parties/ associated persons, prohibition of interlocking) for which the Compliance Function retains direct responsibility;
- dedicated company structures ("Specialist Supervision") have direct responsibility for issues in relation to which, thanks to their skills, they are able to ensure effective compliance management (e.g. areas such as tax legislation or disciplines relating to work and social security, health and safety in the workplace, business continuity).

As part of the compliance risk management process, the following macro-phases are identified, based on the operational and dimensional specificities of each Group company:

- Planning and organisation, mainly implemented through:
 - definition of the organisational and methodological components that permit appropriate management of compliance risk;
 - identification of regulatory perimeters of reference;
 - definition of necessary infrastructure (resources, tools, etc.);
 - definition and approval of business plans.

This last activity requires an assessment of the adequacy of the overall system for managing compliance risk and the planning of any interventions needed to ensure effective management of this type of risk.

- Analysis of the reference regulatory sources, involving the continuous identification of amendments in the reference regulatory framework and the assessment of the possible impact of the applicable regulations on the company's operations: in this phase, the new regulations issued and the amendments of those in force are analysed with reference to the operating perimeter of the function/manager in charge of compliance controls.
- Internal process analysis: internal processes, organisation and procedures are checked from time to time to ensure that they are consistent with the regulations.
- Identification of risks and mitigation actions: following the analyses carried out, specific risks and safeguards aimed at ensuring compliance with the regulations are identified and assessed; the interventions to be implemented in order to overcome the anomalies detected or, in any case, to improve compliance levels are therefore communicated to the structures concerned.
- Monitoring: the effectiveness of the organisational adjustments (structures, processes, procedures, including operational and commercial procedures) suggested for the prevention of the risk of non-compliance with standards is verified.
- Consultancy and assistance to corporate Bodies and structures: this activity takes the form of: a) preparing adequate information on the risk of non-compliance for the competent corporate Bodies; b) issuing compliance opinions and reviews to the requesting units for the regulatory aspects for which they are responsible: the former as part of the

process of issuing/amending internal regulations; the latter relating to the interpretation of matters in which compliance with the regulations is important. The activity also relates to the preliminary assessment of compliance with an applicable regulation on the part of potentially innovative projects (e.g., new products or services, new markets or new types of customers).

- Personnel training: for the prevention and adequate monitoring of compliance risk, specific support is provided to the structures responsible for managing human resources for the organisation of activities aimed at spreading a corporate culture based on the principles of honesty, fairness and respect for the rules.

To ensure adequate compliance risk monitoring within the Group, the Parent Company's Compliance Function provides to the equivalent structures in the subsidiaries with basic guidelines for the controls they have to perform and gets from them periodic reports on the controls carried out, along with the planning of future activities, making sure that they are in line with the directives.

Money laundering and terrorist financing risks

STRATEGY

The Group fully and actively collaborates with the Authorities responsible for guaranteeing public safety, so also in preventing and fighting crimes related to money laundering and financing of terrorist activities. It therefore ensures particular attention to the effectiveness of the internal safeguards adopted for the monitoring and control of this type of risk, the mitigation of which helps to maintain the Bank's good reputation, helping to keep operations immune from interference by interests unrelated to its own institutional purposes.

The Group is aware that the laundering of money and the financing of terrorism represent criminal phenomena. By virtue of their possible transnational dimension, they constitute a serious threat to the economy, also because they can have destabilising effects for the banking and financial system, as they are likely to alter the orderly activation of market mechanisms and affect the efficiency and integrity of the transactions that take place there.

The existence of incisive structures for the prevention and control of money laundering and terrorist financing risks constitutes an essential condition for the operators in the banking and financial sector to pursue objectives of sound and prudent management and, in particular, to consolidate a relationship of trust with customers, and hence the reputation. By virtue of this, the Group:

- avoids transactions deemed anomalous in origin, type, frequency and amount, avoiding the establishment and/or maintenance of ongoing relationships that present anomalies;
- in order to calibrate the depth and extent of customer due diligence obligations, adopts suitable procedures aimed at classifying the subjects according to the risks of money laundering and terrorist financing to which they are exposed, applying the broader principle of proportionality referred to in the regulatory provisions, the aim of which is to maximise the effectiveness of company controls and rationalise the use of resources; in this context, it pays particular attention to geographical risk profiles;
- does not allow or enter into relationships or transactions with shell banks that do not boast a physical presence in the country in which they are established and authorised to carry on their business, with branches of foreign banking institutions without a significant organic and managerial structure in the jurisdictions where they are established, nor with their subsidiaries;



- requests information on the purpose and nature of the ongoing relationship with customers and carries out constant monitoring throughout the relationship;
- pays particular attention in evaluating transactions referred to subjects who have received requests for information in the context of criminal investigations and/or for the application of preventive measures.

MEASUREMENT AND CONTROL SYSTEMS

The Group adopts an operational model to prevent and fight money laundering, terrorist financing and, more generally, the illegal and shadow economy according to a qualitatively structured and calibrated risk-based approach. To this end, subsidiaries are equipped with rules, processes, controls and ICT tools which aim to be reasonably homogeneous at Group level.

Within the Group, tasks assigned to the Anti-Money Laundering units of the Group companies subject to obligations to combat money laundering and terrorist financing are performed on the basis of two distinct organisational models, designed to take account of the operational and territorial structure of the Group. In particular:

- for specifically identified subsidiaries, whose operations are highly integrated with those of the Parent Company, money laundering and terrorist financing risk management central activities are outsourced to the Anti-Money Laundering Function at the Parent Company, at the same time appointing an internal reference person;
- the other Subsidiaries that have regulatory obligations and the foreign Subsidiaries have established autonomous anti-money laundering units and appointed a manager in charge of each of them.

As regards customer operations due diligence requirements and risk profiling and monitoring, the Group, under the guidance and supervision of the Parent Company's Anti-Money Laundering Function, has developed a system of controls involving various levels and sectors of the company organisation, consisting mainly of:

- procedures for identifying and verifying the identity of customers, through the use of applications dedicated to registering personal data, consultation of checklists and the acquisition, when filling in the anti-money laundering questionnaire, of any other information required by national legislation and supranational and internal provisions on the customer and/or the subjects related to it (beneficial owners, legal representatives, delegates, etc.);
- automatic controls that inhibit the opening of a relationship in case of:
 - belonging to official lists of individuals, entities or organisations subject to restrictive or sanctioning measures by international bodies (e.g., UN, European Union, OFAC), or to other black-lists;
 - a need for activation of specific authorisation cycles for the establishment of business relationships with subjects falling into particular categories (e.g., trust companies, correspondence relationships with extra-EEA banks located in) or who become relevant after checking "external lists" (e.g. Politically Exposed Persons);
- systematic controls on payment transactions initiated by customers (such as, for example, those related to the anomalous use of cash; intense and recurring movement with countries "at risk" as they are subject to embargo or characterised by "non-equivalent" anti-money laundering regimes as identified from authoritative sources such as FATF, EU, etc.);
- assignment of a money-laundering risk profile to customers, leading to periodic verifications with frequency and intensity proportional to the degree of risk assigned;
- continuous monitoring of customers' operations, through the analysis of atypical or unusual operating situations, highlighted by specific procedures;
- diagnostic checks on the quality and reliability of the feed and recording systems in specific standardised archives.

With reference to additional controls on "embargoes", incoming and outgoing customer payment orders are subject to

automated controls over the country of origin/destination of the funds, the names of the counterparties (originator, beneficiary) and the intermediary banks involved in each transaction to see if they are included on any black list. Wide-ranging controls are also carried out on subjects belonging to sectors considered "critical" as they are perceived to be vulnerable to money laundering and terrorist promotion activities.

The evolutions underway in the entire chain of controls - both first and second level - with the introduction of a new control system based on predictive logic through the use of AI (Artificial Intelligence) and ML (Machine Learning) technologies, are of particular note.

In fulfilling the reporting obligations of suspected money laundering and terrorist financing operations envisaged by law, the Group adopts specific processes and procedures for detecting anomalous operations and the fulfilment of communication obligations to competent Authorities, protecting the confidentiality of employees and collaborators taking part in it. The evaluation and transmission procedure as well as the main contents of suspicious activity reports are defined in specific internal regulations.

In all the contexts described above, the Anti-Money Laundering Function set up at the Parent Company periodically monitors the degree of exposure to risks and the suitability of the controls in place within the Banking Group, which can be estimated:

- in qualitative terms, through a self-assessment of the perceived residual risks, taking into account the intensity and effectiveness of the controls introduced;
- in quantitative terms, based on the analysis of the quantitative results of risk indicators and of the efficiency of control processes.

The self-assessment of exposure to the risks of money laundering and terrorist financing is conducted at Group level, in compliance with the criteria and methodologies established by law by the Bank of Italy. The exercise is carried out by each Group company under the coordination of the Parent Company; its results, which are updated internally on a half-yearly basis, are presented annually to the Parent Company's Board of Directors; they are also checked for consistency with the risk propensity parameters set in the Risk Appetite Framework (RAF).

Reputational risk

STRATEGY

The Group pursues a reputational risk management strategy based on maintaining a low risk profile, as a natural expression of its traditional corporate culture inspired by principles such as:

- establishing and maintaining clear and fair relations based on mutual respect with customers, shareholders and the various stakeholders and external interlocutors, according to direct, comprehensive and transparent communications;
- offering products and services with high quality standards and easy to understand - particularly in terms of assessing the associated risks - with a view to satisfying customer needs while remaining in line with the risk profile;
- enhancing human resources through an effective selection, training and professional development and the sharing of rules of conduct and ethics (e.g. Code of Ethics, Code of Conduct) based on formal and substantial compliance with the rules and their timely application, with a view to legislative compliance and effective collaboration with Supervisory Authorities;
- the implementation of initiatives aimed at promoting the natural, historical, cultural and artistic heritage of local communities and territories.



The Group's guidance is achieved through the implementation of policies aimed at preventing the occurrence of risk manifestations which could be potentially detrimental to the reputation and, in the event that they materialise, to limit their effects as much as possible by means of a proactive management of the Group's image or the containment of exposure to the primary risks from which reputational typically derives.

MEASUREMENT AND CONTROL SYSTEMS

The Group uses an eminently qualitative reputational risk management model which provides for the identification of risks that are potentially detrimental to the corporate image and the assessment of potential exposure in the future, according to a methodological approach based on self-assessment techniques applied to specific risk scenarios.

Attention is also paid to indirect impacts on the reputation that risk events could have by monitoring complaints, claims and out-of-court appeals received from customers, on the one hand, and analysing the main news published by mass media or on the web with a negative connotation for the Group (or its individual members), on the other, in order to gather useful and updated information on the level of reputation enjoyed and ideas for constantly improve the services offered.

The reputational risk scenarios identified are subjected to a self-assessment process (Reputational Risk Self-Assessment) conducted involving business experts and specialist supervision functions responsible for preventing and/or managing those types of risk from which reputational effects typically derive; this in order to investigate potential negative impacts on the perception of the Group's image with reference to the various interlocutors and stakeholders, to identify any appropriate intervention aimed at preventing and/or mitigating critical issues found and prepare regular information to the competent Bodies and structures.

In synergy with the measures previously reported with reference to operational risk, the reputational risk management system was also refined in 2024 with regard to the methodologies and tools for tracking, analysing and monitoring risks of this type attributable to greenwashing, disputed lack of or only apparent adherence to sustainability requirements, or entertainment of relationships with "controversial" entities in ESG terms.

Among other instruments in place to monitor this type of risk, it is remarkable how the Group deems it appropriate to carry on periodic customer satisfaction surveys on operating segments of particular interest (e.g. treasury and cash services) in order to draw signals on the image perceived externally as well as important indications on the quality of the services provided.

More generally, the conduct of current affairs in compliance with ethical principles of correctness, transparency, integrity and professionalism, as well as the punctual observance of codes of conduct, regulations and laws is a fundamental "form of protection" against the assumption of risks connected to implementation of unlawful conduct by internal personnel, thus preventing and/or mitigating the consequent impacts on the corporate reputation. Among them, specific attention is traditionally paid to overseeing risks related to fraudulent behaviour aimed at corruption and personal gain through a constant surveillance of operations, aimed at identifying illicit conduct and improper business practices on a timely basis.

As already mentioned in the paragraph above, the Group is also committed to comply with the regulations on money laundering and terrorist financing, with special attention to transactions with countries subject to restrictions or operating in controversial sectors, and to the negative impact these could have, especially on corporate image.

The "Organisation, Management and Control Model", which is designed to prevent risks of committing the offences contemplated by Legislative Decree 231 of 8 July 2001, also contributes significantly to maintain a solid reputation. For a concrete implementation of the 231 Model the monitoring ensured by the Supervisory Body, established both at Banca Popolare di Sondrio and at the national subsidiaries subject to this requirement with the role of supervising the functioning and observance of the Model, is fundamental.

Again with a view to mitigating reputational risks, Banca Popolare di Sondrio has for some time now adopted, pursuant to the aforementioned Legislative Decree 231/2001, a Code of Ethics, which contains a set of principles, rules of conduct, rights, duties and responsibilities that must guide the company's activities. The Code is applied to all internal and external persons with whom the Bank enters into a relationship for the achievement of its corporate purpose which are interlocutors who can determine and, at the same time, judge its reputation. Behavioural principles and standards set out in the Code are also extended to the other Group companies and adopted by them in their system of internal rules.

INTEREST RATE AND CREDIT SPREAD RISKS

DEFINITION

Interest rate risk in the banking book (IRRBB) is the risk that the Group's economic value might decrease as a consequence of a decline in assets value and/or an increase in liabilities value not belonging to the trading portfolio for supervisory purposes following adverse changes in the interest rates levels (economic value perspective), as well as the risk that interest rate movements might have a negative impact on present and future profitability deriving from banking book assets and liabilities that generate the Group's net interest income (earnings perspective). The following cases are included in this general category:

- *Gap risk*: the risk of incurring losses in income or decreases in economic value due to unexpected fluctuations in interest rates that occur uniformly along the yield curve ("parallel risk") or in a different way on the term structure ("non-parallel risk"), deriving from differences in maturities (for fixed rate items and, with regard to the spread component only, for variable rate items) and the time lag at the moment of the rate revision (only for the variable component that characterises floating rate items) between assets and liabilities and off-balance sheet items;
- *Basis risk*: the risk of incurring losses in income or decreases in economic value on banking book positions due to an imperfect correlation between the adjustments of the interest rate paid and charged on different items which may also have similar repricing characteristics. This risk occurs with changes in interest rates that have different residual maturities (tenor basis risk), changes in interest rates with identical residual maturities but which are linked to different currencies (currency basis risk), changes in interest rates with identical residual maturity and relative currency but with different recognition methods (indexation basis risk), changes in interest rates with residual maturity, currency and identification methods identical but different in their nature (related rate basis risk);
- *Option risk*: the risk of suffering losses in income or decreases in economic value deriving from the exercise of options implicitly (behavioural option risk) or explicitly (automatic option risk) applied to certain banking book items;
- *Credit spread risk in the banking book (CSRBB)* takes the form of the risk of suffering losses due to reductions in the value of assets and/or increases in the value of liabilities not belonging to the trading book for supervisory purposes as a result of adverse changes in the level of credit spreads, i.e. the risk that movements in credit spreads may adversely affect the present and future profitability of assets and liabilities in the banking book generating net interest income.



STRATEGY

In carrying on its core business, the Group assumes the risk that unexpected changes in risk-free interest rates and credit spreads will have negative effects on its financial situation. This type of risk affects all assets, liabilities and off-balance sheet positions deriving from commercial operations and strategic investment choices (banking book).

To limit exposure and from the point of view of the financial structure, the Group promotes a balanced development of loans and deposits, especially through the matching of asset and liability aggregates with homogeneous financial characteristics. This balance is generally pursued by containing the differences between the maturities and the time lags in the instants of the rate review between assets, liabilities and off-balance sheet instruments. In ensuring this balance, the Group does not rely solely on the contractual characteristics of financial transactions, but also considers the impacts of exercising options implicitly or explicitly present in certain banking book items.

Starting in 2022, the Parent Company also launched initiatives to hedge the interest rate risk arising from the disbursement of fixed-rate mortgages (so-called Macro Fair Value Hedging) through the signing with market counterparties of dedicated Interest Rate Swap contracts with specific characteristics of duration, amount and rate aligned to the pools of loans being hedged.

In order to allow effective management of interest rate risk, the Group adopts systems, methods and tools aimed at identifying, assessing and managing the risks deriving from potential changes in the level of risk-free rates, aimed at favouring an integrated vision of the assets and liabilities sensitive to changes in reference rates, thus making it possible to establish, in a forward-looking perspective, adequate development strategies, as well as, in the event of deviation from the established risk appetite, to promptly identify the most appropriate mitigating interventions. The preparation of a specific "Interest Rate Risk Management Plan", a policy document for managing, monitoring and, if necessary, mitigating the exposure to the interest rate risk through a set of potential and alternative actions to be implemented in the event established limits are exceeded, contributed to the strengthening of the mitigation and control measures.

With reference to the Parent Company's banking book, the principal sources of fair value interest rate risk are funding transactions (especially demand deposits, treated with appropriate behavioural modelling of their maturities) and fixed-rate lending (principally long-term loans and fixed-rate securities); the cash flow interest rate risk is also originated by other sight or indexed rate assets and liabilities.

At the subsidiary Banca Popolare di Sondrio (SUISSE), the main source of interest rate risk is represented by fixed-rate lending transactions (mortgages), maturity funding transactions from banks and on-demand funding transactions from customers with appropriate maturity modelling.

For Factorit, the risk is originated by the different timing and methods used in repricing the interest rate of its assets and liabilities. The presence of diversified fluctuations in rates leads to a variation in the expected net interest income, as well as a change in assets and liabilities present value; this in turn alters the net economic value of the items at risk. The characteristics of the financial statements structure of the investee also contained the impact of movements in market rates on corporate assets and liabilities current value marginal. The high turnover of advances granted in the context of factoring loans and receivables and the fact that the funding is exclusively short-term, which ensure a frequent repricing of operations, make it possible to maintain lending and funding terms broadly in line with current market conditions.

For BNT Banca, there are exposures to interest rate risk linked to operations of lending to customers and, albeit limited to

investment in fixed-yield securities, partially offset by fixed-term funding, mainly at the Parent Company.

For Sinergia Seconda, there are limited exposures to interest rate risk related to current accounts with the Parent Company, while Popso Covered Bond, which is consolidated on a synthetic basis with the Parent Company financial statements, does contribute to the exposures of Banca Popolare di Sondrio, albeit only minimally.

The Group also assumes the risk that unexpected changes in credit spreads will have an adverse effect on its financial position, through impacts on the economic value or future profitability of the assets and liabilities in the banking book that contribute to the generation of net interest income.

In order to allow effective management of credit spread risk, the Group adopts systems, methods and tools aimed at identifying, assessing and managing the risks deriving from potential changes in the level of credit spreads, aimed at favouring an integrated vision of the assets and liabilities sensitive to changes in reference spreads, thus making it possible to establish, in a forward-looking perspective, adequate development strategies, as well as, in the event of deviation from the established risk appetite, to promptly identify the most appropriate mitigation actions.

The main sources of credit spread risk in the banking book for the Parent Company and for the subsidiaries Banca Popolare di Sondrio (SUISSE), Factorit, BNT Banca, Sinergia Seconda and Popso Covered Bond are the same as those indicated for interest rate risk, but regardless of the type of rate belonging to the transaction (fixed, indexed or on demand).

MEASUREMENT AND CONTROL SYSTEMS

The control of exposures to interest rate risk (IRRBB) takes place through an articulated Asset and Liability Management (ALM) system. The system, governed by the Parent Company's CRO Area, allows risk exposure to be measured through two fundamental approaches:

- economic value perspective (equity sensitivity): this identifies the risk generated by different repricing methods and/or the misalignment of maturities between assets and liabilities in the banking book over a long-term time horizon ("fair value" interest rate risk);
- margin approach and current earnings outlook (sensitivity of net interest income and net income): interest rate risk is assessed on the basis of the sensitivity of net interest income and net income generated by assets and liabilities in the banking book to changes in market rates over the short to medium term ("cash flow" interest rate risk).

Under the first approach, monthly equity sensitivity analyses are conducted, assuming inertial volumes. The second approach takes the form of sensitivity analyses of net interest income and profit, with simulations carried out under the assumption of constant volumes. The profit sensitivity analysis integrates the results of the margin sensitivity analyses, applied to the assets and liabilities in the perimeter, with those of equity sensitivity obtained on a specific portion of company operations measured at fair value.

The first methodology is used to determine expected cash flows (both principal and interest) generated by each asset and liability held in the banking book. This method uses, where necessary, the coupon rate applied to each instrument or, if not predetermined, the market curve associated with the risk factor to which the rate is indexed; present values of assets and liabilities are therefore calculated by summing their cash flows as discounted using the yield curves.

Movements (shocks) of the reference curves are then simulated, corresponding to the instantaneous rate movement scenarios established by the European Banking Authority (EBA) guidelines and the Regulatory Technical Standards, in



addition to two hypothetical rate movement scenarios that capture future market expectations and specific, particularly adverse situations that have occurred in the past. The flows of interest and principal, as redetermined on the basis of the assumed modified curves, are discounted with reference to the new rate curves to obtain the "Modified present value" of each asset and liability⁸.

Then, for each operation falling within the scope of risk measurement, the change in present value is calculated as the difference between the "modified present value" and the "non-modified present value". The model thus enables estimation of the sensitivity of the banking book in terms of the change in the economic value of equity to an increase or decrease in market rates.

In addition, sight deposits which are very stable in terms of their volumes and whose interest rates are not usually established by contract, are represented by "behavioural models" able to capture the time persistence of the volumes - which, however, with regard to liabilities and separately for each currency, cannot have an average repricing date of more than 5 years - and their financial elasticity with respect to changes in market rates. The parameters constituting these models are re-evaluated at least on an annual basis.

A further portion of modelled transactions relates to certain types of loans granted by the Parent Company, in consideration of the fact that in these loan agreements the borrower has an option to repay the loan earlier than the contractual maturity date, as well as an option to renegotiate the type of interest rate applicable (from fixed to variable or vice versa) or the level of rate/spread/cap/floor, which may be exercised at any time at the borrower's discretion. The adoption of specific behavioural modelling, whose parameters are subject to re-estimation at least every two years, makes it possible to better understand said phenomena, globally known as "pre-payment".

Specific methodological treatments are reserved for: a) securities indexed to Italian inflation (BTP Italia) and European inflation (BTP €i), for which the principal and interest flows are considered, including the related revaluation component; b) Banca Popolare di Sondrio credit exposures classified as non-performing and likely to default, already included in the measurements provided for at regulatory level, but also considered in those of a managerial nature with a value net of write-downs and with estimated financial characteristics. The scope of recognition for both managerial and regulatory purposes is also integrated with the expected use of irrevocable fixed-rate credit lines and the related hypothetical funding component.

The exposure measured through equity sensitivity analyses, determined under inertial conditions, enables quantification of an overall risk indicator, calculated as total Tier 1 capital in proportion to the decrease, expressed in absolute terms, in the economic value of equity (EVE) that results with respect to the current rate scenario in the most unfavourable of the six "Supervisory shocks" established by the EBA; the "Supervisory Outlier Test" metric required by the sector guidelines published by the European Banking Authority is also calculated on a quarterly basis.

The foregoing analyses are supplemented by the results of sensitivity analyses of margin and profit, used to measure the sensitivity of profit in its components of net interest income (NII Narrow metrics) and of change in economic value of debt instruments and tax credits held in the banking book and classified in the accounting categories FVOCI "fair value through other comprehensive income" and FVTPL "fair value through profit or loss" (Market Value Change metrics), assuming the occurrence of the same market rate curve shocks mentioned above.

⁸ In the event of an increase in the rate curve, no non-negative constraint is imposed. In the event of a negative variation in the levels of the market curves, a minimum value (floor) is applied to the shocked curve: this is applied only if the value of the rate recorded on the date of analysis is higher than the floor itself; vice versa, if the value recorded is lower, no further shock is applied.

The metrics of the former type are obtained from the difference between the net interest income generated by the individual asset or liability under shocked market rate curves and that generated under the current market rate condition.

Ideally the banking book, composed of asset and liability items generating the net interest income, can be divided into areas of operations partially and totally sensitive to changes in interest rates. The first type, consisting mainly of fixed-rate transactions, is neutral in determining the sensitivity of the margin up to the natural maturity of the transaction, but is impacted at the time of renewal since it refers to a coupon rate that includes the risk-free market component, subject to change, and the risk premium associated with the original transaction, which is kept constant. The second, represented by floating-rate transactions, is conditioned by the change in interest rates during the coupon rate review period.

Adding up the differential between the net interest income generated by the individual asset or liability item in application of the shocked market rate curves and that generated in the current market rate condition for all the transactions within the material scope of the banking book, separately for assets and liabilities, yields the overall value of the sensitivity of net interest income to the risk of market rate fluctuations, understood as the differential between the change obtained on the total asset items and that generated on the total liability items. This value is known as the Net Interest Income Narrow (NII Narrow) delta.

In the current earnings perspective, changes in the market value, obtained from the "margin" approach, are added to the changes in the market value, obtained from the "value" approach, of instruments which, depending on the accounting treatment, are reflected either in the income statement or in the balance sheet (operations classified in the accounting categories "fair value through other comprehensive income" (FVOCI) and "fair value through profit or loss mandatory" (FVTPLM)). This value is known as the Net Interest Income Wider (NII Wider) delta.

The global exposure measured through the method described above, determined by simulating the six aforementioned rate movement scenarios under the assumption of constant volumes, enables quantification of an overall risk indicator, calculated by as total Tier 1 capital in proportion to the decrease, expressed in absolute terms, of the profitability (Net Interest Income Wider) that results with respect to the current rate scenario in the most unfavourable of the six "Supervisory shocks" established by the EBA; the "Supervisory Outlier Test" metric provided for by the sector guidelines published by the European Banking Authority is also calculated on a quarterly basis.

The Bank quantifies additional risk indicators, calculated from both an economic value perspective and a current earnings perspective, to further investigate the components of the aforementioned indicators in the two parallel scenarios counted among the six "Supervisory shocks" and to quantify the exposure in the risk scenario based on the expectation of future developments in risk-free rates.

Interest rate risk governance strategies envisage that, as part of the annual stress testing on the main equity, income and financial variables carried out within the ICAAP framework, simulations are carried out, depending on volume and scenario assumptions, to determine: a) the impacts on capital absorption; and b) the effects on the performance of net interest income, referred overall to the items of the banking book and the trading book.

In support of interest rate risk monitoring and management processes, specific internal information is prepared in a timely and performance-oriented manner, which is capable of documenting the analyses and measurements carried out to competent bodies and functions, upon request and/or with a predefined frequency. Monitoring is carried out on a monthly basis.



The subsidiaries control the interest rate risk on a company basis through the use of monitoring techniques that are commensurate with the operations carried out and, as far as possible, the same as those used by the Parent Company.

The quantification and monitoring of credit spread risk (CSRBB) exposure is based on a dedicated framework which has many similarities with what is described in relation to processes pertaining to interest rate risk; the scope of the calculation includes the entire banking book operations, excluding "*Past due and/or overdrawn exposures*", "*Unlikely to pay*" and "*Bad loans*", in compliance with the guidelines published by the EBA. In particular, the Asset and Liability Management (ALM) system adopted at the Parent Company allows for the development of measures of:

- sensitivity of economic value (the "value" approach or economic value perspective);
- sensitivity of net interest income (the "margin" approach or current earnings perspective)

to fluctuations in credit spreads.

The aforementioned approaches serve to quantify, respectively, "fair value" credit spread risk and "cash flow" credit spread risk by calculating specific summary indicators of risk exposure levels.

The Asset and Liability Management (ALM) system also makes it possible to subject specific portions of operations to independent modelling. The following are subject to modelling:

- transactions included under sight deposits which are very stable in terms of their volumes and whose interest rates are not usually established by contract, through "behavioural models" aimed at capturing the time persistence of the volumes - which, however, with regard to liabilities and separately for each currency, cannot have an average repricing date of more than 5 years - and their financial elasticity with respect to changes in market rates;
- certain types of loans granted by the Parent Company, in consideration of the fact that in these loan agreements the borrower has an option to repay the loan earlier than the contractual maturity date, as well as an option to renegotiate the type of interest rate applicable (from fixed to variable or vice versa) or the level of rate/spread/cap/floor, which may be exercised at any time at the borrower's discretion.

Particular attention is paid to debt securities with inflation-indexed yields ("inflation-linked bonds"). Depending on their indexation inflation parameter and their capitalisation and deflation protection characteristics, they present unique issues that impact both analyses conducted with the "value" and "margin" approaches. These instruments, not being comparable to normal issues indexed to nominal rates, are subject to a specific treatment in order to consider not only the capital and interest flows but also the cash flows that are generated by the capitalisation of the nominal against the inflation index.

In support of credit spread risk monitoring and management processes, specific internal information is prepared in a timely and performance-oriented manner, which is capable of documenting the analyses and measurements carried out to competent bodies and functions, upon request and/or with a predefined frequency. Monitoring is carried out on a monthly basis.

In the "value" approach, one first determines the principal and interest cash flows from operations and then calculates the present values by algebraically summing the discounted cash flows according to the composite curves obtained by joining the spread curves to the yield curves (risk-free rates). One then simulates parallel movements (shocks) of the reference

curves representative of upward and downward credit spread evolution scenarios devised by the Bank on the basis of an analysis of historical credit spread changes by type of operation. The interest and principal flows are discounted according to the new discount curves, thus obtaining the measure of the "modified present value" of the security. The change in "present value" is then calculated on each individual transaction as the differential between the "modified present value" and "present value". Sensitivity in terms of the change in economic value in response to an increase or decrease in credit spreads is thus obtained by summing the changes in "present value" obtained for all assets and liabilities in the banking book.

In the "margin" approach, a methodology is applied to measure, assuming the same parallel spread curve shocks, the sensitivity of net interest income to the total items in the banking book that contribute to the generation of net interest income.

The difference between the net interest income generated by the individual transaction obtained following the application of shocked market curves, and the one generated under current market conditions, determines the marginal contribution to the overall sensitivity.

Summing this differential for all items yields the determination, according to the "margin" approach, of the overall value of the sensitivity of net interest income to the risk of fluctuating credit spreads. This measure is known as the Net Interest Income Narrow (NII Narrow) delta. On the basis of the risk exposure results obtained through the "value" approach, the "EVE indicator" is calculated on a monthly basis. It is calculated by comparing the decrease, expressed in absolute terms, in the economic value of the assets and liabilities in the banking book to the total Tier 1 capital, which is obtained in comparison to the current market scenario in the worst-case credit spread scenario between the two simulated.

Combining the aforementioned results with those obtained in the margin approach, the "NII Wider indicator" is also calculated. This metric is obtained by comparing the total Tier 1 capital to the potential negative effect (in absolute value) given by the sum of the reduction in net interest income and the impact on the market value of the items analysed, resulting from the worst-case scenario of the two simulated scenarios compared to the current market scenario. The calculation is made over a period of 12 months from the reference date and assuming constant volumes.

LIQUIDITY RISK

DEFINITION

The risk of not being able to fulfil payment commitments at maturity and/or to refinance the on-balance sheet commitments with the necessary timeliness and according to economic criteria, due to the inability to raise funding sources in the market or to dispose the Bank's own assets.

This category includes the following sub-types of risk:

- *Funding Liquidity risk*: the risk arising from the inability to raise funds or to obtain funds at reasonable cost. It can in turn be divided into:
 - *Mismatch Liquidity risk*: risk generated by the misalignment between the amounts and/or the timing of the inflows and outflows;



- *Contingency Liquidity risk*: risk that unexpected future events may require a greater amount of liquidity than expected on the basis of the operations known to date; the following fall into this case: a) *Margin Calls Liquidity risk*, referring to situations in which the Group is contractually obliged to integrate guarantees and/or margins to cover risk positions in financial instruments; b) *Wholesale Funding risk*, which is the risk of a massive withdrawal of deposits by subjects other than households; c) *Retail Funding risk*, which is the risk of massive withdrawal of deposits by households; d) *Off Balance Sheet Liquidity risk*, which is the risk of massive drawing on credit lines not currently used; e) *Risk of non-repayment of the loans granted*;
- *Intraday Liquidity risk*: risk of non-fulfilment of intraday payment commitments due to the inability or impossibility to have the necessary liquidity resources in the working day in which they are requested;
- *Asset Encumbrance risk*: risk related to a shortage of assets that can easily be turned into cash through disposal, sale with a repurchase agreement, assignment as collateral or securitisation; depending on the nature of the encumbered assets, the risk may refer only to the financial instruments in the portfolio (Financial Asset Encumbrance risk) or to the complex of financial and non-financial assets (Total Asset Encumbrance risk);
- *Funding Concentration risk*: risk related to a shortage of funding sources because of their low level of diversification, due to a greater probability that the source currently in use will become partially or totally unavailable;
- *Funding Cost risk*: risk of incurring in a funding cost significantly higher than the corresponding market price by maturity and currency; in turn, it derives from the risk of misalignment of cash flows, as well as from the risk associated with the portion of encumbered assets and from the risk of deposit concentration;
- *Intra-group Liquidity risk*: risk deriving from the existence of restrictions on the transfer of funds and liquid assets within the Group;
- *Market Liquidity risk*: the risk deriving from the fact that it is impossible to dispose of or reduce a risk position without significantly affecting its price, as the market is inefficient or malfunctioning; it increases in case of concentration of issuers of assets in the portfolio.

STRATEGY

The Group adopts a strategy for managing liquidity risk which is characterised by a moderate risk appetite, expressed through:

- the rejection of speculative or otherwise excessively risky operations that could affect the Group profitability and stability;
- the execution of prudent investments to enable the risk control framework to progressively evolve towards ever higher levels of reliability and efficiency.

In particular, the Group pursues a prudent liquidity profile by:

- promoting policies for growth in loans and investment in financial assets commensurate with the actual funding inputs and the diversification of funding sources, capable of ensuring a stable trend of short and long-term liquidity measures;
- holding top quality reserves that can easily be turned into cash, represented to a large extent by sovereign securities, and can guarantee a high capacity to refinance with central counterparties in order to cope with any liquidity crises;
- the keeping of a structural liquidity position supported by a stable and diversified funding base.

In the context of the Group, the Parent Company acts as the preferential counterparty for the Subsidiaries, both to obtain new funds and to invest any excess liquidity.

MEASUREMENT AND CONTROL SYSTEMS

With regard to liquidity risk management and measurement, the Group relies on internal systems for monitoring its liquidity positions over various time horizons, as well as for controlling and mitigating related risks; overall, the process is aimed at verifying the Group's ability to manage inflows and outflows effectively, both in business-as-usual and in stressed scenarios, by estimating the liquidity needs at a consolidated level as well as for the single entities of the Group.

The risk management system is based on a number of controls carried out at different organisational levels. A first level of control is performed by the business functions involved in liquidity management, in order to ascertain by themselves that they carry out their duties properly and provide summary reports on business operations on a daily basis.

This control is accompanied by a systematic monitoring of the expected liquidity position carried out by the Chief Risk Officer Area of the Parent Company, based on gathering data on the activities of the Parent Company and the subsidiaries. The governing bodies are duly informed and verify the Group's liquidity situation and, if necessary, intervene appropriately.

The monitoring activity concerns, in a different way, both the operational (or short-term) liquidity position and the structural (or medium-long term) liquidity profile. The Bank's intraday liquidity position is also monitored constantly.

The control of short-term liquidity requirements is aimed at verifying the Group's ability to meet its cash payment obligations, without compromising the performance of normal operations; its purpose is therefore to bring the Group's monetary dynamics back into balance, also in terms of cost-effectiveness, as quickly as possible.

Operational liquidity is monitored by means of the daily recognition of cash flows typical of treasury and assimilated operations, of the potential liquidity flows obtainable from the disposal of the financial assets held in portfolio or from their utilisation in refinancing operations and the cash available on the Group's accounts at the Central Banks.

This information is used to quantify daily total net liquidity over a 12-month time horizon, by preparing an "operational Maturity Ladder" of cash inflows, cash outflows and reserves of available liquidity. The recognition of liquidity imbalances is produced daily for the benefit of the operating units involved in treasury management; at the same time, statements representing the liquidity situation of the main Group components are regularly prepared. Standard reports that focus in particular on the first quarter of the forecast horizon are sent to the Supervisory Authority on a weekly basis, with details regarding the entire Group.

The monitoring of the operational liquidity profile also provides for the determination of predefined risk indicators ("contingency indicators"), assigned to promptly detect any sign of systemic or specific crisis, which is associated with the monitoring of specific surveillance thresholds. The impact of predefined scenario and sensitivity assumptions with respect to the results obtained from the monitoring activity is also estimated. This stress test programme consists of idiosyncratic, systemic hypotheses, assuming diverse scenarios, in some cases proposed in combination, such as possible reputational or political crises and adverse events resulting from climate and environmental change. The outcomes of the stress tests conducted are also used to establish the limits of specific contingency indicators, as well as to define remedial actions that



could potentially be implemented in any stress situation. The Group is equipped with a specific liquidity risk emergency plan ("Contingency Funding Plan"), which is updated annually, with the aim of safeguarding the solvency, financial stability and business continuity of its components.

As for medium-long term liquidity, the main monitoring tool is the so-called "structural Maturity Ladder", a cash flow schedule that includes all funding and lending operations, as well as the amounts of financial instruments in portfolio, due to mature from the date of the report and without any time limit. A consolidated monthly version of this report is also produced, along with individual versions on the main components of the Banking Group.

The control is enriched by the calculation of specific structural risk indicators on a monthly basis, which aim to highlight potential warning signals relating to the situation of structural liquidity and the composition of the Group's deposits.

According to the guidelines of the Basel Committee on Banking Supervision, the monitoring of intraday liquidity performance is carried out through a system of real-time controls over how corporate liquidity is used, including the measurement of indicators regarding cash reserves available at the beginning of each working day and the coverage rate of payments made by 9:00 a.m. (subject to specific internal limit) as well as the amount and the time sequence of payments throughout a day. Special synthetic metrics are also quantified monthly, which are subjected to the same stress tests used on the operating liquidity position adding a peculiar scenario for the intraday liquidity position.

The results of the operational monitoring are accompanied by the recognition of specific ratios calculated in accordance with supervisory instructions: in particular, the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) parameters. These indicators, which are subject to specific supervisory reports, are calculated on a monthly and quarterly basis respectively. With equal frequency, the two metrics are also quantified under stress test applying the same hypotheses used for simulations of the operational liquidity indicators. The LCR indicator is also processed on an infra-monthly basis for ongoing monitoring management needs and to fulfil specific requests from the Supervisory Authority.

The so-called "Additional Liquidity Monitoring Metrics" provided for by the EU regulations are also reported to the Supervisory Authority on a monthly basis, with the aim of monitoring the maturity imbalances between assets and liabilities, concentration of funding, cash reserves or readily marketable assets (so-called "Counterbalancing Capacity"), as well as the cost of funding and the Group's capacity for funding renewal.

As explained above, the results of liquidity risk monitoring are made available to competent bodies and organisational units through appropriate reports; the ALM and Investment Committee is particularly important in this context, as, among others, it analyses the trend in exposure to financial risks at least quarterly. The Committee is then updated monthly on the evolution of the risk position through dedicated reports including all key results of the measurements carried out.

Specific reports concerning the Group's liquidity situation are also sent to the Supervisory Bodies to meet specific information requests.

On an annual basis, the Group submits to the Supervisory Authority the key results of the internal verification process on the adequacy of the liquidity position and related exposure to risk (ILAAP, Internal Liquidity Adequacy Assessment Process), accompanied by the founding elements of the latter. The figures communicated through this reporting, together with all the other liquidity risk exposure data provided over time, constitute a fundamental assessment basis for the purposes of SREP (Supervisory Review and Evaluation Process) for the Supervisory Authority.

As part of the ILAAP, the Parent Company's Board of Directors, in its strategic and supervisory functions, oversees the adequacy - under ordinary and stressed conditions - of risk levels assumed in the present and in the future, based on the Group's forecast business developments, checking the suitability of the monitoring framework and the liquidity risk management measures and their consistency with corporate strategies. The ILAAP assessment has been carried out in March 2025 with reference to the end of 2024.

Subsidiaries control liquidity risk exposure on an individual basis by using monitoring tools and methods commensurate with their operations and, as far as possible, the same as those of the Parent Company; with regard to Banca Popolare di Sondrio (SUISSE), they also comply with the provisions of the Swiss Supervisory Authority.

STRATEGIC AND BUSINESS RISK

DEFINITION

Current or prospective risk of declines in profits or capital deriving from changes in the operating context or from incorrect strategic decisions, inadequate implementation or updating of strategic and management guidelines, poor reactivity to changes in the competitive scenario.

This category includes the following sub-types of risk:

- *Strategic risk*: the risk that the Group's decisions and guidance regarding competitive/strategic positioning will not have the expected results, penalising the achievement of medium/long-term economic and financial objectives;
- *Risks associated with equity investments*: risk of suffering losses in value with respect to the portfolio of equity investments other than those held for trading purposes; this concerns in particular equity holdings characterised by stability and a long-term investment rationale, outside the Group's perimeter, not already considered within the scope of other securities risk (banking book); this can occur due to the possibility of incurring losses deriving from the fluctuation in the value of the shares or units held in relation to the economic prospects of the company in which the investment is held, or as a result of the insolvency of the company itself, or due to an excessive immobilisation of assets or a change in the Group's financial and equity structure following a significant acquisition, or lastly, due to the occurrence of potential conflicts of interest between the investment activity in equity investments and the other activities carried out, and lending in particular;
- *Business risk*: the risk associated with the uncertainty of economic results not caused by other types of risk but mainly deriving from changes in the competitive context, in the economic conditions of the activity carried out or in customer behaviours;
- *Real estate risk*: the risk of incurring in losses caused by unexpected changes in the value of the Group's property portfolio.



STRATEGY

The Group bases its strategic and business risk management model on mitigation policies and arrangements having both medium and short-term horizons. These are pursued by establishing clear principles and lines of conduct relating, in particular, to the regulation of processes and the activities through which the strategic, financial and capital planning and the related formation of commercial budgets are defined/updated and subsequently monitored during the implementation.

In compliance with regulatory provisions on equity interests held by banks and banking groups, the strategy for managing risks associated with the acquisition of equity investments by BPS Group aims, in general, at:

- defining rules and deliberative procedures aimed at ensuring the substantial and procedural suitability of these transactions, in compliance with the reference standards;
- ensuring compliance with the quantitative limits on equity investments, especially to those in non-financial companies;
- defining organisational and governance structures capable of preventing conflicts of interest and which can guarantee, on the one hand, that shareholding decisions are not conditioned by existing lending relationships and, on the other, that business relationships with investees are based on objective criteria and meet market conditions.

The equity investments held by the Group essentially relate to companies that supply goods and services which complete the commercial offer and, therefore, are necessary for the achievement and maintenance of an effective competitive position. These holdings are stable and strengthened by the BPS's traditional intention to give the investee companies significant contribution in terms of volumes of activities, as well as to provide financial support in the context of balanced operating plans; they respond to the consolidated strategic line of concentrating the company's organisation on its core activity, making use of specialised entities for certain operating sectors (consumer credit, mutual funds, insurance, leasing, factoring, brokerage services, trust field, etc.).

The real estate risk management strategy instead relies on setting guidelines governing the direct assumption of positions in real estate properties, as well as indirect assumption by purchasing shares in real estate funds or similar, in order to:

- define internal rules and procedures aimed at ensuring a careful evaluation of real estate investment initiatives, as required by applicable legislation;
- ensure compliance with the risk-taking objectives in the sector;
- define organisational and governance structures aimed at guaranteeing that real estate investment decisions are primarily aimed at holding properties for functional use, having an instrumental or accessory nature, to be maintained permanently and used in the ordinary course of business; only secondarily aimed at investing in income-generating properties or, when necessary, for credit protection purposes.

MEASUREMENT AND CONTROL SYSTEMS

In order to control and mitigate strategic and business risks the Group adopts rigorous policies, mainly based on the existence of robust decision-making processes, which at the same time are efficient and streamlined, tending to reconcile the needs of the various stakeholders with the contextual constraints, in accordance with the principles of sound and prudent management.

Further mitigating measures, both at the Parent Company and other entities of the Group, are represented by the constant observation of macroeconomic scenarios and reference markets, the diligent execution of strategic, capital and operational planning and the careful monitoring of business trends.

These criteria are applied to all main areas of Group operation, especially for those relating to the fixing of strategic plan and budget objectives, the acquisition/disposal of equity investments, the introduction of new products or services and entry into new business or market segments, transactions of major economic significance, human resource management, changes in the organisational structure, other innovative and strategic initiatives and processes of alignment of Information and Communication Technologies with company and operational development needs.

In particular, the reactivity with which to cope with deviations from forecasted targets or unexpected changes in the business environment is ensured by a systematic comparison between the actual economic and financial results and the objectives set by the Business Plan, in multi-year plans and annual budgets. The general trend in operations and related outlook are normally analysed by top management and the Board of Directors when quarterly reports are presented for approval, paying particular attention to the level of efficiency and effectiveness achieved.

At the Parent Company, this verification and supervision activity, regularly carried out by the top management with the support of the relevant offices, makes it possible to monitor the ability to convert strategic settings into coherent interventions on the organisational system and to put in place measures aimed at remedying any critical issues or correct deviations from the set goals. At least once a year, the medium-term strategic guidelines are also subjected to a dedicated sustainability check, in light of the evolution of the company's business and the external context, making it possible to assess the advisability of initiating, in the event of significant changes in external conditions or company strategies, the definition of a new development Plan or confirming the current one.

The implementation and translation at management level of the strategic guidelines are ensured by the provision of vertical operational plans for outlining the development guidelines defined by the Business Plan, the progress of which is subject to a specific monitoring and reporting system to the top Bodies. Individual internal projects aimed at implementing commercial, organisational and operational initiatives are also subject to dedicated monitoring in order to verify compliance with performance objectives, spending budgets and deadlines. In this regard, of note is the analysis, on a precautionary basis, of the risk profiles associated with the offer of new products and services with innovative characteristics, entry into new operating and market segments, decisions to outsource activities and information systems and, in general, the pursuit of "innovative" or strategic corporate projects.

Suitable communication processes and clear, articulated and timely internal reporting functional to the adoption of interventions consistent with strategic objectives, support the Group's ability to perceive and respond appropriately to changes in the context. In this regard, the adequate circulation of information between corporate Bodies and within them, as well as between them and business and control structures is considered an essential prerequisite for the maintenance of decision-making processes based on adequate knowledge of corporate facts, on the exercise of an effective management action consistent with the strategic guidelines and on a control activity able to identify, monitor and mitigate risks in an effective manner.



In the conduction of business activities withing the Group, the existence of mechanisms for sharing top management tasks between the Parent Company and the subsidiaries contributes to the adoption of uniform strategic lines. This coordination system mitigates the risks that the affiliates take decisions that could harm the Group's sound management and unity of intent, i.e. carrying on the business according to common guidelines.

With reference to its portfolio of equity investments, the Group holds interests in companies supplying products and services that effectively integrate the commercial offer, according to criteria of continuity and stability; according to the consolidated policy of concentrating the organisation on the core business, these holdings are functional and are preferably acquired as part of collaboration initiatives with other cooperative banks. In line with its vocation as a credit institution, BPS Group also provides financial support in the form of shareholding participation to selected companies, including non-financial enterprises, especially located in geographic areas where BPS traditionally had its roots. Since these companies are well-known to the Parent Company, also thanks to the appointment of its representatives in their respective corporate bodies, strategic risks associated with these holdings are carefully controlled and monitored.

The acquisition and sale of shareholdings, which are statutorily reserved to top corporate Bodies, are subject to in-depth assessment and are inspired by principles of sound and prudent management. The main reasons for investing in financial and non-financial companies are to avoid an excessive immobilisation of the Group's assets, as well as to safeguard its structural balance and direct equity holdings along the lines of stability, economy and limited risk. These transactions, even if promoted by the Subsidiaries, require a prior examination by the Board of Directors of the Parent Company, according to the rules and limits on equity investments established at Group level.

With regard to real estate risk, regular monitoring of the composition of the Group's property portfolio is carried out, consisting of half-yearly analyses that also include sensitivity tests to simulate the potential impact of alternative drops in the market value of real estate assets.

For business and underwriting risk exposures, due to their significance, the Group estimates specific internal capital allocations as part of ICAAP.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG)

The Group recognises that the integration of "sustainability" risks related to the consideration of environmental, social and corporate governance factors (so-called "ESG risks", Environmental, Social, Governance) in its strategic and risk management processes is an essential lever in order to better understand the context in which it operates, a more considered assumption of risk and, ultimately, greater effectiveness in responding to customers' and communities' needs.

ESG risk factors have significant impacts on economic activities, affecting the financial system through various transmission channels. As determining or accentuating factors of various risk categories that typically characterise the operations of financial institutions, their occurrence could affect the resilience of the Group's business model over a medium and long-term time horizon, compromising its capital stability, competitive potential and reputational credibility.

In compliance with specific regulatory and supervisory obligations, the Group also pursues the strengthening of internal and external communication channels and the intensification of publications on climatic and environmental aspects and, in general, on issues related to sustainability and the management of the related risks, in order to increase markets transparency and promote the understanding of players regarding the financial implications of these factors.

Please refer to Section 12 of this document for information on the subject.

Corporate governance arrangements

With regard to information required by art. 435, para. 2, of Regulation (EU) 575/2013 ("CRR") on corporate governance arrangements, please refer to the specific documentation published on the Bank's website (<https://istituzionale.popso.it/en>). The required information is provided in greater detail below.

a. *Number of directorships held by members of the Board of Directors*

In this regard, reference should be made to the "Report on Corporate Governance and Ownership Structure for the year 2024", prepared pursuant to art. 123 bis of Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance) and available on the Bank's website at the following address <https://istituzionale.popso.it/en/governance/corporate-governance-reports>. The document contains the Bank's Directors curricula vitae, indicating the directorships that they hold (paragraph 4).

b. *Policy for the selection of members of the Board of Directors and their effective knowledge, skills and experience*

In this regard, reference is made to the document "Optimal qualitative and quantitative composition of the Board of Directors of Banca Popolare di Sondrio s.p.a.", approved by the Board of Directors in compliance with current supervisory provisions on corporate governance of banks (Bank of Italy Circular 285/2013 "Supervisory provisions for banks") and published (only in Italian) on the company's website <https://istituzionale.popso.it/en/investor-relations/shareholders-meeting> (2025 Shareholders' Meeting, Meeting documents).

c. *Diversity policy adopted in the selection of the members of the management body, the related objectives and any targets established in the framework of this policy, as well as the extent to which these objectives have been achieved*

The current "Supervisory provisions for banks" (Bank of Italy Circular 285/2013), Part One, Title IV, Chapter I, Section IV, require the identified gender target, the plan and its implementation to be made public within the disclosure that banks must make pursuant to the «Pillar 3» discipline (art. 435 CRR).

In relation to gender diversity, art. 20, paragraph 2, of the Articles of Association of Banca Popolare di Sondrio - document available (only in Italian) on the company's website at <https://istituzionale.popso.it/en/governance/corporate-documents> – establishes that:

"The composition of the Board of Directors shall ensure collective adequacy, as well as the presence of the minimum number of independent directors and gender balance in accordance with the legislation in force from time to time". In accordance with the above-mentioned statutory regulation, 7 out of 15 Directors must be from the least represented gender, i.e. female. Therefore, the obligation of at least two-fifths of the offices attributed to the less represented gender envisaged by the provisions of Law No. 160 of 27 December 2019 in terms of equal access to administration and control bodies of companies listed on regulated markets is fully respected.



With regard to diversified skills and experience, age groups, respect for the principle of gender balance of the Directors, each year, before the partial renewal of the Board, Banca Popolare di Sondrio publishes the document "Optimal qualitative-quantitative composition of the Board of Directors of Banca Popolare di Sondrio Spa" (<https://istituzionale.popso.it/en/investor-relations/shareholders-meeting> - 2025 Shareholders' Meeting, Meeting Documents).

In the above-mentioned document, the importance of Board diversity and heterogeneity is emphasised (paragraph 6.3.3), particularly in terms of skills, experience, age, gender and length of tenure and international orientation, in order to foster plurality of approaches and perspectives in analysing issues and making decisions.

Sections 6.1 and 6.3 of the document in question outline the requirements of professionalism of Directors and overall suitability that the Board of Directors considers optimal consistent with current regulations. The prescribed criteria of competence that directors must possess, also in the sense of knowledge and experience, depending on the nature of the particular office/assignment held and the Bank's dimensional and operational characteristics, are also set out. In order to foster an adequate dialectical confrontation within the Board and to ensure informed and thoughtful decisions, it was also considered appropriate that more individuals with proven skills for each of the following different areas pertaining to bank management be present in the Body:

- strategic vision and planning;
- banking business model;
- technology and digitalisation of banking processes;
- risk governance and control systems;
- banking, financial and insurance products;
- knowledge of the most important sectors of the economy and business environments served by the Bank and its entrepreneurial approach;
- anti-money laundering (specific expertise, appropriate level of knowledge and experience and time to devote to the task);
- governance of listed companies, banking regulation;
- sustainability (Climate & Environment and Diversity & Inclusion strategy);
- financial reporting, accounting and auditing;
- legal and corporate.

d. *Whether the bank has set up a separate risk committee and the number of times it has met during the year*

The Control and Risk Committee is set up within the Board of Directors. In this regard, please refer to the aforementioned "Report on Corporate Governance and Ownership Structures for 2024", (<https://istituzionale.popso.it/en/governance/corporate-governance-reports>), which illustrates the composition, competences and functioning of the Committee. During 2024, the Control and Risk Committee met 25 times, with each meeting lasting an average of roughly 4 hours.

e. *Description of the flow of information on risks addressed to the Board of Directors*

In order to ensure the correct functioning of the internal control system, the Group has identified the most appropriate methods of coordination and collaboration between corporate control bodies and functions, as well as the interactions between the Parent Company and the Subsidiaries.

In general, the internal control functions of the Parent Company report to top Bodies and Committees, according to their respective responsibilities, periodic or event-by-event specific information to ensure, on the one hand, a decision-making process based on full knowledge and sharing of the facts and, on the other hand, suitable control measures to identify, supervise and mitigate the risks assumed. In particular, the information produced relates to the following aspects:

- planning and reporting of control activities;
- business risk evolution;

- deficiencies found in controls and remedial actions planned or taken;
- violations, serious events and anomalies.

With specific reference to the information flow on risks addressed to the Management Body in accordance with the provisions of art. 435, paragraph 2, letter e) of Regulation (EU) 575/2013 ("CRR"), a summary table of the main information, reports and periodic reporting on monitoring and control of corporate and Group risks prepared for the benefit of the Board of Directors of the Parent Company Banca Popolare di Sondrio is provided below.



List of periodic information flows on risk control addressed to the Board of the Parent Company Banca Popolare di Sondrio

	Flow name	Responsible unit	Frequency
1	Report of the Risk Control Function on the activities carried out during the year n and Activity Programme for the year n+1	Governance Area <i>Chief Risk Officer</i>	Annual
2	Report of the Risk Management Function pursuant to art. 23 Commission Delegated Regulation (EU) 565/2017 on investment services	Governance Area <i>Chief Risk Officer</i>	Annual
3	Reporting of the Group's internal capital adequacy assessment process (ICAAP Report)	Governance Area <i>Chief Risk Officer</i>	Annual
4	Reporting of the Group's internal liquidity adequacy assessment process (ILAAP Report)	Governance Area <i>Chief Risk Officer</i>	Annual
5	Public Disclosures (Pillar 3 Report)	Governance Area <i>Chief Risk Officer</i>	Quarterly
6	Tableau de Bord - Risk Dashboard	Governance Area <i>Chief Risk Officer</i>	Quarterly
7	ESG risk factor reporting	Governance Area <i>Chief Risk Officer</i>	Quarterly
8	Cyber risk overview report	Governance Area <i>Chief Risk Officer</i> Compliance Function and <i>Data Protection Officer</i> (DPO)	Annual
9	Information on the findings of the ECB IT Risk Questionnaire	Governance Area <i>Chief Risk Officer</i>	Annual
10	Report of the Validation Function on the activities carried out during the year n and Activity Plan for the year n+1	Governance Area <i>Chief Risk Officer</i> - Validation Office	Annual
11	Validation Office Notes on Updates to Model A-IRB (model change)	Governance Area <i>Chief Risk Officer</i> - Validation Office	According to the periodicity and in the circumstances established by internal regulations
12	Report of the Compliance Function and Data Protection Officer (DPO) on the activities carried out during the year n and Activity Programme for the year n+1	Compliance Function and Data Protection Officer (DPO)	Annual (half-yearly update)
13	Report pursuant to art. 22 Commission Delegated Regulation (EU) 565/2017 on controls and complaints in the context of the provision of investment services	Compliance Function and Data Protection Officer (DPO)	Annual
14	Report under the provisions on internal system for reporting violations (whistleblowing)	Compliance Function and Data Protection Officer (DPO)	Annual
15	Report on the transparency of banking and financial transactions and services - Fairness of relations between intermediaries and customers (Complaints and appeals to the Banking and Financial Arbitrator and the Judicial Authority)	Compliance Function and Data Protection Officer (DPO)	Annual

16	Report pursuant to Article 14(3) of IVASS Regulation No. 45 of 4 August 2020 (Role of the corporate bodies and corporate control functions of intermediaries referred to in Article 109(2)(d) of the Code)	Compliance Function and Data Protection Officer (DPO)	Annual
17	Report of the Data Protection Officer (DPO) under the General Data Protection Regulation (EU) 679/2016 (GDPR) on the processing of personal data (privacy)	Compliance Function and Data Protection Officer (DPO)	Annual
18	Periodic reporting on transactions with related parties/associated persons	Compliance Function and Data Protection Officer (DPO)	Quarterly
19	Compliance reports dedicated to the evidence emerging on specific areas subject to verification	Compliance Function and Data Protection Officer (DPO)	According to the periodicity and in the circumstances established by internal regulations
20	Report of the Anti-Money Laundering Function on the activities carried out during the year n (including the annual Self-Assessment of money laundering risks provided for by the Bank of Italy provisions) and Activity Programme for the year n+1	Anti-Money Laundering Function	Annual (half-yearly update)
21	Report of the Manager responsible for preparing the Company's accounting documents on the activities carried out during the year n and Activity Programme for the year n+1	Manager responsible for preparing the Company's accounting documents	Annual (half-yearly update)
22	Information relating to the supervisory activity on the implementation of the Organisational Model according to L.D. 231/2001	Supervisory Body pursuant to Legislative Decree 231/2001	Annual
23	Report of the Internal Audit Department on the activities carried out in the year n and Audit plan	Internal Audit Department	Annual (half-yearly update)
24	Report on the checks carried out on important operational or outsourced control functions	Internal Audit Department	Annual
25	Report of the Internal Audit Department pursuant to art. 24 Commission Delegated Regulation (EU) 565/2017 on investment services	Internal Audit Department	Annual
26	Periodic information on audit activities and reports on specific areas of verification (e.g. ICAAP / ILAAP, A-IRB internal rating systems, etc.)	Internal Audit Department	According to the periodicity and in the circumstances established by internal regulations
27	Report on investment services, ancillary activities and distribution of financial products issued by insurance companies or banks	Governance Area Chief Financial Officer - Finance Department	Annual
28	Self-assessment of the persistence of the eligibility requirements in the exercise of the activity of custodian bank of UCIs and pension funds	Governance Area Chief Financial Officer - Finance Department	Annual
29	Annual plan of business continuity controls	Governance Area Chief Information & Operations Officer - ICT Security and Resilience Department	Annual
30	Report on the findings of operational and security risks related to payment services	Governance Area Chief Risk Officer Governance Area Chief Information & Operations Officer	Annual
31	Annual Report of the Group Outsourcing Manager	Group Outsourcing Manager	Annual



Section 3

Disclosure of key metrics and overview of risk-weighted exposure amounts (articles 438, 447 and 473-bis CRR/CRR II)

The Group constantly monitors its capital adequacy, considered both in terms of size and composition, in respect of the risks taken, and those to which the Group might be exposed in implementing business strategies.

According to this, also in line with the provisions set out in the «Pillar 2» regulatory framework, the Group has in place an internal process (ICAAP - Internal Capital Adequacy Assessment Process) to regularly evaluate if its capital level and composition are adequate, in current and prospective terms, to cope with all the significant risks to which the Group is or might be exposed, based on the medium-term forecasts adopted for strategic, capital and financial planning.

Taking into account the projections of the balance sheet and consolidated income statement aggregates, risk profiles considered relevant for the Group's core business are identified and analysed, according to their type, through quantitative and/or qualitative approaches.

Specifically, ICAAP assessments are conducted from a double perspective:

- *Internal regulatory perspective*: it represents a multi-year assessment of the ability of the Group's available capital position to meet all regulatory and Supervisory requirements, as well as to face on an ongoing basis all other internal and external capital constraints applicable from time to time over a medium-term horizon (at least three years). This perspective takes into account potential impacts of all capital risks considered material for the Group, not limited to those covered by «Pillar 1» requirements.
- *Internal economic perspective*: it integrates the regulatory perspective and refers to the Group's ability to face, through a suitable supply of capital resources, all the material risks likely to generate economic losses and to reduce the total available capital. In this perspective, the Group ensures adequate risk coverage with capital that is commensurate with its internal concept of capital adequacy.

In both perspectives, the assessment horizon is three years, according to the ECB's expectations. The metrics used in the Group's capital adequacy analyses based on the aforementioned perspectives refer to the following key notions:

- *absorbed capital*, understood as the capital need relating to a specific risk which is deemed necessary to cover losses exceeding a given expected level;
- *total absorbed capital*, understood as the amount of capital absorbed referring to all the material risks assumed by the Group in current or prospective terms, including any internal capital needs due to strategic considerations;
- *total available capital*, consisting of the overall capital resources that are expected to cover the amount of capital needs determined through risk quantification.

The correct measurement of risk exposures, carried out in both current and prospective terms, as well as under stressed conditions, makes it possible to determine the amount of internal capital needed to cover the different types of risk that may have a material impact on the Group.

On a yearly basis, the Group represents the main outcomes of the ICAAP to the Supervisory Authority, along with the its underlying elements. The findings submitted through this reporting form a fundamental basis of assessment for the supervisor for the purposes of the SREP (Supervisory Review and Evaluation Process).

At the end of the ICAAP, the Board of Directors of the Parent Company, as Strategic Supervisory Body, verifies that adequate capitalisation conditions have been met, i.e. that capital is sufficient to cover the requirements associated with the set of material risks to which the Group is exposed, both on an actual basis and in the baseline and stress forward-looking scenarios, taking into account the expected evolution of the Group's business. The ILAAP assessment has been carried out in March 2025 with reference to the end of 2024.

The Group's ability to continue operating by maintaining sound and robust financial conditions is regularly surveyed as part of the management reporting on business performance and risk exposures. Potential impacts on the capital position of key managerial choices and initiatives, or any significant changes in corporate strategies and in the external environment, are also previously assessed before making any related decision.

Targets and limits stated in the Risk Appetite Framework (RAF) for capital indicators are taken as a point of reference to evaluate the adequacy of the Group's capitalisation measures as calculated in the ICAAP, in current terms and under baseline and adverse scenarios, in line with minimum regulatory requirements and with additional supervisory constraints currently and prospectively in force.

The following tables provide a summary of the performance of some key figures of Banca Popolare di Sondrio Group, represented by key 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.



Table 6 - Template EU KM1: key metrics (1 of 2)

		a	b
		31/12/2024	30/09/2024
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	3,681,296	3,715,302
2	Tier 1 capital	3,681,296	3,715,302
3	Total capital	4,348,985	4,376,447
Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	23,925,016	22,545,694
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.3868%	16.4790%
6	Tier 1 ratio (%)	15.3868%	16.4790%
7	Total capital ratio (%)	18.1776%	19.4115%
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 (%)	2.7900%	2.7900%
EU-7b	<i>of which: to be made up of CET1 capital (percentage points)</i>	1.5694%	1.5694%
EU-7c	<i>of which: to be made up of Tier 1 capital (percentage points)</i>	2.0925%	2.0925%
EU-7d	Total SREP own funds requirements (%)	10.7900%	10.7900%
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 (%)	0.0545%	0.0364%
EU-9a	Systemic risk buffer (%)	0.3443%	-
10	Global Systemically Important Institution buffer (%)	-	-
EU-10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.8988%	2.5364%
EU-11a	Overall capital requirements (%)	13.6888%	13.3264%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.2943%	8.3865%
Leverage ratio			
13	Leverage ratio total exposure measure	62,743,230	59,987,273
14	Leverage ratio	5.8672%	6.1935%
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	<i>of which: to be made up of CET1 capital (percentage points)</i>	-	-
EU-14c	Total SREP leverage ratio requirements (%)	3.0000%	3.0000%

Table 6 - Template EU KM1: key metrics (1 of 2)

		a	b
		31/12/2024	30/09/2024
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 (%)	3.0000%	3.0000%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,152,163	11,295,635
EU-16a	Cash outflows - Total weighted value	9,318,598	9,169,322
EU-16b	Cash inflows - Total weighted value	3,275,205	3,189,118
16	Total net cash outflows (adjusted value)	6,043,393	5,980,204
17	Liquidity coverage ratio (%)	184.6005%	188.7857%
Net Stable Funding Ratio			
18	Total available stable funding	37,523,377	36,690,528
19	Total required stable funding	28,963,313	28,447,734
20	NSFR ratio (%)	129.5548%	128.9752%

Source: COREP reporting framework - 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



Table 7 - Template EU KM1: key metrics (2 of 2)

		c	d	e
		30/06/2024	31/03/2024	31/12/2023
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	3,622,276	3,516,085	3,512,520
2	Tier 1 capital	3,622,276	3,516,085	3,512,520
3	Total capital	4,268,253	4,162,217	4,053,189
Risk-weighted exposure (amounts)				
4	Total risk-weighted exposure amount	22,732,338	23,151,727	22,855,291
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15.9345%	15.1871%	15.3685%
6	Tier 1 ratio (%)	15.9345%	15.1871%	15.3685%
7	Total capital ratio (%)	18.7761%	17.9780%	17.7341%
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 (%)	2.7900%	2.7900%	2.6600%
EU-7b	<i>of which: to be made up of CET1 capital (percentage points)</i>	1.5694%	1.5694%	1.4963%
EU-7c	<i>of which: to be made up of Tier 1 capital (percentage points)</i>	2.0925%	2.0925%	1.9950%
EU-7d	Total SREP own funds requirements (%)	10.7900%	10.7900%	10.6600%
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 (%)	0.0510%	0.0350%	0.0359%
EU-9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU-10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.5510%	2.5350%	2.5359%
EU-11a	Overall capital requirements (%)	13.3410%	13.3250%	13.1959%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.8420%	7.0946%	7.0741%
Leverage ratio				
13	Leverage ratio total exposure measure	62,328,732	62,346,915	63,354,781
14	Leverage ratio	5.8116%	5.6396%	5.5442%
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	<i>of which: to be made up of CET1 capital (percentage points)</i>	-	-	-
EU-14c	Total SREP leverage ratio requirements (%)	3.0000%	3.0000%	3.0000%
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 (%)	3.0000%	3.0000%	3.0000%

Table 7 - Template EU KM1: key metrics (2 of 2)

		c	d	e
		30/06/2024	31/03/2024	31/12/2023
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	10,807,511	10,747,395	10,925,070
EU-16a	Cash outflows - Total weighted value	9,032,386	9,097,424	9,328,685
EU-16b	Cash inflows - Total weighted value	3,185,939	3,144,005	3,024,555
16	Total net cash outflows (adjusted value)	5,846,446	5,953,418	6,304,129
17	Liquidity coverage ratio (%)	184.8666%	180.7696%	174.0695%
Net Stable Funding Ratio				
18	Total available stable funding	36,263,785	33,558,257	35,015,406
19	Total required stable funding	28,687,263	28,544,893	27,882,651
20	NSFR ratio (%)	126.4108%	117.5631%	125.5813%

Source: COREP reporting framework - 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

Banking groups must comply with the following minimum capital requirements:

- Common Equity Tier 1 (CET1) ratio of 4.5%;
- Tier 1 Ratio of 6%;
- Total Capital Ratio of 8%.

The following capital reserves (known as "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 times of market tension to prevent malfunctions of the banking system and avoid interruptions to the credit disbursement process, as well as to face risks deriving from certain banks systemic relevance at a global or local level and other macro-prudential or systemic risks (understood as the possibility of disruption of the financial system to such an extent that it may have serious repercussions for the financial system itself and the real economy).

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

- *Capital Conservation Buffer*: mandatory buffer made up of Common Equity Tier 1 Capital, equivalent to an additional operating requirement equal to 2.5% of weighted assets, intended to safeguard the minimum level of regulatory capital even in times of especially adverse market periods through the allocation of high quality capital during periods not characterised by market tensions.
- *Countercyclical Capital Buffer*: this is also made up of high quality capital to strengthen the capital resources of the banking sector at times of excessive lending growth; following measures by the competent Supervisory Bodies, it could be set up during periods of economic expansion through the accumulation, during phases of overheating of the credit cycle, of Common equity Tier 1 capital to cope with any losses that might arise during the downward phases of the cycle, based on a specific coefficient established at a national level. The countercyclical coefficient relating to exposures to Italian counterparties, reviewed quarterly by the Bank of Italy, remained unchanged at 0% throughout 2024, judged to be appropriate to the macro-financial context⁹;

⁹ However, the Bank of Italy, in its capacity as the national macro-prudential authority, announced in December 2023 the launch of a comprehensive reassessment of the methodological framework for the use of the countercyclical capital buffer, in order to verify whether the one currently used in the domestic banking context is still adequate with respect to the purposes of the buffer. The work will also take into account the Basel Committee's recognition of the possibility – already applied by some countries – of introducing a positive capital buffer even under normal conditions, i.e. when cyclical risks are balanced.



- *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 pose 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 individual EU Member State in order to mitigate long-term non-cyclical systemic or macro-prudential risks which are not already covered with the macro-prudential instruments envisaged by the CRR or the previous capital reserves and, in this way, cope with the negative effects of unexpected systemic crises. On 26 April 2024, the Bank of Italy communicated its decision to apply a systemic risk buffer (SyRB) to all banks and groups authorised in Italy. The target rate of 1.0% is to be achieved gradually by building up a buffer of 0.5% of material exposures by 31 December 2024 and the remaining 0.5% by 30 June 2025.

The sum of regulatory requirements and additional reserves determines the minimum level of capital conservation required for banks and banking groups (known as the "combined buffer requirement"). For Banca Popolare di Sondrio Group these minimum capital levels are as follows:

- 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 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.

The new supervisory decision on prudential requirements resulting from the Supervisory Review and Evaluation Process (SREP) conducted by the Supervisory Authority during 2023 has been in force since 1 January 2024. The additional «Pillar 2» Requirement ("P2R") imposed on the Group, to be held in the form of Common Equity Tier 1 (CET1) capital at least for 56.25% and Tier 1 (T1) capital for at least 75%, has been set at 2.79% (up from the previous 2.66%) and includes a share of 0.04% as an increase in the «Pillar 2» requirement for impaired exposures. Accordingly, the minimum capital levels to be met by the Group¹⁰ for 2024¹¹ include:

- a minimum requirement for Common Equity Tier 1 Ratio equal to 8.57%, made up of the sum of the «Pillar 1» regulatory requirement (4.50%), the amount of Capital Conservation Buffer (2.50%) and the additional «Pillar 2» Requirement - P2R (1.57%);
- a minimum requirement for Tier 1 Ratio of 10.59%, being the sum of the «Pillar 1» regulatory requirement (6.0%), the amount of Capital Conservation Buffer (2.50%) and the additional «Pillar 2» Requirement (2.09%);
- a minimum requirement for Total Capital Ratio of 13.29%, being the sum of the «Pillar 1» regulatory requirement (8.0%), the amount of Capital Conservation Buffer (2.50%) and the additional «Pillar 2» Requirement (2.79%).

¹⁰ The minimum requirements are calculated net of the contribution from the Group's specific countercyclical capital buffer.

¹¹ Effective as of 1 January 2025, the new supervisory decision on prudential requirements resulting from the SREP process conducted in 2024 is in force, under which the additional «Pillar 2» Requirement (P2R) imposed on Banca Popolare di Sondrio Group is 2.75%, down from the previous 2.79%, to be held in the form of Common Equity Tier 1 (CET1) capital of at least 56.25% and Tier 1 capital of at least 75%. As a result, the minimum level of Common Equity Tier 1 Ratio required for 2025 is 8.93%, from the previous 8.57%, and is determined as the sum of the minimum Pillar I regulatory requirement (4.5%), the additional Pillar II requirement (1.55%) and the Combined Buffer Requirement (2.89%). The required Tier 1 Ratio is 10.94%, from the previous 10.59%. The minimum Total Capital Ratio is 13.64%, from the previous 13.29%.



In addition to these minimum ratios is a "«Pillar 2» Guidance" (P2G) is also set, which aims to be a guideline to the prospective evolution of the Group's capital resources. 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, also according to the Supervisory approach, is not relevant for the calculation of distributable dividends.

Further information on the performance of the Group's capital ratios in relation to minimum requirements is provided in Section 4 of this Disclosure.

Leverage and liquidity requirements

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

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

For further information on the first coefficient please refer to Section 6, for the second and third ratios please refer to Section 7 of this Disclosure.

The tables below provide the values of the Group's regulatory own funds, risk-weighted assets (RWA), capital ratios and leverage ratio, calculated at 31 December 2024 and in the four previous quarterly periods taking into account the complete fulfilment of the phase-in rules for the gradual introduction of IFRS 9, compared with the homologous quantities calculated in case transitional provisions or applicable temporary treatments are missing/absent.



Table 8 - Template IFRS 9-FL: Own funds, capital and leverage ratios under IFRS 9/analogous ECLs transitional

		31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2023
Available capital (amounts)						
1	Common Equity Tier 1 (CET1) capital	3,681,296	3,715,302	3,622,276	3,516,085	3,512,520
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,648,389	3,683,390	3,591,906	3,493,229	3,457,570
3	Tier 1 capital	3,681,296	3,715,302	3,622,276	3,516,085	3,512,520
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,648,389	3,683,390	3,591,906	3,493,229	3,457,570
5	Total capital	4,348,985	4,376,447	4,268,253	4,162,217	4,053,189
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,316,078	4,344,535	4,237,883	4,139,361	3,998,240
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	23,925,016	22,545,694	22,732,338	23,151,727	22,855,291
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23,924,592	22,545,167	22,731,899	23,150,624	22,852,976
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.3868%	16.4790%	15.9345%	15.1871%	15.3685%
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	15.2495%	16.3378%	15.8012%	15.0891%	15.1296%
11	Tier 1 (as a percentage of risk exposure amount)	15.3868%	16.4790%	15.9345%	15.1871%	15.3685%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.2495%	16.3378%	15.8012%	15.0891%	15.1296%
13	Total capital (as a percentage of risk exposure amount)	18.1776%	19.4115%	18.7761%	17.9780%	17.7341%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.0403%	19.2704%	18.6429%	17.8801%	17.4955%
Leverage ratio						
15	Leverage ratio total exposure measure	62,743,230	59,987,273	62,328,732	62,346,915	63,354,781
16	Leverage ratio	5.8672%	6.1935%	5.8116%	5.6396%	5.5442%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.8148%	6.1403%	5.7628%	5.6029%	5.4575%

Source: COREP reporting framework - Capital Adequacy: Templates C 01.00-C 05.01 and Leverage ratio calculation: Template C 47.00

Transitional IFRS 9 provisions

The Group's own funds, capital and leverage ratios at 31 December 2024 are calculated in application 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 (so-called CRR "Quick-fix")¹², aimed at containing the capital impacts of the adoption, effective 1 January 2018, of the new IFRS 9 accounting standard, appropriately amending and supplementing Regulation (EU) No. 575/2013 ("CRR"). The adoption of transitional arrangements by banks, to be reported in advance to the Supervisory Authority, was optional and could be either "full" or "partial" depending on whether it concerned all regulatory provisions or only a portion of them.

This regime, applicable from 1/1/2018 to 31/12/2024, allowed 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 standard.

The amount associated with these additional loss provisions, calculated net of tax effects, as a positive element of equity, can be broken down into a "static" component, representing a measure of the increases in adjustments when the new accounting standard is first adopted, and a "dynamic" component, measuring the additional increases in adjustments that could occur at each subsequent accounting date during the transitional period with respect to the provisions in place at 1/1/2018, excluding changes in adjustments calculated on portfolios of financial instruments.

This additional amount was applied to the value of the Common Equity Tier 1 capital of entities that chose 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 "sterilised" in the calculation of capital ratios through the application of a scaling factor with the effect of limiting the amount 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 those institutions applying transitional arrangements would not benefit from both an increase in their Common Equity Tier 1 capital due to said compensatory adjustments and a reduced risk exposure amount.

The Banca Popolare di Sondrio Group chose to take advantage of these transitional arrangements on a "full" basis, i.e. with reference to both 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 to 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 figures reported in the tables above demonstrate how the impacts on the Group's capital adequacy in the event of immediate and full recognition of the effects of the accounting standard would remain fully limited also at 31 December 2024. The differentials between the capital solvency and financial leverage ratios calculated taking into account the compensatory adjustments granted by the IFRS 9 transitional regime and those available to the Group in the event that it had not opted for this possibility remain substantially in line with those observed in the previous quarter.

¹² 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.



The table below provides an overview of the Group's risk-weighted exposures (RWA or TREA) and capital absorption at 31 December 2024, broken down by type of exposure and calculation method required by prudential regulations.

Table 9 - Template EU OV1: Overview of risk weighted exposure amounts

		RWA		Capital requirements
		a	b	a
		31/12/2024	30/09/2024	31/12/2024
1	Credit risk (excluding CCR)	20,407,797	19,079,295	1,632,624
2	<i>Of which the standardised approach</i>	12,218,060	10,879,525	977,445
3	<i>Of which the foundation IRB (FIRB) approach</i>	-	-	-
4	<i>Of which: slotting approach</i>	-	-	-
EU-4a	<i>Of which: equities under the simple riskweighted approach</i>	-	-	-
5	<i>Of which the advanced IRB (AIRB) approach</i>	8,189,737	8,199,770	655,179
6	Counterparty credit risk - CCR	183,405	131,498	14,672
7	<i>Of which the standardised approach</i>	26,003	23,914	2,080
8	<i>Of which internal model method (IMM)</i>	-	-	-
EU-8a	<i>Of which exposures to a CCP</i>	1,381	474	111
EU-8b	<i>Of which credit valuation adjustment - CVA</i>	10,815	11,927	865
9	<i>Of which other CCR</i>	145,205	95,183	11,616
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	205,935	215,773	16,475
17	<i>Of which SEC-IRBA approach</i>	62,979	69,506	5,038
18	<i>Of which SEC-ERBA (including IAA)</i>	61,632	59,894	4,931
19	<i>Of which SEC-SA approach</i>	67,488	71,589	5,399
EU-19a	<i>Of which 1250%</i>	13,836	14,785	1,107
20	Position, foreign exchange and commodities risks (Market risk)	522,786	871,871	41,823
21	<i>Of which the standardised approach</i>	522,786	871,871	41,823
22	<i>Of which IMA</i>	-	-	-
EU-22a	Large exposures	-	-	-
23	Operational risk	2,605,093	2,247,257	208,407
EU-23a	<i>Of which basic indicator approach</i>	-	-	-
EU-23b	<i>Of which standardised approach</i>	2,605,093	2,247,257	208,407
EU-23c	<i>Of which advanced measurement approach</i>	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	767,844	761,940	61,428
29	TOTAL	23,925,016	22,545,694	1,914,001

Source: COREP reporting framework - 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 total amount of the Group's risk-weighted exposures increased in the last quarter. The capital requirement for credit and counterparty risks increased following the significant rise in lending volumes in the final quarter of the year; the exposure to market risks decreased from September, continuing to be mainly concentrated in the equities and UCIs asset classes. The capital absorption on operational risks, following the annual update as per the regulatory method, shows an increase compared to 31/12/2023, due to the inclusion of the final data at the end of 2024. CVA risks on OTC derivative transactions have declined and remained scarcely material.

Table 10 - Template EU INS1: Insurance participations

The template is not subject to publication given the absence of operations in this area by the Group.

Table 11 - Template EU INS2: Financial conglomerates information on own funds and capital adequacy ratio

The template is not subject to publication because Banca Popolare di Sondrio Group is not given the status of "financial conglomerate" in application of Directive 2002/87/EC of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.



Section 4

Disclosure of own funds and eligible liabilities (articles 437 and 437-bis CRR/CRR II)

Composition of Own Funds

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.

Common Equity Tier 1 Capital (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.

Prudential filters are (positive or negative) regulatory adjustments to items in the financial statement aimed at granting the quality of own funds, reducing the potential volatility caused by applying IAS/IFRS. These filters exclude from CET1 the valuation reserve generated by cash flow hedges and unrealised gains/losses arising from changes in a Bank's 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 for Banca Popolare di Sondrio Group, with effect from 30 June 2019, 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 deduction exceeding the availability of Additional Tier 1 Capital.

Additional Tier 1 Capital (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 31 December 2024, 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 or 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.

As already indicated in Section 3 above, the Group's own funds and prudential capital ratios at 31 December 2024 were 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 until 31 December 2024.

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) with regard to 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 results.

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

- earnings must be checked and certified by 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 certification model that banks or banking groups must adopt for requesting the authorisation.

The table 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.

Table 12 - Template EU CC1: Composition of regulatory own funds (1 of 7)

		31/12/2024		31/12/2023	
		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
Common equity tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	1,439,091	160. SHARE PREMIUM ACCOUNTS 170. SHARE CAPITAL	1,439,106	160. SHARE PREMIUM ACCOUNTS 170. SHARE CAPITAL
	<i>Of which: ordinary shares</i>	<i>1,439,091</i>		<i>1,439,106</i>	
2	Retained earnings	-		-	
3	Accumulated other comprehensive income (and other reserves)	2,166,887	150. RESERVES 120. VALUATION RESERVES	1,936,084	150. RESERVES 120. VALUATION 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)	-	190. MINORITY SHAREHOLDERS' EQUITY (+/-)	-	190. MINORITY SHAREHOLDERS' EQUITY (+/-)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	207,347	200. PROFIT (LOSS) FOR THE PERIOD	206,815	200. PROFIT (LOSS) FOR THE PERIOD
6	COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	3,813,325		3,582,005	

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



Table 13 - Template EU CC1: Composition of regulatory own funds (2 of 7)

		31/12/2024		31/12/2023	
		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
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(4,204)		(4,045)	
8	Intangible assets (net of related tax liability) (negative amount)	(35,674)	100. INTANGIBLE ASSETS	(32,744)	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)	(4,594)	110. TAX ASSETS	(4,594)	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)	(26,187)	180. TREASURY SHARES (-)	(35,603)	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)	-		-	
19	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)	(33,143)	70. EQUITY INVESTMENTS	(26,779)	70. EQUITY INVESTMENTS

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

Table 14 - Template EU CC1: Composition of regulatory own funds (3 of 7)

		31/12/2024		31/12/2023	
		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
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
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-25a	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)	-		-	
27a	Other regulatory adjustments	(28,228)		34,280	
28	TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1 (CET1)	(132,028)		(69,485)	
29	COMMON EQUITY TIER 1 (CET1) CAPITAL	3,681,296		3,512,520	

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



Table 15 - Template EU CC1: Composition of regulatory own funds (4 of 7)

		31/12/2024		31/12/2023	
		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
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>	-		-	
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-33a	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	-	190. MINORITY SHAREHOLDERS' EQUITY (+/-)	-	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	-		-	

Table 15 - Template EU CC1: Composition of regulatory own funds (4 of 7)

		31/12/2024		31/12/2023	
		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
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)	-		-	
42a	Other regulatory adjustments to AT1 capital	-		-	
43	TOTAL REGULATORY ADJUSTMENTS TO ADDITIONAL TIER 1 (AT1) CAPITAL	-		-	
44	ADDITIONAL TIER 1 (AT1) CAPITAL	-		-	
45	TIER 1 CAPITAL (T1 = CET1 + AT1)	3,681,296		3,512,520	

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



Table 16 - Template EU CC1: Composition of regulatory own funds (5 of 7)

		31/12/2024		31/12/2023	
		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
Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	621,293	10. FINANCIAL LIABILITIES AT AMORTISED COST	500,000	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-47a	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	-	190. MINORITY SHAREHOLDERS' EQUITY (+/-)	-	190. MINORITY SHAREHOLDERS' EQUITY (+/-)
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-		-	
50	Credit risk adjustments	49,189		47,520	
51	TIER 2 (T2) CAPITAL BEFORE REGULATORY ADJUSTMENTS	670,481		547,520	
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(2,680)		(6,700)	
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-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-		-	

Table 16 - Template EU CC1: Composition of regulatory own funds (5 of 7)

		31/12/2024		31/12/2023	
		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
EU-56b	Other regulatory adjustments to T2 capital	(112)		(151)	
57	TOTAL REGULATORY ADJUSTMENTS TO TIER 2 (T2) CAPITAL	(2,792)		(6,851)	
58	TIER 2 (T2) CAPITAL	667,689		540,670	
59	TOTAL CAPITAL (TC = T1 + T2)	4,348,985		4,053,189	
60	TOTAL RISK EXPOSURE AMOUNT	23,925,016		22,855,291	

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



Table 17 - Template EU CC1: Composition of regulatory own funds (6 of 7)

		31/12/2024		31/12/2023	
		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
Capital ratios and requirements including buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.3868%		15.3685%	
62	Tier 1 (as a percentage of total risk exposure amount)	15.3868%		15.3685%	
63	Total capital (as a percentage of total risk exposure amount)	18.1776%		17.7341%	
64	Institution CET1 overall capital requirements	8.9681%		8.5321%	
65	<i>of which: capital conservation buffer requirement</i>	2.5000%		2.5000%	
66	<i>of which: countercyclical buffer requirement</i>	0.0545%		0.0359%	
67	<i>of which: systemic risk buffer requirement</i>	0.3443%		-	
EU-67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	-		-	
EU-67b	<i>of which: additional own funds requirements to address the risks other than the risk of excessive leverage</i>	1.5694%		1.4963%	
68	COMMON EQUITY TIER 1 AVAILABLE TO MEET BUFFER (AS A PERCENTAGE OF RISK EXPOSURE AMOUNT)	7.2943%		7.0741%	
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)	246,229		271,597	
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)	368,153		348,485	
75	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)	80,948		87,038	

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

Table 18 - Template EU CC1: Composition of regulatory own funds (7 of 7)

		31/12/2024		31/12/2023	
		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
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)	428,935		354,106	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	49,189		47,520	
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 framework - Capital Adequacy: Templates C 01.00 - C 02.00 - C 03.00 - C 04.00 - C 05.01 - C 05.02

The table below shows the reconciliation of the elements making up regulatory capital, as well as the filters and deductions applied to them, indicated in the previous template 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.



Table 19 - Template EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		31/12/2024			31/12/2023		
		a	b	c	a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements							
70	EQUITY INVESTMENTS	402,758	475,640	19	376,357	464,125	19
100	INTANGIBLE ASSETS	35,836	35,674	8	37,756	32,744	8
	- Goodwill	12,632	12,632	8	16,997	12,632	8
	- Other intangible assets	23,204	23,042	8	20,759	20,112	8
110	TAX ASSETS	190,030	189,098	10	260,813	260,071	10
b)	Advanced	188,254	187,502	10	259,438	258,725	10
	TOTAL ASSETS	628,624	700,411		674,926	756,940	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements							
10	FINANCIAL LIABILITIES AT AMORTISED COST	50,729,041	50,734,831	32,46	52,310,486	52,313,496	32,46
c)	Securities issued	5,154,082	5,154,083	32,46	4,476,510	4,476,510	32,46
120	VALUATION RESERVES	6,559	6,360	3	(16,222)	(16,420)	3
150	RESERVES	2,160,953	2,162,009	3	1,950,646	1,952,748	3
160	SHARE PREMIUM ACCOUNTS	78,934	78,934	1	78,949	78,949	1
170	SHARE CAPITAL	1,360,157	1,360,157	1	1,360,157	1,360,157	1
180	TREASURY SHARES (-)	(25,220)	(25,220)	16	(25,418)	(25,417)	16
190	MINORITY SHAREHOLDERS' EQUITY (+/-)	14	5	5, 34, 48	14	5	5, 34, 48
Shareholders' Equity							
200	PROFIT (LOSS) FOR THE PERIOD	574,942	570,556	5a	461,162	461,210	5a
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	54,885,380	54,887,632		56,119,774	56,124,729	

Source: Consolidated balance sheet, FINREP reporting framework

Note: Total assets and liabilities are the sum of only the items listed in the table.

The portion of profits net of distributable dividends contributed to the composition of own funds at 31 December 2024. The portion of period profits calculated by the Group 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.

Better quality capital resources were strengthened significantly compared to the end of 2023, which was confirmed despite the lower inclusion of profits for the period for self-financing due to the increase in the payout ratio compared to the previous year. The availability of additional Tier 2 capital rose slightly, therefore remaining stable.

At 31 December 2024, the Group's capital ratios calculated in the phased-in version remained at high values with a wide margin over regulatory requirements. Despite an increase in the total amount of risk exposure, in particular in the fourth quarter of the year, the CET1 Ratio and Tier 1 Ratio - both at 15.39% (15.37% at 31 December 2023) - and the Total Capital Ratio at 18.18% (17.73% at 31 December 2023) remained in line with the values recorded at the end of the previous year. In a fully loaded version, the ratios are 15.25% and 18.04%, respectively.



Table 20 - Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments (1 of 2)

		a	b	c
1	Issuer	Banca Popolare di Sondrio S.p.A.	Banca Popolare di Sondrio S.p.A.	Banca Popolare di Sondrio S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000784196	XS2411537033	XS2781410712
2a	Public or private placement	Public	Public	Public
3	Governing law(s) of the instrument	Italian law	Italian law	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	Yes	Yes
Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	CET1	Tier 2	Tier 2
5	Post-transitional CRR rules	CET1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary share	Tier 2 (CRR, art.63)	Tier 2 (CRR, art.63)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,324	300	300
9	Nominal amount of instrument	1,360	300	300
EU-9a	Issue price	N/A	100	100
EU-9b	Redemption price	N/A	100	100
10	Accounting classification	Equity	Liabilities - amortized cost 25/11/2021	Liabilities - amortized cost 13/03/2024
11	Original date of issuance	N/A	25/11/2021	13/03/2024
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	Without expiration	25/02/2032	13/03/2034
14	Issuer call subject to prior supervisory approval	no	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A

Table 21- Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments (2 of 2)

		a	b	c
Coupons / dividends				
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed
18	Coupon rate and any related index	N/A	3,875%	5,505%
19	Existence of a dividend stopper	no	no	no
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	no	no	no
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	no	no	no
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	Contractual	Contractual
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 1	Rank 2	Rank 2
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Senior	Senior
36	Non-compliant transitioned features	no	no	no
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	https://istituzionale.popso.it/en/investor-relations/financial-operations (section EMTN programme)	https://istituzionale.popso.it/en/investor-relations/financial-operations (section EMTN programme)



Own funds and eligible liabilities (MREL)

Banca Popolare di Sondrio is subject to the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) pursuant to the European Directive 2014/59/EU on Bank Recovery and Resolution ("BRRD"), whose objective is to verify that financial institutions have a sufficient amount of own funds and liabilities with a high capacity to absorb losses in a situation of failure.

The imposition by the European Resolution Authorities of a minimum requirement, differentiated among the supervised institutions to which it applies and subject to annual review, contributes from a systemic perspective to preserving the stability of the financial system, promoting an orderly and effective banking crisis management framework and avoiding the use of public funds for bailout purposes.

The MREL requirement is expressed on the basis of two distinct formulas, to which two binding targets to be met at the same time apply:

- MREL-TREA (Total Risk Exposure Amount, or also RWA, Risk Weighted Assets), in which the elements eligible for the calculation of the ratio (i.e., eligible liabilities and own funds) are compared to total Pillar I risk-weighted assets;
- MREL-LRE (Leverage Ratio Exposure), in which the eligible elements (eligible liabilities and own funds) are compared to the total exposure relevant for the regulatory leverage ratio.

In addition to the MREL-TREA minimum requirement, an additional buffer is also defined, to be added to the MREL-TREA requirement equal to the value of the combined capital buffer requirement, which is substantiated by the provision of an early warning threshold to be observed in advance of the binding minimum level, with an obligation to notify the Resolution Authorities if it is exceeded.

On 6 November 2024, the Single Resolution Board (SRB) and the Bank of Italy in its capacity as National Resolution Authority, notified Banca Popolare di Sondrio of its annual MREL requirement decision, according to which, with simultaneous effect, the Bank must comply on a consolidated basis with both an MREL-TREA requirement (not including the combined buffer requirement component) equal to a minimum level of 22.76% of its risk-weighted assets, and an MREL-LRE requirement equal to at least 5.90% of its leverage exposure.

These minimum requirements must be observed by the Parent Company alone, the only entity in the banking group subject to the resolution regime, as the resolution strategy defined by the Single Resolution Board for the Group is the Single Point of Entry (SPE) ¹³.

No additional subordination requirements were imposed by the authorities.

At 31 December 2024, the Group had MREL ratios well above the above thresholds. In particular:

- the MREL-TREA indicator is 30.28%; this compares with the minimum requirement of 22.76% and a secondary limit including combined capital buffer (determined on the same date) of 25.66%;
- the MREL-LRE indicator stands at 11.55%, against a regulatory requirement of 5.90%.

¹³ The resolvability of a banking group can take place in two different ways: Single Point of Entry (SPE) or Multiple Point of Entry (MPE). Under the first model, the resolution phases are handled exclusively by the authorities where the parent company is based (Home Authority), not taking into account the party within the supervised group that has brought the institution into bankruptcy. The second model implies that the Resolution Authorities of the countries in which systemically important subsidiaries operate (Host Authorities) can manage all the steps of the resolution process to be undertaken when they are in danger of failing and no financial support is expected to be provided by the parent entity.

Table 22- Template EU KM2 Key Metrics - MREL and, where applicable, own funds and eligible liabilities requirement for G-SIIs

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
		31/12/2024
Own funds and eligible liabilities, ratios and components		
1	Own funds and eligible liabilities	7,245,497
EU-1a	Of which own funds and subordinated liabilities	4,353,476
2	Total risk exposure amount of the resolution group (TREA)	23,925,016
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	30.2842%
EU-3a	Of which own funds and subordinated liabilities	18.1963%
4	Total exposure measure of the resolution group	62,743,230
5	Own funds and eligible liabilities as percentage of the total exposure measure	11.5479%
EU-5a	Of which own funds or subordinated liabilities	6.9386%
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)	
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	22.7600%
EU-8	Of which to be met with own funds or subordinated liabilities	
EU-9	MREL requirement expressed as percentage of the total exposure measure	5.9000%
EU-10	Of which to be met with own funds or subordinated liabilities	

Note: The amounts shown in rows 1 and EU-1a reflect the deduction of the entire ceiling authorised (General Prior Permission) by the Single Resolution Board for possible repurchase and liquidity support activities.



Table 23 - Template EU TLAC1 Composition - MREL and, if applicable, own funds and eligible liabilities requirement for G-SIIs

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
Own funds and eligible liabilities and adjustments		
1	Common Equity Tier 1 capital (CET1)	3,681,296
2	Additional Tier 1 capital (AT1)	-
6	Tier 2 capital (T2)	667,689
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	4,348,985
Own funds and eligible liabilities: Non-regulatory capital elements		
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	-
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	-
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	4,491
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	2,881,009
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	28,816
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	-
17	Eligible liabilities items before adjustments	-
EU-17a	<i>Of which subordinated</i>	-
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements		
18	Own funds and eligible liabilities items before adjustments	-
19	(Deduction of exposures between MPE resolution groups)	
20	(Deduction of investments in other eligible liabilities instruments)	-
22	Own funds and eligible liabilities after adjustments	7,245,497
EU-22a	<i>Of which own funds and subordinated</i>	-

Table 23 - Template EU TLAC1 Composition - MREL and, if applicable, own funds and eligible liabilities requirement for G-SIIs

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
Risk-weighted exposure amount and leverage exposure measure of the resolution group		
23	Total risk exposure amount	23,925,016
24	Total exposure measure	62,743,230
Ratio of own funds and eligible liabilities		
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	30.2842%
EU-25a	<i>Of which own funds and subordinated</i>	18.1963%
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	11.5479%
EU-26a	<i>Of which own funds and subordinated</i>	6.9386%
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	7.5200%
28	Institution-specific combined buffer requirement	
29	<i>of which: capital conservation buffer requirement</i>	
30	<i>of which: countercyclical buffer requirement</i>	
31	<i>of which: systemic risk buffer requirement</i>	
EU-31a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	
Memorandum items		
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR	



Table 24 - Template EU TLAC3a Ranking of creditors - Entity subject to resolution

		Insolvency ranking				Total
		1	2	5	6	
		(Most junior)			(Most senior)	
1	Description of insolvency rank	Equity	Capital instruments and Subordinated Claims	Unsecured Claims	Other deposits than those defined by IR 7-8	
2	Liabilities and own funds	3,068,531	623,104	4,665,636	12,365,241	20,722,511
3	<i>o/w excluded liabilities</i>	-	-	68,721	1,741,677	1,810,398
4	Liabilities and own funds less excluded liabilities	3,068,531	623,104	4,596,915	10,623,564	18,912,113
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting MREL	3,068,531	623,104	2,909,825	-	6,601,460
6	<i>o/w residual maturity ≥ 1 year < 2 years</i>	-	-	345,672	-	345,672
7	<i>o/w residual maturity ≥ 2 year < 5 years</i>	-	-	1,963,354	-	1,963,354
8	<i>o/w residual maturity ≥ 5 years < 10 years</i>	-	623,104	596,177	-	1,219,280
9	<i>o/w residual maturity ≥ 10 years, but excluding perpetual securities</i>	-	-	4,623	-	4,623
10	<i>o/w perpetual securities</i>	3,068,531	-	-	-	3,068,531

The values in the table are published at individual subject level. Considering that the Group's resolution strategy envisages the Parent Company as the only entity subject to resolution (Single Point of Entry, SPE), the figures refer to the capital and liabilities issued by Banca Popolare di Sondrio S.p.A. at individual level.

Section 5

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

The imposition of additional capital buffers with respect to minimum requirements is designed to provide banks with high quality capital to be used in times of market tension to prevent general disruptions of the banking system and avoid interruptions in the credit disbursement process, as well as to face risks arising from the systemic relevance of certain intermediaries at global or domestic level.

In this context, the countercyclical capital buffer (CCyB) has the purpose of protecting the banking sector in the phases of excessive credit growth; its imposition, in fact, allows banks, during phases of overheating of the credit cycle, to accumulate enough Common Equity Tier 1 capital to absorb losses in a downturn cycle.

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

The Bank of Italy has set at 0% the countercyclical buffer coefficient to be applied by national intermediaries to the exposures held with Italian counterparties at 31 December 2024, the same as for the previous quarters of the reference year¹⁴.

The tables 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.

¹⁴ In an announcement issued on 20 December 2024, the Bank of Italy decided to keep the Countercyclical Capital Buffer (CCyB) unchanged at a level of 0% for the first quarter of 2025 as well.



Table 25- 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
	Exposures in the banking book		Exposures in the trading book		Exposures in securitisation for non-trading book	Total exposure value
	Exposure value under SA approach	Exposure value under AIRB approach	Sum of long and short positions under SA approach	Exposure value under internal models		
Italy	6,952,455	26,973,752	46,104	-	1,008,264	34,980,575
Germany	350,852	12,675	-	-	-	363,527
France	202,652	22,151	-	-	-	224,803
United Kingdom	162,498	18,629	-	-	-	181,127
Netherlands	52,785	9,942	-	-	-	62,727
Armenia	47,946	-	-	-	-	47,946
Ireland	30,610	601	-	-	-	31,211
Romania	30,587	20	-	-	-	30,607
Denmark	13,427	169	-	-	-	13,596
Belgium	10,227	3,197	-	-	-	13,424
Norway	11,116	1,003	-	-	-	12,119
Australia	8,925	1,473	-	-	-	10,398
Slovakia	7,556	849	-	-	-	8,406
Slovenia	7,396	970	-	-	-	8,366
Croatia	7,712	-	-	-	-	7,712
Estonia	4,685	469	-	-	-	5,154
Hungary	2,715	836	-	-	-	3,551
Sweden	2,031	1,229	-	-	-	3,259
Cyprus	2,268	441	-	-	-	2,710
Lithuania	4	2,032	-	-	-	2,035
Czech Republic	1,944	-	-	-	-	1,944
Luxembourg	10	1,454	-	-	-	1,464
South Korea	1,151	-	-	-	-	1,151
Hong kong	786	325	-	-	-	1,111
Latvia	904	36	-	-	-	940
Bulgaria	710	96	-	-	-	806
Iceland	6	-	-	-	-	6
Other countries	6,831,232	296,818	-	-	-	7,128,050
TOTAL	14,745,190	27,349,168	46,104	-	1,008,264	43,148,726

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

Table 26 - 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
	Own funds requirement						
	of which: generic credit exposures	of which: credit exposures of the trading book	of which: securi- tisation positions in the banking book	Total	Risk- weighted exposure amounts	Weighting factors of own fund requirement (%)	Counter- cyclical coefficient (%)
Italy	1,176,200	3,487	16,475	1,196,161	14,952,017	79.7010%	-
Germany	26,516	-	-	26,516	331,447	1.7668%	0.7500%
France	11,038	-	-	11,038	137,970	0.7354%	1.0000%
United Kingdom	10,583	-	-	10,583	132,283	0.7051%	2.0000%
Netherlands	4,199	-	-	4,199	52,481	0.2798%	2.0000%
Armenia	2,318	-	-	2,318	28,978	0.1545%	1.5000%
Ireland	2,462	-	-	2,462	30,780	0.1641%	1.5000%
Romania	2,447	-	-	2,447	30,585	0.1630%	1.0000%
Denmark	1,081	-	-	1,081	13,506	0.0720%	2.5000%
Belgium	883	-	-	883	11,043	0.0589%	1.0000%
Norway	890	-	-	890	11,130	0.0593%	2.5000%
Australia	747	-	-	747	9,341	0.0498%	1.0000%
Slovakia	618	-	-	618	7,722	0.0412%	1.5000%
Slovenia	607	-	-	607	7,583	0.0404%	0.5000%
Croatia	617	-	-	617	7,712	0.0411%	1.5000%
Estonia	401	-	-	401	5,009	0.0267%	1.5000%
Hungary	234	-	-	234	2,929	0.0156%	0.5000%
Sweden	196	-	-	196	2,449	0.0131%	2.0000%
Cyprus	193	-	-	193	2,414	0.0129%	1.0000%
Lithuania	62	-	-	62	770	0.0041%	1.0000%
Czech Republic	155	-	-	155	1,943	0.0104%	1.2500%
Luxembourg	26	-	-	26	319	0.0017%	0.5000%
South Korea	92	-	-	92	1,151	0.0061%	1.0000%
Hong kong	73	-	-	73	917	0.0049%	0.5000%
Latvia	73	-	-	73	914	0.0049%	0.5000%
Bulgaria	60	-	-	60	754	0.0040%	2.0000%
Iceland	1	-	-	1	6	0.0000%	2.5000%
Other countries	238,079	-	-	238,079	2,975,987	15.8633%	-
TOTAL	1,480,850	3,487	16,475	1,500,811	18,760,142	100.0000%	

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



Table 27 - Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount (RWA)	23,925,016
2	Specific countercyclical coefficient of the institution	0.0545%
3	SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER REQUIREMENT OF THE INSTITUTION	13,039

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

Compared to the previous disclosure at the end of 2023, in 2024 the Group's specific countercyclical ratio increased, resulting in a higher reserve requirement to be held at 31 December 2024.

Section 6

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 the 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 Own Funds which can make a bank vulnerable.

The indicator, which was implemented as part of the Basel 3 framework, is a simple backstop measure aimed at complementing the traditional risk-based capital requirements. The main objectives 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 in which capital ratios are determined.

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 sheet exposures and off-balance sheet items; the latter, which are calculated by applying defined "credit conversion factors" to the relevant notional amount of each OBS item, mainly consist of credit commitments (e.g. disbursements related to undrawn portions of credit lines available to customers), guarantees and exposures in derivative instruments.

To cope with the risk of excessive leverage, banks must have company policies and procedures aimed at identifying, managing and adequately monitoring the exposure.

The Group, in order to manage and contain the risk of excessive leverage, has included the Leverage Ratio among key indicators of its Risk Appetite Framework (RAF). The governance rules of the RAF provide appropriate escalation mechanisms to ensure an adequate and timely response to the exceeding of established limits and trigger levels. In addition, the Group, with a view to conservative risk management, pays special attention to the dynamics of assets and the potential erosion of the capital base due to the recognition of expected or realised losses.

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



The tables below summarise the main information on the Group's Leverage Ratio at 31 December 2024 specifically concerning:

- 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 constitute the ratio overall exposure measure.

Table 28 - Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		31/12/2024	30/06/2024
		a	b
		Applicable amount	Applicable amount
1	Total assets as per published financial statements	56,628,582	56,704,098
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(8,129)	1,239
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))	-	-
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	46,068	50,416
9	Adjustment for securities financing transactions (SFTs)	235,906	75,009
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,910,528	5,620,016
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	(69,725)	(122,046)
13	TOTAL EXPOSURE MEASURE	62,743,230	62,328,732

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

Table 29 - Template EU LR2 - LRCOM: Leverage ratio common disclosure (1 of 3)

		CRR leverage ratio exposures	
		31/12/2024	30/06/2024
		a	b
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	56.471.667	55.965.087
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)	56.471.667	55.965.087
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	24,102	20,224
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	18,735	34,864
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	39,181	44,637
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	43,110	59,144
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	125,130	158,869
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	514,689
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	235,906	75,009
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	235,906	589,699

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



Table 30 - Template EU LR2 - LRCom: Leverage ratio common disclosure (2 of 3)

		CRR leverage ratio exposures	
		31/12/2024	30/06/2024
		a	b
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	27,268,992	25,845,101
20	(Adjustments for conversion to credit equivalent amounts)	(21,358,465)	(20,230,023)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	OFF-BALANCE SHEET EXPOSURES	5,910,528	5,615,078
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)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(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	3,681,296	3,622,276
24	TOTAL EXPOSURE MEASURE	62,743,230	62,328,732
Leverage ratio			
25	Leverage ratio	5.8672%	5.8116%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.8672%	5.8116%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.8672%	5.8116%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%	3.0000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	<i>of which: to be made up of CET1 capital</i>	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.0000%	3.0000%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		

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

Table 31 - Template EU LR2 - LRCOM: Leverage ratio common disclosure (3 of 3)

		CRR leverage ratio exposures	
		31/12/2024	30/06/2024
		a	b
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	18,617
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	514,689
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	62,743,230	61,832,660
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	62,743,230	61,832,660
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5,8672%	5,8582%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5,8672%	5,8582%

Fonte: Base segnaletica COREP - Calcolo del *Leverage Ratio*: Modelli C 47,00 - C 40,00 - C 48,00 - C 48,01 - C 48,02



Table 32 - Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31/12/2024	30/06/2024
		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:	56,471,667	55,965,087
EU-2	Trading book exposures	856,910	707,061
EU-3	Banking book exposures, of which:	55,614,757	55,258,027
EU-4	Covered bonds	256,280	227,567
EU-5	Exposures treated as sovereigns	14,207,535	14,988,481
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	507,498	419,742
EU-7	Institutions	4,111,083	3,673,651
EU-8	Secured by mortgages of immovable properties	12,672,431	12,204,657
EU-9	Retail exposures	4,300,007	4,217,718
EU-10	Corporates	15,186,910	15,028,430
EU-11	Exposures in default	496,279	556,637
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,876,734	3,941,144

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

The Group's leverage ratio, calculated by applying the transitional criteria in force for the financial year 2024 (phased-in), increased by approximately 6 basis points compared to the half-year figure (+33 bps compared to the index value at the end of 2023).

The half-year performance is linked in particular to an increase in assets at the denominator of the ratio, following an expansion of loans; Tier 1 capital at the numerator is also up, albeit proportionally less than assets.

Sezione 7

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, according to the procedures described in greater detail in the previous Section 2, 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 a 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 at a consolidated level, the concise liquidity indicators Liquidity Coverage Ratio and Net Stable Funding Ratio.

The Liquidity Coverage Ratio (LCR) represents the short-term liquidity coverage requirement determined in accordance with Part Six of the "CRR" Regulation, 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 the ratio of the stock of high-quality liquid assets to the total amount of net cash outflows (algebraic sum of inflows and expected cash outflows) over the next 30 calendar days. The benchmark aims to ensure the ability of banking firms to survive a severe, short-term 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%.

The Net Stable Funding Ratio (NSFR) represents the net stable medium to long-term funding ratio determined in accordance with Part Six of the "CRR" Regulations, as amended by the "CRR II" Regulations 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 of the LCR index with a view to favouring a 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 due to expire immediately after the 30-day horizon. In particular, the NSFR requirement, which should always be kept equal to or greater than 100%, is such 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.

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

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



Table 33 - Template EU LIQ1: Quantitative information of LCR (1 of 2)

		a	b	c	d
		Total unweighted value (average)			
EU-1a	Quarter ending on 31/12/2024	31/12/2024	30/09/2024	30/06/2024	31/03/2024
EU-1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)				
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	18,944,699	18,751,677	18,680,709	18,342,424
3	Stable deposits	11,938,147	11,906,302	11,899,735	11,733,574
4	Less stable deposits	6,288,155	6,240,441	6,281,888	6,226,238
5	Unsecured wholesale funding	16,062,643	15,711,506	15,346,176	15,669,279
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,211,589	3,050,477	2,949,555	3,051,742
7	Non-operational deposits (all counterparties)	12,778,552	12,588,240	12,323,038	12,543,367
8	Unsecured debt	72,503	72,788	73,583	74,171
9	Secured wholesale funding				
10	Additional requirements	962,642	941,845	890,133	865,730
11	Outflows related to derivative exposures and other collateral requirements	8,218	13,465	11,597	15,320
12	Outflows related to loss of funding on debt products	-	-	1,550	1,653
13	Credit and liquidity facilities	954,425	928,379	876,986	848,756
14	Other contractual funding	12,463	9,202	6,675	6,240
15	Other contingent funding obligations	15,336,360	15,287,816	15,170,811	14,997,819
16	TOTAL CASH OUTFLOWS				
CASH – INFLOWS					
17	Secured lending (e.g. reverse repos)	94,352	111,045	59,596	16,693
18	Inflows from fully performing exposures	2,951,487	2,836,047	2,806,124	2,737,603
19	Other cash inflows	4,256,631	4,360,686	4,417,595	4,482,438
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	7,302,470	7,307,778	7,283,314	7,236,734
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	7,302,470	7,307,778	7,283,314	7,236,734
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

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

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

Table 34 - Template EU LIQ1: Quantitative information of LCR (2 of 2)

		e	f	g	h
		Total weighted value (average)			
EU-1a	Quarter ending on 31/12/2024	31/12/2024	30/09/2024	30/06/2024	31/03/2024
EU-1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	11,152,163	11,295,635	10,807,511	10,747,395
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	1,421,920	1,407,633	1,410,228	1,392,822
3	Stable deposits	596,907	595,315	594,987	586,679
4	Less stable deposits	825,013	812,318	815,241	806,143
5	Unsecured wholesale funding	7,078,692	6,950,366	6,827,103	6,926,739
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	779,815	740,248	715,644	736,954
7	Non-operational deposits (all counterparties)	6,226,374	6,137,330	6,037,877	6,115,614
8	Unsecured debt	72,503	72,788	73,583	74,171
9	Secured wholesale funding	66,895	63,026	58,199	43,084
10	Additional requirements	178,663	181,509	176,444	177,909
11	Outflows related to derivative exposures and other collateral requirements	8,218	13,465	11,597	15,320
12	Outflows related to loss of funding on debt products	-	-	1,550	1,653
13	Credit and liquidity facilities	170,446	168,044	163,297	160,935
14	Other contractual funding	10,306	7,023	4,489	4,059
15	Other contingent funding obligations	562,121	559,764	555,922	552,812
16	TOTAL CASH OUTFLOWS	9,318,598	9,169,322	9,032,386	9,097,424
CASH – INFLOWS					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	2,368,552	2,266,934	2,257,874	2,206,559
19	Other cash inflows	906,653	922,184	928,065	937,446
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	3,275,205	3,189,118	3,185,939	3,144,005
EU-20a	Fully exempt inflows	-	-	-	-
20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	3,275,205	3,189,118	3,185,939	3,144,005
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER	11,152,163	11,295,635	10,807,511	10,747,395
22	TOTAL NET CASH OUTFLOWS	6,043,393	5,980,204	5,846,446	5,953,418
23	LIQUIDITY COVERAGE RATIO (%)	184.6005%	188.7857%	184.8666%	180.7696%

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

NOTE: The figures in the table 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 the previous templates, it is possible to observe a small trend-based reduction in the average levels of the LCR in the last twelve months, which remained positioned at values well above the minimum regulatory requirement (100%) throughout the period.

The growth in liabilities due to a higher proportion of demand funding in place of a simultaneous reduction in time deposits contributed to the recent development of the index. This was augmented by the increased use of repo transactions in the last quarter. The dynamics described above led to a positive development in overall funding, resulting in an increase in the volume of deposits with central banks compared to September levels. On the asset side, there was a significant increase in the volumes of factoring transactions and, to a lesser extent, non-instalment advances and mortgages, compared to September levels, with a slight increase in the average share of loans with expected repayment within the 30-day range of the indicator.

These overall changes reflected in a progressive increase in average cash outflows net of the index's denominator, determined by applying the liquidity outflow and inflow adjustment weighting factors envisaged by the prudential provisions to all the demand liabilities and assets or those with maturity within 30 days, so as to incorporate stress effects of both a systemic and idiosyncratic nature in the calculation of the coefficient. Specifically, the change compared to the previous quarter stems from the dual effect of the increase in cash outflows and, to a lesser extent, the growth of average liquidity inflows, resulting from the dynamics of deposits and loans, respectively.

The average level of high-quality liquid assets included in the liquidity reserve in the numerator of the ratio declined compared to September's levels, averaging above 11 billion euro.

The high quality liquid assets ("HQLA") 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)¹⁵, 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, accompanied by investments in bonds issued by other sovereign states (particularly Spain and France), supranational organisations, credit institutions and financial companies. The subsidiary Banca Popolare di Sondrio (SUISSE), in turn, also holds its own bond portfolio, which is mainly composed of national Central Bank eligible securities, integrated by cash amounts in CHF deposited with it, aimed at coping with the specific liquidity requirements.

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

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 table below shows the value of the Net Stable Funding Ratio (NSFR) at the reference date and details of its main components (AFS - available stable funding and RSF - required stable funding).

¹⁵ 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.

Table 35 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 31/12/2024

(in currency amount)		31/12/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	3,793,147	-	-	670,369	4,463,516
2	Own funds	3,793,147	-	-	670,369	4,463,516
3	Other capital instruments		-	-	-	-
4	Retail deposits		19,054,932	153,955	59,574	17,959,377
5	Stable deposits		12,180,696	55,401	18,877	11,643,169
6	Less stable deposits		6,874,236	98,554	40,697	6,316,208
7	Wholesale funding:		25,558,703	455,777	5,323,633	14,102,879
8	Operational deposits		3,684,387	-	-	1,842,193
9	Other wholesale funding		21,874,316	455,777	5,323,633	12,260,685
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	1,391,509	10,264	992,474	997,605
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		1,391,509	10,264	992,474	997,605
14	TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 31/12/2024					37,523,377

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00



Table 36 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 31/12/2024

(in currency amount)		31/12/2024						
		a		b		c	d	e
		Unweighted value by residual maturity				Weighted value		
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Required stable funding (RSF) Items								
15	Total high-quality liquid assets (HQLA)					439,366		
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		82,897	89,050	2,392,780	2,180,018		
16	Deposits held at other financial institutions for operational purposes		-	-	-	-		
17	Performing loans and securities:		12,865,265	2,230,245	19,981,087	22,243,141		
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-		
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		3,307,363	213,099	452,035	889,320		
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		7,471,776	1,469,963	10,776,530	13,949,908		
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		322,041	340,902	1,801,044	1,895,727		
22	Performing residential mortgages, of which:		189,060	193,464	6,382,119	4,944,621		
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		187,273	191,542	6,334,790	4,944,621		
24	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		1,897,066	353,719	2,370,403	2,459,291		
25	Interdependent assets		-	-	-	-		

Table 36 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 31/12/2024

(in currency amount)		31/12/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
26	Other assets:		1,905,547	41,647	3,091,185	3,815,648
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	3,500	2,975
29	NSFR derivative assets		16,059			16,059
30	NSFR derivative liabilities before deduction of variation margin posted		9,986			499
31	All other assets not included in the above categories		1,879,501	41,647	3,087,685	3,796,114
32	Off-balance sheet items		4,843,103	65,000	794,623	285,142
33	TOTAL RSF AS AT 31/12/2024					28,963,313
34	NET STABLE FUNDING RATIO (%) AS AT 31/12/2024					129.5548%

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00

The table shows that the NSFR ratio of the Group at 31 December 2024 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 funds received from the European Central Bank - exceeded the level of the mandatory amount of stable funding (RSF) deriving primarily from the volumes of loans granted to customers.



Table 37 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 30/09/2024

(in currency amount)		30/09/2024						
		a		b		c	d	e
		Unweighted value by residual maturity				Weighted value		
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Available stable funding (ASF) Items								
1	Capital items and instruments	3,782,074	-	-	663,225	4,445,298		
2	Own funds	3,782,074	-	-	663,225	4,445,298		
3	Other capital instruments		-	-	-	-		
4	Retail deposits		18,873,553	326,291	1,140,655	19,024,280		
5	Stable deposits		12,009,458	65,856	21,702	11,493,250		
6	Less stable deposits		6,864,094	260,436	1,118,953	7,531,030		
7	Wholesale funding:		22,978,103	192,808	4,232,692	12,426,041		
8	Operational deposits		3,022,209	-	-	1,511,105		
9	Other wholesale funding		19,955,894	192,808	4,232,692	10,914,936		
10	Interdependent liabilities		-	-	-	-		
11	Other liabilities:	-	1,449,827	10,158	789,830	794,908		
12	NSFR derivative liabilities	-						
13	All other liabilities and capital instruments not included in the above categories		1,449,827	10,158	789,830	794,908		
14	TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 30/09/2024					36,690,528		

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00

Table 38 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/09/2024

(in currency amount)		30/09/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					481.491
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		62,636	65,050	1,554,890	1,430,190
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		12,690,188	1,978,574	20,185,944	22,256,802

Table 38 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/09/2024

(in currency amount)		30/09/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		616,324	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,739,577	238,507	423,449	816,661
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		7,630,864	1,296,538	10,439,399	13,709,321
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		324,193	341,006	1,881,790	1,989,482
22	Performing residential mortgages, of which:		277,890	174,337	7,034,746	5,402,984
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		275,701	172,053	6,977,280	5,402,984
24	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		1,425,533	269,191	2,288,350	2,327,837
25	Interdependent assets		-	-	-	-
26	Other assets:		1,737,967	58,016	3,334,564	4,002,870
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	42,000	35,700
29	NSFR derivative assets		2,828			2,828
30	NSFR derivative liabilities before deduction of variation margin posted		10,929			546
31	All other assets not included in the above categories		1,724,211	58,016	3,292,564	3,963,796
32	Off-balance sheet items		4,748,314	60,000	714,263	276,380
33	TOTAL RSF AS AT 30/09/2024					28,447,734
34	NET STABLE FUNDING RATIO (%) AS AT 30/09/2024					128.9752%

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00



Table 39 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 30/06/2024

(in currency amount)		30/06/2024						
		a		b		c	d	e
		Unweighted value by residual maturity				Weighted value		
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Available stable funding (ASF) Items								
1	Capital items and instruments	3,687,520	-	-	648,513	4,336,033		
2	Own funds	3,687,520	-	-	648,513	4,336,033		
3	Other capital instruments		-	-	-	-		
4	Retail deposits		19,050,617	374,256	1,181,674	19,276,361		
5	Stable deposits		12,166,325	79,720	15,562	11,649,305		
6	Less stable deposits		6,884,291	294,536	1,166,112	7,627,056		
7	Wholesale funding:		25,569,839	342,741	4,286,338	11,903,951		
8	Operational deposits		2,857,104	-	-	1,428,552		
9	Other wholesale funding		22,712,736	342,741	4,286,338	10,475,399		
10	Interdependent liabilities		-	-	-	-		
11	Other liabilities:	-	1,218,807	10,512	742,183	747,439		
12	NSFR derivative liabilities	-						
13	All other liabilities and capital instruments not included in the above categories		1,218,807	10,512	742,183	747,439		
14	TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 30/06/2024					36,263,785		

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00

Table 40 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/06/2024

(in currency amount)		30/06/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					513,886
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		60,308	66,476	1,617,719	1,482,828
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		13,154,818	2,023,372	20,220,578	22,390,163

Table 40 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/06/2024

(in currency amount)		30/06/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		514,517	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,997,251	190,378	430,660	825,574
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		7,588,414	1,423,401	10,470,743	19,071,260
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		315,974	340,200	1,968,217	7,308,749
22	Performing residential mortgages, of which:		193,461	204,277	6,849,150	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		190,874	201,505	6,763,524	-
24	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		1,861,175	205,316	2,470,026	2,493,328
25	Interdependent assets		-	-	-	-
26	Other assets:		1,637,992	34,323	3,389,982	4,019,293
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-		42,000	35,700
29	NSFR derivative assets		34,048			34,048
30	NSFR derivative liabilities before deduction of variation margin posted		9,607			480
31	All other assets not included in the above categories		1,594,338	34,323	3,347,982	3,949,065
32	Off-balance sheet items		4,727,673	57,654	835,774	281,093
33	TOTAL RSF AS AT 30/06/2024					28,687,263
34	NET STABLE FUNDING RATIO (%) AS AT 30/06/2024					126.4108%

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00



Table 41 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 31/03/2024

(in currency amount)		31/03/2024						
		a		b		c	d	e
		Unweighted value by residual maturity				Weighted value		
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Available stable funding (ASF) Items								
1	Capital items and instruments	3,607,485	-	-	649,132	4,256,617		
2	Own funds	3,607,485	-	-	649,132	4,256,617		
3	Other capital instruments		-	-	-	-		
4	Retail deposits		18,360,852	498,435	1,237,896	18,813,401		
5	Stable deposits		11,934,614	108,339	15,239	11,456,044		
6	Less stable deposits		6,426,238	390,096	1,222,657	7,357,357		
7	Wholesale funding:		22,655,067	520,062	3,777,405	9,734,459		
8	Operational deposits		2,454,509	-	-	1,227,254		
9	Other wholesale funding		20,200,558	520,062	3,777,405	8,507,204		
10	Interdependent liabilities		-	-	-	-		
11	Other liabilities:	-	5,379,367	40,402	733,579	753,780		
12	NSFR derivative liabilities	-						
13	All other liabilities and capital instruments not included in the above categories		5,379,367	40,402	733,579	753,780		
14	TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 31/03/2024					33,558,257		

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00

Table 42 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 31/03/2024

(in currency amount)		31/03/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					517,072
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		66,028	68,654	1,689,510	1,550,563
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		12,464,230	2,230,723	20,191,636	22,179,329

Table 42 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 31/03/2024

(in currency amount)		31/03/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,810,384	288,227	450,121	875,273
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		8,025,514	1,483,097	10,482,806	18,751,323
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		314,741	337,096	2,068,848	6,956,337
22	Performing residential mortgages, of which:		254,887	161,028	6,675,519	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		252,301	158,333	6,592,731	-
24	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		1,373,445	298,371	2,583,190	2,552,733
25	Interdependent assets		-	-	-	-
26	Other assets:		2,313,916	50,041	3,361,948	4,013,570
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	42,000	35,700
29	NSFR derivative assets		54,942			54,942
30	NSFR derivative liabilities before deduction of variation margin posted		13,659			683
31	All other assets not included in the above categories		2,245,315	50,041	3,319,948	3,922,245
32	Off-balance sheet items		4,781,374	164,046	738,225	284,360
33	TOTAL RSF AS AT 31/03/2024					28,544,893
34	NET STABLE FUNDING RATIO (%) AS AT 31/03/2024					117.5631%

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C 81.00 - C 84.00



Section 8

Disclosure of exposures to credit risk

(art. 442 CRR/CRR II)

Definition of non-performing exposures

The classification of credit exposures in the various risk categories is carried out in accordance with the regulations issued by the Supervisory Authority and the current accounting standards. The notion of "impaired financial assets" for supervisory reporting purposes includes loans that, as a result of events occurring after their disbursement, show objective evidence of possible impairment.

On the basis of the regulatory framework in force, the Group classifies non-performing exposures, depending on the type and severity of the impairment, into three categories, corresponding to the administrative statuses of the loan:

- *Bad loans*: on- and off-balance sheet exposures to subjects in a state of insolvency (not necessarily ascertained in court) or in substantially comparable situations, regardless of any loss forecasts. The mere non-performance of the customer is not sufficient, in itself, to determine its classification as "non-performing": there must in fact be objective situations indicating the customer's inability to meet its obligations regularly, regardless, for classification purposes, of the existence and consistency of any collateral and/or personal guarantees protecting the credit. In any case, they must be assessed for classification as "non-performing".
- *Unlikely-to-pay (UTP) loans*: credit exposures, other than non-performing, for which the Group deems it improbable that the obligor will pay its credit obligations (principal and/or interest) in full without recourse to measures such as the enforcement of guarantees; this assessment is made regardless of whether there are any past due and unpaid amounts.
- *Impaired past due and/or overdrawn exposures*: exposures other than non-performing or unlikely to pay loans, which, at the reference date, are past due and/or overdrawn continuously for more than 90 days and which exceed set materiality thresholds established by the regulations.

Loans are classified as impaired past due and/or overdrawn exposures when the following conditions are met:

- at the reporting date the customer has a past due and/or overdrawn portion of the entire exposure at Group level that exceeds both of the following materiality thresholds:
 - *Relative Materiality Threshold*: the relative component is represented by a percentage calculated as the ratio between the amount of the credit obligation in arrears and the total amount of all exposures towards the same debtor recorded in the Bank's financial statements; this threshold is set at one percent (1%) for both retail and non-retail exposures;
 - *Absolute Materiality Threshold*: the absolute component is the maximum amount that the sum of all overdue amounts owed by a debtor to the Group can reach; the maximum amount does not exceed 100 euro for retail exposures or 500 euro for non-retail exposures;
- the customer evidences overdrawn and/or past-due credit exposures as defined above for more than 90 days on a continuous basis.

Unlikely to pay include credit exposures for which the Group considers it improbable that the debtor will fulfil its obligations in full, in terms of principal and/or interest, without actions being taken to preserve the credit reasons such as, for example, the enforcement of accessory guarantees.

Finally, bad loans include on- and off-balance sheet exposures towards subjects in a state of insolvency (not necessarily ascertained in court) or in substantially comparable situations, regardless of any loss forecasts. Accordingly, no account is taken of any guarantees received in support of such exposures.

The loans not allocated to the above categories are deemed to be regular or performing exposures.

Loans are classified as non-performing exposures, depending on the case, either automatically or on the basis of expert proposals and assessments. More specifically, the classification of impaired past due and/or overdrawn exposures takes place automatically when the conditions provided for by the regulations occur. The classification as unlikely to pay (UTP), on the other hand, is based on a system of triggers which may, depending on the case, generate an automatic classification or an assessment by the reference manager. Finally, the classification as non-performing takes place on the proposal of the manager, as part of the continuous monitoring of the counterparty. The return to a performing status of non-performing exposures, governed by the Supervisory Authority as well as by specific internal regulations, takes place after verifying that the critical conditions and the state of insolvency have ceased to exist, following an appropriate period of time.

The management of "impaired" loans involves taking action, based on the gravity of the situation, to restore normality or, otherwise, to start appropriate recovery procedures. More precisely, in the event of positions that are classified as:

- *Bad loans*, suitable procedures are implemented to recover the loans; under the right circumstances, recovery plans are drawn up and/or settlements are proposed on an amicable basis in order to terminate the relationship;
- *Unlikely to pay (UTP) loans*, an assessment is made of the probability that the debtor will meet its contractual obligations in full, in order to re-establish the original conditions of reliability and profitability of the relationship, or, if this is impossible, steps are taken to transfer the position to the Bad loans category. For Unlikely to pay loans subject to restructuring agreements, controls are made continuously to ensure that the agreed conditions are met;
- *Impaired past due and/or overdrawn exposures*, the related exposures are monitored and timely attempts are made to get the situation back to normal; if the borrower really is in financial difficulty, necessary steps are taken to transfer the loan to Unlikely to pay or Bad loans, depending on the circumstances.

Description of the methodologies adopted to determine value adjustments

Adjustments are made in compliance with both primary and secondary regulations and on a highly prudent basis. In particular, having regard for bad loans and unlikely-to-pay loans, the bank carries out an analysis of each position, which also takes into account the discounting effects of expected recovery. Only for "under threshold" transactions, set at 350,000 euro for unlikely-to-pay and bad loans, is an overall type assessment conducted, with the objective of prudentially monitoring the treatment of these non-performing assets that, given their intrinsic characteristics (large number of not significant amounts), can be processed rapidly and at low cost on primarily an automated basis, thus ensuring the uniformity of the assessments



made. With reference to impaired past due and/or overdrawn exposures, the adjustment is determined with reference to the historical experience of losses on loans with that type of anomaly.

Cash loans as a whole are periodically subjected to impairment testing for accounting purposes, after assessing at an individual level any significant increase in credit risk (SICR) compared with the date of initial recognition in order to recognise any asset's impairment. In fact, for accounting purposes, loans and receivables at amortised cost, which make up the predominant part of the Group's total exposures, are classified in one of the following categories (known as "Stages"), in accordance with IFRS 9:

- *Stage 1*: this category includes "performing" loans which have not shown a significant increase in credit risk compared with the initial recognition date;
- *Stage 2*: performing" loans that have shown a significant increase in credit risk (SICR) since their initial recognition, but which do not show objective evidence of impairment, are classified in this category;
- *Stage 3*: this category includes the positions that are classified in one of the "impaired" statuses listed above at the reference date.

For Stage 3 exposures, classification of positions to an "impaired" status takes place in accordance with the definitions of "Non-Performing Exposures" provided for by the Implementing Technical Standards ("ITS") issued by the EBA and implemented in the EU legislation, according to which impaired financial assets are divided into the categories of bad loans, unlikely to pay and impaired past due and/or overdue exposures, as previously defined.

For performing exposures (Stage 1 and Stage 2), an assessment is made at each reporting date as to whether there has been a material change in the credit risk inherent in each position since its initial recognition. The determination of the significant increase in credit risk (SICR) and the subsequent estimate of impairment is made over a one-year - or within one year if the residual contractual duration of the position is less than said maturity - (for positions classified as Stage 1) or multi-year time horizon linked to the residual maturity of the exposure ("Lifetime", for positions classified in Stage 2 and Stage 3), adopting specific calculation methodologies that combine the use of absolute and relative classification criteria. The absolute criteria considered for the "staging" of credit relationships are:

- *Low Credit Risk Exemption*. In accordance with the IFRS 9 rationale which allows to assume the absence of a significant increase in credit risk compared with the initial recognition date if an exposure presents a level of risk that is considered "low", the Group uses this option for limited types of counterparties and technical forms which, given their nature, are considered capable of automatic classification in Stage 1 (e.g. transactions with central banks, repurchase agreements with a maturity of less than a month).
- *Number of days of continuous past due/overdrawn (Past due over 30 days)*. The accounting standard contains an explicit reference to the case in which a counterparty shows a delay in the fulfilment of its contractual obligations as an example of a possible indicator for classification in Stage 2, considering the sign of impairment of that relationship.
- *State of forbearance*. Forborne exposures comprise loans towards counterparties that have benefited from special concessions, marked by changes in the contractual conditions or refinancing arrangements, following a substantial change in economic condition that is considered particularly compromised. For the Group, this condition is deemed sufficient for classification in Stage 2, exclusively with reference to performing exposures.
- *Impaired loans on acquisition or origin*. Purchased or Originated Credit Impaired (POCI) exposures are those positions that fall within the definition of an "impaired loan" at the time of initial recognition, and for which specific rules are established regarding the measurement of credit risk. This category includes loans and receivables acquired from third parties which, already at the time of purchase, are impaired (Purchased Credit-Impaired Assets), as well as those related to the disbursement of new finance directly by the Group, and which feature subsequent contractual modifications

involving cancellation of the previous credit (a derecognition event) and the recognition of an impaired loan, or for the disbursement of new loans to counterparties in a state of default (Originated Credit-Impaired Assets). For the Group, this condition is considered sufficient for classification in Stage 2, exclusively with reference to "performing" exposures as of the reporting date.

- *Positions originated in the month prior to the reporting date.* These are those credit positions that originated or entered the portfolio of exposures during the month prior to the reporting date for which none of the absolute criteria entailing classification in Stage 2 exists, and which are therefore classified in Stage 1.
- *Watchlist criteria.* The purpose that this absolute criterion intends to fulfil is to identify the additional positions and/or counterparties which, due to different considerations and analyses of both a quantitative and qualitative type, appear to be characterised at the reporting date by a high risk profile or in significant increase compared to the date of origination of the relationship, or that, more generally, it is deemed appropriate to make the subject of particular attention and monitoring and for which classification in Stage 2 is therefore considered suitable; in this category, positions characterised by the presence of the "pink management indicator" are worthy of special mention in this category, assigned to all those cases for which the credit processes (e.g., Early Warning management system, second-level controls, etc.) highlight potential criticalities in a current and/or prospective perspective.
- *Intra-group transactions.* Intra-group transactions (intercompany trade) are characterised as those transactions in which an exchange of goods and services takes place between the Parent Company and the subsidiaries, which may be entered into for many different purposes (i.e. exchange of cash, services or administrative, accounting, commercial or financial assets by the Parent Company to support the subsidiaries or vice versa) and for which, due to their nature and particular risk profile, it is considered that the conditions for a significant increase in credit risk do not exist.
- *Backstop PD criteria* are particularly worth of mention. In order to be able to ensure a holistic assessment of the evolution of the actual credit riskiness of the counterparties, it is lastly considered appropriate to classify into Stage 2 the positions in which the value of the Annualised lifetime PD observed at the reporting date is greater than (i) twice the value of the corresponding metric observed at the origination date (the "relative" backstop) (ii) an assigned criticality threshold (the "absolute" backstop).

Using the relative "staging" criteria, it is possible to evaluate, through the analysis of an appropriate PD-based metric (Probability of Default), the change in the riskiness of the position over the time horizon equal to the residual life of the same, between the analysis/reporting date and the origination date. For the construction thereof, probability of default term structures (i.e. lifetime PD curves, which differ according to appropriate granularity) are used, constructed starting with an internal rating system, where available, or assigned by an external rating agency, and by also taking into consideration elements of a predictive-evolutionary nature and specific to the macroeconomic scenario deemed to be most plausible at the analysis/reporting date in compliance with the rationales of the IFRS 9 accounting standard.

With the application of the relative staging criteria, the transfer of positions between stages can take place in both a worsening and an improving sense: the classification model is symmetrical, with the possibility for assets to move indifferently between accounting stages. However, consistent with the prudent principles of forbearance, an observation period of at least two years is applied before returning the position to a better Stage. In addition, where staging is determined on the basis of "relative" criteria, a further mechanism is used to maximise the correspondence between regulatory rating and staging trends (in other words, positions that experience a deterioration in creditworthiness cannot undergo transitions from Stage 2 to Stage 1, and vice versa).

To the staging determined according to the aforementioned model-based approach, "stage overrides" can be applied,



determined according to an expert-based approach following an ad-hoc analysis carried out by a special unit with access to specific information on the counterparty.

The valuation of financial assets recognised at amortised cost takes place on the basis of the calculation of the expected credit loss (ECL), defined as an estimate of credit losses over the expected life of the financial instrument weighted by the respective probabilities of occurrence. It is calculated according to the Stage classifications defined above; in particular, there can be:

- 12-month expected credit loss, for assets classified in Stage 1. 12-month expected credit losses are those resulting from default events that are possible within 12 months (or within a shorter period if the expected life of the exposure is less than 12 months);
- Lifetime expected credit loss, for assets classified in Stage 2 and Stage 3. Lifetime expected credit losses are those resulting from all possible default events over the expected life of the financial instrument.

In addition to the statistical methodological framework described above, the process of defining the "ECL core" component of the impairment models includes additional modelling layers, aimed at explicitly incorporating the geo-sectoral differentiations in the risk profile (so-called "geo-sectoral layer") into the models, as well as the effects of climatic-environmental risks - namely, physical risk and transition risk -, pertaining to the "E component" of ESG risks (so-called "ESG layer").

The Company's procedures require the responsible functions to reevaluate, in accordance with the principle of prudence, the values mechanically determined through the use of the calculation algorithms developed and the relative risk factors, reconciling the need for timely updating and revaluation of the level of counterparty risk with the need for stability and robustness of the estimates; in the face of well-founded evidence of an expected worsening in riskiness, not identified by the aforementioned core component of the impairment models, they may supplement the results by management overlay/add-on(s), which are incremental, tactical and temporary in nature, aimed primarily at ensuring that the final level of collective impairment losses fully reflects the actual level of current and prospective riskiness of the counterparties in their portfolios.

More specifically, the overlay/add-on components that are considered in the calculation of impairment losses at the end of the 2024 financial year refer to (i) estimates of the effects on regulatory models resulting from the entry into force of the new prudential regulatory framework and/or from the future adoption of new modules in order, inter alia, to address certain findings made during the previous on-site inspection conducted on internal models; (ii) novel risks - for example, inflation risk, geopolitical risk, supply chain risk, energy risk, high level of interest rate risk - which, starting from the pandemic and post-pandemic context and the outbreak of recent conflicts, have taken on increasing importance and which are consequently considered in the calculation of collective impairment losses; (iii) a prudential component linked to uncertainties regarding the current and prospective macroeconomic and geopolitical context at a global level.

As regards performing positions, measurement is carried out on an overall basis, taking account of the risk parameters consisting of probability of default (PD) and loss given default (LGD), as well as exposure at default (EAD). As regards credit-impaired positions, measurement may be performed on an overall or detailed basis.

Impairment of individual assets measured at amortised cost is equivalent to the negative difference between their recoverable value and their amortised cost. In the case of a detailed analysis of a loan, the recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- value of contractual cash flows net of any expected losses, estimated with reference to both the ability of the borrower to meet its obligations and the value of any collaterals or personal guarantees assisting the loan;

- expected timing of recoveries, considering the progress made by recovery procedures;
- internal return rate.

Bad loans may be assessed on either a detailed or an overall basis. The specific analysis of non-performing financial assets measured at amortised cost takes the following parameters into account:

- recoveries forecast by the relationship managers;
- expected timing of recoveries based on historical-statistical data;
- original discounting rates or the actual contractual rates applying at the time of classifying as bad loans.

Overall assessments are made of bad loan positions with limited overall exposure, not exceeding certain pro-tempore "threshold values" identified, and provide for the adoption of streamlined valuation processes, mainly of an automatic nature, based on the use of specific coefficients defined internally according to targeted quantitative analyses.

Unlikely-to-pay loans, which include loans subject to restructuring agreements, may also be assessed on either a detailed or an overall basis. The detailed analysis takes the following parameters into account:

- recoveries forecast by the offices involved;
- expected timing of recoveries based on historical-statistical data;
- original discounting rates represented by the actual contractual rates applying at the time the loans were classified as unlikely-to-pay or, with specific reference to loans subject to restructuring agreements, in force before signing the agreement with the debtor.

Overall write-downs of unlikely-to-pay positions follow a similar methodology to that applied in relation to the overall write-down of bad loans for which no specific estimate of the loss attributable to each individual relationship has been made. These financial assets are adjusted on an overall basis with reference to specific historical/statistical analyses of the related losses incurred in the past.

Past due and/or impaired overdrawn exposures are identified using automated procedures that extrapolate anomalous positions with reference to specific parameters established by regulations in force from time to time. For the positions in question, it is not possible to quantify expected losses on a detailed basis at single name level. The measurement of their level of impairment - and, thus, of the adjustments to be applied on an overall basis - is performed by taking account of the possibility of return to "performing" of the positions or of a further deterioration of default and, accordingly, of the amount of the estimated expected losses arising from the established work-out process. Measurement is also performed based on the availability of appropriate information of a macro-economic and prospective nature that is deemed significant for the estimation of the adjustments.

It should be noted that the impairment model relating to impaired loans (Stage 3) envisaged by IFRS 9 accounting standard is based on an estimate of the difference between the original contractual flows and the expected flows. So, in determining the expected flows, it is necessary to include estimates at the reporting date of the various expected scenarios, including any loan disposal programmes and/or settlement agreements with the counterparty. If it is expected to recover a portion of the cash flow of the exposures through sales procedures or settlement agreements, these can be included in the calculation of the Expected Credit Loss (ECL) under certain conditions.



The Group incorporates the possible recovery strategies of a non-performing loan considering the different probabilities of occurrence of such strategies according to the IFRS 9 impairment model.

Internal regulations require the expected loss and the recoverable value of an impaired loan be estimated in accordance with a specific procedure, comprising several phases, that starts with identification of the reference management scenarios. In general, in fact, the accounting rules require the estimate of the loss on non-performing loans to reflect a range of possible outcomes for different scenarios, each associated with a specific probability of occurrence. Currently, the following possible scenarios have been identified, each with different models and estimated outcomes:

- internal management of credit recovery activities;
- disposal of impaired exposures to third parties.

The next phase consists in identifying the portfolio of non-performing exposures to be sold, based on the knowledge of the characteristics thereof, the existence of any internal and/or external constraints, the monitoring of market conditions and any more complex strategic and operational objectives. The aggregate is defined with reference to the specific factors attributed to each position, such as their contractual characteristics (e.g. type of guarantee, ageing, size of the exposure etc.) or relevant operational information (e.g. type of recovery procedures already in progress, geographical location of the counterparty, any impediment or obstacle to disposal, etc.) and the strategic orientation of the Group, the conditions existing from time to time in the market for the disposal of loans, the strategies adopted by competitors, and any other internal and/or external factor that can be explained appropriately.

As mentioned, a specific probability of occurrence is attributed to each identified management scenario, determined on both qualitative and quantitative bases; the latter take into account the correlation between the "target portfolio" and the "extended portfolio" selected for each scenario.

The next phase involves estimating the expected loss for each management scenario identified. The estimate on non-performing loans must reflect reasonable and well-founded information, available without excessive cost or effort, including details of past events, current conditions and the future economic situation. In line with the internal regulations for quantifying the expected loss on non-performing exposures, an estimate of the cash flows expected from each operational scenario identified is made.

Without prejudice to specific regulatory instructions, the determination of future cash flows in an internal credit management scenario takes account of macro-economic and sector information, the situation faced by the debtor, any collaterals or personal guarantees, the period during which the position has been impaired and the expected time to obtain recovery.

The estimate of cash flow from loan disposal scenarios takes account of similar transactions carried out in the past by the Group, as well as specific information available about the underlying (situation faced by the borrower and any loan guarantee obtained) and the market for the disposal of non-performing loans (e.g. prices of similar transactions carried out by other intermediaries and historical and forecast market curves).

The expected loss on each impaired position is therefore determined using the following formula:

$$\text{Expected loss Individual position} = \text{Expected loss Disposal Scenario* Probability of occurrence of Disposal} + \text{Expected loss Internal Management* Scenario* Probability of occurrence of Internal Management}$$

The process of determining the expected loss value in case of proactive credit management scenarios through settlement agreements follows the same steps as for the disposal scenarios outlined above. The ECL in these specific scenarios, through the relative probability of occurrence, is included in the final quantification of the expected loss of the individual position.

As regards endorsement credit exposures, the assessment process is pretty much the same as for cash loans. One difference is the fact that the actual loss occurs if, in addition to the debtor's "insolvency" event, the "enforcement" event of the endorsement credit also takes place: for this purpose, the so-called "credit conversion factor" (CCF), is taken into consideration. This is a parameter representing the currently undrawn portion of a credit line that is presumed to be used close to the insolvency of the counterparty, estimated on the basis of experience or identified by the regulations currently in force from time to time.

Forborne Exposures

Forborne exposures are defined as credit exposures - in the form of loans, debt securities and revocable or irrevocable commitments to provide financing (excluding exposures held for trading purposes) - for which amendments to original contractual conditions or refinancing have been granted due to the debtor's financial difficulties. Forborne as an attribute is transversal to all loans, whatever their administrative status. It can be used for performing loans just as well as for non-performing loans.

These are exposures to counterparties to which forbearance or concessions are granted because the debtor is experiencing, or is about to experience, difficulties in meeting its financial commitments.

The debtor's situation of financial difficulty is objectively verified in the case of counterparties classified as non-performing, whereas it is presumed, and must therefore be assessed following in-depth analysis, in the case of customers in "performing" status who have a high level of risk.

Presumptive situations of financial distress were divided into "hard" and "soft" according to their level of severity. In the presence of "hard" indicators of financial distress, the resolution is subjected to an enhanced procedure with a raising of the lowest decision-making body. In order to guarantee the quality of credit exposures and effectively monitor their trends, the Group applies a set of "industrialised" internal processes and procedures designed to identify the most suitable concessions for debtors experiencing financial difficulties, as well as to manage the forborne classification of the related exposures.



Following a request for forbearance, the Operational Unit in charge of the credit relationship carries out the subject analysis of the counterparty, be it private or corporate customers, identifying the type of difficulty. It then identifies the most appropriate and sustainable measure for the customer also with the help of specific decision trees.

Subsequently, the economic sustainability of the measure is analysed with respect to the financial situation of the customer; in particular, the adequacy of the debtor assets is analysed on a current and prospective basis, considering the need for credibility and prudence. On arrangement of a credit concession, dedicated IT procedures check if the conditions for classifying the position as forborne exist and, if they do, propose the assignment of this attribute to the competent Operating Unit. The proposed classification may only be deviated from if supported by adequate reasons and in the case of strong triggers provides for the raising of the decision-making body. In the presence of a negative result on the adequacy of the customer's availability and the presence of forborne, a questionnaire, carried out by the NPL manager responsible for the area and segment, must be carried out to assess the correct classification of the customer and, if necessary, proceed, after approval by the Head of the NPE Unit, to the most correct classification to UTP regardless of the outcome of the forbearance resolution. Following the concession approval and the proposed forborne classification by the competent decision-making body, specific objectives and deadlines are added to the loan contract, with which the customer must comply when repaying the debt. These supplementary conditions are determined using prudent criteria and checked as part of monitoring of the position.

In the event of non-substantial changes to a credit exposure, IFRS 9 requires to determine the resulting gain or loss. A change is deemed to be "non-substantial" when it does not result in the closure of the pre-existing relationship and/or the addition of clauses that might cause the failure of the "SPPI test".

The profit / loss on "non-substantial" changes to forborne relationships is calculated as the difference between the present value of the new contractual cash flows following renegotiation or amendment, discounted using the original effective interest rate (rate before the renegotiation or amendment of the loan contract), and the present value of the original contractual cash flows, also discounted using the original effective interest rate.

Furthermore, in compliance with the "Guidelines on the application of the definition of default pursuant to article 178 of Regulation (EU) No. 575/2013", this calculation (Delta Net Present Value) is carried out for a position that is the subject of a grant measure. In accordance with regulatory requirements, where the NPV delta is more than 1%, the position is identified as being in financial difficulty and classified as being in default.

All "forborne performing" positions are classified in Stage 2 and the related adjustments are stated at an amount equal to the lifetime losses expected on the residual term of the loan.

Exposures subject to commercial renegotiations

Included in this category are renegotiations involving changes to the original contractual terms applied to credit exposures, granted primarily for the purpose of maintaining the commercial relationship with the customer ("retention" of loans). By contrast with the "concessions" (forbearance measures), the renegotiations agreed for commercial reasons thus relate to debtors without financial difficulties and include all operations designed to align their cost of borrowing with market

conditions. In addition, commercial renegotiations include changes to the economic conditions applied to newly arranged credit relationships, being those established for not more than six months.

Commercial renegotiations involve changing the original contractual conditions at the request of the debtor, considering the cost of borrowing or the related duration, with a resulting benefit for the requesting debtor. In general, whenever the Group agrees to renegotiate in order to avoid losing a customer, the transaction is considered substantial because, without it, the customer would obtain funding from other sources and the Group would experience a penalisation in the expected future revenue streams. From an accounting point of view, these transactions are comparable with an early repayment of the original debt and the opening a new contract.

Purchased or originated impaired assets (POCI)

The category of Purchased or Originated Credit Impaired (POCI) financial instruments includes all purchased or originated loans that, on initial recognition, are found to be credit impaired.

The accounting rules relating to POCI apply to positions recorded under Financial assets measured at fair value through other comprehensive income (FVOCI) or under Financial assets measured at amortised cost, or to loans that have passed the "SPPI Test", which are managed according to business models whose objective is the possession of assets aimed at acquiring contractual cash flows ("HTC", Held to Collect) or whose objective is pursued through both acquisition of contractual financial flows and sale of the asset ("HTC&S", Held to Collect and Sell). The "POCI" attribute remains for the entire duration of the credit relationship and the assets concerned are written down to reflect any losses expected over their residual lifetime until settlement.

Banca Popolare di Sondrio recognises two categories of product associated with POCI financial instruments arising from the granting of loans:

- *standard products with instalment repayment plans*: in this case, the Company's procedure recognises the creation of the new relationship that passes the SPPI test, but with an impaired counterparty and automatically assigns the "POCI" attribute for approval by the competent decision-making body;
- *standard products managed in the "Current Accounts" and "Foreign" compartments and non-standard contracts originating from Corporate Finance*: for these types of relationships, the unit responsible for monitoring and managing anomalous credit manually proposes the assignment of the "POCI" attribute, subject to approval by the competent decision-making body.

Regardless of how assigned (manually or automatically), the "POCI" attribute must always be confirmed by the competent internal decision-making body and, once approved, remains valid for the entire duration of the business relationship.

Write-off

In line with IFRS 9, a "write-off" is defined as an event that gives rise to a cancellation from the accounting records, when there are no longer reasonable expectations of recovering the cash flows deriving from the asset - in whole or in part - also in cases of a waiver of the receivable claimed, therefore having to reduce directly the gross carrying amount of the asset



concerned. This form of write-down constitutes a case of partial or total cancellation of a credit position.

The gross carrying amount of a financial asset is written off if the amount is confirmed to be unrecoverable or there are no realistic prospects of recovery.

The timely assessment of non-recoverability is based on certain criteria, such as the inability to enforce mortgages or personal guarantees, the unsuccessful completion of enforcement/court-supervised proceedings, the start of bankruptcy procedures, the removal from the register of the business name of the debtor legal entity, the lack of traceability or advanced age of the customer.

The procedures to identify the absence of any reasonable prospects of recovery are focused on the counterparties within the bad loans portfolios and differ depending on the existence of mortgage guarantees, the ageing of the position, the progress made with recovery actions and the economic convenience associated with it, the inclusion of a position within a portfolio being sold and the risk of forfeiture of credit rights.

* * *

Below please find a broad set of quantitative information on the credit quality of the Group's exposures, as required by CRR Part Eight. For further information, please refer to the Notes to the Financial Statements - Part E of the Consolidated Financial Statements.

Table 43 - 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	3,873,349	3,863,238	10,111	-	-	-
010	Loans and advances	35,185,464	31,269,188	3,624,117	1,055,377	-	958,778
020	Central banks	-	-	-	-	-	-
030	General governments	400,764	398,611	2,134	1,616	-	1,616
040	Credit institutions	728,915	728,219	696	-	-	-
050	Other financial corporations	3,202,659	3,154,773	46,660	26,329	-	26,329
060	Non-financial corporations	18,885,694	16,017,030	2,697,714	707,891	-	629,368
070	Of which SMEs	9,525,349	7,490,817	1,885,907	524,075	-	449,901
080	Households	11,967,432	10,970,554	876,913	319,542	-	301,466
090	Debt securities	12,820,270	12,657,717	67,798	-	-	-
100	Central banks	-	-	-	-	-	-
110	General governments	9,808,224	9,762,411	-	-	-	-
120	Credit institutions	1,518,444	1,421,212	62,700	-	-	-
130	Other financial corporations	1,098,290	1,083,881	-	-	-	-
140	Non-financial corporations	395,312	390,214	5,098	-	-	-
150	Off-balance-sheet exposures	28,499,508	17,383,062	1,897,206	246,092	-	123,582
160	Central banks	-	-	-	-	-	-
170	General governments	1,091,287	880,202	46,252	572	-	72
180	Credit institutions	1,016,295	295,018	5,436	-	-	-
190	Other financial corporations	1,855,089	1,776,681	72	223	-	223
200	Non-financial corporations	21,762,149	12,061,863	1,722,209	236,144	-	116,081
210	Households	2,774,689	2,369,298	123,236	9,154	-	7,206
220	TOTAL AS AT 31/12/2024	80,378,591	65,173,205	5,599,231	1,301,469	-	1,082,360
	TOTAL AS AT 31/12/2023	79,283,559	63,666,639	6,762,238	1,512,553	-	1,280,259

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



Table 44 - Template EU CR1: Performing and non-performing exposures and related provisions (2 of 3)

		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
			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	(86)	(58)	(28)	-	-	-
010	Loans and advances	(297,535)	(74,317)	(212,552)	(657,281)	-	(594,461)
020	Central banks	-	-	-	-	-	-
030	General governments	(152)	(126)	(27)	(568)	-	(568)
040	Credit institutions	(265)	(264)	0	-	-	-
050	Other financial corporations	(4,986)	(3,863)	(1,124)	(19,134)	-	(19,134)
060	Non-financial corporations	(225,122)	(52,113)	(166,148)	(462,324)	-	(410,809)
070	Of which SMEs	(159,489)	(30,469)	(126,802)	(331,228)	-	(283,719)
080	Households	(67,009)	(17,951)	(45,253)	(175,255)	-	(163,950)
090	Debt securities	(4,723)	(4,543)	(180)	-	-	-
100	Central banks	-	-	-	-	-	-
110	General governments	(1,888)	(1,888)	-	-	-	-
120	Credit institutions	(1,348)	(1,218)	(130)	-	-	-
130	Other financial corporations	(642)	(642)	-	-	-	-
140	Non-financial corporations	(844)	(795)	(49)	-	-	-
150	Off-balance-sheet exposures	(44,480)	(25,116)	(12,985)	(44,392)	-	(11,747)
160	Central banks	-	-	-	-	-	-
170	General governments	(462)	(385)	(78)	(20)	-	(10)
180	Credit institutions	(77)	(21)	-	-	-	-
190	Other financial corporations	(1,291)	(1,290)	(1)	(121)	-	(121)
200	Non-financial corporations	(39,375)	(22,194)	(11,722)	(42,935)	-	(11,070)
210	Households	(3,275)	(1,227)	(1,184)	(1,316)	-	(545)
220	TOTAL AS AT 31/12/2024	(346,824)	(104,035)	(225,744)	(701,672)	-	(606,208)
	TOTAL AS AT 31/12/2023	(312,000)	(95,225)	(211,079)	(798,725)	-	(689,694)

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

Table 45 - Template EU CR1: Performing and non-performing exposures and related provisions (3 of 3)

		m	n	o
		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing exposures
005	Cash balances at central banks and other demand deposits	-	-	
010	Loans and advances	(104,818)	23,306,984	347,133
020	Central banks	-	-	-
030	General governments	-	235,146	-
040	Credit institutions	-	231,541	-
050	Other financial corporations	-	924,899	7,141
060	Non-financial corporations	(90,034)	10,927,938	206,782
070	Of which SMEs	(22,267)	7,001,718	176,819
080	Households	(14,784)	10,987,460	133,210
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		912,219	9,290
160	Central banks		-	-
170	General governments		16,582	-
180	Credit institutions		10,422	-
190	Other financial corporations		89,339	-
200	Non-financial corporations		676,883	8,115
210	Households		118,992	1,174
220	TOTAL AS AT 31/12/2024	(104,818)	24,219,203	356,422
	TOTAL AS AT 31/12/2023	(83,467)	23,677,720	509,801

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

During the 2024 financial year, the Bank continued to finalise securitisation transactions through bulk sales of non-performing loans in line with the corporate objectives of de-risking and improving average quality of assets in the financial statements. Total transactions amounted to approximately 96 million euro.



Table 46 - Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	3,958,070	9,399,140	9,191,406	12,055,062	18,477,966	53,081,644
2	Debt securities	539	1,109,699	6,833,710	4,853,622	17,977	12,815,547
3	TOTAL AS AT 31/12/2024	3,958,609	10,508,839	16,025,116	16,908,684	18,495,943	65,897,191

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.

The table above shows the exposures at 31 December 2024 of loans and advances disbursed and debt securities in the portfolio classified by maturity. These exposures are mainly concentrated in the categories with maturities "beyond 5 years" and between "1 year and 5 years".

Table 47 - Template EU CR2: Changes in the stock of non-performing loans and advances

		31/12/2024
		a
		Gross carrying amount
010	INITIAL STOCK OF NON-PERFORMING LOANS AND ADVANCES	1,302,827
020	Inflows to non-performing portfolios	580,477
030	Outflows from non-performing portfolios	(827,927)
040	Outflow due to write-off	(75,689)
050	Outflow due to other situations	(752,239)
060	FINAL STOCK OF NON-PERFORMING LOANS AND ADVANCES	1,055,377

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

The quarterly outflows of impaired loans and advances include approximately 211 million euro of assets in the process of being sold.

Table 48 - Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

		31/12/2024	
		a	b
		Gross carrying amount	Related net accumulated recoveries
010	INITIAL STOCK	1,302,827	
020	Inflows to non-performing portfolios	580,477	
030	Outflows from non-performing portfolios	(827,927)	
040	Outflow to performing portfolio	(67,692)	
050	Outflow due to loan repayment, partial or total	(295,970)	
060	Outflow due to collateral liquidation	(69,214)	53,146
070	Outflow due to taking possession of collateral	-	-
080	Outflow due to sale of instruments	(109,503)	62,453
090	Outflow due to risk transfer	(28,243)	5,823
100	Outflow due to write-off	(75,689)	
110	Outflow due to other situations	(3,583)	
120	Outflow due to reclassification as held for sale	(178,034)	
130	FINAL STOCK	1,055,377	

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

The totality of the evidence presented in the tables above and below attests to the further improvement in the quality of the Group's credit assets. At 31 December 2024, both the stock of non-performing exposures and their impact on total loans decreased. The coverage levels of non-performing loans, inspired by prudent provisioning policies, remained at high levels, although slightly down from the end of the previous year.



Table 49 - 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	301,347	392,308	392,308	385,156
020	Central banks	-	-	-	-
030	General governments	-	-	-	-
040	Credit institutions	-	-	-	-
050	Other financial corporations	90	14,846	14,846	14,846
060	Non-financial corporations	142,555	250,228	250,228	246,611
070	Households	158,702	127,234	127,234	123,699
080	Debt securities	-	-	-	-
090	Loan commitments given	22,527	4,623	4,623	4,623
100	TOTAL AS AT 31/12/2024	323,874	396,931	396,931	389,779
	TOTAL AS AT 31/12/2023	338,098	593,195	593,195	571,520

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

Table 50 - 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	(27,664)	(273,907)	335,709	101,040
020	Central banks	-	-	-	-
030	General governments	-	-	-	-
040	Credit institutions	-	-	-	-
050	Other financial corporations	(5)	(14,775)	107	22
060	Non-financial corporations	(15,467)	(170,436)	167,980	65,967
070	Households	(12,192)	(88,696)	167,623	35,051
080	Debt securities	-	-	-	-
090	Loan commitments given	(233)	(8)	884	266
100	TOTAL AS AT 31/12/2024	(27,897)	(273,915)	336,593	101,307
	TOTAL AS AT 31/12/2023	(28,489)	(342,395)	498,449	223,990

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

At the reporting date, forborne exposures showed a decrease compared with 31 December 2023, both in the performing and in the non-performing part of the loan portfolio.

Table 51 - Template EU CQ2: Quality of forbearance

		31/12/2024	31/12/2023
		a	b
		Gross carrying amount of forborne exposures	Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	99,285	154,516
020	Non-performing forborne loans and advances that failed to meet the nonperforming exit criteria	223,528	355,209

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



With regard to forbearance measures granted to customers classified as non-performing at the reporting date, more than a half are positions that did not meet the criteria to shift from the impaired status despite the end of the cure period.

Table 52 - Template EU CQ3: Credit quality of performing and non-performing exposures by past due days (1 of 2)

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Performing exposures		
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	
005	Cash balances at central banks and other demand deposits	3,873,349	3,873,349	-	-	-	-
010	Loans and advances	35,185,464	35,066,085	119,379	1,055,377	551,921	77,452
020	Central banks	-	-	-	-	-	-
030	General governments	400,764	400,764	0	1,616	-	-
040	Credit institutions	728,915	728,869	47	-	-	-
050	Other financial corporations	3,202,659	3,202,648	11	26,329	25,737	-
060	Non-financial corporations	18,885,694	18,787,147	98,546	707,891	333,587	47,331
070	Of which SMEs	9,525,349	9,468,123	57,225	524,075	258,678	45,892
080	Households	11,967,432	11,946,658	20,775	319,542	192,598	30,121
090	Debt securities	12,820,270	12,820,270	-	-	-	-
100	Central banks	-	-	-	-	-	-
110	General governments	9,808,224	9,808,224	-	-	-	-
120	Credit institutions	1,518,444	1,518,444	-	-	-	-
130	Other financial corporations	1,098,290	1,098,290	-	-	-	-
140	Non-financial corporations	395,312	395,312	-	-	-	-
150	Off-balance-sheet exposures	28,499,508			246,092		
160	Central banks	-			-		
170	General governments	1,091,287			572		
180	Credit institutions	1,016,295			-		
190	Other financial corporations	1,855,089			223		
200	Non-financial corporations	21,762,149			236,144		
210	Households	2,774,689			9,154		
220	TOTAL AS AT 31/12/2024	80,378,591	51,759,703	119,379	1,301,469	551,921	77,452
	TOTAL AS AT 31/12/2023	79,283,559	53,100,084	77,175	1,512,553	704,313	95,228

Source: FINREP reporting framework - Information on performing and impaired exposures: Template F 18.00

Table 53 - Template EU CQ3: Credit quality of performing and non-performing exposures by past due days (2 of 2)

		g	h	i	j	k	l
		Gross carrying amount/nominal amount					
		Non-performing exposures					
		Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-
010	Loans and advances	131,917	91,082	90,36	44,946	67,698	1,055,377
020	Central banks	-	-	-	-	-	-
030	General governments	1,218	-	397	-	-	1,616
040	Credit institutions	-	-	-	-	-	-
050	Other financial corporations	35	522	-	35	-	26,329
060	Non-financial corporations	107,229	68,157	58,416	38,983	54,188	707,891
070	Of which SMEs	88,36	51,208	35,72	26,308	17,91	524,075
080	Households	23,435	22,403	31,547	5,928	13,51	319,542
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						246,092
160	Central banks						-
170	General governments						572
180	Credit institutions						-
190	Other financial corporations						223
200	Non-financial corporations						236,144
210	Households						9,154
220	TOTAL AS AT 31/12/2024	131,917	91,082	90,360	44,946	67,698	1,301,469
	TOTAL AS AT 31/12/2023	119,453	81,090	132,974	65,802	117,624	1,512,553

Source: FINREP reporting framework - Information on performing and impaired exposures: Template F 18.00



Table 54 - Template EU CQ4: Quality of non-performing exposures by geography (1 of 2)

	a	b	c	d
	Gross carrying/nominal amount			
	Of which: non-performing			Of which: subject to impairment
	Of which: defaulted			
ON-BALANCE-SHEET EXPOSURES	49,061,111	1,055,377	1,055,377	48,736,580
Italy	37,324,868	949,093	949,093	37,062,939
Switzerland	5,323,927	95,185	95,185	5,311,178
Spain	1,766,227	-	-	1,766,227
France	1,365,117	5,888	5,888	1,353,494
Monaco	465,449	460	460	465,449
United states	54,221	174	174	54,221
Germany	1,188,423	447	447	1,170,002
Luxembourg	32,681	-	-	24,775
Others	1,540,198	4,131	4,131	1,528,296
OFF-BALANCE-SHEET EXPOSURES	28,745,600	246,092	246,092	
Italy	26,773,071	245,876	245,876	
Switzerland	405,307	185	185	
Spain	25,677	-	-	
France	49,977	-	-	
Monaco	493,765	-	-	
United states	57,314	-	-	
Germany	174,556	-	-	
Luxembourg	150,057	-	-	
Others	615,876	32	32	
TOTAL	77,806,711	1,301,469	1,301,469	48,736,580

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

Table 55 - Template EU CQ4: Quality of non-performing exposures by geography (2 of 2)

	e	f	g
	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
ON-BALANCE-SHEET EXPOSURES	(950,420)		(9,118)
Italy	(901,970)		(9,118)
Switzerland	(39,850)		-
Spain	(440)		-
France	(746)		-
Monaco	(709)		-
United states	(472)		-
Germany	(2,166)		-
Luxembourg	(6)		-
Others	(4,061)		-
OFF-BALANCE-SHEET EXPOSURES		88,872	
Italy		84,168	
Switzerland		626	
Spain		43	
France		8	
Monaco		160	
United states		18	
Germany		1,036	
Luxembourg		201	
Others		2,612	
TOTAL	(950,420)	88,872	(9,118)

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

The table shows the countries to which the Group's total cash and off-balance sheet exposures roughly exceed the 0.2% minimum threshold.

At 31 December 2024, the major part of the Group's exposures (both on- and off-balance sheet items) related to counterparties resident in Italy. They account for about 76.1% of total on-balance sheet exposures and about 89.9% of total off-balance sheet exposures. The concentration of domestic exposures on the sub-set of non-performing loans is even more marked: 93.1% and nearly 100%, respectively, are the percentages of incidence calculated on the impaired segment alone.

Considering the ongoing military conflict between Russia and Ukraine, in order to provide an exhaustive picture of the Group's risk profile in respect of the affected countries, it should be noted that direct exposures to the two countries remained low at 31 December 2024 (around 0.04% of gross balance sheet exposure). Exposures to countries involved in the Israeli-Palestinian crisis are also immaterial.



Table 56 - Template EU CQ5: Credit quality of loans and advances by industry

		a	b	c	d	e	f
		Gross carrying amount					Accumulat- ed negative changes in fair value due to credit risk on non-performing exposures
		Of which: non- performing		Of which: loans and advances subject to impairment	Accumulat- ed impair- ment		
		Of which: defaulted					
010	Agriculture, forestry and fishing	395,695	19,647	19,647	394,323	(12,340)	-
020	Mining and quarrying	71,167	2,201	2,201	71,167	(1,853)	-
030	Manufacturing	5,198,007	129,150	129,150	5,180,076	(138,858)	(2,568)
040	Electricity, gas, steam and air conditioning supply	795,194	5,237	5,237	791,374	(10,287)	-
050	Water supply	247,874	390	390	247,874	(1,704)	-
060	Construction	1,543,682	135,844	135,844	1,515,119	(112,008)	(311)
070	Wholesale and retail trade	3,755,919	126,676	126,676	3,737,590	(108,196)	(726)
080	Transport and storage	585,448	7,223	7,223	582,638	(17,388)	(169)
090	Accommodation and food service activities	947,526	48,680	48,680	932,711	(47,331)	(331)
100	Information and communication	362,965	21,336	21,336	362,513	(20,107)	(12)
110	Financial and insurance activities	404,308	12,991	12,991	403,903	(28,274)	-
120	Real estate activities	2,472,394	122,338	122,338	2,433,726	(114,817)	(523)
130	Professional, scientific and technical activities	1,053,117	45,731	45,731	1,046,676	(35,387)	(1,922)
140	Administrative and support service activities	606,047	10,785	10,785	604,495	(11,811)	(63)
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	48,016	708	708	47,926	(984)	-
170	Human health services and social work activities	315,600	1,236	1,236	314,870	(4,124)	-
180	Arts, entertainment and recreation	366,447	8,929	8,929	366,194	(11,937)	-
190	Other services	424,179	8,789	8,789	422,959	(3,408)	(5)
200	TOTAL AS AT 31/12/2024	19,593,585	707,891	707,891	19,456,135	(680,815)	(6,630)
	TOTAL AS AT 31/12/2023	19,006,701	961,913	961,913	18,802,567	(718,689)	(14,841)

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

At 31 December 2024, the business sectors where the exposures were most concentrated were: Manufacturing (26.5% of total exposure), Wholesale and Retail Trade (19.2% of total exposure) and Real Estate (12.6% of total exposure). With reference to the impaired segment only, the prevailing segments were: Construction (19.2% of total impaired exposures), Manufacturing (18.2% of total impaired exposures) and Wholesale and Retail Trade (17.9% of total impaired exposures).

Table 57 - 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	36,240,841	35,185,464	119,379	1,055,377	551,921
020	Of which secured	18,682,374	17,857,163	48,797	825,211	419,426
030	Of which secured with immovable property	13,702,556	13,182,890	33,521	519,666	290,943
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	4,591,931	4,470,692		121,240	72,439
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	282,373	251,358		31,014	14,258
060	Of which instruments with LTV higher than 100%	219,756	139,036		80,720	20,767
070	Accumulated impairment for secured assets	(692,304)	(216,398)	(6,350)	(475,906)	(197,647)
080	Collateral					
090	Of which value capped at the value of exposure	17,650,149	17,381,804	30,201	268,345	186,000
100	Of which immovable property	14,558,480	14,303,237	28,904	255,243	178,566
110	Of which value above the cap	23,695,294	22,464,395	71,660	1,230,899	700,208
120	Of which immovable property	22,785,394	21,573,618	71,432	1,211,776	694,153
130	Financial guarantees received	6,003,967	5,925,180	11,917	78,787	35,110
140	Accumulated partial write-off	(104,818)	(40)	-	(104,777)	(2,879)

Source: FINREP reporting framework - Loans and advances: Templates F 23.02 - F 23.03 - F 23.04 - F 23.05 - F 23.06



Table 58 - 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						
			Of which past due >90 days <= 180 days	Of which: past due > 180 days <= 1 year	Of which: past due > 1 year <= 2 years	Of which: past due > 2 years <= 5 years	Of which: past due > 5 years <= 7 years	Of which : past due > 7 years
010	Gross carrying amount	503,456	77,452	131,917	91,082	90,360	44,946	67,698
020	Of which secured	405,784	69,594	108,186	73,965	56,904	36,079	61,057
030	Of which secured with immovable property	228,723	32,897	54,374	38,238	41,186	24,872	37,157
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	48,801						
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	16,756						
060	Of which instruments with LTV higher than 100%	59,953						
070	Accumulated impairment for secured assets	(278,259)	(32,760)	(63,555)	(50,622)	(47,197)	(25,206)	(58,917)
080	Collateral							
090	Of which value capped at the value of exposure	82,346	19,715	29,038	13,285	7,422	10,771	2,114
100	Of which immovable property	76,678	18,423	25,773	12,824	6,909	10,709	2,040
110	Of which value above the cap	530,691	99,378	136,259	97,143	80,729	17,999	99,183
120	Of which immovable property	517,622	98,223	134,675	96,014	79,791	17,790	91,130
130	Financial guarantees received	43,678	16,703	15,314	10,057	1,476	101	26
140	Accumulated partial write-off	(101,898)	-	-	(6,000)	(19,742)	(29,750)	(46,406)

Source: FINREP reporting framework - Loans and advances: Templates F 23.02 - F 23.03 - F 23.04 - F 23.05 - F 23.06

At 31 December 2024, guaranteed exposures represented more than a half of total loans and advances disbursed by the Group (about 52%); guaranteed exposure rose to approximately 81% for the impaired segment alone.

It should also be noted that, for the portion of the portfolio guaranteed by real estate assets (about 38% of total exposure) only a fraction equal to 13% had an LTV ratio (loan/guarantee value) higher than 60% and less than 80%.

Table 59 - Template EU CQ7: Collateral obtained by taking possession and execution processes

		31/12/2024		31/12/2023	
		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	64,428	(1,530)	64,466	(2,165)
030	Residential immovable property	11,185	(1,530)	9,971	(2,165)
040	Commercial Immovable property	-	-	-	-
050	Movable property (auto, shipping, etc.)	-	-	-	-
060	Equity and debt instruments	-	-	-	-
070	Other collateral	53,243	-	54,495	-
080	TOTAL	64,428	(1,530)	64,466	(2,165)

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

Similar to as observed at 31 December 2023, the main contributions to the figures above came from the enforcement of collaterals (real guarantees) obtained by the Group on a voluntary basis or in the context of legal proceedings.



Table 60 - 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	83,008	(1,530)	64,428	(1,530)	59,631	(503)
030	Residential immovable property	11,185	(1,530)	11,185	(1,530)	6,388	(503)
040	Commercial immovable property	-	-	-	-	-	-
050	Movable property (auto, shipping, etc.)	-	-	-	-	-	-
060	Equity and debt instruments	-	-	-	-	-	-
070	Other collateral	71,823	-	53,243	-	53,243	-
080	TOTAL AS AT 31/12/2024	83,008	(1,530)	64,428	(1,530)	59,631	(503)
	TOTAL AS AT 31/12/2023	93,879	(2,165)	64,466	(2,165)	60,870	(1,229)

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

Table 61 - 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 > 2 years <= 5 years		Foreclosed > 2 years <= 5 years	
		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	4,797	(1,027)	-	-	-	-
030	Residential immovable property	4,797	(1,027)	-	-	-	-
040	Commercial immovable property	-	-	-	-	-	-
050	Movable property (auto, shipping, etc.)	-	-	-	-	-	-
060	Equity and debt instruments	-	-	-	-	-	-
070	Other collateral	-	-	-	-	-	-
080	TOTAL AS AT 31/12/2024	4,797	(1,027)	-	-	-	-
	TOTAL AS AT 31/12/2023	3,596	(936)	-	-	-	-

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

At 31 December 2024, collaterals obtained by taking possession and through execution processes remained marginal in terms of numbers. The possession activity focuses almost entirely on residential properties with foreclosure date no later than two years with respect to possession of the property.



Section 9

Disclosure of the use of credit risk mitigation techniques (art. 453 CRR/CRR II)

For the purposes of credit risk mitigation, the Group acquires the forms of guarantee typical of banking operations: mainly of a real nature, on real estate and financial instruments, and of a personal nature. The latter principally comprise limited, general guarantees given by individuals and companies whose creditworthiness is considered adequate following a specific assessment.

In collateral security, the debtor or a third party (as guarantor or protection provider), in order to cover the risk of non-performance of the obligation contracted, provides the creditor with the right to be satisfied in a preferential manner, in respect of other creditors, through the proceeds of the collateral asset. The types of typical and atypical collateral most commonly used are:

- mortgage on real estate assets (residential and commercial) or registered movable properties;
- pledge on money and securities deposited with the Group or with third parties;
- pledge on goods and other movable properties, a "universality" of property, credits and other rights concerning movable properties (e.g. patents, trademarks, intangible rights, corporate investments, insurance policies, etc.);
- assignment of loans and receivables;
- special lien;
- salary or pension backed loans ("*cessione del quinto*").

In personal guarantees, a third party (guarantor or protection provider) explicitly assumes the legal commitment to fulfil an obligation towards the creditor in the event of non-performance by the principal (guaranteed) party. The main forms of personal guarantees acquired by the Group include:

- surety;
- endorsement;
- letter of patronage;
- surety policy (insurance);
- collection mandate;
- guarantees issued by public entities (guaranteed by the State).

Guarantees received may only be valid for management purposes or they may also be recognised for prudential purposes as credit risk mitigation (CRM) instruments when calculating capital absorption. In this regard, unless otherwise required by the supervisory rules applicable to the individual Group Companies, accessory guarantees must comply with defined eligibility requirements from the moment they are created and for the entire duration. In general, a guarantee:

- must be legally valid, effective, binding on the protection provider and enforceable against third parties in all relevant jurisdictions, even in the event of the client or guarantor's insolvency (legal certainty);
- must ensure prompt realisation in the event of default, also through the adoption of techniques and procedures that allow immediate activation of recovery measures (timeliness of realisation).

To the above, more specific supervisory requirements may be added for the individual types of collateral or personal guarantee in relation to their characteristics.

It is fundamental, with regard to personal guarantees, to check the quality of the guarantor's assets. This analysis is not limited to the initial phase of the guarantee relationship, but is repeated until the relationship ends. If the guarantor is found to be economically unsuitable, the Group reviews the relationship in order to verify the continued reliability of the borrowing counterparty.

Collateral is revalued on the basis of events connected to the status of the loan and/or the collateral and also according to methods and a frequency consistent with the nature of the assets (properties or other types of asset) or financial instruments in place and in line with current regulatory standards. Collaterals and personal guarantees are accepted as a subsidiary support for the credit line granted, as they are not considered as substitutes for the debtor's own repayment capacity. When acquiring, assessing, verifying and realising guarantees, suitable structural arrangements and processes are adopted to ensure that they will prevail over third parties and can be enforced, both at the time and in the future, in the event of the debtor's default. The information systems and operating procedures in fact allow the acquisition, storage and management of all data useful for the correct identification and revaluation of the guarantees received. The central functions that perform the above checks are different from the functions that grant and review lending.

In real estate guarantees, the Bank ensures that the value of the property to be reported in the appropriate procedures is equal to the "fair value" of the asset, given by its "market value", appropriately adjusted by the specific haircuts applied to take into account possible unexpected decreases in value and any third party pre-emption rights to the property. This value is determined on the basis of a prudent assessment of the future marketability of the property, taking into account the long-term durability of the asset, normal local market conditions, the current use of the property and its appropriate alternative uses. During the periodical review of the credit relationship, or in conjunction with events relating to the loan granted and/or the protection acquired, the persistence of the value of the guarantee and its ability to mitigate the credit risk assumed are assessed.

As part of the standardised approach, the guarantees that are allowed contribute both to the risk weighting to be applied to the part of the exposure backed by the credit protection, and as an element that directly reduces the amount of the exposure. As part of the advanced IRB approach, the credit risk mitigation effects produced by the use of CRM techniques in estimating risk parameters are taken into account.

With regard to mortgage guarantees, the Group adopts reliable principles and standards for the valuation of properties in order to obtain realistic and detailed estimates of the value of the assets being used as collateral. The Bank implements a series of processes that are able to ensure efficient management and timely assessment of properties that are subject to real encumbrances, through the registration of the assets and filing of the expert appraisals in specific IT applications.

Also in order to comply with the supervisory provisions, a revaluation is carried out using statistical indexing methods at least annually for residential and commercial/instrumental assets.

The value of the real estate is estimated using external appraisal companies (providers), with suitable requirements of professionalism and independence from the processes of proposal, decision-making and disbursement of credit, in line with national (A.B.I. Guidelines) and international (EVS European Valuation Standards and IVS International Valuation Standards) valuation standards.



The Parent Company has integrated the procedures for collecting appraisal data with a system for checking the appraisal values provided by the providers, subjecting the appraisals to an automatic, computerised check to compare the appraisals with the quotations in the main databases (OMI - Agenzia dell'Entrate (Italian Revenue Agency) and Nomisma Spa). Based on the deviations recorded, follow-up actions are carried out in accordance with the Mortgage Collateral Manual.

In addition, the Bank has introduced the "Real Estate Appraisals and Service Providers Control Commission", a collective body set up by the General Management, which meets periodically to examine a sample of the appraisals extracted from the above-mentioned computerised controls to verify the processes, the methodologies used and the results of the appraisals entrusted to the external providers relating to the properties acquired as collateral for the credit lines, checking their full compliance with the ABI Guidelines, international standards and compliance with the Guidance to banks on non-performing loans issued by the European Central Bank.

Property must meet specific requirements in order to mitigate lending risk (value of the property independent of the creditworthiness of the counterparty, loan repayments independent of cash flows deriving from the asset, and residential property used directly or rented). These requirements are checked by the local Units and the electronic credit application is processed for subsequent checks by the credit investigators and the approval Bodies.

The value of collaterals given in the form of financial instruments listed on regulated markets is automatically revised each day with reference to the quoted prices, in order to check that the cover remains within the agreed line of credit or, otherwise, the position is examined by the managers on a timely basis.

As part of its functions of coordination and control, the Parent Company requires the subsidiaries to adopt credit risk mitigation techniques able to ensure efficient management and prudent valuation of the guarantees obtained.

As part of its functions of coordination and control, the subsidiary Banca Popolare di Sondrio (SUISSE) adopts credit risk mitigation techniques substantially in line with those of the Parent Company, that are explained in detail in the corresponding Section of these notes. In particular, it is standard practice to provide loans secured by real estate or financial guarantees: this is confirmed by the fact that more than 80% of loans to customers granted by the subsidiary have a mortgage component, almost exclusively relating to residential building.

With regard to Factorit's operations, which involve the sale of trade receivables with or without recourse, specific credit risk mitigation tools are to be found in the adoption of controls aimed at limiting and, where possible, containing the highest level of risk assumed, such as the increase in the number of commercial relationships brokered, the presence of mitigation clauses in "non-recourse" relationships, preventive actions aimed at limiting particularly concentrated exposures mainly through the use of guarantees from the Parent Company and the acquisition and management of guarantees or credit insurance coverage. The shorter average maturity and, therefore, faster turnover of factoring loans with respect to normal banking transactions ensures a certain flexibility in the recovery of the resources invested.

With regard to the credit risk mitigation of the subsidiary Banca della Nuova Terra, whose loan portfolio consists of salary/pension-backed loans and payment mandates, we highlight the typical features of the product that provide for the non-waivable acquisition of special insurance policies on the risk of predecease and loss of employment taken out directly by the Bank as policyholder/beneficiary where the customer is the insured party. In addition, the Bank, having assessed the economic and legal requirements, carries out Crif database queries for all loan requests (with a more prudential approach

compared to that provided for by the Assofin protocol (25% of requests)) in order to verify the financial commitments and the real economic capacity of the customer, guaranteeing compliance with the minimum "intangible" income, also in accordance with the aforementioned Assofin protocol.

The concentration of credit risk mitigation instruments is strictly related to the type of credit operations carried out by the Group. The collateral portfolio is primarily composed of real collateral, mostly consisting of mortgages on real estate that expose to the risk factor represented by price trends in the real estate market in the Group entities' settlement areas. Personal guarantees constitute a secondary share of the overall portfolio. The main type of guarantor is the "Sovereign" category (roughly 56% of the total), followed by guarantors classified as "Retail" and "Corporate" (respectively about 23% and 13% of the total). With reference to guarantors, it is shown that a significant proportion of them (about 69%) are in the best internal rating classes.

* * *

Summarised below are the Group's exposures at 31 December 2024 in the form of loans and advances disbursed and debt securities held for investment purposes, covered and uncovered by guarantees - collateral or financial - acquired as credit risk mitigation (CRM) instruments recognised under applicable accounting rules, regardless of whether such techniques are deemed to be permissible forms of credit protection under current prudential regulations.

Table 62 - Template EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Secured carrying amount				
		Unsecured carrying amount		Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	15,505,173	23,654,116	17,650,149	6,003,967	-
2	Debt securities	12,815,547	-	-	-	-
3	TOTAL AS AT 31/12/2024	28,320,719	23,654,116	17,650,149	6,003,967	-
4	<i>Of which non-performing exposures</i>	<i>50,964</i>	<i>347,133</i>	<i>268,345</i>	<i>78,787</i>	<i>-</i>
EU-5	<i>Of which defaulted</i>	<i>50,964</i>	<i>347,133</i>	<i>268,345</i>	<i>78,787</i>	<i>-</i>
	TOTAL AS AT 31/12/2023	30,070,157	23,409,126	17,629,109	5,780,017	-

Source: FINREP reporting framework - Breakdown of loans and advances, collateral for loans and advances: Templates F 05.01 - F 13.01 - F 18.00

At 31 December 2024 there were no significant changes compared with last year in the proportions of unsecured exposures (around 54% of the total) and exposures secured by CRM techniques (around 46% of the total) and, within the latter, between exposures secured by collateral (around 75% of the total secured) and by personal guarantees (around 25% of the total secured). No risk hedging transactions were made using credit derivatives.



Section 10

Disclosure of the use of the standardised approach to credit risk (articles 444 and 453 CRR/CRR II)

External institutions used

For the purpose of calculating risk-weighted credit and counterparty assets according to the supervisory "Standardised Approach", the Group has chosen to use the following external institutions for the assessment of the counterparty creditworthiness (ECAI - External Credit Assessment Institutions).

Table 63 - List of ECAIs used to weight credit risk exposures and securitisation positions - Standardised approach

Regulatory class	ECAI	Type of rating (1)
Exposure to Central Administrations or Central Banks	Scope Ratings	<i>Unsolicited</i>
Exposure to supervised intermediaries	FitchRatings Standard & Poor's Rating Services	<i>Solicited</i>
Exposure to international organisations	FitchRatings Standard & Poor's Rating Services	<i>Solicited</i>
Exposure to multilateral development banks	Standard & Poor's Rating Services	<i>Solicited</i>
Exposure to corporates and other parties	Cerved Rating Agency	<i>Unsolicited</i>
Securitisation exposures	DBRS Ratings Limited Moody's Investors Service Scope Ratings	<i>Solicited</i>
Covered bonds	FitchRatings Standard & Poor's Rating Services	<i>Solicited</i>

(1) *Solicited rating: rating issued on request from the rated party for a consideration.*
Unsolicited rating: rating issued in the absence of a request from the rated entity.

Process for extending issuer or issue-related credit assessments to comparable assets not included in the regulatory trading book

In compliance with the provisions of Regulation (EU) 575/2013 (CRR), the criteria, summarised below, regarding the use of ECAI issue and issuer ratings for the purpose of risk assessment of exposures and mitigation of guarantees have been defined.

To assess the risk weighting factor to be assigned to exposures, the Group primarily refers to the following rules regarding use of the rating:

1. issuer ratings are attributed to comparable financial assets, regardless of their allocation portfolio (banking or trading).
The issuer ratings of companies belonging to an economic and/or legal group are not extended to other legal entities belonging to the same group;
2. issue ratings are used in the case of financial instrument exposures.

With reference to point (2), the Group adopts a rule of precedence, which provides for the priority use of the issue rating; only if this is not available, where the conditions dictated by the CRR exist, the rating relating to the issuer is used.

It should be noted that the ECAI rating used is always the long-term rating.

To assess the eligibility of guarantees with a view to CRM, as well as the regulatory volatility adjustments attributed as part of the regulatory formulas for calculating the capital requirements, in general the prevalence rule as above was set for all regulatory exposure portfolios (priority use of issue rating and, in its absence, of issuer rating).

* * *

The following table shows, for each of the Group's exposure classes at 31 December 2024, 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". The relative RWA density is also measured for each regulatory class, a summary indicator of risk comparison between portfolios of exposures.

Table 64 - Template EU CR4 - Standardised approach - Credit risk exposure and CRM effects

EXPOSURES CLASS		Exposures before CCF and CRM		Exposures post CCF and post 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	13,863,536	164,602	16,185,168	199,055	3,636	0.0222%
2	Regional governments or local authorities	32,493	85,514	32,493	6,699	9,617	24.5389%
3	Public sector entities	475,005	765,321	474,885	71,692	379,068	69.3531%
4	Multilateral development banks	130,680	-	319,198	3,661	-	-
5	International organizations	208,725	572	208,725	287	-	-
6	Institutions	4,096,579	993,644	4,061,112	229,182	1,520,135	35.4319%
7	Corporates	5,291,282	3,236,858	5,054,166	318,132	4,722,489	87.9044%
8	Retail	995,068	372,549	705,060	22,570	403,601	55.4679%
9	Secured by mortgages on immovable property	5,277,484	7,970	5,277,484	2,874	2,117,439	40.1003%
10	Exposures in default	74,601	837	74,340	486	76,948	102.8347%
11	Higher-risk categories	109,700	-	109,700	-	164,550	150.0000%
12	Covered bonds	256,280	-	256,280	-	34,650	13.5205%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	collective investments undertakings	382,038	79,650	382,038	2,950	1,055,694	274.2147%
15	Equity	542,889	-	542,889	-	882,174	162.4962%
16	Other items	1,815,922	20,119	1,815,922	10,060	848,060	46.4440%
17	TOTAL AS AT 31/12/2024	33,552,282	5,727,635	35,499,460	867,650	12,218,060	33.5965%
	TOTAL AS AT 31/12/2023	35,069,457	5,285,031	37,526,835	986,020	11,622,002	30.1769%

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

Key:

- *Pre-CCF and pre-CRM exposure*: 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.
- *Post-CCF and post-CRM exposure*: 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 tables show the breakdown by asset class and risk weight of the Group's exposures at 31 December 2024 included in the calculation of the capital requirement for credit risk under the "Standardised Approach".

Table 65 - 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	16,376,952	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	36,969	-
3	Public sector entities	-	-	-	-	120,036	-
4	Multilateral development banks	322,859	-	-	-	-	-
5	International organizations	209,012	-	-	-	-	-
6	Institutions	-	-	-	-	2,509,199	-
7	Corporates	-	-	-	-	38,370	46,990
8	Retail	-	-	-	-	-	289,360
9	Secured by mortgages on immovable property	-	-	-	-	-	4,801,082
10	Exposures in default	-	-	-	-	-	-
11	Higher-risk categories	-	-	-	-	-	-
12	Covered bonds	-	-	-	166,056	90,224	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	5,971	-	-	-	86	-
15	Equity	-	-	-	-	-	-
16	Other items	1,073,958	-	-	-	31,733	-
17	TOTAL AS AT 31/12/2024	17,988,752	-	-	166,056	2,826,615	5,137,433
	TOTAL AS AT 31/12/2023	21,153,575	-	-	164,686	2,272,365	4,977,266

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

Table 66 - 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	7,271	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	2,224	-	-
3	Public sector entities	142,961	-	-	283,581	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-
6	Institutions	1,525,603	-	-	255,493	-	-
7	Corporates	878,274	83,178	-	4,253,525	71,962	-
8	Retail	-	-	438,270	-	-	-
9	Secured by mortgages on immovable property	3,734	-	161,164	314,378	-	-
10	Exposures in default	-	-	-	70,584	4,242	-
11	Higher-risk categories	-	-	-	-	109,700	-
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	1,220	-	-	160,091	165,533	438
15	Equity	-	-	-	316,699	-	226,190
16	Other items	-	-	-	639,344	-	80,948
17	TOTAL AS AT 31/12/2024	2,559,063	83,178	599,433	6,295,918	351,436	307,576
	TOTAL AS AT 31/12/2023	2,384,446	103,502	608,390	6,184,531	321,834	313,663

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



Table 67 - Template EU CR5: Standardised approach (3 of 3)

EXPOSURES CLASS		Classes of credit worthiness (Weighting Factors)			Total	Without rating
		370%	1250%	Others		
		m	n	o	p	q
1	Central governments or central banks	-	-	-	16,384,223	-
2	Regional governments or local authorities	-	-	-	39,192	39,192
3	Public sector entities	-	-	-	546,577	443,510
4	Multilateral development banks	-	-	-	322,859	-
5	International organizations	-	-	-	209,012	-
6	Institutions	-	-	-	4,290,295	1,314,661
7	Corporates	-	-	-	5,372,298	3,201,367
8	Retail	-	-	-	727,630	727,630
9	Secured by mortgages on immovable property	-	-	-	5,280,358	5,280,358
10	Exposures in default	-	-	-	74,827	74,827
11	Higher-risk categories	-	-	-	109,700	109,700
12	Covered bonds	-	-	-	256,280	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-
14	Collective investment undertakings	-	51,648	-	384,988	383,907
15	Equity	-	-	-	542,889	542,889
16	Other items	-	-	-	1,825,982	1,825,982
17	TOTAL AS AT 31/12/2024	-	51,648	-	36,367,110	13,944,022
	TOTAL AS AT 31/12/2023	-	28,596	-	38,512,855	13,110,921

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

Section 11

Disclosure of the use of the IRB Approach to credit risk (articles 438, 452 and 453 CRR/CRR II)

Permission of the competent authority to use the IRB Approach or to apply the transition process

On 27 May 2019, the European Central Bank authorised Banca Popolare di Sondrio Group to adopt its internal rating models for the purpose of determining the amount of 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. The subsidiary Factorit will be included in a multi-year roll-out plan for IRB models, which also envisages the extension of advanced risk metrics for exposures in the "Institutions - Intermediaries" regulatory portfolio.

More specifically, the Group has been authorised by ECB to make use of its own internal rating models to estimate the following credit 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 default¹⁶.

The extension does not include some exposures, which are the subject of a request for authorisation for permanent partial use of the standardised approach (PPU perimeter, Permanent Partial Use). These are specifically included in the following regulatory portfolios:

- "Equity instruments and securitisations", "Governments and central banks", "Public sector and territorial entities" and "Enterprises - residual exposures" (including specialised loans) related to the entire Group;
- All portfolios falling within the corporate scope of the subsidiaries Sinergia Seconda, Banca Popolare di Sondrio (SUISSE) and BNT Banca.

Following the last Internal Model Investigation, in October 2023 the ECB granted the Bank permission to use the internal models subject to a previous material model change request. The new rating models have been used with effect from the supervisory reporting of 31 December 2023.

During the year, activities continued involving the monitoring and updating of the models and the processes in which they are used.

¹⁶ 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 is instead included in the multi-year roll-out plan.



In particular, work was completed on updating the Parent Company's internal PD, LGD and EAD models, in order to incorporate all the findings issued at the last IMI by the ECB and those issued by the Internal Control Functions.

These activities are in preparation for sending the regulator a request for a material model change on the parent company models. The request will be made in the first quarter of 2025.

Together with the Parent Company's models, a request will be made to extend the internal rating system to the subsidiary Factorit, as envisaged in the roll-out plan.

The rating system and the roll-out plan for internal models are monitored by the Bank, which produces a quarterly report on the coverage of the rating system and the monitoring of the roll-out plan and PPU portfolios. The outcomes are presented to the Board of Directors at least annually.

Illustration of the general structure, use, management processes and control mechanisms of internal rating systems

Risk segmentation

The overall Bank's credit portfolio is divided into management classes that combine homogeneous counterparties in terms of characteristics, needs, complexity and amount of credit lines granted, through a deterministic process based on four dimensions: Sector of Economic Activity (SAE code), exposure size, revenues and legal form.

The following is a breakdown of the risk segments into which the entire lending portfolio is classified for management purposes:

Internal segment
Individuals
Small Economic Operators
Small Business
Retail non-profit institutions
SMEs
Corporate non-profit institutions
Large enterprises
Public enterprises
Non-resident non-financial corporations

The regulatory segmentation adopted for IRB purposes is linked to internal segmentation according to specific correspondences, summarised in the following chart.

Regulatory segment	Internal segment
Individuals	Individuals
Small and medium-sized retail enterprises	Small Economic Operators Small Business Retail non-profit institutions
Small and medium-sized corporate enterprises	SMEs
Other corporate businesses	Large enterprises Public enterprises Non-resident non-financial corporations Corporate non-profit institutions

Structure and description of internal rating systems: PD models

The internal models used for the calculation of counterparty PDs are differentiated according to the risk segment to which each counterparty belongs (Corporate, Small Business, POE, Individuals), as well as the phase of the credit process in which they are applied, i.e. at the time of the request for a loan ("acceptance model") or during its subsequent monitoring ("internal behaviour model").

The internal behaviour model involves a first level of elementary econometric models to estimate the target variable (the probability of default entry) through a logistic regression between the observed values of it and a set of potentially discriminating independent variables from different information areas (financial statements, internal trend, external trend, qualitative questionnaire).

By discretising the score into bands, rating classes are then defined, which are then adjusted using notch rules (up/down) that take into account the Credit Bureau score, adverse events, sectoral factors and the influence of legal and/or economic groups.

As limited to the Corporate segment, the rating thus determined can be modified by the appointed operators through an experiential derogation mechanism (override), the proposal of which provides for confirmation or denial by a specific central Rating Desk Office.

The "acceptance model"¹⁷ follows the general scheme for determining the counterparty rating envisaged in the "internal behavioural model" calculation, except for the absence of the "Internal Performance" module and a different way of integrating components related to information acquired from external sources. The derived PD values are then recalibrated to align the average probability of default of the estimate sample to the population's reference default rate (acting as an "anchor point").

The process of assigning the rating to the debit counterparties included in the segments covered by internal models is divided into a series of activities.

The first involves the counterparty credit officer acquiring a series of information of a quantitative or qualitative nature (such as the financial statements, where available, and the qualitative questionnaire to integrate the statistical elements of the models). This information is needed to trigger the automatic rating calculation; they are accompanied by any further indications of a behavioural or trend nature (internal and external).

¹⁷ Specific for "Retail" counterparties. For "Corporate" counterparties, the performance models, net of the "Internal performance" module, are also taken during the initial acceptance phase and applied in full during the credit review/renewal phase.



As foreseen by the supervisory regulations, the rating automatically assigned by the system is what is known as a "validated rating", which can be used in various operating contexts, but this entails an expert-based assessment before it is effectively used. For each new loan application or in case of review/renewal of an existing credit, the "validation" by the competent manager takes place by accepting the rating elaborated by the system; alternatively, when allowed, the manager can propose an exception to the risk assigned automatically.

The rating class resulting from a specific process of monthly recalculation by the system does not replace the "validated rating" in force (which instead continues to be used for the purpose of quantifying the RWAs based on the A-IRB approach), except in the case where the discrepancy between the two ratings - "calculated" and "validated" - is higher than a specific number of classes; in this situation, the "validated rating" lapses as it is no longer fully representative of the borrower's riskiness.

Further causes for the cancellation of the rating are envisaged: first and foremost, its natural expiry twelve months after its previous assignment. Unless an automatic rating update is provided, branch operators are promptly notified of the expiry of the ratings assigned to the borrowers they manage, so that they can carry out a new "rating validation".

The rating scales are specific for management macro-segment and consist of 13 classes for performing positions and 1 class for "default" positions (i.e. credit exposures classified in a Bad Loans, Unlikely to pay or Past Due administrative status).

The 13 internal rating classes related to performing counterparties are also aggregated, for management purposes, into 6 buckets of creditworthiness (Excellent, Good, Medium, Uncertain, Bad, Very Bad) and 3 risk categories (Low Risk, Medium Risk, High Risk).

The following table shows the relative reconciliation with the ECAI ratings - taking as a point of reference the risk classification adopted by Moody's for the "Corporate" models and the "Small Business"¹⁸ segment in the "Retail" sector (where the reconciliation is not clear, a range of values is given).

Risk	Creditworthiness	Corporate	Retail - Small Business
Low	<i>Excellent</i>	Investment grade	Investment grade
	<i>Good</i>	Investment grade	Speculative grade
Medium	<i>Medium</i>	Speculative grade	Speculative grade
	<i>Uncertain</i>	Speculative grade	Speculative grade
High	<i>Bad</i>	Speculative grade	Speculative grade
	<i>Very Bad</i>	Speculative grade	Speculative grade

Structure and description of internal rating systems: LGD models

The estimation of Loss Given Default (LGD) models, i.e. the expected value of the ratio of the loss generated by a debtor's default to the expected exposure amount at the time of default, adheres to well-established methodological approaches.

¹⁸ For details on the management segmentation of exposures, please refer to the following paragraph entitled "Risk Segmentation".

The models are based on a workout methodological approach, which, in order to calculate the target variable, considers the discounted cash flows resulting from the Bank's credit recovery activities on non-performing positions.

Estimation is carried out using the modular approach technique. This approach involves dividing the model into several sub-modules, each with its own sample and target variable. All these modules are then subject to independent estimates, which are combined to determine the final LGD calculation.

The components pertaining to the different sub-modules can be classified according to a macro-partition into modules pertaining to non-performing (LGS, Loss Given Sofferenza) and pre-non-performing (DR, Danger Rate) positions.

For all modules, a stratification is developed based on the management macro-segment, aimed at distinguishing Businesses from Households, as shown below:

Model	Internal segment
Companies	Small Business
	Retail non-profit institutions
	SMEs
	Corporate non-profit institutions
	Large enterprises
	Non-resident non-financial corporations
	Public enterprises
Households	Individuals
	Small Economic Operators

In the LGS model, the aim is to analyse the behaviour, in terms of the flow of movements, that characterises positions classified as non-performing throughout their life cycle.

The components that are investigated to define the loss rate of a non-performing position are: (i) exposure: principal debit activity; (ii) recoveries: principal and/or interest collection activity; (iii) direct costs: expense debit and collection activity (invoices, taxes, fees).

The model is estimated by considering a set of closed and open positions beyond a specific cut-off date. It is then recalibrated by introducing specific corrections related to the inclusion of open positions that have not reached the time-to-workout and non-performing loans subject to massive disposal pursuant to Art. 500 of Regulation (EU) 2019/876.

In the DR model, the objective is to quantify the probability of a counterparty's transition to non-performing status and, with it, the potential evolution of its exposure in the states of credit deterioration preceding legal action.



Three main modules are identified within the DR:

- Probability of Transition to Bad Loans (DRP): estimate of the probability of transition from any administrative status to bad loans
- Change in Exposure (DRS): estimation of the change in exposure from default to non-performing status
- Loss Performing (DRB): estimate of the loss in the case of return from a default status to a performing status.

The described "performing" versions of LGS and DR are supplemented by the "default" version by means of the Expected Loss Best Estimate (ELBE) and Defaulted Assets (DA) components. For these components, a dynamic re-evaluation is performed at various instants in the life of the default both of the target variable and of the drivers potentially significant in explaining its evolution.

To determine the final LGD parameter to be applied, other model components are also available, such as the indirect costs linked to credit recovery processes, the occurrence of bankruptcy revocations and the potential losses associated with the positions subject to partial write-off.

In addition, in order for the LGD values to duly take into account the typical adverse effects of an economic slowdown, an additional "downturn" factor is estimated.

Finally, checks were carried out in order to introduce margins of conservatism in the estimates, by means of MoC (Margin of Conservatism) types A (methodological deficiencies), B (major process changes) and C (general estimation error).

In general, the estimation of the parameters of the various LGD modules differs according to the type of product, the level of exposure, the possible presence of collateral securing the loan granted and certain characteristics of the counterparty.

No override mechanisms are allowed for the calculated LGD values.

Structure and description of internal rating systems: EAD models

The estimation of Exposure at Default (EAD) models is based on a "modular approach" methodology, whereby the model is divided into several sub-modules, each with its own sample and target variable.

EAD models are estimated by considering, for counterparties with performing status, the management segments Corporate, Individuals and Other Retail, the technical forms of Portfolio Cash, Financial Advances, Mortgages and Loans, while distinguishing between margin or overdrawn positions.

The target variable is identified by the credit conversion factor (CCF) if there is available margin for the counterparty; otherwise it is represented by the overdraft factor (K). In the former case, the factor represents the ratio between (1) the portion of the credit line granted that is undrawn and that is expected to be utilised in the event of a default and (2) the portion not yet utilised. In the latter case, it represents the ratio between the portion used at the time of the default and the portion used at the time performing status was recognised.

To complement the facility drawing parameters, a parameter was estimated to take into account the contribution to the increase in exposure after the transition to default (Drawings After Default).

In addition, in order for the CCF and K values to duly take into account the typical adverse effects of an economic slowdown, an additional "downturn" factor is estimated.

Finally, checks were carried out in order to introduce margins of conservatism in the estimates, by means of MoC (Margin of Conservatism) types A (methodological deficiencies), B (major process changes) and C (general estimation error).

The application of the CCF and K parameters is for regulatory and management purposes.

There are no override mechanisms.

Uses of the rating system (PD, LGD, EAD)

The internal rating system represents a fundamental element of the Bank's credit processes and procedures. It is fully integrated with them in accordance with regulatory requirements. IRB-related risk metrics are specifically used in the following areas:

- Granting of credit and determination of the decision-making powers
- Credit monitoring
- Asset quality targets
- Management and branch network reporting
- Risk-adjusted pricing
- ICAAP and Risk Appetite Framework (RAF)
- Credit policies
- Impairment.

Granting of credit and determination of the decision-making powers

Rating systems are key elements of credit analysis in the preliminary investigation of new loan applications and in the mechanism for establishing decision-making powers in matters of credit disbursement and renewal, as the competent decision-making body is, inter alia, identified according to the risk profiles of the transaction to be resolved, of the borrower and any counterparties connected to it (and related exposures), involving the use of internal parameters.

These risk factors are also assessed upon the renewal/revision of outstanding loans, allowing for automatic revision in the presence of specific solvency criteria, including maximum thresholds for the counterparty's probability of default, differentiated by risk segment.



Credit monitoring

The credit monitoring process includes an automatic predictive "early warning" system designed to detect as timely as possible potentially problematic counterparties through a set of events or indicators acting as symptoms of difficulty in order to calibrate the organisational effort in the management of anomalous positions by addressing them within dedicated "monitoring processes", differentiated by level of risk intercepted and customer segment, and, ultimately, allowing rapid and effective intervention by the managers, where necessary.

The monitoring system is based on several indicators that act as signals of a potential deterioration in credit quality of the positions; these include changes in internal rating classes assigned to individual counterparties, as well as the existence of overdrawn past due situations, the occurrence of external prejudicial events and any credit anomalies in the Central Credit Register ("Centrale dei Rischi" database) regarding the positions under observation.

Internal reporting

On a periodic basis, the Bank prepares management-level reports on evolutionary aspects of credit portfolio composition and associated risks, lending dynamics and coverage of exposures. This reporting, structured in accordance with internal risk measurement methodologies, constitutes a valuable informative support to top management and other competent corporate bodies for the related assessments and decisions in the matter. Two reporting tools for risk-based analyses around the composition of the loan portfolio, updated on a monthly basis, are also addressed to the commercial network.

Risk-adjusted pricing

To support the determination of the price levels of loans that adequately compensate the risks associated with each transaction, the Bank has developed an Economic Value Added (EVA) calculation tool which is integrated within the electronic credit line system. This measure of "value creation" can be calculated by operators, both ex-ante (i.e. during the appraisal phase, prior to disbursement of a new loan) and ex-post (i.e. to monitor the ongoing risk-return profile of the credit exposures), it is based on the amount of the "expected credit loss", quantified for each position based on the risk parameters produced by the rating system, aimed at facilitating the formation of spreads on risk-related loans.

ICAAP and Risk Appetite Framework (RAF)

Within the ICAAP (Internal Capital Adequacy Assessment Process), the amount of capital needs related to risks to which the Groups' credit portfolio is exposed under current and forward-looking scenarios is assessed to evaluate capital resilience, even under stressed conditions. In assessing the impacts on the Group's equity position according to the future prospects expected for operations and in the event of unfavourable economic performance, such assessments assume the use of credit risk factors resulting from internal models for the purpose of quantifying the capital absorbed by the credit risk. For stress tests, these parameters, relating to "Retail" and "Corporate" portfolios, are derived from regulatory parameters calculated through the application of so-called "satellite models", which provide values for credit risk factors that are conditioned by the macro-economic scenarios defined by the bank.

The risk-based parameters estimated with internal rating models are also integrated in the RAF framework structure through the periodic quantification of key metrics expressing the credit risk appetite of the Bank and the Banking Group as a whole.

Credit policies

The risk parameters estimated by the system also play an important role in the definition of credit policies, expressed in the form of guidelines and operational guidelines for the commercial network, with a view to configuring the optimal credit portfolio in terms of customer segments, economic sectors and geographical areas.

These guidelines translate into qualitative-quantitative objectives in terms of composition of the credit portfolio aimed at optimising the risk-return profile, limiting the weight of riskier exposures and favouring credit reallocation to segments with lower risks and higher expected profitability; the latter are also determined on the basis of metrics estimated by the internal rating system and the measure of capital absorption calculated with IRB method.

The riskiness summarised by the counterparty PD parameter also contributes to the definition of the sectoral attractiveness underlying the credit policy model.

Impairment

The lending portfolio is periodically subjected to impairment adjustments by applying the accounting concept of "Expected Credit Losses" (ECL), with the aim of identifying any losses in the economic value of the positions. The type of assessment, based on the concept of "expected credit loss", can be of a collective or analytical nature, depending on the classification status of the debtor and the amount of the exposure.

The process of determining impairment provisions by means of a collective assessment relates to credit exposures classified as performing and impaired past due and/or overdrawn. In accordance with IFRS 9 - it requires methods for calculating expected losses over the 12 months following the relevant accounting date (for Stage 1 positions) or throughout the entire residual lifetime of the exposures (for Stage 2 positions). On the other hand, positions in a state of probable default or non-performing status are subject to analytical valuation, unless their amount is small: benchmark impairment coefficients based on specific portfolio clustering of positions are applied to these positions¹⁹.

In the impairment calculation process, IRB-based parameters (PD, LGD, EAD) are appropriately adjusted to satisfy the requirements indicated by the IFRS accounting principles, specifically modelling the "point-in-time", "forward-looking" and "scenario-dependent" components; in particular, the parameters of PD and Danger Rate for LGD are recalibrated in a short-term perspective. The parameters for the evolution of margins of unused credit lines and overdrawn exposures (EAD) are applied from a management perspective - in this sense, a specific model is also available for the "Corporate" segments, not based on the validated A-IRB solution - net of regulatory floors.

To this end, specific econometric models ("satellite models") have been set up to estimate on sectoral basis, the possible evolutionary dynamics of the customers' credit risk factors in correspondence with different macro-economic scenarios.

¹⁹ In this context, a minimum quantitative threshold is established for identifying those credit exposures which, by their nature, are subjected to purely automatic valuation processes.



Development of the rating system

The process of developing, validating and implementing rating systems consists of the following main stages:

- i. definition of general methodological principles of model building, with particular reference to the customer segments to which modelling is to be applied, the default definition adopted, the transposition of models into business processes, and the configuration of technological solutions to support the models;
- ii. estimation of internal credit measurement models by defining data requirements, building the data set, identifying the catalogue of indicators, and defining the expert components;
- iii. conducting proficiency checks on the basis of design and development documentation by the internal validation function, which is responsible for classifying the materiality (substantive or otherwise) of the intervention carried out on the model in accordance with Delegated Regulation (EU) No. 529/2014;
- iv. the internal validation function performs an activity to assess the adequacy of the system against regulatory requirements and the overall performance of the system. The analyses conducted can lead to the identification of possible critical issues and areas for improvement;
- v. the internal audit function carries out a review activity aimed at verifying the development activities and performance of the model, its effective use in relevant processes of business management, and the activities carried out by the validation function;
- vi. in the case of "material change", presentation of the facility first to the managerial Risk Committee for a preliminary opinion, then presentation by the validation function of the results of evaluation carried out, and finally reporting to the Board of Directors, which is called for final approval; in the case of "non-material" type of change to the models, presentation to the Risk Committee, production of information to the validation function and internal audit, and finally reporting to the Board of Directors;
- vii. the relevant IT function puts in place the model, processes and information systems that constitute the architecture of the rating system.

The submission of the application for authorisation to the ECB takes place according to the process indicated by the Authority itself, which provides, in the case of a "substantial change" to internal models, for the submission of a documentary package in support of the request for change (Application Package), following which an inspection process begins that results in the ECB sending the final decision on the amending application, which may require the satisfaction of corrective measures. On the other hand, in the case of "non-material change" to the models, there is a mere notification (ex-ante or ex-post) to the Supervisory Authority depending on what is stipulated in the regulations.

Controls and review of the rating system

The internal rating models must be monitored, following their release into production and on a periodic basis, in order to verify their adequacy and compliance with deliberate specifications and regulations through a predefined set of controls.

Periodic monitoring is carried out by verifying the quality of the inputs used, the level of performance, the maintenance of the initial methodological properties, with regard to aspects of calibration, heterogeneity and homogeneity of the models, aspects related to representativeness and concentration of the application portfolio as well as dynamic properties.

These checks are conducted periodically by the Credit Model Development Office within the Chief Risk Officer (CRO) Area.

The Validation Office - an organisational unit that is separate and independent of the business functions involved in the model development and credit granting processes, reporting directly to the Chief Risk Officer - is responsible for performing periodic ratification checks (second level controls). In particular, the rating system is globally subject to regular validation processes, consisting of a formalised set of activities, tools and procedures aimed at continuously testing the reliability of the results produced by the system, while maintaining its compliance with regulatory requirements, the operational needs of the company and the developments in reference markets. This evidence is represented periodically in the Validation Office Annual Report and, in the case of substantial changes to the A-IRB models (model changes), in the overall reporting submitted to the Board.

The Internal Audit Department, as an independent audit function, also reviews internal rating systems at least once a year, ensuring that they function properly (third-level controls), in compliance with the provisions of Regulation (EU) 575/2013. Specifically, the Department assesses the functionality of the overall control framework over the rating system by verifying the adequacy and completeness of the activities carried out by the competent functions and the consistency and merits of the ratification results, as well as the ongoing compliance of the internal rating-based (A-IRB) system with applicable regulatory requirements. The results of the audits carried out are summarised in a specific report submitted annually to the Board of Directors.

Lastly, the rating systems are managed through a specific organisational process for the evaluation, classification and internal approval of the changes made, differentiated in relation to the relevance of the changes envisaged, which provides for notification obligations or requests for approval to the Supervisory Authority, in accordance with the requirements set by Regulation (EU) No. 529/2014.

* * *

The tables below show, for each exposure class envisaged at regulatory level, the values at 31 December 2024 of the main parameters used by the Group to calculate capital requirements for credit risk under the "Advanced IRB Approach" (A-IRB). 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;
- information on the specific impairment and provisions made in the balance sheet in respect of exposures.



Table 68 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Total as exposure						
0.00 to <0.15	1,315,611	4,024,505	8.3360%	1,883,307	-	27,289
0.00 to <0.10	94,299	314,419	7.2950%	197,786	-	11,358
0.10 to <0.15	1,221,313	3,710,086	8.4250%	1,685,521	-	15,931
0.15 to <0.25	2,636,030	5,240,492	13.1590%	3,621,928	-	16,328
0.25 to <0.50	3,446,544	4,318,933	10.2590%	4,257,727	-	28,805
0.50 to <0.75	2,182,379	2,437,161	17.1750%	2,785,644	-	4,989
0.75 to <2.50	5,549,324	3,550,899	25.2000%	7,018,133	-	35,502
0.75 to <1.75	3,617,679	2,141,903	23.6660%	4,486,266	-	28,648
1.75 to <2.5	1,931,645	1,408,996	27.5310%	2,531,867	-	6,854
2.50 to <10.00	2,563,888	1,202,992	24.3320%	3,117,182	-	20,978
2.5 to <5	1,379,493	657,521	20.8640%	1,643,147	-	10,919
5 to <10	1,184,395	545,472	28.5110%	1,474,035	-	10,059
10.00 to <100.00	1,062,356	447,407	15.8220%	1,265,254	-	20,587
10 to <20	471,064	97,884	21.0870%	539,356	-	5,956
20 to <30	109,420	60,604	18.4300%	136,445	-	1,198
30.00 to <100.00	481,872	288,919	13.4910%	589,453	-	13,433
100,00 (default)	1,024,408	244,419	26.9200%	1,144,700	-	5,803
TOTAL AS AT 31/12/2024	19,780,540	21,466,809	14.9574%	25,093,875	-	160,281

Source: COREP reporting framework - 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).
- *Pre-CCF off-balance sheet exposure*: 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.
- *Post-CCF and post-CRM exposure*: 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).

Table 69 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Total as exposure						
0.00 to <0.15	-	2	237,816	12.6276%	413	(2,357)
0.00 to <0.10	-	2	4,888	2.4712%	18	(58)
0.10 to <0.15	-	2	232,928	13.8194%	395	(2,299)
0.15 to <0.25	-	2	692,464	19.1186%	1,159	(10,104)
0.25 to <0.50	-	2	883,803	20.7576%	2,488	(14,693)
0.50 to <0.75	-	3	971,017	34.8579%	2,962	(32,666)
0.75 to <2.50	-	2	2,783,139	39.6564%	16,490	(87,389)
0.75 to <1.75	-	2	1,508,991	33.6358%	7,728	(41,128)
1.75 to <2.50	-	3	1,274,148	50.3244%	8,762	(46,260)
2.50 to <10.00	-	3	1,518,609	48.7174%	22,328	(83,128)
2.50 to <5.00	-	3	736,766	44.8387%	7,678	(30,794)
5.00 to <10.00	-	3	781,843	53.0410%	14,650	(52,335)
10.00 to <100.00	-	3	836,967	66.1501%	53,369	(65,027)
10.00 to <20.00	-	3	309,279	57.3423%	10,011	(31,654)
20.00 to <30.00	-	2	124,481	91.2318%	6,310	(11,312)
30.00 to <100.00	-	3	403,206	68.4035%	37,048	(22,061)
100.00 (Default)	-	2	265,923	23.2308%	483,046	(715,881)
TOTAL AS AT 31/12/2024	-	2	8,189,737	32.6364%	582,255	(1,011,244)

Source: COREP reporting framework - 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.
- *Impairment 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.

Table 70 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Central governments or central banks

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

Table 71 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Institutions

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



Table 72 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Corporates - SMEs (1 of 2)

PD range	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Corporates - SME						
0.00 to <0.15	480,329	1,470,785	6.3250%	661,375	0.1240%	1,507
0.00 to <0.10	2,356	21,582	26.7280%	14,107	0.0800%	88
0.10 to <0.15	477,972	1,449,203	6.0220%	647,267	0.1250%	1,419
0.15 to <0.25	649,312	998,754	11.5970%	833,211	0.1730%	980
0.25 to <0.50	770,177	842,972	12.1050%	923,572	0.3390%	1,027
0.50 to <0.75	1,046,398	761,545	16.5010%	1,252,958	0.5230%	1,128
0.75 to <2.50	1,780,854	770,208	20.6260%	2,074,187	1.4590%	1,875
0.75 to <1.75	922,930	438,802	17.8750%	1,079,873	1.0630%	1,063
1.75 to <2.5	857,923	331,406	24.2680%	994,313	1.8890%	812
2.50 to <10.00	914,353	455,046	29.3130%	1,140,265	4.8120%	813
2.5 to <5	477,608	184,581	22.9550%	558,603	2.9690%	439
5 to <10	436,746	270,465	33.6520%	581,661	6.5820%	374
10.00 to <100.00	181,234	127,759	20.9580%	230,497	28.0020%	447
10 to <20	81,337	29,551	34.6440%	100,788	13.1770%	136
20 to <30	37,322	16,451	16.1380%	44,702	23.8070%	76
30.00 to <100.00	62,575	81,756	16.9810%	85,008	47.7860%	235
100,00 (default)	481,648	74,203	22.1740%	516,324	100.0000%	355
TOTAL AS AT AL 31/12/2024	6,304,304	5,501,272	14.0338%	7,632,388	8.8825%	8,132

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

Table 73 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Corporates - SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Corporates - SME						
0.00 to <0.15	19.8600%	3	94,089	14.2263%	163	(1,085)
0.00 to <0.10	18.4210%	2	1,024	7.2595%	2	(3)
0.10 to <0.15	19.8910%	3	93,065	14.3781%	161	(1,083)
0.15 to <0.25	18.7430%	3	140,731	16.8902%	269	(5,055)
0.25 to <0.50	19.1580%	3	237,290	25.6926%	601	(7,602)
0.50 to <0.75	19.0700%	3	398,150	31.7768%	1,252	(14,856)
0.75 to <2.50	18.1640%	3	871,660	42.0242%	5,475	(42,191)
0.75 to <1.75	18.4740%	3	419,127	38.8126%	2,124	(18,719)
1.75 to <2.5	17.8270%	3	452,533	45.5121%	3,351	(23,472)
2.50 to <10.00	18.0010%	3	649,799	56.9867%	9,897	(46,033)
2.5 to <5	17.3090%	3	272,702	48.8186%	2,877	(15,398)
5 to <10	18.6660%	3	377,097	64.8310%	7,020	(30,636)
10.00 to <100.00	20.0190%	3	216,441	93.9019%	13,355	(17,525)
10 to <20	18.0260%	3	76,161	75.5655%	2,394	(7,865)
20 to <30	22.5750%	3	50,653	113.3128%	2,431	(5,513)
30.00 to <100.00	21.0360%	3	89,628	105.4345%	8,530	(4,147)
100,00 (default)	44.4180%	2	108,502	21.0143%	223,537	(317,658)
TOTAL AS AT AL 31/12/2024	20.4509%	3	2,716,662	35.5939%	254,548	(452,006)

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

Table 74 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Corporates - Specialised lending

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



Table 75 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Corporates - Other (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Corporates - Others						
0.00 to <0.15	424,538	1,731,160	11.1960%	603,989	0.1260%	256
0.00 to <0.10	1	199	-	1	0.0800%	1
0.10 to <0.15	424,537	1,730,961	11.1980%	603,988	0.1260%	255
0.15 to <0.25	1,438,233	3,937,640	13.6000%	2,163,398	0.1710%	328
0.25 to <0.50	918,856	2,979,926	10.0990%	1,318,829	0.3400%	255
0.50 to <0.75	844,095	1,346,191	18.0330%	1,140,841	0.5200%	222
0.75 to <2.50	1,328,518	2,063,788	29.7000%	2,129,174	1.4580%	344
0.75 to <1.75	658,592	1,289,373	28.1290%	1,107,947	1.0600%	184
1.75 to <2.5	669,927	774,414	32.3150%	1,021,227	1.8900%	160
2.50 to <10.00	281,253	393,024	23.2520%	384,240	4.0280%	136
2.5 to <5	209,895	279,865	19.0780%	273,568	2.9380%	81
5 to <10	71,358	113,159	33.5750%	110,672	6.7220%	55
10.00 to <100.00	68,820	102,325	3.4730%	77,513	24.6340%	99
10 to <20	37,101	18,975	3.3450%	38,597	12.9590%	19
20 to <30	12,967	17,372	5.3080%	17,783	23.9560%	15
30.00 to <100.00	18,752	65,979	3.0280%	21,133	46.5270%	65
100,00 (default)	109,913	125,384	28.1630%	149,859	100.0000%	110
TOTAL AS AT 31/12/2024	5,414,225	12,679,437	15.9016%	7,967,843	2.8910%	1,750

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

Table 76 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Corporates - Other (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Corporates - Others						
0.00 to <0.15	21.3820%	2	123,126	20.3855%	163	(840)
0.00 to <0.10	31.0820%	1	0	13.8973%	-	0
0.10 to <0.15	21.3820%	2	123,126	20.3855%	163	(840)
0.15 to <0.25	19.7000%	2	518,915	23.9861%	728	(4,215)
0.25 to <0.50	21.4890%	2	479,592	36.3650%	975	(4,975)
0.50 to <0.75	20.9480%	2	509,998	44.7036%	1,251	(15,561)
0.75 to <2.50	21.4630%	2	1,426,476	66.9967%	6,520	(29,675)
0.75 to <1.75	23.1710%	2	727,062	65.6224%	2,724	(13,791)
1.75 to <2.5	19.6110%	2	699,415	68.4876%	3,796	(15,884)
2.50 to <10.00	21.9280%	3	380,686	99.0752%	3,368	(11,734)
2.5 to <5	22.5210%	3	259,859	94.9888%	1,815	(6,156)
5 to <10	20.4620%	2	120,827	109.1762%	1,553	(5,578)
10.00 to <100.00	17.2080%	3	96,829	124.9194%	3,643	(6,411)
10 to <20	12.8260%	4	35,013	90.7155%	643	(5,530)
20 to <30	23.7070%	2	31,551	177.4255%	1,025	(445)
30.00 to <100.00	19.7420%	3	30,265	143.2065%	1,974	(436)
100,00 (default)	50.6710%	1	27,175	18.1334%	74,474	(100,763)
TOTAL AS AT 31/12/2024	21.4391%	2	3,562,796	44.7147%	91,122	(174,173)

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



Table 77 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Secured by real estate SMEs (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post 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	104,235	5,827	5.6890%	105,089	0.1290%	1,201
0.00 to <0.10	8,100	683	-	8,103	0.0800%	83
0.10 to <0.15	96,135	5,144	6.4440%	96,986	0.1330%	1,118
0.15 to <0.25	340,826	4,881	12.9690%	342,398	0.1930%	3,104
0.25 to <0.50	78,342	4,211	14.2490%	79,873	0.3100%	697
0.50 to <0.75	59,006	5,956	41.1320%	64,429	0.6240%	324
0.75 to <2.50	301,923	6,215	9.5180%	305,278	1.4280%	2,063
0.75 to <1.75	172,047	4,186	7.7400%	173,782	1.0880%	1,188
1.75 to <2.5	129,876	2,029	13.1850%	131,496	1.8780%	875
2.50 to <10.00	194,890	3,462	34.4860%	198,979	4.3410%	1,339
2.5 to <5	107,176	2,616	27.7900%	110,050	2.9750%	749
5 to <10	87,714	846	55.1960%	88,930	6.0320%	590
10.00 to <100.00	212,882	1,252	1.1980%	214,086	28.0940%	2,236
10 to <20	73,032	130	11.5080%	73,389	12.1910%	671
20 to <30	29,730	186	-	29,876	21.9490%	256
30.00 to <100.00	110,120	936	-	110,821	40.2820%	1,309
100,00 (default)	96,146	128	-	98,560	100.0000%	589
TOTAL AS AT AL 31/12/2024	1,388,250	31,932	18.2104%	1,408,692	12.2914%	11,553

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

Table 78 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Secured by real estate SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	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	11.4640%	-	3,337	3.1752%	15	(51)
0.00 to <0.10	16.3380%	-	257	3.1662%	1	(1)
0.10 to <0.15	11.0570%	-	3,080	3.1759%	14	(50)
0.15 to <0.25	10.9540%	-	14,248	4.1612%	73	(366)
0.25 to <0.50	14.3370%	-	6,464	8.0933%	36	(157)
0.50 to <0.75	16.5220%	-	9,896	15.3599%	66	(389)
0.75 to <2.50	13.4650%	-	64,173	21.0211%	590	(2,854)
0.75 to <1.75	13.4210%	-	30,972	17.8224%	256	(1,343)
1.75 to <2.5	13.5220%	-	33,201	25.2484%	334	(1,511)
2.50 to <10.00	13.4310%	-	81,390	40.9038%	1,203	(3,344)
2.5 to <5	13.0340%	-	35,718	32.4563%	435	(1,261)
5 to <10	13.9230%	-	45,672	51.3575%	769	(2,083)
10.00 to <100.00	12.2960%	-	137,246	64.1081%	7,702	(8,385)
10 to <20	11.2020%	-	39,297	53.5462%	1,010	(2,583)
20 to <30	12.3140%	-	20,463	68.4938%	807	(2,111)
30.00 to <100.00	13.0150%	-	77,486	69.9201%	5,885	(3,691)
100,00 (default)	35.3430%	-	57,194	58.0293%	31,096	(56,371)
TOTAL AS AT AL 31/12/2024	14.2429%	-	373,948	26.5458%	40,781	(71,917)

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



Table 79 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Secured by real estate non-SMEs (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post 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	122,923	989	16.9850%	123,796	0.1140%	1,796
0.00 to <0.10	37,177	752	17.3460%	37,827	0.0550%	733
0.10 to <0.15	85,746	237	15.8360%	85,969	0.1400%	1,063
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	1,280,847	9,705	30.0840%	1,291,151	0.4800%	11,313
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	1,345,878	7,964	37.7390%	1,354,507	1.0320%	11,667
0.75 to <1.75	1,345,878	7,964	37.7390%	1,354,507	1.0320%	11,667
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	668,439	5,767	37.5890%	676,207	4.4610%	5,304
2.5 to <5	318,615	1,770	33.1100%	320,835	2.5600%	2,497
5 to <10	349,824	3,997	39.5720%	355,372	6.1780%	2,807
10.00 to <100.00	332,729	371	15.6430%	333,754	26.7200%	3,331
10 to <20	161,709	261	15.5620%	162,569	14.3690%	1,469
20 to <30	-	-	-	-	-	-
30.00 to <100.00	171,020	111	15.8340%	171,186	38.4500%	1,862
100,00 (default)	104,686	241	19.2850%	106,876	100.0000%	721
TOTAL AS AT 31/12/2024	3,855,503	25,037	33.4119%	3,886,292	6.3438%	34,132

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

Table 80 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Secured by real estate non-SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	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	7.2500%	-	2,814	2.2731%	10	(28)
0.00 to <0.10	7.4340%	-	507	1.3415%	2	(5)
0.10 to <0.15	7.1680%	-	2,307	2.6831%	9	(23)
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	8.5260%	-	101,681	7.8753%	529	(1,105)
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	9.6430%	-	202,923	14.9813%	1,357	(2,938)
0.75 to <1.75	9.6430%	-	202,923	14.9813%	1,357	(2,938)
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	9.6910%	-	238,565	35.2798%	2,945	(8,827)
2.5 to <5	9.4630%	-	83,944	26.1642%	777	(2,665)
5 to <10	9.8980%	-	154,621	43.5096%	2,167	(6,162)
10.00 to <100.00	10.0940%	-	218,710	65.5301%	8,737	(13,187)
10 to <20	10.7730%	-	107,335	66.0246%	2,510	(7,871)
20 to <30	-	-	-	-	-	-
30.00 to <100.00	9.4480%	-	111,374	65.0604%	6,227	(5,316)
100.00 (default)	21.1590%	-	44,211	41.3667%	19,539	(56,344)
TOTAL AS AT 31/12/2024	9.5595%	-	808,904	20.8143%	33,117	(82,429)

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



Table 81 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Qualifying revolving (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Retail - Qualifying revolving						
0.00 to <0.15	5,442	78,306	-	76,591	0.0840%	9,118
0.00 to <0.10	1,893	51,728	-	48,439	0.0510%	6,119
0.10 to <0.15	3,549	26,578	-	28,151	0.1400%	2,999
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	21,420	40,364	-	64,893	0.4660%	5,188
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	12,129	12,351	-	28,022	1.0980%	2,175
0.75 to <1.75	12,129	12,351	-	28,022	1.0980%	2,175
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	10,068	5,744	-	20,547	4.3880%	1,665
2.5 to <5	5,026	3,113	-	10,356	2.5600%	896
5 to <10	5,042	2,631	-	10,191	6.2460%	769
10.00 to <100.00	3,899	4,617	-	10,298	28.2310%	1,064
10 to <20	2,028	1,241	-	4,324	14.1130%	389
20 to <30	-	-	-	-	-	-
30.00 to <100.00	1,871	3,376	-	5,974	38.4500%	675
100,00 (default)	2,016	322	-	3,038	100.0000%	213
TOTAL AS AT 31/12/2024	54,975	141,703	-	203,389	3.6980%	19,423

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

Table 82 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Qualifying revolving (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Retail - Qualifying revolving						
0.00 to <0.15	8.6290%	-	415	0.5417%	6	(9)
0.00 to <0.10	8.4670%	-	172	0.3544%	2	(5)
0.10 to <0.15	8.9080%	-	243	0.8641%	4	(4)
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	9.7220%	-	1,625	2.5036%	29	(31)
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	10.6420%	-	1,484	5.2970%	33	(33)
0.75 to <1.75	10.6420%	-	1,484	5.2970%	33	(33)
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	10.6510%	-	2,911	14.1687%	98	(121)
2.5 to <5	10.2770%	-	996	9.6209%	27	(35)
5 to <10	11.0320%	-	1,915	18.7902%	71	(86)
10.00 to <100.00	11.8280%	-	3,983	38.6774%	338	(231)
10 to <20	12.5100%	-	1,453	33.6036%	78	(129)
20 to <30	-	-	-	-	-	-
30.00 to <100.00	11.3350%	-	2,530	42.3496%	260	(102)
100.00 (default)	17.4040%	-	37	1.2302%	526	(1,367)
TOTAL AS AT 31/12/2024	9.7524%	-	10,456	5.1407%	1,031	(1,792)

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



Table 83 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Other SMEs (1 of 2)

PD range	On-balance sheet exposures	Off-balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Retail - Altre PMI						
0.00 to <0.15	140,488	682,021	6.6800%	238,651	0.1150%	12,579
0.00 to <0.10	30,443	213,606	7.2690%	58,964	0.0800%	3,269
0.10 to <0.15	110,045	468,414	6.4120%	179,687	0.1270%	9,310
0.15 to <0.25	207,659	299,217	12.5690%	282,921	0.1920%	12,902
0.25 to <0.50	166,198	286,600	9.6960%	231,154	0.3120%	6,494
0.50 to <0.75	232,880	323,470	14.7470%	327,416	0.6240%	3,592
0.75 to <2.50	581,193	560,612	18.8050%	808,691	1.4830%	11,498
0.75 to <1.75	307,273	259,466	18.6780%	423,861	1.1250%	6,082
1.75 to <2.5	273,920	301,146	18.9150%	384,830	1.8770%	5,416
2.50 to <10.00	369,560	281,327	20.7150%	506,028	4.5530%	7,787
2.5 to <5	197,776	148,337	23.5120%	270,021	3.2460%	4,239
5 to <10	171,784	132,989	17.5960%	236,007	6.0480%	3,548
10.00 to <100.00	203,935	199,562	18.6970%	291,835	29.7050%	9,403
10 to <20	72,017	41,421	20.4800%	100,245	12.5550%	2,385
20 to <30	29,401	26,596	28.5470%	44,085	22.0740%	974
30.00 to <100.00	102,517	131,545	16.1430%	147,505	43.6400%	6,044
100,00 (default)	168,264	42,096	32.7690%	197,611	100.0000%	3,344
TOTAL AS AT 31/12/2024	2,070,176	2,674,904	13.9618%	2,884,307	11.1956%	67,599

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

Table 84 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Other SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Retail - Other SME						
0.00 to <0.15	18.5060%	-	12,211	5.1165%	50	(327)
0.00 to <0.10	20.5320%	-	2,468	4.1860%	10	(38)
0.10 to <0.15	17.8420%	-	9,742	5.4218%	40	(289)
0.15 to <0.25	16.4410%	-	18,570	6.5635%	89	(468)
0.25 to <0.50	19.7480%	-	25,918	11.2124%	143	(592)
0.50 to <0.75	19.4050%	-	52,974	16.1794%	393	(1,861)
0.75 to <2.50	17.9160%	-	172,943	21.3855%	2,144	(9,274)
0.75 to <1.75	18.0730%	-	83,943	19.8045%	863	(3,881)
1.75 to <2.5	17.7420%	-	89,000	23.1270%	1,281	(5,394)
2.50 to <10.00	17.0930%	-	128,501	25.3941%	3,954	(11,825)
2.5 to <5	16.7920%	-	65,239	24.1606%	1,469	(4,828)
5 to <10	17.4360%	-	63,263	26.8054%	2,486	(6,996)
10.00 to <100.00	17.4550%	-	119,278	40.8717%	15,413	(14,251)
10 to <20	15.8600%	-	29,077	29.0059%	1,986	(4,472)
20 to <30	20.7840%	-	21,815	49.4830%	2,047	(3,242)
30.00 to <100.00	17.5450%	-	68,386	46.3621%	11,380	(6,537)
100.00 (default)	50.5880%	-	27,329	13.8299%	98,791	(135,395)
TOTAL AS AT AL 31/12/2024	20.1834%	-	557,723	19.3365%	120,978	(173,992)

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



Table 85 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Other non-SMEs (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Retail - Other non-SME						
0.00 to <0.15	37,656	55,417	4.6550%	73,817	0.1050%	3,528
0.00 to <0.10	14,329	25,868	5.8420%	30,344	0.0540%	2,087
0.10 to <0.15	23,328	29,549	3.6170%	43,473	0.1400%	1,441
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	210,705	155,155	5.6680%	348,255	0.4760%	7,745
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	198,830	129,761	10.7860%	318,274	1.0780%	9,160
0.75 to <1.75	198,830	129,761	10.7860%	318,274	1.0780%	9,160
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	125,324	58,623	10.7330%	190,915	4.2840%	6,429
2.5 to <5	63,397	37,238	14.0520%	99,714	2.5600%	3,302
5 to <10	61,927	21,385	4.9530%	91,201	6.1690%	3,127
10.00 to <100.00	58,857	11,522	26.6840%	107,270	26.0490%	5,691
10 to <20	43,840	6,305	19.5020%	59,445	16.0720%	1,691
20 to <30	-	-	-	-	-	-
30.00 to <100.00	15,017	5,217	35.3640%	47,825	38.4500%	4,000
100,00 (default)	61,735	2,045	9.2650%	72,432	100.0000%	1,210
TOTAL AS AT AL 31/12/2024	693,107	412,523	8.4664%	1,110,964	10.2361%	33,763

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

Table 86 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Other non-SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Retail - Other non-SME						
0.00 to <0.15	8.0500%	-	1,824	2.4716%	6	(17)
0.00 to <0.10	7.9200%	-	459	1.5143%	1	(6)
0.10 to <0.15	8.1400%	-	1,365	3.1398%	5	(11)
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	10.4700%	-	31,233	8.9685%	174	(231)
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	10.6610%	-	43,480	13.6610%	371	(424)
0.75 to <1.75	10.6610%	-	43,480	13.6610%	371	(424)
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	10.8620%	-	36,756	19.2525%	862	(1,244)
2.5 to <5	10.9380%	-	18,308	18.3606%	279	(451)
5 to <10	10.7780%	-	18,448	20.2276%	583	(794)
10.00 to <100.00	14.5810%	-	44,480	41.4652%	4,182	(5,036)
10 to <20	14.1210%	-	20,943	35.2304%	1,390	(3,204)
20 to <30	-	-	-	-	-	-
30.00 to <100.00	15.1540%	-	23,537	49.2147%	2,791	(1,832)
100,00 (default)	48.4900%	-	1,475	2.0360%	35,083	(47,983)
TOTAL AS AT AL 31/12/2024	13.3070%	-	159,248	14.3342%	40,678	(54,936)

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



Table 87 - Template EU CR6-A: Scope of use of IRB and SA approaches

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
		a	b	c	d	e
1	Central governments or central banks	14,388,547	14,385,158	100.0000%	-	-
1,1	<i>Of which Regional governments or local authorities</i>		37	100.0000%	-	-
1,2	<i>Of which Public sector entities</i>		10,974	100.0000%	-	-
2	Institutions	5,416,349	5,541,533	12.3865%	87.6135%	-
3	Corporates	23,779,240	23,411,212	11.8419%	17.8950%	70.2631%
3,1	<i>Of which Corporates - Specialised lending, excluding slotting approach</i>		-	-	-	-
3,2	<i>Of which Corporates - Specialised lending under slotting approach</i>		37,173	100.0000%	-	-
4	Retail	16,002,298	14,831,744	35.7436%	2.6016%	61.6548%
4,1	<i>of which Retail – Secured by real estate SMEs</i>		1,324,781	-	-	100.0000%
4,2	<i>of which Retail – Secured by real estate non-SMEs</i>		8,392,710	54.9316%	-	45.0684%
4,3	<i>of which Retail – Qualifying revolving</i>		67,479	-	0.0340%	99.9660%
4,4	<i>of which Retail – Other SMEs</i>		3,466,084	0.0741%	5.7187%	94.2073%
4,5	<i>of which Retail – Other non-SMEs</i>		1,580,691	43.5625%	11.8708%	44.5667%
5	Equity	547,325	546,915	100.0000%	-	-
6	Other non-credit obligation assets	1,752,776	1,752,776	99.9918%	0.0082%	-
7	TOTAL AS AT 31/12/2024	61,886,535	60,469,338	42.0862%	15.5953%	42.3252%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, scope of the use of IRB and SA approaches: Template C 08.07

The following template shows the impact of credit derivatives recognised as credit risk mitigation (CRM) techniques on the values at 31 December 2024 of risk-weighted assets (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.

Table 88 - Template EU CR7 - IRB approach: Effect on the RWEAs of credit derivatives used as CRM techniques

		31/12/2024		31/12/2023	
		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		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	8,189,737	8,189,737	7,910,938	7,910,938
6	Central governments and central banks	-	-	-	-
7	Institutions	-	-	-	-
8	of which - Corporates	6,279,458	6,279,458	6,024,827	6,024,827
8,1	of which - Corporates SMEs	2,716,662	2,716,662	2,559,669	2,559,669
8,2	of which Corporates - Specialised lending	-	-	-	-
9	Retail	1,910,279	1,910,279	1,886,111	1,886,111
9,1	of which Retail – SMEs - Secured by immovable property collateral	373,948	373,948	382,052	382,052
9,2	of which Retail – non-SMEs - Secured by immovable property collateral	808,904	808,904	763,745	763,745
9,3	of which Retail – Qualifying revolving	10,456	10,456	13,929	13,929
9,4	of which Retail – SMEs - Other	557,723	557,723	547,914	547,914
9,5	of which Retail – Non-SMEs- Other	159,248	159,248	178,471	178,471
10	TOTAL (including FIRB exposures and AIRB exposures)	8,189,737	8,189,737	7,910,938	7,910,938

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

As can be seen from the data represented in the table, at 31 December 2024, there were no risk hedging transactions through credit derivatives.

The table below shows, for each class of exposures relevant to the calculation of the capital requirement for credit risk under the "Advanced IRB Approach", the portion of the Group's exposures at 31 December 2024 covered by real and personal credit risk mitigation (CRM) techniques. It also displays 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"²⁰.

²⁰ 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").



Table 89 - Template EU CR7-A - IRB approach: Disclosure of the extent of the use of CRM techniques (1 of 3)

A-IRB		Credit risk Mitigation techniques					
		Total exposures	Funded credit Protection (FCP)				
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)			
				Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	
		a	b	c	d	e	f
1	Central governments and central banks	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-
3	Corporates	15,600,231	2.5870%	19.2885%	18.6176%	-	0.6709%
3,1	Of which Corporates – SMEs	7,632,388	4.7580%	32.5382%	31.7370%	-	0.8012%
3,2	Of which Corporates – Specialised lending	-	-	-	-	-	-
3,3	Of which Corporates – Other	7,967,843	0.5074%	6.5966%	6.0505%	-	0.5461%
4	Retail	9,493,644	2.6359%	61.1877%	61.1497%	-	0.0381%
4,1	Of which Retail – Immovable property SMEs	1,408,692	0.0012%	99.0884%	99.0884%	-	-
4,2	Of which Retail – Immovable property non-SMEs	3,886,292	0.0084%	98.4205%	98.4205%	-	-
4,3	Of which Retail – Qualifying revolving	203,389	-	-	-	-	-
4,4	Of which Retail – Other SMEs	2,884,307	4.9589%	16.7389%	16.6136%	-	0.1254%
4,5	Of which Retail – Other non-SMEs	1,110,964	9.6192%	9.4862%	9.4862%	-	-
5	TOTAL AS AT 31/12/2024	25,093,875	2.6055%	35.1400%	34.7085%	-	0.4315%

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

Table 90 - 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	-	-	-	-	10.5971%	-
3,1	Of which Corporates – SMEs	-	-	-	-	15.3049%	-
3,2	Of which Corporates – Specialised lending	-	-	-	-	-	-
3,3	Of which Corporates – Other	-	-	-	-	6.0875%	-
4	Retail	-	-	-	-	8.4215%	-
4,1	Of which Retail – Immovable property SMEs	-	-	-	-	0.5485%	-
4,2	Of which Retail – Immovable property non-SMEs	-	-	-	-	0.1634%	-
4,3	Of which Retail – Qualifying revolving	-	-	-	-	-	-
4,4	Of which Retail – Other SMEs	-	-	-	-	25.0198%	-
4,5	Of which Retail – Other non-SMEs	-	-	-	-	5.7410%	-
5	TOTAL AS AT 31/12/2024	-	-	-	-	9.7740%	-

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



Table 91 - 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	6,671,539	6,279,458
3,1	Of which Corporates – SMEs	3,014,618	2,716,662
3,2	Of which Corporates – Specialised lending		-
3,3	Of which Corporates – Other	3,656,921	3,562,796
4	Retail	2,070,320	1,910,279
4,1	Of which Retail – Immovable property SMEs	377,425	373,948
4,2	Of which Retail – Immovable property non-SMEs	897,628	808,904
4,3	Of which Retail – Qualifying revolving	10,816	10,456
4,4	Of which Retail – Other SMEs	616,545	557,723
4,5	Of which Retail – Other non-SMEs	167,906	159,248
5	TOTAL AS AT 31/12/2024	8,741,859	8,189,737

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

The table reported below shows the changes in the amounts of risk-weighted exposure (RWA) calculated on the basis of the "Advanced IRB approach" compared to the previous quarter, giving further details of key factors that contributed significantly to the changes.

Table 92 - 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	8,269,972
2	Asset size	61,833
3	Asset quality	(146,540)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	(5,628)
7	Foreign exchange movements	9,113
8	Other	64,774
9	RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE REPORTING PERIOD	8,253,524

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

At 31 December 2024, the value of the aggregate of risk-weighted assets subject to credit risk assessed using the "Advanced IRB" approach shows a slight decrease from the value registered at the beginning of the period. The change reflects both a portfolio effect, due to the natural fluctuations that occur during the year, and a model effect, due to the authorisation received during the year from the ECB to use the internal models subject to a previous material model change request.

Residual changes relate both to any effects not computed in the preceding items and to the combined effects of items measured by stand-alone analysis.

Table 93 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) – Total

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	22,390	19	0.0850%	-	0.1000%	0.0700%
0.00 to <0.10	9,872	5	0.0510%	-	0.0590%	0.0500%
0.10 to <0.15	12,518	14	0.1120%	-	0.1320%	0.0860%
0.15 to <0.25	14,263	32	0.2240%	-	0.2020%	0.1860%
0.25 to <0.50	25,774	78	0.3030%	-	0.4400%	0.2050%
0.50 to <0.75	3,496	31	0.8870%	-	0.6150%	0.5950%
0.75 to <2.50	30,486	236	0.7740%	-	1.1930%	0.6580%
0.75 to <1.75	25,762	153	0.5940%	-	1.0680%	0.5100%
1.75 to <2.50	4,724	83	1.7570%	-	1.8780%	1.4700%
2.50 to <10.00	17,057	442	2.5910%	-	4.4400%	2.5100%
2.5 to <5	8,770	158	1.8020%	-	2.7580%	1.5360%
5 to <10	8,287	284	3.4270%	-	6.2210%	3.5400%
10.00 to <100.00	16,691	857	5.1340%	-	30.8570%	13.7450%
10 to <20	5,292	301	5.6880%	-	14.1230%	6.5820%
20 to <30	971	89	9.1660%	-	21.8790%	12.9650%
30.00 to <100.00	10,428	467	4.4780%	-	40.1850%	17.4520%
100.00 (Default)	4,951	4,951	100.0000%	-	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Table 94 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Central governments or central banks

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



Table 95 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Institutions

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

Table 96 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) – SMEs

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	1,225	3	0.2450%	0.1240%	0.1210%	0.1340%
0.00 to <0.10	70	-	-	0.0800%	0.0800%	0.0540%
0.10 to <0.15	1,155	3	0.2600%	0.1250%	0.1240%	0.1390%
0.15 to <0.25	946	1	0.1060%	0.1730%	0.1730%	0.1470%
0.25 to <0.50	908	10	1.1010%	0.3390%	0.3360%	0.3280%
0.50 to <0.75	849	14	1.6490%	0.5230%	0.5420%	0.6640%
0.75 to <2.50	1,455	34	2.3370%	1.4590%	1.4480%	1.7540%
0.75 to <1.75	793	15	1.8920%	1.0630%	1.0830%	1.5340%
1.75 to <2.50	662	19	2.8700%	1.8890%	1.8850%	2.0180%
2.50 to <10.00	638	33	5.1720%	4.8120%	4.6530%	5.1570%
2.5 to <5	349	13	3.7250%	2.9690%	3.0870%	3.6020%
5 to <10	289	20	6.9200%	6.5820%	6.5440%	7.0340%
10.00 to <100.00	282	22	7.8010%	28.0020%	32.8870%	24.2730%
10 to <20	79	6	7.5950%	13.1770%	13.1360%	13.3710%
20 to <30	49	7	14.2860%	23.8070%	23.6150%	20.6680%
30.00 to <100.00	154	9	5.8440%	47.7860%	45.9690%	31.0140%
100.00 (Default)	285	285	100.0000%	100.0000%	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Table 97 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Specialised Loans

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

Table 98 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Companies – Other

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	208	-	-	0.1260%	0.1250%	0.1370%
0.00 to <0.10	3	-	-	0.0800%	0.0800%	0.0540%
0.10 to <0.15	205	-	-	0.1260%	0.1260%	0.1380%
0.15 to <0.25	263	-	-	0.1710%	0.1760%	0.1510%
0.25 to <0.50	203	-	-	0.3400%	0.3380%	0.3290%
0.50 to <0.75	167	2	1.1980%	0.5200%	0.5250%	0.6800%
0.75 to <2.50	282	7	2.4820%	1.4580%	1.4750%	1.7610%
0.75 to <1.75	141	3	2.1280%	1.0600%	1.0640%	1.5430%
1.75 to <2.50	141	4	2.8370%	1.8900%	1.8860%	1.9780%
2.50 to <10.00	116	5	4.3100%	4.0280%	4.7400%	5.2460%
2.5 to <5	67	3	4.4780%	2.9380%	2.9970%	3.2900%
5 to <10	49	2	4.0820%	6.7220%	7.1220%	7.9220%
10.00 to <100.00	69	3	4.3480%	24.6340%	38.8710%	25.0280%
10 to <20	8	-	-	12.9590%	13.2120%	13.6880%
20 to <30	8	2	25.0000%	23.9560%	22.9760%	16.0050%
30.00 to <100.00	53	1	1.8870%	46.5270%	45.1430%	28.1020%
100.00 (Default)	61	61	100.0000%	100.0000%	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03



Table 99 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Retail - SME real estate guarantees

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	719	-	-	0.1290%	0.1300%	0.0550%
0.00 to <0.10	31	-	-	0.0800%	0.0800%	0.0540%
0.10 to <0.15	688	-	-	0.1330%	0.1320%	0.0550%
0.15 to <0.25	2,025	4	0.1970%	0.1930%	0.1930%	0.1700%
0.25 to <0.50	389	-	-	0.3100%	0.3090%	0.2760%
0.50 to <0.75	101	-	-	0.6240%	0.6480%	0.5630%
0.75 to <2.50	1,118	7	0.6700%	1.4280%	1.3830%	0.9000%
0.75 to <1.75	677	3	0.5170%	1.0880%	1.0610%	0.7760%
1.75 to <2.50	441	4	0.9060%	1.8780%	1.8780%	1.0910%
2.50 to <10.00	602	15	2.4920%	4.3410%	4.0570%	2.4940%
2.5 to <5	347	7	2.0170%	2.9750%	2.9160%	1.6200%
5 to <10	255	8	3.1370%	6.0320%	5.6080%	3.6840%
10.00 to <100.00	1,175	48	4.0850%	28.0940%	30.7450%	14.4440%
10 to <20	275	14	5.0910%	12.1910%	12.2020%	6.6250%
20 to <30	138	11	7.9710%	21.9490%	22.0110%	11.0690%
30.00 to <100.00	762	23	3.0180%	40.2820%	39.0190%	17.8760%
100.00 (Default)	307	307	100.0000%	100.0000%	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Table 100 Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Retail - Non-SME real estate guarantees

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	1,203	-	-	0.1140%	0.1030%	0.0720%
0.00 to <0.10	525	-	-	0.0550%	0.0550%	0.0500%
0.10 to <0.15	678	-	-	0.1400%	0.1400%	0.0890%
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	9,651	11	0.1190%	0.4800%	0.4790%	0.1820%
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	10,523	33	0.3170%	1.0320%	1.0270%	0.3510%
0.75 to <1.75	10,523	33	0.3170%	1.0320%	1.0270%	0.3510%
1.75 to <2.50	-	-	-	-	-	-
2.50 to <10.00	4,248	50	1.1770%	4.4610%	4.5240%	2.0080%
2.5 to <5	1,997	13	0.6430%	2.5600%	2.5600%	1.1270%
5 to <10	2,251	37	1.6510%	6.1780%	6.2670%	2.7890%
10.00 to <100.00	2,791	122	4.4010%	26.7200%	26.4280%	9.7180%
10 to <20	1,413	73	5.1890%	14.3690%	14.7100%	5.9840%
20 to <30	-	-	-	-	-	-
30.00 to <100.00	1,378	49	3.5930%	38.4500%	38.4500%	13.5480%
100.00 (Default)	468	468	100.0000%	100.0000%	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03



Table 101 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Retail - Qualified revolving

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	7,953	5	0.0630%	0.0840%	0.0800%	0.0610%
0.00 to <0.10	5,476	3	0.0550%	0.0510%	0.0530%	0.0480%
0.10 to <0.15	2,477	2	0.0810%	0.1400%	0.1400%	0.0890%
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	4,263	24	0.5750%	0.4660%	0.4650%	0.1750%
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	1,912	22	1.1680%	1.0980%	1.1120%	0.3880%
0.75 to <1.75	1,912	22	1.1680%	1.0980%	1.1120%	0.3880%
1.75 to <2.50	-	-	-	-	-	-
2.50 to <10.00	1,482	44	2.9700%	4.3880%	4.3260%	1.9170%
2.5 to <5	773	19	2.5020%	2.5600%	2.5600%	1.1270%
5 to <10	709	25	3.4800%	6.2460%	6.2510%	2.7780%
10.00 to <100.00	1,170	37	3.1920%	28.2310%	29.5450%	10.6990%
10 to <20	463	25	5.4730%	14.1130%	15.9490%	6.3490%
20 to <30	-	-	-	-	-	-
30.00 to <100.00	707	12	1.6980%	38.4500%	38.4500%	13.5480%
100.00 (Default)	151	151	100.0000%	100.0000%	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Table 102 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Retail - Other SMEs

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	8,317	8	0.0960%	0.1150%	0.1160%	0.0700%
0.00 to <0.10	2,104	2	0.0950%	0.0800%	0.0800%	0.0540%
0.10 to <0.15	6,213	6	0.0970%	0.1270%	0.1280%	0.0750%
0.15 to <0.25	11,028	27	0.2450%	0.1920%	0.2070%	0.1930%
0.25 to <0.50	4,081	18	0.4410%	0.3120%	0.3070%	0.2850%
0.50 to <0.75	2,379	15	0.6300%	0.6240%	0.6460%	0.5650%
0.75 to <2.50	7,277	90	1.2430%	1.4830%	1.4790%	1.1800%
0.75 to <1.75	3,798	34	0.9080%	1.1250%	1.1160%	0.9850%
1.75 to <2.50	3,479	56	1.6090%	1.8770%	1.8760%	1.3930%
2.50 to <10.00	4,458	179	4.0150%	4.5530%	4.4450%	3.4030%
2.5 to <5	2,421	66	2.7260%	3.2460%	3.1390%	2.1210%
5 to <10	2,037	113	5.5470%	6.0480%	5.9970%	4.9280%
10.00 to <100.00	6,063	400	6.5970%	29.7050%	33.1090%	17.6910%
10 to <20	1,363	82	6.0160%	12.5550%	12.3630%	7.5030%
20 to <30	776	69	8.8920%	22.0740%	21.7340%	12.7850%
30.00 to <100.00	3,924	249	6.3460%	43.6400%	42.5640%	22.2010%
100.00 (Default)	2,634	2,634	100.0000%	100.0000%	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03



Table 103 - Template CR9 - IRB approach: Back-testing of PD per exposure class (fixed PD scale) - Retail - Other non-SMEs

PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g
0.00 to <0.15	2,764	3	0.1080%	0.1050%	0.0890%	0.0660%
0.00 to <0.10	1,662	-	-	0.0540%	0.0550%	0.0500%
0.10 to <0.15	1,102	3	0.2720%	0.1400%	0.1400%	0.0890%
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	6,280	14	0.2230%	0.4760%	0.4740%	0.1800%
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	7,916	41	0.5220%	1.0780%	1.0870%	0.3770%
0.75 to <1.75	7,916	41	0.5220%	1.0780%	1.0870%	0.3770%
1.75 to <2.50	-	-	-	-	-	-
2.50 to <10.00	5,514	116	2.1040%	4.2840%	4.4140%	1.9710%
2.5 to <5	2,817	37	1.3080%	2.5600%	2.5600%	1.1270%
5 to <10	2,697	79	2.9350%	6.1690%	6.3510%	2.8510%
10.00 to <100.00	5,142	223	4.3530%	26.0490%	30.7100%	11.0810%
10 to <20	1,691	100	5.9340%	16.0720%	14.9150%	6.0440%
20 to <30	-	-	-	-	-	-
30.00 to <100.00	3,451	123	3.5790%	38.4500%	38.4500%	13.5480%
100.00 (Default)	1,044	1,044	100.0000%	100.0000%	100.0000%	100.0000%

Source: COREP reporting framework - Credit risk, IRB approach to capital requirements, PD back-testing: Template C 08.05 - Credit risk, IRB approach to capital requirements breakdown by PD range: Template C 08.03

Table 104 - Template CR9.1 - IRB approach: Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

The template is not published because the specific requirements for estimating PD set forth in art. 180, paragraph 1, point f) of the CRR.

* * *

Given the Group's lack of material exposures to specialised lending and material exposures in equity instruments treated under the "Simple Weighting Method", prospectuses under the following template, to which the Group would be subject pursuant to art. 438(e) of the CRR, have not been published:

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



Section 12

Disclosure of environmental, social and governance (ESG) risks (art. 449-bis CRR/CRR II)

This section provides the information on environmental, social and governance (ESG) risks, including climate risks (physical risks and transition risks, required by Article 449-bis of Regulation (EU) No. 575/2013 ("CRR") on the basis of the uniform publication templates established by the technical implementing standards of the disclosure requirements introduced by Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, as amended by the provisions of Implementing Regulation (EU) 2022/2453 of 30 November 2022.

The new public reporting requirements concerning ESG risks are fulfilled in a sequential and gradual manner, making provision for proportionality measures and transitory periods to facilitate their transposition by banking institutions. In particular, the following must be fulfilled:

- qualitative, general information on the management of environmental, social and governance risks, aimed at understanding how banking institutions integrate ESG considerations into their corporate governance systems, business models and strategies, and corporate risk management frameworks;
- more specific, quantitative disclosures of physical and transition risks related to climate change, comprising multiple data and information on: a) exposures to economic activities linked in particular to atmospheric carbon emissions and subject to critical climate change events; b) climate change mitigation and adaptation measures taken by banks to support their respective counterparties in the transition towards a carbon-neutral economy and to be aligned to the objectives of the EU Taxonomy on eco-sustainable activities (Regulation 2020/852).

The information in this section is also in line with the contents of the sustainability reporting for the year 2024 prepared by the Group pursuant to the new Sustainability Reporting Directive 2022/2464, also known as the Corporate Sustainability Reporting Directive (or CSRD).

In the following, the qualitative information on the integration of environmental, social and governance risks into the Group's strategies, governance mechanisms and risk management system is described. The quantitative information required by the aforementioned «Pillar 3» provisions is instead provided in standardised table templates later in this section.

For the purposes of this section, the following general definitions apply:

- a. "*Environmental, social or governance risks*" or "*ESG risks*": the risk of loss resulting from adverse financial effects on the institution due to the impact, present or future, of environmental, social or governance factors on the institution's counterparties or invested assets.
- b. "*Environmental risk*" or "*climate and environmental risk*" or "*C&E risks*": the risk of loss resulting from the adverse financial effects on the institution due to the impact, present or future, of environmental factors on the institution's counterparties or invested assets. Said definition includes both physical risk and transition risk.
- c. "*Physical risk*": in the context of overall environmental risk, the risk of loss arising from the adverse financial effects on the institution due to the impact, present or future, of the physical effects of environmental factors on the institution's counterparties or invested assets. The term denotes the financial impact of climate change - including both more frequent extreme weather and atmospheric events and gradual climate change - as well as environmental degradation (e.g. air,





water and soil pollution, water stress, loss of biodiversity and deforestation). Physical risk is classified as "acute" if caused by extreme events such as droughts, landslides, floods and storms, and "chronic" if caused by progressive changes such as rising temperatures, rising sea levels, water stress, loss of biodiversity, land-use change, habitat destruction and resource scarcity.

- d. *"Transition risk"*: in the context of global environmental risk, the risk of loss resulting from the negative financial effects for the institution due to the impact, present or future, of the transition to an environmentally sustainable economy on the institution's counterparties or invested assets; the term denotes the financial loss that an institution may incur, directly or indirectly, as a result of the process of adjustment to a low-carbon and more environmentally sustainable economy; this could be caused, for example, by the sudden adoption of climate and environmental policies, technological progress or changing market confidence and preferences, and may result in reduced profitability of companies and devaluation of assets.
- e. *"Social risk"*: the risk of loss resulting from the adverse financial effects on the institution due to the impact, present or future, of social factors on the institution's counterparties or invested assets.
- f. *"Governance risk"*: the risk of loss resulting from adverse financial effects on the institution due to the impact, present or future, of governance factors on the institution's counterparties or invested assets.
- g. *"GHG (Green House Gases)"*: the emissions of climate-altering gases (or greenhouse gases) attributable to a product, organisation or individual.
- h. *"GHG Scope 1"*: direct greenhouse gas emissions from sources controlled or owned by the organisation (e.g. GHG emissions from combustion in boilers, furnaces and owned vehicles).
- i. *"GHG Scope 2"*: indirect greenhouse gas emissions from electricity and heat consumption, i.e. generated by the energy purchased and consumed by an organisation as part of its production process (e.g. greenhouse gas emissions associated with the purchase of electricity, steam, heat or cooling from third parties).
- j. *"GHG Scope 3"*: other indirect greenhouse gas emissions generated along an organisation's "value chain", upstream and downstream; hence, from sources not owned or controlled by the organisation itself (e.g., greenhouse gas emissions related to the production of purchased material, fuel used by vehicles not owned by the organisation, end-use of products or services, investments made).
- k. *"EPC (Energy Performance Certificates)"*: tools to improve the energy performance of buildings. They are defined as a document recognised by an EU Member State or a legal person designated by it in which the value resulting from the calculation of the energy performance of a building or building unit carried out in accordance with Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings.
- l. *"GHG financed emissions"*: the amount of GHG emissions that can be attributed to a given investment portfolio, with attribution achieved by weighting the GHG emissions of each company in the portfolio by the investor's share of its value. For a bank, it is a measure of the GHG emissions produced indirectly through lending, investment and insurance underwriting: the metric is in fact expressive of the amount of GHG emissions related to a counterparty financed by a bank, calculated proportionally to the financial debt incurred by the counterparty to the bank relative to the total GHG emissions generated by the counterparty.
- m. *"Taxonomy"*: EU taxonomy of sustainable activities. It is a common classification of economic activities that can be considered environmentally sustainable, adopted by the European Union with Regulation 2020/852 and the associated Delegated Acts. It is designed as a tool to guide the choices of investors and companies towards a transition to economic growth without negative impacts on the environment and, in particular, climate. Economic activities considered eco-sustainable are selected on the basis of their potential to contribute to six environmental objectives identified by the European Commission: (i) climate change mitigation; (ii) adaptation to climate change; (iii) sustainable use and protection of water and marine resources; (iv) transition to a circular economy, including waste reduction and recycling; (v) pollution prevention and control; and (vi) protection of biodiversity and eco-system health.



- n. **"GAR"**: green asset ratio. A key performance indicator (KPI) of a financial institution represented by the ratio of the value of credit and investment assets used to finance EU taxonomy-aligned economic activities to the value of total balance sheet assets.
- o. **"International Energy Agency (IEA)"**: an international intergovernmental organisation founded in 1974 whose objective is to facilitate the coordination of the energy policies of member countries in order to ensure the stability of energy supplies and support economic growth. In recent years, the Agency has also extended its mandate to sustainable development, dealing with environmental protection and climate change; it has therefore taken on a role in promoting and developing alternative energy sources, rationalising energy policies and coordinating multinational research into new energy sources.
- p. **"Alignment metrics"**: indicators of physical emission intensity of companies (level of GHG emissions/unit of production) relevant to the economic sector, as determined by the International Energy Agency (IEA).
- q. **"IEA NZ2050 Scenario"**: a forward-looking scenario defined by the IEA for achieving the global target of "net zero" greenhouse gas emissions by 2050. The climate scenario is based on the Net Zero By 2050 - A Roadmap for the Global Energy Sector, an ambitious global energy plan to achieve targets for the containment of carbon emissions produced and emitted into the atmosphere from energy processes (i.e. from the combustion of fossil fuels for thermal, transport and electricity generation uses) and industrial processes (i.e. from production processes in heavy industries).

Qualitative information on environmental risk

Strategy and business processes

a. Corporate strategy of the entity to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on the entity's operating environment, business model, strategy and financial planning

ESG factors are firmly embedded in the Group's strategy: the integration of sustainability issues into the business and operations is represented by the Bank's ongoing ambitions, such as strengthening governance, implementing sustainability into the Bank's main processes, revising the product and service catalogue, participating in national and international initiatives and continuously updating its reporting. In this way, challenges related to the transition to a sustainable economy are addressed, seizing opportunities both on the business front and in the consolidation of business processes. Since 2023, the Bank has been a member of UNEP FI, the Principles for Responsible Banking (PRB) and the Net-Zero Banking Alliance (NZBA), demonstrating its commitment to international cooperation and recognising the key role of the financial sector in the journey towards sustainability.

In particular, the Group's climate strategy includes a strong commitment to financing the energy transition and is geared towards the creation and promotion of sustainable financial products and services. To assess the resilience of its strategy, the Group is conducting an in-depth analysis of climate change risks, focusing on mitigating negative impacts and enhancing positive effects on people and the environment. This analysis is part of a process of structured integration of sustainability factors into economic-financial projections, supporting the definition of credit policies that incorporate these elements also from a quantitative point of view. In this regard, more details are provided in the Sustainability Reporting under CSRD, within the thematic disclosure related to ESRS E1 and with particular reference to the resilience of the strategy and business model with respect to climate change issues.





Furthermore, the Group is gearing its lending strategy towards achieving ESG objectives through:

- the development and consolidation of the proprietary ESG scoring model;
- the integration of ESG valuation elements into the credit policy framework;
- the development of sustainable financial products;
- the constant promotion of an internal ESG culture;
- the identification and monitoring of "sensitive" sectors from an ESG point of view (among others, these include Carbon, Oil & Gas, Electricity, Agriculture, Real Estate) to ensure a targeted, informed and policy-consistent approach.

Currently, the Group has not defined and adopted a transition plan for climate change mitigation. However, it should be noted that, in line with the path established through its membership of the NZBA Alliance, the Group set decarbonisation targets in December 2024 towards the sectors considered priorities among those with a high climate impact under the NZBA Guidelines, with particular reference to credit exposures. In line with NZBA requirements, the publication of targets must be supported by the disclosure within twelve months of a transition plan that includes not only portfolio performance in respect of the targets, but also planned actions to ensure that the targets are met.

b. Objectives, targets and limits for assessing and addressing environmental risks in the short, medium and long term, and evaluation of performance in respect of these objectives, targets and limits, including forward-looking information on the design of strategy and business processes

Banca Popolare di Sondrio, following its membership of the Net-Zero Banking Alliance (NZBA), in December 2024 published a first set of decarbonisation targets for its loan portfolio, in line with the Paris Agreement, six months ahead of the Alliance's time-line. This first set includes targets for the reduction of financed emissions for the following carbon-intensive sectors: Oil & Gas, Agriculture, Iron & Steel, Aluminium, Electricity.

It should be noted that in the forthcoming 2025-2027 Business Plan, reference is made to these targets with regard to the intermediate commitment to 2030.

For further details on the NZBA targets, please refer to section "2.2.3.1 Climate Change Mitigation and Adaptation Targets (E1-4 and MDR-T)" of the Sustainability Report, contained in the Annual Financial Report, and the 2025-2027 Business Plan.

The Bank has also developed a framework for ESG risk management, integrating ESG risk exposure assessment into its lending practices. A system of reinforced controls has been established for sensitive sectors, applying criteria of proportionality and gradualness. In the application for new finance phase, once an amount threshold set for each sector has been exceeded, the authorisation process includes an additional assessment by the Sustainability office, based on specific analyses of the transaction and customers, including through media review activities.

In order to promote adequate governance of climate and environmental risks, both physical and transition, the Bank is also adopting increasingly effective processes and systems for the control and management of these particular risk factors, in line with the overall structure of internal controls, so as to have a holistic and well-documented view of their impact on "traditional" risk profiles (see, in this regard, the section below entitled "Risk Management", point k).



Please refer to the section on "Risk Management", point q, for a more detailed review of the initiatives in terms of targets, limits and metrics for assessing and managing climate and environmental risks conducted as part of the company's Risk Appetite Framework (RAF).

c. Current investment activities and (future) investment targets towards environmental objectives and EU taxonomy-aligned activities

The Group is committed to developing new sustainable strategies and products, in both credit and investment, in line with the ESG Credit Policy²¹ and the ESG Investment Policy²², as well as to recognising the EU Taxonomy and future related regulatory provisions as an indispensable point of reference in defining its sustainability targets.

The sustainable products and services in place at 31.12.2024 are listed below.

Sustainable Products and Services

"Next": Sustainable Credit Products

Sustainability Linked Loans, Green Bond Issue

ESG factors embedded in financial services of portfolio management and advice

Placement of sustainable investment products: Arca Fondi SGR and Etica SGR

Distribution of *JP Morgan* and *Pictet* Funds

Strengthening of ESG investments in the proprietary portfolio

The Bank expanded the environmental line "Next" - Sustainable Credit Products. New features for 2024 include green mortgages for environmentally sustainable real estate for businesses and private homes, as well as financing for companies investing in a circular economy model.

Instead, in order to support the conduct of its financial activities, the Bank employs a qualified ESG info-provider capable of guaranteeing appropriate information coverage - in particular on ESG risk exposure - on financial instruments included in asset management or offered to clients through the advisory service. At the same time, the Bank carries out autonomous ESG analyses on the basis of information provided by financial applications normally used for offering its services and also examines information received directly from the producers of financial products.

In May 2024, the Bank issued its third Senior Green Bond in the amount of 500 million euro under the EMTN (Euro Medium Term Notes) programme, the proceeds of which are intended to finance or refinance environmentally sustainable projects/assets, along similar lines to the previous issues of July 2021 and September 2023. Furthermore, in December 2024, the Bank updated its Framework²³ in order to allow for the possible issuance of Social and Sustainability Bonds in accordance also with the Social Bond Principles 2021 and the Sustainability Bond Guidelines 2022 of ICMA (International Capital Market Association).

²¹ ESG Credit Policy: <https://istituzionale.popso.it/it/sostenibilita/credito-esg-0>

²² ESG Investment Policy: <https://istituzionale.popso.it/it/sostenibilita/finanza-esg>

²³ Green Social and Sustainability Framework: <https://istituzionale.popso.it/it/sostenibilita/green-social-and-sustainability-bond>





As a participant in the financial markets, the Bank has integrated both sustainability risks and the consideration of major negative effects on sustainability factors into its investment decisions, more closely tailoring its products and services to customers' changing needs.

In the securities portfolio management service, the integration of ESG factors has been implemented, especially in the definition of specific management lines that favour sustainable, socially and environmentally conscious growth. The Bank offers sustainable investment solutions that comply with the criteria set out in Articles 8 and 9 of Regulation 2019/2088 (SFDR), in cooperation with leading management houses. The offering includes ESG-oriented mutual funds and asset management lines, offering customers diversified investment opportunities aligned with sustainability criteria.

For further information, please refer to the "Sustainability-related disclosure in the financial services sector"²⁴ on the corporate website.

d. Information on measures taken to mitigate risks associated with environmental factors. Institutions must consider the counterparty's ability to manage environmental risks

The Group attaches great importance to both direct and indirect engagement practices, with its counterparties, paying particular attention to environmental and climate issues. Group initiatives aimed at customers include, for example, meetings with Small and Medium Enterprises (SMEs), initiatives in universities and counterparty analyses. In this context, the Bank is committed to supporting the sustainable transition of SMEs by offering products and services of this kind, as well as by organising training webinars that address the challenges and opportunities in the international context. An example of this commitment was also an event held at the Bocconi University, during which the bank shared its experience with regard to the criteria for assessing companies for financing and the tools available for sustainable projects.

With regard to the integration of ESG factors in the credit process, the Bank has taken specific measures to include these aspects in all procedural steps. A proprietary ESG Score was introduced for corporate and retail counterparties, based on the financial impacts of transition, physical and ESG risks. In addition, an ESG Due Diligence for certain areas and a system of enhanced controls for areas considered sensitive were implemented. This approach aims to improve the assessment of the creditworthiness of counterparties in terms of sustainability by combining a qualitative assessment with ESG scoring from an internal statistical model.

As part of its engagement activities, the dual materiality analysis under CSRD is a key tool for the Group to listen to stakeholders, understand their needs and support long-term value creation. In this context, direct engagement with stakeholders was initiated to assess sustainability-related impacts, also involving customers from the NZBA perimeter. Stakeholders were engaged through on-line interviews, during which they examined potentially material impacts, assessing both the Group's operations and its value chain. The meetings turned into an opportunity for engagement, allowing the Bank to share its climate commitment and gather thoughts on their respective climate strategies. At the end of the meetings, stakeholders were asked to assess whether the bank's strategy met their expectations. This engagement process was instrumental in defining the material topics included in the Sustainability Report, enhancing transparency and promoting a shared vision of sustainable challenges and opportunities.

²⁴ Sustainability-related disclosure in the financial services sector: <https://istituzionale.popso.it/it/sostenibilita/informativa-di-sostenibilita-nel-settore-dei-servizi-finanziari>



For further information on the measures taken to mitigate the risks associated with environmental factors, see "Risk management" point m) below.

Governance

e. Information on the management body's involvement in the supervision and management of environmental risks

g. Information on the organisation of risk committees and the allocation of tasks and responsibilities within the risk management framework to monitor and manage environmental risks

With the aim of increasingly integrating Sustainability into its business, the Bank has adopted an "ESG Governance" system that involves the interaction of various bodies dedicated to the supervision and management of these issues and their impacts. The distribution of the Group's roles and responsibilities is detailed below:



Board of Directors

The Board of Directors (hereinafter referred to as "BoD") approves:

- the Risk Appetite Framework and risk governance policies, integrating them in time with ESG issues and, in particular, climate and environmental risks;
- the Sustainability Report according to CSRD and the main relevant Policies;
- the operational plan on Diversity and Inclusion.

As part of its strategic supervisory powers, the Board of Directors:

- defines Group-wide guidelines, targets and strategies on Sustainability issues (Business Plan);
- ensures that ESG risks are integrated into Group business strategies, governance, processes, procedures and the control system;
- supervises the exposure to climate and environmental risks, gaining regular knowledge of the risk profile registered and the manner in which it is identified, assessed and measured, and taking appropriate corrective measures where necessary.

In addition, the BoD carries out continuous training and updating activities on ESG issues and related risks, in order to monitor and progressively increase its skills, also through the completion of questionnaires and self-assessments.

In 2024 in particular, *ad hoc* training sessions were delivered to the BoD on the subject of:

- Evolution of non-financial reporting: CSRD and ESRS Standards;
- Training on the new "ESG Score";
- EU Taxonomy Regulation.





During 2024, the Board held several meetings and passed resolutions on climate and environmental issues. In particular, the following were submitted to the Management Body:

- the analysis of dual materiality under the CSRD;
- disclosure of the materiality analysis of climate and environmental risks;
- quarterly updates of the C&E Risk Plan;
- new RAF ESG indicators;
- periodic alignments and in-depth reviews of the progress of the activities reported in the project plan aimed at ensuring, over a multi-year horizon, the gradual adaptation to the expectations dictated by the ECB in its "Guide on climate-related and environmental risks";
- the sharing of specific methodological additions aimed at refining the algorithms and processes for attributing the counterparty ESG Score;
- the reporting on the exposure to environmental, social and governance risk variables of banking portfolios (credit activities and financial investments on account of ownership) following a revision of the structure and graphic formats, as well as enrichment of the information content, compared to the previous version of the reporting (e.g. introduction of specific views on ESG drivers capable of impacting operational, legal and reputational risk profiles);
- specific proposals to strengthen the RAF system for monitoring ESG risks, with particular attention to climatic and environmental factors, by evolving and integrating new quantitative indicators assumed in the Group's risk propensity schemes.



Board of Statutory Auditors

Control body, which:

- oversees compliance with the legal requirements for drawing up the Sustainability Report;
- monitors the adequacy of the procedures and processes governing the drafting of the Sustainability Report.



Sustainability Committee

A collective body which:

- examines the findings of the Group's dual materiality process;
- examines the Sustainability Report;
- examines and evaluates the contents of the Group Sustainability Policy and the related strategies drawn up by the structures and the Sustainability Management Committee;
- examines and assesses the consistency of the Bank's other policy documents with its sustainability objectives in light of relevant national and international regulations, standards and practices;
- provides support to the other Board Committees on the reflections of sustainability issues with reference to the specific competences of each, in particular in risk and opportunity analyses, remuneration policies, training and succession plans;
- assesses, including from a proactive perspective, the integration into the Business Plan



Sustainability Management Committee

of environmental and social aspects aimed at creating value in the medium to long term; examines the Bank's commitments in relation to sustainability, in particular with regard to decarbonisation ("net zero") targets, and assesses their pursuit, with particular regard to the products offered and sustainable finance solutions;

- assesses the integration of sustainability issues into the Bank's investment decision-making procedures and processes;
- promotes and supports the Bank's initiatives aimed at ensuring ongoing dialogue with stakeholders on issues within the Committee's remit, while also ensuring that the Board is informed of the outcomes of such initiatives;
- supports the Bank in its dialogue with the authorities on the outcomes of supervisory assessments of sustainability issues and the guidance received;
- examines the assessments of sustainability rating agencies and suggested actions; assesses the Bank's positioning within industry metrics, indices and benchmarks; monitors developments in sustainability factors, also in the light of international guidelines and principles, as well as market and relevant regulatory developments;
- assesses initiatives to spread a culture of sustainability at the Bank and awareness among staff of the importance of pursuing sustainable development;
- examines the Bank's non-profit strategy and its implementation, in particular initiatives aimed at local communities, assessing their social and environmental aspects; promotes the development of relations with institutions and the third sector on issues within its remit;
- examines in advance the reporting and documentation to be submitted to the Board of Directors for decision-making.

Body of a managerial nature which:

- periodically reviews regulatory developments, standards and relevant national and international practices on ESG issues;
- assesses proposals to introduce and amend relevant internal regulations and turning guidelines into concrete initiatives, for which it also defines operational plans and monitors actual implementation;
- contributes to the coordination of organisational structures and Subsidiaries in order to comply with the sustainability guidelines established by the Board of Directors and outlined in strategic planning from time to time;
- supervises transactions with debt instruments with sustainability characteristics (so-called Green Social and Sustainability Bond):
 - I. approves the relevant framework and the annual allocation and impact reporting;
 - II. reviews and validates the set of eligible assets;
 - III. supervises and monitors the management of the funds raised;
- coordinates and monitors liaising with relevant stakeholders and disclosure actions;





Control and Risk Committee

- coordinates the organisational structures of the Bank and its Subsidiaries with the aim of ensuring compliance with the sustainability guidelines set by the BoD;
- coordinates activities aimed at identifying sustainability issues potentially relevant to the company's dynamics, formulating comments and suggestions to be forwarded to the Board's Sustainability Committee.

Board body which, in line with its mandate, and in relation to ESG and associated risks, assists the Board of Directors:

- in determining the guidelines of the internal control and ESG risk management system;
- in periodically reviewing the adequacy of said system with respect to the Bank's characteristics and risk profile, as well as its effective functioning;
- in the performance of its functions with regard to the definition of risk objectives and strategies for the prevention and management of risks considered relevant, including ESG risks and risks related to climate and the environment, both currently and prospectively;
- in the periodic monitoring of risk exposure, verifying the completeness, adequacy and functionality of the internal control system; with particular regard to risk containment, it ascertains compliance with the limits set by the Management Body and/or required by mandatory regulations.

After review by the Sustainability Committee, it assesses, with the support of the Bank's Manager responsible for preparing the Company's accounting documents, the compliance of the information included in the Sustainability Report with regulatory requirements.

In addition, and without prejudice to the competencies of the Remuneration Committee, it ensures that the incentives underlying the Bank's remuneration and incentive system are consistent with the Risk Appetite Framework.



Risk Committee

Managerial body which, in line with the General Climate and Environmental Risk Regulation:

- examines and assesses proposals for the definition, integration or significant modification of techniques, methodologies and criteria for monitoring climate and environmental risks, expressing its own opinions and assessments;
- evaluates proposals concerning the definition, updating or revision of the parameters representing climate and environmental risk appetite in the Risk Appetite Statement (RAS);
- evaluates proposals for the introduction, extension, modification or significant integration of climate and environmental risk analysis systems, models, techniques or methodologies;
- approves the system of operational level limits/thresholds associated with climate and environmental risk exposure indicators.



Mobility Manager

- Continuously supports the decision-making, planning, programming, management and promotion of optimal sustainable mobility solutions for the Group's employees.

In the course of 2025, training meetings focused on:

- Credit and transition plan;
- Social risks in the banking context;
- Greenwashing risks and, in general, in relation to the fairness of sustainability communication;
- Circular Economy and Opportunities in the Banking Context.

The Sustainability Policy defines a reporting system in which the Board's Sustainability Committee, supported by the Sustainability Management Committee and the Sustainability office, handles reporting and related documentation to be submitted to the Management Body for decision-making on ESG issues.

Banca Popolare di Sondrio (SUISSE) also has its own ESG Committee to specifically manage issues related to investment environmental, social and governance sustainability. The main tasks of this collegial body are:

- to follow ESG regulation and trends in the asset management industry;
- to formulate proposals for working methodologies, rules, and sustainability parameters to be integrated into the various stages of the investment process;
- to discuss ESG investment ideas for consideration by the Investment Committee;
- to report to the company's General Management on the status of the implementation of sustainability policies in investments;
- to draw up a document once a year, called the ESG Investment Newsletter, aimed at informing people inside and outside the bank about the Swiss Bank's positioning regarding sustainable investment.

In addition, an ESG team has been established within the subsidiary's Investment Department, dedicated to studying the issue in all its aspects and particularly focused on product innovation and investment processes. In addition, two specific working groups have been created: the *Credit Working Group*, in charge of regulatory adjustments in the area of credit and mortgage advice (e.g. SBA regulatory impact on mortgages), and the *Investment Working Group*, in charge of assessing ESG improvements that can be made to managed products (e.g. provisions and assessments of ESG data).

f. Information on how the management body integrates the short-, medium- and long-term effects of environmental risks into the organisational structure of the institution for risk management purposes. Institutions must explain how this exercise at management body level is reflected in their business lines and internal control functions

The Board of Directors, the Board of Statutory Auditors, the Sustainability Committee and the Control and Risk Committee take climate issues into account when defining the risk management strategy and policies, as described under e).





C&E risk management and control activities are handled at managerial level by the Sustainability Management Committee, the Risk Committee and the Mobility Manager, as described under e).

The process of reporting climate- and environment-related issues to the BoD also involves sessions during which the Chief Risk Officer presents members of the Board with ESG risk reports on a quarterly basis, which outline the Group's operations and business portfolios, with a focus on climate and environmental risk factors.

At operational level, the coordination between the Sustainability office and the Risk Control Department, in concert with the ESG contact persons of BPS and the Subsidiaries, the Compliance and DPO Function and the Internal Audit Department, allows ESG and climate-environmental issues to be monitored.

SUSTAINABILITY OFFICE

The Sustainability office constantly monitors regulations and practices on climate issues, supporting central structures and subsidiaries in understanding ESG factors and in dialogue with stakeholders. It coordinates the drafting of sustainability guidelines and strategies, manages the dialogue with ESG rating agencies and supports the Risk Control Department on C&E risk issues. It also supports the Sustainability Management Committee in identifying and monitoring initiatives, promoting a sustainability culture and training on ESG issues. Tasks also include supporting Sustainability Reporting activities under the CSRD.

RISK CONTROL DEPARTMENT

Within the CRO Governance Area, the Risk Control Department integrates ESG factors, in particular climate and environmental factors, into the assessment and monitoring of associated risks, ensuring independent control and defining methodologies for their management. It progressively integrates ESG risks into regulations, processes and reporting, analysing and quantifying risk exposure through dedicated metrics. It also supports the integration of climate risk factors into management and reporting systems, following the guidance provided by the ECB. In addition, it manages the stress tests required by the Supervisory Authorities and prepares the Public Disclosure in accordance with «Pillar 3» ESG regulations.

ESG CONTACT PERSONS

Operational ESG Contact Persons, present in each Subsidiary and in the Bank's main business areas, promote a culture of sustainability and incorporate ESG factors into their activities, identifying business opportunities. They foster the circulation of information and the coordination of activities to improve interaction between functions. In 2023, sustainability governance was strengthened with the appointment of "Network ESG Specialists", trained to support branches in dialogue with customers and in assessing the climate and environmental sustainability of counterparties during the lending process, also collaborating with the Central Offices for ESG Due Diligence activities.

COMPLIANCE AND DPO FUNCTION

The Compliance and DPO Function is responsible for ensuring compliance with regulatory obligations related to ESG issues and risk management, with a focus on climate and environmental risks. It identifies applicable regulations and verifies the compliance of business processes to prevent legal and reputational risks. It also assesses risk exposure through quantitative and qualitative indicators and provides information to corporate bodies.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department verifies the proper functioning of the internal control system, ensuring compliance with sustainability policies and the conformity of company operations. It assesses the adequacy of the ESG risk management



process, in particular climate and environmental risks, pointing out inefficiencies and making recommendations for improvements.

During 2024, several strategic and important projects for the Group on sustainability issues were managed, including: i) the activities related to joining the NZBA Alliance with the definition of the first set of decarbonisation targets for the loan portfolio; ii) the drafting of the new Sustainability Report in line with the CSRD; iii) the implementation of programme of activities across several corporate structures and aimed at reinforcing the centrality of C&E risk management for future corporate strategies and their integration into key policies and decision-making processes.

h. Information on how environmental risks are included in the framework and internal reporting, as well as information on the frequency of internal reporting and information exchange on such risks

Banca Popolare di Sondrio adopts a system of regular disclosure and reporting on ESG risk issues, with a focus on climate and environmental risks, which involves dialogue between various competent bodies and functions. In particular, it should be noted that:

- the Board Sustainability Committee oversees the reporting and documentation to be submitted to the Board of Directors for decision-making;
- the Sustainability Management Committee, through the Chairman (Chief Financial Officer) informs the Sustainability Committee of the work carried out at each meeting, making available minutes and working documents;
- the Sustainability Office supports the Sustainability Management Committee:
 - in identifying the initiatives to be implemented;
 - in the operational management of C&E issues in accordance with the Business Plan;
 - in the periodic monitoring and reporting of initiatives.
- The Control and Risk Committee, in line with its mandate and with regard to ESG risks, assists the Board of Directors:
 - in determining the guidelines of the internal control and risk management system;
 - in periodically reviewing the adequacy of said system with respect to the Bank's characteristics and related risk profile, as well as its effective functioning;
 - in examining the contents of the Sustainability Report, for the purpose of preliminary investigation with respect to the subsequent scrutiny and approval by the BoD.

To support ESG risk measurement and monitoring processes, as well as for a robust and reliable decision-making process, the CRO Area also prepares specific internal reports to document, upon request or based on a predefined frequency, the risk analyses and measurements performed, reporting to the competent bodies and functions the results of its activities through specific disclosures and reports. For these issues, the CRO Area liaises, in particular, with the management and board committees responsible for risk and sustainability. At the top management level, the Board of Directors and the Control and Risk Committee are quarterly informed of trends in exposure to ESG risks through the production of ESG Reports which aim to monitor, among other things, the types and level of significance of physical and transition factors relevant to each of the main traditional banking risk categories potentially impacted.

The frequency of Committee meetings is shown below:

- the Board Sustainability Committee met 10 times and in 7 meetings climate-related topics were discussed;
- the Managerial Sustainability Committee met 4 times and at all meetings climate-related topics were discussed.





i. Inclusion of environmental risks in the remuneration policy and related criteria and metrics used to determine the impact of environmental risk considerations on variable remuneration

The Group discloses information on incentive systems by means of the Annual report on the remuneration policy and compensation paid, prepared pursuant to Article 84-quater of the Regulation adopted by CONSOB Resolution No. 11971 of 14 May 1999 and subsequent amendments and additions, implementing Legislative Decree No. 5 of 24 February 1998.

The incentive systems are contained within the "Remuneration Policies", which are approved annually by the Shareholders' Meeting.

Sustainability is a cross-Group aspect that affects all areas of its operations, reflected in the criteria for measuring the achievement of ESG objectives. Sustainability-related performance metrics are integrated within the Remuneration Policies, emphasising the link between the Group's ESG commitment and incentive management. In particular, 10% of the variable remuneration of the General Manager depends on objectives and (or) sustainability-related impacts.

In this context, the following short-term objectives were defined in the Remuneration Policies published in April 2024:

- ESG rating: improvement of the Standard Ethics EE corporate rating;
- ESG products and services: expansion of the ESG product offering (Next) in accordance with the Business Plan;
- ESG finance: raising the "ESG percentage" of the bond component of the proprietary portfolio;
- International initiatives: development of a set of targets to be shared with Net-Zero Banking Alliance (NZBA) by June 2025²⁵ for decarbonisation target setting;
- ESG Governance: Completion and approval of the Operational Plan on Diversity and Inclusion;
- ESG credit - counterparty assessment: completion of ESG due diligence of corporate counterparties; expansion of the scope covered by the C&E Score assessment.

The long-term objectives, separate from those envisaged for the short term, are as follows:

- ESG rating: ensure a strong ranking of the Bank in the Standard Ethics sustainability rating and the CDP climate rating score;
- ESG Credit and Finance: expand ESG product offerings and volumes;
- ESG funding product issues: increase ESG funding activity by issuing new green bonds and social bonds;
- CO₂ emissions: reduce direct (Scope 1) and indirect (Scope 2 and 3) emissions;
- ESG initiatives: participate in international initiatives related to environmental and social sustainability;
- ESG training: integrate sustainability issues into corporate training programmes in a comprehensive, cross-cutting manner.

The definition of the composite ESG KPI for governance bodies includes climate change considerations and sub-objectives.

More in-depth information on the Remuneration Policies applicable to members of the governing bodies and senior executives (managers) of the Group, as well as on the remuneration determination process and the annual total remuneration ratio, can be found on the Bank's institutional website in the sections relating to corporate documents²⁶ and the shareholders' meeting²⁷.

²⁵ Target achieved in December 2024.

²⁶ Corporate documents: <https://istituzionale.popso.it/en/governance/corporate-documents>

²⁷ Shareholders' Meeting: <https://istituzionale.popso.it/en/investor-relations/shareholders-meeting>



Risk management

j. Integration of the short-, medium- and long-term effects of environmental factors and risks into the risk management framework

In order to integrate the short-, medium- and long-term effects of climatic and environmental factors into its overall risk governance, monitoring and management framework, the Bank defined the following reference time horizons:

Time horizon		Rationale of choice
Short term	<i>Within 3 years</i>	<p>The time horizon is defined to ensure consistency with:</p> <ul style="list-style-type: none">■ the forecast range used in the Risk Appetite Framework (RAF) assessments and in conducting capital and liquidity adequacy exercises (ICAAP/ILAAP);■ the forecasts adopted by the Group's new Business Plan.
Medium term	<i>More than 3 and less than 6 years</i>	<p>The time horizon is defined in order to make the observation point fall in 2030, a point considered crucial at international level for the pursuit of objectives linked to the climate transition (e.g. the European objective of reducing net GHG emissions by 55% compared to 1990 levels; in this regard, it should be noted that the Bank also participated, in early 2024, in the verification of the sustainability of the target by carrying out the EBA "Fit-for-55" exercise).</p> <p>With respect to this premise, it should be noted that the medium-term horizon is also a decisive juncture for the Bank with respect to the commitments and initiatives undertaken on climate-environmental matters in the Bank's strategic planning, particularly in view of the definition, at the end of 2024, of the decarbonisation targets to 2030 for the credit portfolio, in the wake of membership of the Net Zero Banking Alliance (NZBA).</p>
Long term	<i>More than 6 years, up to 2050</i>	<ul style="list-style-type: none">■ The time horizon is defined in order to fall back to the year 2050, identified as the fall point of the long-term horizon consistent with the global decarbonisation targets of the Paris Agreement and the NetZero2050 climatological scenario ("orderly transition") used as a reference for the analyses.■ The horizon is also consistent with the time horizons envisaged in the Bank's additional climate-environmental initiatives (e.g. NZBA targets set a short time ago, climate planning and strategies adopted).

These time horizons are used across the board in the forward-looking processes of estimating the materiality metrics of climate and environmental risks, as well as in the analyses of quantifying the impacts of risk profiles on the current and prospective adequacy of the capital position (ICAAP) and the liquidity situation (ILAAP). For more information on the integration of the short-, medium- and long-term effects of climate-environmental factors and risks into risk management systems and Risk Appetite Frameworks, see points l, n, o and q below in this section "Risk management".

k. Definitions, methodologies and international standards on which the environmental risk management framework is based

The Bank has developed its systems to monitor ESG risks, and in particular climate and environmental risks, on the basis of the principles defined by international best practices and the guidelines issued by the competent Supervisory Authorities. In particular, the framework of reference norms, guidelines and standards includes, among others:





- European Parliament Resolution of 29 May 2018 on Sustainable Finance;
- Action Plan on Sustainable Finance of the European Banking Authority (2019);
- Regulation (EU) 2019/2088 (SFDR) on sustainability-related disclosure in the financial services sector;
- Regulation (EU) 2020/852 (Taxonomy Regulation) and annexed EU Delegated Regulations:
 - Regulation 2021/2178 on how to calculate KPIs for disclosure under the Taxonomy;
 - Regulations 2021/2139 and 2023/2485 on technical screening criteria for activities under the "Climate Change Mitigation" and "Climate Change Adaptation" objectives;
 - Regulation 2022/1214 concerning the introduction of technical screening criteria for the Gas and Nuclear sectors;
 - Regulation 2023/2486 establishing the technical screening criteria for further taxonomic environmental objectives;
- ECB Guide on Climate-Related and Environmental Risks of 27 November 2020;
- ECB Good practices for climate-related and environmental risk management - November 2022;
- EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06);
- EBA Report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18);
- EBA Report on the role of environmental risks in the prudential framework (EBA/REP/2023/34);
- Regulation (EU) No. 2021/1119 establishing the framework for achieving climate neutrality and amending Regulation 401/2009 and Regulation 2018/1999 (European climate regulation);
- Directive (EU) 2022/2464, CSRD, concerning new corporate sustainability reporting, which extends the scope of the sustainability reporting requirements dictated by the previous Directive 2014/95/EU (also known as NFRD);
- Decree No. 434 of 21 December 2023 of the Ministry of the Environment and Energy Security - National Climate Change Adaptation Plan;
- Regulation (EU) 2023/956 which established the Carbon Border Adjustment Mechanism ("CBAM");
- Regulation (EU) 2024/1991 on nature restoration amending Regulation 2022/869;
- UNEP FI Guidelines for Climate Target Setting for Banks, guidelines developed by the signatories of the UNEP FI Principles for Responsible Banking commitment;
- Science Based Targets, Financial Sector Science-Based Targets Guidance;
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), adopted by the Bank through the publication, as an annex to the NFS, in 2022 and 2023 of the TCFD Report (reporting on climate-related risks in four main areas: governance, strategy, risk management and metrics and targets);
- Partnership for Carbon Accounting Financials (PCAF), the Global GHG Accounting and Reporting Standard for the Financial Industry, Second edition, Financed Emission Standard;
- GHG Protocol - Technical Guidance for Calculating Scope 3 Emissions; global standard to enable consistent measurement and homogeneous management of Scope 3 greenhouse gas (GHG) emissions of companies and their value chains.
- Green Bond Principles - Voluntary Process Guidelines for Issuing Green Bonds (2021) of the International Capital Market Association ("ICMA").

With regard to the defining framework, see the key definitions in the introductory part of this Section 12.

In relation to the internal regulatory framework, developed in line with the provisions of the above-mentioned regulations, it should be noted below how it is structured into both policies and regulations that provide principles and guidelines for strategic direction and into documents of a more operational nature that outline the processes, tools and methodologies adopted.



Internal regulations	Purpose
Sustainability Policy	Defines the principles, guidelines and relevant Sustainability issues that are identified, implemented and monitored to consider the interests of all stakeholders, both internal and external, with a view to continuous evolution.
Environmental policy	It illustrates the Group's approach to managing environmental issues, aimed at gradually reducing the direct and indirect impacts generated on the environment and climate.
ESG Credit Policy	Recently updated policy identifying specific general, sectoral and operational guidelines to be observed in ordinary credit granting and monitoring procedures
Regulation on the definition of credit policies	It governs the rules and methods for defining and applying the credit policy framework, while taking ESG elements into account.
ESG Investment Policy	It identifies the Group's commitment and approach to integrating ESG factors into investment processes.
General regulation on Climate and Environmental Risks	It describes and formalises the general principles and essential application lines inherent in the climate and environmental risk management process.
Guidelines for assessing the materiality of climate and environmental risks	It formalises and describes the process, roles and responsibilities, and methodological principles defined for conducting materiality analyses of climate and environmental risks.
Methodological documentation on ESG scoring	It describes the rules for the development, management and maintenance of approaches and tools to assess the current and prospective positioning of funded counterparties with respect to ESG aspects, through the assignment of an appropriate scoring system.

The regulatory framework just described governs the principles inherent in systems and controls, which are subject to continuous refinement, and which, on an ongoing basis, target the proper measurement, management and control of climate and environmental risks. These systems and procedures, which are described in more detail in the following paragraphs, are defined in harmony with the overall structure of internal controls, so as to have a holistic view of the impact on "traditional" risk profiles and ensure careful risk management.

In order to promote the careful management and constant control of climate and environmental (C&E) risks, the Bank has defined and developed its own internal model for managing these risks. The overall system is regulated in a special policy document ("*General regulation on climate and environmental risks*") approved by the Board of Directors. Individual steps or components of the process are formalised in specific internal regulations, forming together with the aforementioned reference Policy an organic and integrated body of regulations with the general apparatus of risk management documentation.





Identification	Definition of appropriate processes for identifying, mapping and analysing the level of materiality of the current and prospective exposure to climate and environmental risk factors that may materialise in the context of traditional risk cases.
Measurement	Definition of appropriate processes and systems to quantify the potential impacts generated by climate and environmental risks, including through the use of forward-looking assessments (sensitivity or scenario analyses, stress tests, portfolio alignment exercises, etc.). Please refer to points n) and o) of this section.
Monitoring	Development of consistent systems for monitoring and reporting on exposure to climate and environmental risks based on appropriate metrics and indicators (e.g. classification of counterparties/issuers by economic sector and geographic area of activity, carbon intensity per individual counterparty, etc.) which supplement the Group's Risk Appetite Frameworks. Please refer to point q) of this section.
Mitigation	Identification of appropriate actions and tools to mitigate exposure to physical and transition risks, supporting processes for the gradual reduction of these risks within the company's operating areas (also in relation to portfolios, business lines, types of investments, etc.) and increasing their resilience to climate and environmental impacts. Please refer to point m) of this section.
Disclosure	Drafting of reports to support ESG risk monitoring processes, to document to competent bodies and functions, upon request or based on a predefined frequency, the analyses and risk measurements performed, as well as to foster a robust and reliable decision-making process.

As part of the identification phase, the Bank has established regular **processes for assessing the materiality of exposure** to risks related to climate and environmental (C&E) change, physical and transition risks that may directly or indirectly affect the business context and profitability. In particular, materiality analyses aim to investigate the perspective of the "financial materiality"²⁸, aimed at identifying the capacity of climate and environmental risk factors to produce financial effects on the Group, i.e. to generate risks capable or potentially capable of influencing future cash flows and thus the business value and liquidity position in the short, medium or long term.

As a general rule, according to said perspective, the Bank considers C&E risk factors to be elements capable of affecting the exposure to existing banking risks and not as additions to the typical scope of risks that can potentially be assumed. The level of materiality is therefore verified, from a financial standpoint, in relation to the possible influence of said factors on traditional risk categories, thanks to a structured mapping of the transmission channels by which they could propagate in the event of materialisation.

²⁸ The principles relating to the concept of "dual materiality" of ESG risk factors (impact materiality and financial materiality) are governed by the Corporate Sustainability Reporting Directive (CSRD).



RISK DRIVERS*	TRADITIONAL RISK**	SCOPE OF ANALYSIS	TRANSMISSION CHANNEL	TOOL
Transition risks (Policies and Regulations, Technology, Market sentiment)	Credit risk	<ul style="list-style-type: none"> Non-financial companies (guaranteed and non-guaranteed) Private (guaranteed) 	The introduction of emission reduction policies, technological innovations and changing market sentiment can generate costs and reduced profits for customers and lead to a reduction in their creditworthiness	Counterparty ESG score (owner Bank)
	Market and liquidity risk (market liquidity risk)	<ul style="list-style-type: none"> Corporate and Sovereign Securities Corporate and Sovereign Funds 	Higher costs due to the transition may lead to a reduction in the price of securities of corporate issuers or influence the sovereign spreads of states where production activity is mainly concentrated in key sectors for the ecological transition	Climate VaR Model
	Operational risk (Legal liability - liability risk)	Top supplier and debtor companies with high climate and environmental impact	The Group may be exposed to operational losses from litigation related to the relationships with credit customers and suppliers with a negative impact on the climate/environment (liability risk)	<ul style="list-style-type: none"> ESG Score (owner Bank) ESG scores from external providers NFS analysis Media screening Loss data collection Risk self-assessment scenario analysis
	Reputational risk		The Group may be exposed to reputational damage from relationships with credit customers and suppliers with a negative impact on the climate/environment	
	Strategic and business risk	Non-financial counterparties generating interest and fee income	A heavy reliance on interest and fee income generated by highly emissions-intensive counterparties may expose the Group - in the absence of a dedicated credit strategy - to lower prospective results	<ul style="list-style-type: none"> Interest and commission income/exposure balance Carbon tax / turnover

(*) The mapping of drivers and risk factors is aligned with the Supervisory Authority's 2020 Guidance on Climate and Environmental Risks.

(**) For liquidity (funding) and operational risks (litigation and other operational risks), no transition risk propagation channels have been identified.





RISK DRIVERS*	TRADITIONAL RISK**	SCOPE OF ANALYSIS	TRANSMISSION CHANNEL	TOOL
Physical risks (Acute physical risks and chronic physical risks)	Credit risk	<ul style="list-style-type: none"> ■ Non-financial companies (guaranteed and non-guaranteed) ■ Private (guaranteed) 	Physical risks can jeopardise the business continuity of companies and lower the value of mortgage collateral, weakening the ability to recover the credit granted	<i>Physical risk indicators (individual chronic and acute factors) acquired from external provider</i>
	Market and liquidity risk (market liquidity risk)	<ul style="list-style-type: none"> ■ Corporate and Sovereign Securities ■ Corporate and Sovereign Funds 	Acute and chronic physical phenomena could lead to a reduction in the price of securities issued by corporate entities and an increase in the yield spread on sovereign debt securities	<i>Climate VaR Model</i>
	Liquidity risk (funding liquidity risk)	<ul style="list-style-type: none"> ■ Corporate and Retail Depositors 	Acute and chronic physical risks may affect customer deposit balances (e.g. reduction of current account balances, liquidation of deposits to cope with damage caused by natural emergencies)	
	Operational risk (other operational risks, e.g. property damage)	<ul style="list-style-type: none"> ■ Group buildings (owned, leased) ■ Operative offices of main suppliers 	The Group may be exposed to operational losses resulting from physical damage to its assets related to physical factors (e.g. costs of restoring business assets in the face of extreme natural events)	<i>Physical risk indicators (individual chronic and acute factors) acquired from external provider</i>
	Operational risk (litigation)		Group companies could be exposed to operational losses from litigation resulting from physical risk events that could lead to disruptions in operations and/or damage to third parties	

(*) The mapping of drivers and risk factors is aligned with the Supervisory Authority's 2020 Guidance on Climate and Environmental Risks.

(**) For reputational, operational (legal liability) and strategic and business risks, no physical risk propagation channels have been identified.

A comprehensive methodological framework was defined and applied to conduct these significance analyses.

Assumptions and key methodological elements	
Staticity of analysis	Assuming the composition of the Group's portfolios or operating segments over the three time horizons as constant (static analysis).
Climate scenarios	Application of two separate climate transition simulation scenarios and physical risk severity assumptions: Net zero 2025 and Delayed transition.
Bottom-up approach	Analysis forecasts from the highest possible level of detail (e.g. individual counterparties, individual financial instruments, individual real estate units, etc.) and with successive aggregations at the level of clusters and relevant dimensions.
Sectoral clusters of analysis	Application of a sectoral taxonomy of analysis aligned with the Bank's ESG strategic and management activities (e.g. ESG Credit Policy sectors and Net Zero Banking Alliance target setting).
Gross approach to riskiness	Assessment of the maximum potential risk due to exposure to identified climate and environmental factors, without considering the effects of actions to mitigate vulnerabilities to C&E risks taken by the Group and counterparties.



For more information on the processes for identifying relevant climate and environmental risks, on the methodological criteria and tools adopted for estimating the materiality of these risk factors in relation to the Banking Group's traditional risk types, please refer to the Sustainability Report pursuant to the CSRD, contained in the Annual Financial Report, under the section "Identifying climate and environmental risks and materiality analyses".

The outcomes of materiality analyses of climate and environmental risks are a determining factor for:

- updating the mapping of climate and ESG risk factors, their transmission channels and impact on other risk categories;
- the definition of traditional impacted risks for which to provide quantitative analyses to estimate the prospective impact on the Bank's capital adequacy and liquidity under different analysis scenarios (see point o) below in this section "Risk management");
- the integration into the various hierarchical levels of the Group's Risk Appetite Framework of limits and Key Risk Indicator (KRI) climate and environmental related (see point q) below in this section "Risk management");
- the orientation of sectoral and "single-name" lending and investment policies and strategies, as well as the definition of specific actions aimed at the containment and overall mitigation of ESG risks (see point m) below in this section "Risk management");
- the determination of the "financial relevance" of "Climate Change" issues (ESRS E1) in CSRD.

m. Activities, commitments and exposures that contribute to mitigating environmental risks

The Bank defines a set of management tools and actions to reduce its exposure to C&E risks in the various business lines impacted. Mitigation initiatives are specifically defined according to the traditional types of risk within which physical and transition risk factors tend to materialise with more intensity.

The tables below show the actions implemented for each banking risk, in relation to the levels of materiality of exposure to climate and environmental risks found in the three time horizons of analysis. These actions are regulated in the relevant company policies.





C&E risk drivers	Bank Risk	Bank Risk*			Actions implemented to contain C&E risks
		B	M	L	
Transition risk (Policies and Regulations, Technology, Market sentiment)	Credit risk		✓	✓	<ul style="list-style-type: none"> ■ Definition of targets for the reduction of financed GHG emissions to 2050 within the Net Zero Banking Alliance (NZBA) ■ Activation of centralised decision-making procedures within the ESG Due Diligence process ■ Definition of strategies for direct engagement of customers most exposed to ESG risk factors ■ Offering green lending products aimed at facilitating customers' transition (mitigation) and adaptation to climate change ■ Execution of strengthened controls at the disbursement stage on lending practices relating to counterparties belonging to sectors deemed "sensitive" from a climate and social perspective through the provision of Positive Screening, Build out or Negative Screening criteria (ESG Credit Policy) ■ Introduction of specific climate-environmental performance measurement clauses in contractual agreements with customers (ESG Covenant)
	Market and liquidity risk (Market liquidity)				<ul style="list-style-type: none"> ■ Reorientation of investment policies in order to redesign the composition of the financial asset portfolio
	Operational risk (legal liability)		✓	✓	<ul style="list-style-type: none"> ■ Reorientation of supplier and counterparty selection policies based on compliance with certain business environmental sustainability requirements ■ Reorientation of core business policies (e.g. customer financial services, lending) towards approaches that favour the prevention of exposure to climate and environmental risks
	Reputational risk		✓	✓	<ul style="list-style-type: none"> ■ Monitoring of the level of reputation in terms of sensitivity to climate-environmental issues, with the possible activation of campaigns to restore the corporate image (e.g. communication flows of public recognition of corporate choices) in the event that the Group is perceived as not adhering to instances of environmental sustainability (greenwashing)
	Strategic and business risk			✓	<ul style="list-style-type: none"> ■ Definition of targets for the reduction of financed GHG emissions to 2050 within the Net Zero Banking Alliance (NZBA)
Physical risk (acute and chronic-environmental physical risks)	Credit risk			✓	<ul style="list-style-type: none"> ■ Promotion of insurance policies against atmospheric threats to which mortgaged properties are potentially exposed ■ Adoption of physical climate risk mitigation systems on vulnerable properties (DNSH), in line with EU Taxonomy requirements
	Market risk				<ul style="list-style-type: none"> ■ Reorientation of investment policies in order to redesign the composition of the financial asset portfolio
	Operational risks (other operational risks)			✓	<ul style="list-style-type: none"> ■ Monitoring the level of completeness of the physical security procedures of the Group's properties, including through the definition of specific business continuity and disaster recovery plans
	Operational risk (litigation)			✓	<ul style="list-style-type: none"> ■ Underwriting and periodic review of the adequacy of insurance policies taken out by the Group to cover potential operational risks arising from climate and environmental factors
	Liquidity risk (funding liquidity)			✓	<ul style="list-style-type: none"> ■ No specific managerial risk mitigation actions other than those listed above are considered, as they themselves mitigate potential negative impacts on the liquidity position

* From a prudential perspective, the results of the analysis conducted through the application of the Net Zero 2050 scenario are reported for transition risk: the ambitious global GHG reduction pathway leads to a greater severity of transition risks while mitigating physical risks. In contrast, the results for physical risk refer to the analysis conducted by applying the Delayed transition scenario: the delay in the start of global GHG containment tends to exacerbate the occurrence of catastrophic physical risk events.



n. Implementation of tools for the identification, measurement and management of environmental risks

With regard to the measurement and quantification of climate and environmental risk step, the Bank estimates its exposures on the basis of both current data and forward-looking measures, capturing quantitative metrics of physical and transitional risk trends.

Among the metrics adopted, the Bank makes use of indicators calculated through the development of internal methodologies, or acquired through the use of industry leading external data providers for classifying climate-environmental risk at both sector and individual counterparty/transaction levels, which are useful for both portfolio analyses and the analysis of specific assets, transactions, investments or counterparties/issuers.

In addition, the metrics meet the Bank's need to assess its risk profile from a dual perspective: on the one hand, with a view to analysing the financial impact of environmental and climate factors on its economic and financial activities (outside-in perspective); on the other hand, with a view to assessing the extent of climate-environmental risk factors determining the Bank's business activity or generated by it, which in turn could become financially relevant if they affect the Bank's stakeholders (inside-out perspective). Below is a synoptic overview of the assessment tools currently used by the Bank to determine the extent of its exposure to C&E (physical and transition) risks for the main traditional risk types impacted.

Credit risk		
Tool	Description	Use
Counterparty ESG score (Score E)	<p>Risk metric that the Bank has developed internally to identify the level of exposure of its credit customers to climate and environmental risk factors. The score consists of a total of three modules. The module analysing the climate and environmental dimension is as follows</p> <ul style="list-style-type: none">■ <i>Environmental module</i>: analizza i fattori di rischio di transizione e fisici e li elabora facendo uso di analyses transition and physical risk factors and elaborates on them using prospective climate scenarios, information on volumes of pollutant gas emissions related to the counterparty's activity, geo-referencing and the degree of energy efficiency of real estate collateral. The model takes into account a "balance sheet" projection of the possible impacts of these factors on the trends in the financial size of customers.	<ul style="list-style-type: none">■ Credit granting process■ Credit pricing■ Definition of credit policies (single-name)■ RAF■ Materiality analysis of C&E risks■ Dual Materiality Analysis CSRD■ ESG reporting■ ICAAP■ ECL Calculation
ThinkHazard!	<p>Open-source tool to identify the level of exposure of the Group's real estate assets located outside the EU to identified acute physical and chronic environmental risk threats.</p>	<ul style="list-style-type: none">■ Materiality analysis of C&E risks■ Dual Materiality Analysis CSRD■ ICAAP
UNEPFI Heatmap Impact Radar Tool	<p>A tool to determine the extent to which a given sector of economic activity is at risk of harming the achievement of one or more European Sustainability Reporting Standards (ESRS) defined within the CSRD framework. In particular, in relation to the environmental dimension, the following ESRS are analysed using the tool:</p> <ul style="list-style-type: none">■ <i>Pollution</i>■ <i>Water and Marine</i>■ <i>Biodiversity</i>■ <i>Circular economy</i>	<ul style="list-style-type: none">■ Dual Materiality Analysis CSRD
C&E risk quantification metrics	<p>Metrics for measuring impacts on traditional credit risk parameters through C&E risk transmission channels as a function of macroeconomic scenarios influenced by climate and environmental risk factors (see point o) of this paragraph)</p>	<ul style="list-style-type: none">■ ICAAP





Market risk		
Tool	Description	Use
Environmental Rating (E Rating)	Useful tool to provide an overall judgement on the issuers of the securities in the portfolio with regard to climate-environmental issues (physical and transition risks). The rating estimation methodology, differentiated for Corporate and Government issuers, is based on an analysis of specific points of attention (Key Issues) defining the C&E profile of the rated entity, each of which pertains to a particular thematic area (Theme).	<ul style="list-style-type: none"> ■ ESG reporting ■ RAF
Quantification of greenhouse gas emissions	<ul style="list-style-type: none"> ■ Financed emissions (Carbon footprint), representative of the amount of greenhouse gas emissions attributable to a given portfolio, or its sub-aggregates, through the share of investment in the issuers of the securities held. ■ Weighted Average Carbon Intensity (WACI) of the securities portfolio, an indicator measuring the exposure of a given portfolio to issuers with high levels of greenhouse gas emissions relative to their volume of assets. <p>These metrics are defined on the basis of the following metrics recommended by the TCFD and the Partnership for Carbon Accounting Financials (PCAF).</p>	<ul style="list-style-type: none"> ■ ESG reporting ■ RAF
Analysis of portfolio alignment	A tool to measure the alignment of the securities portfolio with climate targets used to monitor the degree to which the global warming containment goals of the Paris Climate Agreements are being met.	<ul style="list-style-type: none"> ■ ESG reporting
Forward-looking climate scenarios (CVaR)	Quantification of the potential prospective financial impact on the securities portfolio, in terms of the change in present value (Present Value delta), that would occur in certain climate scenarios.	<ul style="list-style-type: none"> ■ ESG reporting ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD ■ RAF ■ ICAAP

Liquidity risk		
Tool	Description	Use
Stress tests	Integration of the internal stress test framework on liquidity risk profiles with the addition of a simulation scenario dedicated to landslide events and their effects in terms of liquidity outflows was divided into two stress drivers: the run on branches related to retail funding and the unexpected drawing of credit facilities granted to the corporate segment and still available.	<ul style="list-style-type: none"> ■ ILAAP



Operational and reputational risks		
Tool	Description	Use
Counterparty ESG score	An internally developed risk metric to identify the level of exposure of counterparties with which the Group has relationships (supply and/or credit) to ESG risk factors.	<ul style="list-style-type: none"> ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD
Single-name analysis matrix of the sustainability profile	Matrix of analysis developed internally for the purpose of assessing the sustainability profile of the counterparties with which the Group has relations (supply and/or credit), as a reporting factor regarding their potential exposure to reputational damage and/or operational losses resulting from litigation.	<ul style="list-style-type: none"> ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD
Climate-environmental scores	Physical risk scores made available by leading market information providers, useful to identify the level of exposure of the Group's real estate assets as well as suppliers' operating sites to identified acute and chronic physical risk threats.	<ul style="list-style-type: none"> ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD ■ ICAAP ■ ESG reporting
ThinkHazard!	Open-source tool to identify the level of exposure of the Group's real estate assets located outside the EU to identified acute physical and chronic environmental risk threats.	<ul style="list-style-type: none"> ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD ■ ESG reporting
Operational Risk Self-assessment (RSA)	Ordinary operational risk monitoring and management process whose evidence is instrumental in assessing the Group's prospective exposure to C&E-related risks.	<ul style="list-style-type: none"> ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD
Reputational Risk Self-assessment (REP)	Ordinary reputational risk monitoring and management process whose evidence is instrumental in assessing the Group's prospective exposure to C&E-related risks.	<ul style="list-style-type: none"> ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD
Loss Data Collection (LDC)	Ordinary process of monitoring and managing operational losses, whose evidence is instrumental in assessing the Group's final exposure to C&E-related losses.	<ul style="list-style-type: none"> ■ Materiality analysis of C&E risks ■ Dual Materiality Analysis CSRD ■ ESG reporting

o. Results and output of risk assessment using the appropriate implementation tools and estimated impact of environmental risks on the capital and liquidity risk profile

Following the findings of the above materiality analyses of climate and environmental risks and the identification of the level of materiality associated with each traditional banking risk for each C&E risk driver, the Bank periodically estimates how these risks may affect the regulatory capital requirements and liquidity risk profile of the institution through the stress exercises conducted for the purposes of internal capital adequacy assessment (ICAAP) and liquidity assessment (ILAAP).

ICAAP

As part of the annual ICAAP exercise, a comprehensive stress testing system is developed to test the Group's vulnerability to possible manifestations of climate-environmental risk, in terms of transition risks and physical risks (acute and chronic), in the short, medium and long-term time horizons. The following main methodological assumptions are adopted in conducting this exercise:





Assumptions and key methodological elements	
Dynamic analysis	Dynamic composition of the Group's portfolios or operating segments over the three time horizons, based on strategic growth forecasts.
Climate scenarios	Application of distinct macroeconomic scenarios consistent with those adopted by financial planning, suitably supplemented by specific NGFS scenarios with different simulation assumptions of climate transition and physical risk aggravation.
Bottom-up approach	Analysis forecasts from the highest possible level of detail (e.g. individual counterparties, individual financial instruments, individual real estate units, etc.) and with successive aggregations at the level of clusters and relevant dimensions.
Definition of specific geo-sectoral clusters of analysis	Analyses are developed for all economic sectors and geographic areas in which the Bank operates. A sector-based taxonomy of analysis aligned with the Bank's ESG strategic and management activities is adopted (e.g. ESG Credit Policy sectors and Net Zero Banking Alliance target setting).

On the other hand, the following table summarises the main assumptions simulated for conducting stress tests for the banking risks examined.

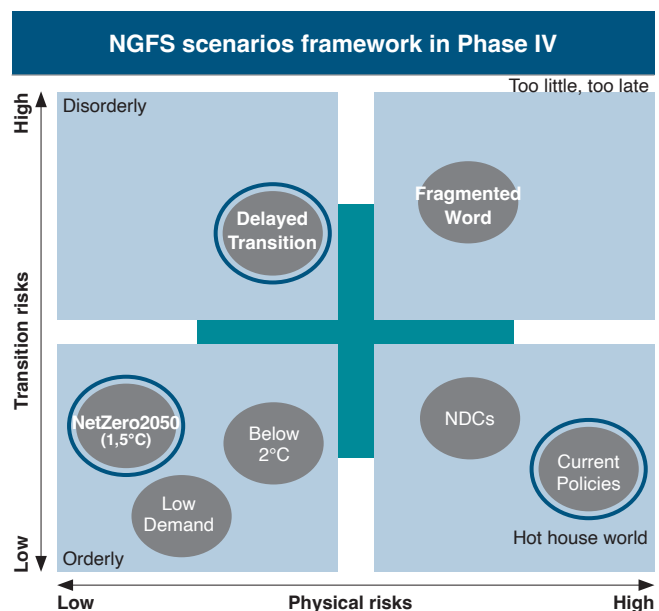
Banking risk	Perimeter covered	Scenarios narrative and simulated assumptions	Economic impact
Pillar I	Credit risk	<p>«NGFS Climate Transition» scenarios</p> <p>The calculated impacts are derived for transition risk from forward-looking projections of company budgets, influenced by specific climate assumptions and related macroeconomic/sectoral variables, as well as the impacts of European directives on the energy efficiency of buildings. For physical risk, on the other hand, possible impacts are estimated in connection with the occurrence of certain physical events affecting the prospective balance sheets of the financed companies as well as the market values of the collateral properties.</p>	<ul style="list-style-type: none"> ■ Change RW Credit through impacts on risk parameters (e.g. PD; LGD) ■ Prospective credit cost increase
	Market risks, sovereign Italy and other securities in the banking portfolio	<p>«NGFS Climate Transition» scenarios</p> <p>The framework employed assesses under different climate scenarios the possible change in current value that the portfolio under analysis might undergo (Present Value delta) as a result of the vulnerability of issuers to climate-environmental issues.</p>	<ul style="list-style-type: none"> ■ Changes in the fair value of Securities in the portfolio
	Operational risks	<p>«Property damage (physical risk)» scenario</p> <p>Impacts are calculated assuming acute physical risk events that result in intangible and tangible (real estate and movable assets) damage to the Bank's physical locations in the most exposed Italian geographic areas.</p>	<ul style="list-style-type: none"> ■ Losses related to damage repair and restoration costs ■ Lower revenue due to business interruptions



Banking risk	Perimeter covered	Scenarios narrative and simulated assumptions	Economic impact
Reputational risk	Strategic climate initiatives	«Greenwashing Business Case» scenario The scenario envisages the occurrence of a practice of Greenwashing related to the lack of fairness and transparency in the marketing statements made by the Bank in relation to its strategic initiatives, leading to reputational damage with a consequent loss of trust in the Bank's green commitment by customers, investors and other stakeholders.	<ul style="list-style-type: none">■ Lost revenues on current and prospective customers■ Higher operational costs (communication) to restore trust■ Higher funding costs
Pillar II			Lower revenues from: <ul style="list-style-type: none">■ further price mark-up reductions on green products■ Possible cancellation/ forced reduction of relations with top carbon-intensive customers
Strategic and business risk	Non-financial companies generating core profitability	«Reaching NZBA target adverse» scenario The simulated assumption concerns the emergence of signs of difficulty in reaching the NZBA targets that impact the business through the adoption of strategic remedial actions that may lead to lower business profitability.	

The NGFS scenarios adopted to estimate the forward-looking effects on specific measures of risk exposure are described below, in line with best practice observed in the market, and reporting different adverse evolution assumptions in C&E, physical and transition risk factors.

«NGFS» Scenarios	
<input type="radio"/>	Net Zero 2050* - Orderly transition: the ambitious global GHG reduction pathway leads to the emergence of transition risks, but mitigation of physical risks
<input type="radio"/>	Delayed Transition - Disorderly transition: delay in starting global GHG containment leads to greater physical risks than the Net Zero 2050 scenario
<input type="radio"/>	Current Policies* - "Hot House World": the stagnation assumption in the decarbonisation policies of global economies leads to limited transition risks, but intensified physical risks
BPS "custom" scenario	
OT3* - "Orderly Transition 3": intermediate between Net Zero 2050 and Current Policies scenarios. Forecasts significant transition risks (-70% GHG by 2050) and relatively low physical risks	
Climate scenarios used for the financial impact simulations of the Net-Zero Banking Alliance target setting and for the quantification exercises of the long-term climate effects on the Group's economic and financial KPIs integrated in the new Industrial Plan	

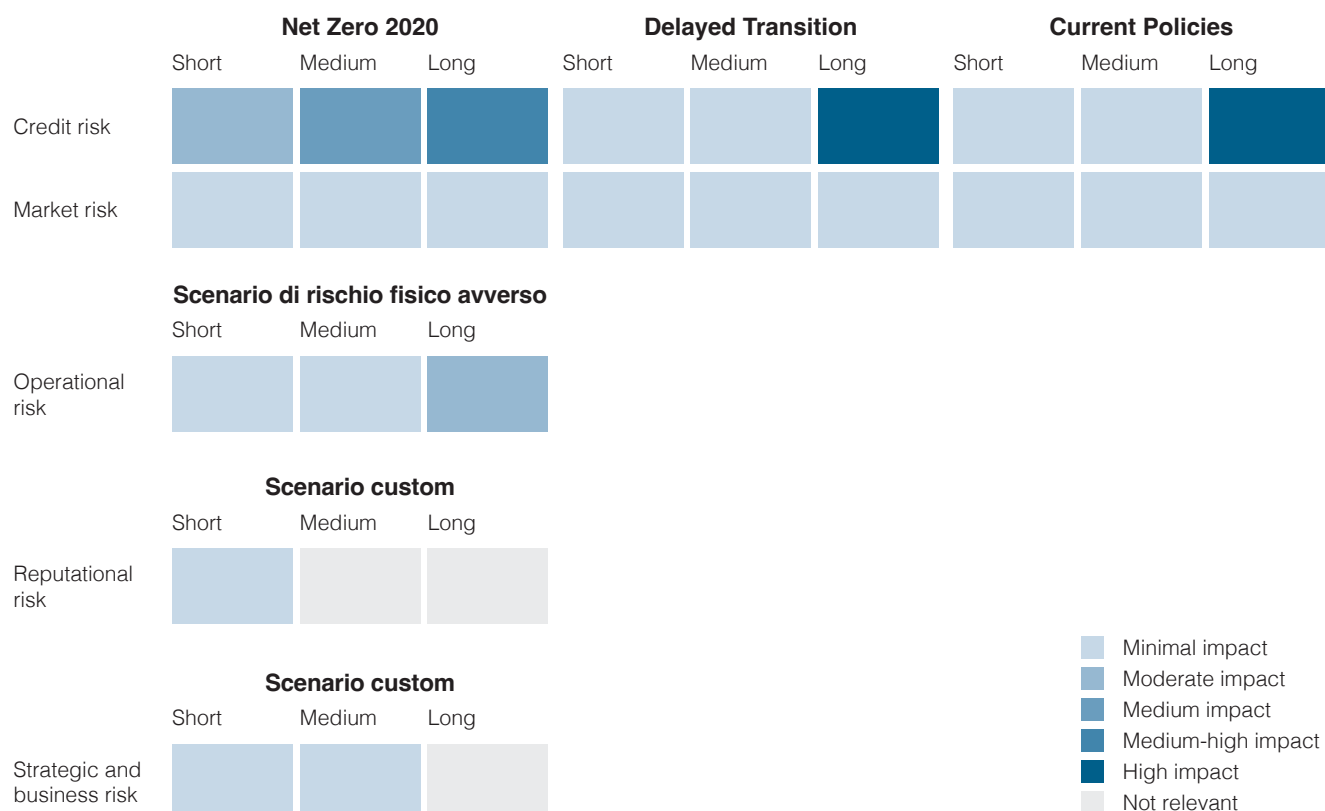


Positioning of scenarios is approximate, based on an assessment of physical and transition risks out to 2100





The overview diagram below illustrates, for each of the risks described above and in the different climate scenarios used, the results of the analysis of climate risk scenarios over the short and medium-to-long term horizons, in terms of their impact on the Group's capital adequacy (ICAAP).



It should be noted that in 2024, the Bank supplemented its stress test on climate and environmental risks with dedicated analyses conducted in the short and medium term on the following Pillar II risks: reputational risk and strategic and business risk.

Considering the results recorded, moderate impacts on the loan portfolio are already noticeable in the short to medium term in the "Net Zero 2050" scenario, mainly due to the introduction of stringent policies affecting the prospective balance sheets of the financed companies by incurring higher costs to meet the net emissions targets by 2050. On the other hand, with regard to the results observed in the "Delayed Transition" and "Current Policies" scenarios, a worsening of the impacts on the overall risk profile and consequently on the Group's capital position emerges in the long run, as a consequence of the laxity in adopting serious transition policies and therefore an aggravation of acute and chronic weather threats to which the counterparties/issuers in the portfolio are most exposed.



ILAAP

The Bank integrated a scenario focusing on the effects of climate-environmental factors on funding liquidity risk into its ILAAP stress testing framework.

Banking risk	Covered portfolio	Scenario narrative and simulated assumption	Economic impact
Liquidity risk (funding)	Retail and corporate depositors	This stress scenario focused on physical risk manifestation events. In particular, this relates to the risk connected with landslides, affecting both retail customers, in terms of outflows of demand funding (hypothetical outflows related to initial expenses following the catastrophic environmental event), and the corporate cluster, in terms of the increase in the drawdowns of credit lines granted by the Bank to support the operations of companies damaged by said events.	<ul style="list-style-type: none">■ Potential outflows of demand funding■ Increased drawdowns of credit lines

p. Availability, quality and accuracy of data and efforts to improve these aspects

From the point of view of infrastructure and data management processes, the Bank is progressively working on defining ESG databases that are as complete and accurate as possible in order to retrieve and store all the information needed to govern and manage environmental, social and governance sustainability risks, through exchange channels and to place them in dedicated ICT environments, available to multiple processes and users. To this end, specific architectural foundations have been defined so that information systems increasingly respond to the need to systematically collect, process, and aggregate the necessary data, as well as subsequently share them with the structures that are to use them, feeding key processes such as ESG risk exposure assessment and portfolio taxonomic alignment verification.

Failure to adopt a centralised and unambiguous database to feed the different processes of corporate structures can lead to inconsistencies and discrepancies in the use and analysis of such data. Therefore, with the involvement of key business functions, the Bank conducted an extensive mapping of the ESG data currently used and useful in the near future, particularly in compliance with the relevant regulations, identifying the data process, its life cycle and its main "owners". The mapping of ESG information needs therefore highlighted the level of data availability in the Bank's current data governance and management system and the related integration and improvement measures to be implemented. As a result, it was possible to:

- obtain a clear, comprehensive vision of the scope of ESG data required and identify possible initiatives for their engineering and codified management;
- identify intervention priorities for more effective, conscious use of the ESG data available in the company's information assets.

The information that makes up the Bank's ESG assets is mainly derived from:

- i. the collection of data and information from public sources (e.g. NFS or sustainability reports) or directly from the stakeholder itself;
- ii. qualified external info-providers who provide proxies or point-in-time data on the accounts of financed counterparties, suppliers, issuers of investment securities as well as specific information on the vulnerability to physical risks associated with the Group's owned and leased properties.





In fact, it is well known that banks still suffer from a significant weakness in terms of the availability, completeness and accuracy (proxy or estimated data) of ESG data, as well as a lack of standardisation and homogeneity of said data. The creation of datasets that are as complete, accurate and robust as possible is therefore a fundamentally important element in the overall framework of governance and control of such risks. For this reason, the Bank continues to be committed to the acquisition, systematisation and computerisation of systems for managing and verifying the quality of ESG data and their sources.

q. Description of the limits set for environmental risks (as prudential risk vectors), which if exceeded lead to further investigation and exclusion

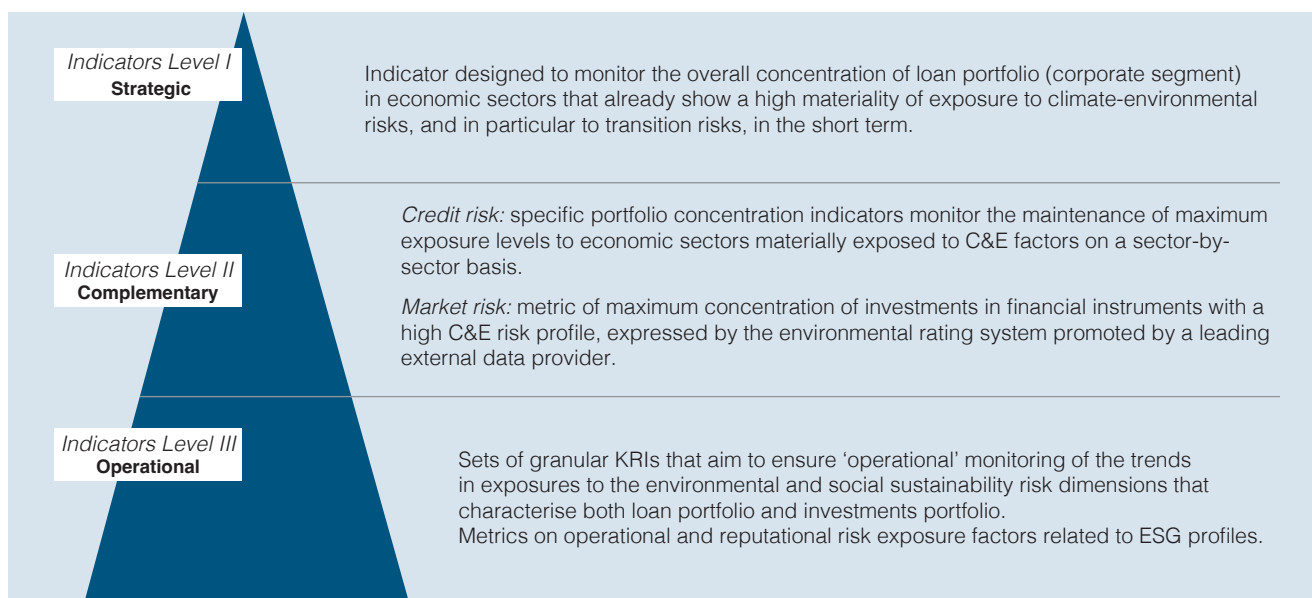
The Bank has enhanced its risk appetite frameworks through the integration - on the different levels of the Risk Appetite Framework (RAF) - of quantitative indicators aimed at increasing the measurability of ESG risks impacting the degree of exposure to "traditional" risks, accompanied by specific limits and thresholds of attention. The list of these indicators, as well as the description of the escalation mechanisms envisaged in the event the set internal limits are exceeded, are documented, depending on the hierarchical level of the metric, in the "Risk Appetite Statement" and the "Risk Appetite Framework Regulation" of the Group and its entities.

With regard to statements of a qualitative nature, the Bank pursues:

- the activation of policies to steer the conversion of bank credit towards green and sustainable sectors;
- the adoption of systems to measure climate and environmental risk factors at the individual counterparty level. The single-name scoring of customers and the portfolio synthesis through risk propensity metrics are considered elements of strategic direction for the Group, especially in the areas of (i) the formulation and implementation of credit strategy, (ii) the offer of financing products to customers and (iii) the definition of lending pricing approaches;
- the promotion of the integration of additional ESG risk assessments in the expression of the Group's risk appetite, in order to guide strategic choices with a view to limiting the impact of these factors on credit and investment, strategic, reputational and legal risk exposures, also through the development of dedicated quali-quantitative metrics.

Using risk-based analysis tools, the Group also aims: (i) to refrain from investing in counterparties that have, even prospectively, adverse impacts on the environment, climate and human rights; (ii) to define appropriate impact mitigation measures proportionate to the materiality of the ESG determinants.

With regard to indicators of a quantitative nature, the integration of ESG indicators into the Group's overall risk appetite framework is depicted below.













The monitoring of these indicators makes use of appropriate systems for detecting, reporting and flagging deviations (alert or escalation procedures) in order to take timely action to reduce the Bank's exposure to these risk factors and bring it within the monitoring thresholds. In addition, for Major Operations (OMR), when granting new loans/revision of existing ones, the potential impact (positive or negative) on indicators classified as strategic for the Bank is estimated, in order to identify and mitigate possible environmentally and/or socially critical disbursements.




During the first quarter of 2025, the Group's Risk Appetite Frameworks will be further updated to incorporate the results of updated materiality analyses of climate and environmental risks and revise the existing set of indicators of various ranks.

In addition, the Bank recently updated its ESG Credit Policy, defining specific general principles and guidelines for integrating the assessment of climate and environmental risks and ESG factors into the Group's broader credit assessment framework. More specifically, the Policy identifies those sectors classified as climatically and socially "sensitive" and through the adoption of a three-level system defines general, sector and operation criteria - on which Positive Screening, Build out or Negative Screening interventions are insisted upon according to the ESG assessment of the operation - aimed at favouring a conscious disbursement, in coherence with the strategic objectives and in compliance with the Group's ethical principles and integrity. The following table shows the "sensitive" sectors identified.





CLIMATICALLY SENSITIVE	
	Coke
	Oil & Gas
	Electricity
	Other mining
	Agriculture
	Real estate
	Iron and steel
	Aluminum
	Cement
	Transportations

SOCIALLY SENSITIVE	
	Manufacture of and trade in arms
	Gambling
	Tobacco

r. Description of the link (transmission channels) between environmental risks and credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

According to the dictates of the Supervisory Authorities, risks related to the environment and climate change do not constitute a risk category in their own right, as they typically manifest themselves and materialise through "traditional" risk categories, influencing the magnitude or likelihood of materialising impacts: in other words, they represent determining factors for typical risk cases, such as credit, market, operational, reputational, liquidity, strategic and business risks. Climate and environmental risks may therefore simultaneously constitute causal factors of various existing risk categories and subcategories, manifesting themselves in these through specific channels of transmission (described in point I) in this section "Risk management").

In relation to this, for each main area of "traditional" risk, the Bank has defined, formalising them in a specific Policy document ("General regulation on climate and environmental risks"), specific guidelines for setting up models for integrating climate and environmental risk assessments in the context of the respective management systems:



■ *Credit risk:*

- a. Climate and environmental risk factors and their impacts on credit risk are considered at all relevant stages of the credit granting and management process.
- b. As part of the granting of credit, operational criteria of a qualitative-quantitative nature are formalised to distinguish economic sectors and individual borrowers on the basis of their exposure to climate and environmental risks.
- c. For customers associated with higher environmental and climate risks and for larger counterparties, more in-depth analyses are appropriate, taking into account the current and/or prospective impacts of transition factors (e.g. changes in environmental pollution regulatory policies) as well as the quality of the client's management of physical and transition risks.
- d. Specific climate and environmental due diligence checks are promoted, both at the beginning of a customer relationship and on an ongoing basis. The Group intends, in particular, to establish a constructive dialogue with its most critical counterparties, also in order to support them in improving their environmental sustainability profile.
- e. Climate and environmental risks are integrated into the valuation of collateral, with particular regard to the risks of loss of value of real estate as collateral.
- f. The pricing of loans reflects differences in charges related to climate and environmental risks, e.g. by applying higher financing costs for assets particularly exposed to physical and transition risks.

■ *Market risk:*

- a. The Group monitors the effects of climatic and environmental factors on its positions exposed to market risk, taking into account the significance of physical and transition risks for the banking and trading book. This is due to the fact that investments in financial assets issued by companies with business models perceived as environmentally unsustainable or located in geographic areas susceptible to physical risks could decline in value as a result of changing regulatory policies, market confidence or technology, or due to severe weather events or gradual adverse changes in climatic conditions.
- b. The integration of climatic and environmental factors into market risk management processes may require the Group to adjust its investment policies in its own financial instruments.
- c. In addition to measuring the degree of "environmental sustainability" of portfolio investments, the ability to assess the possible impact of adverse events related to the materialisation of climate/environmental risks on the pricing of financial instruments should be noted.

■ *Operational and reputational risks:*

- a. Group takes into account the possible impact of climate and environmental risks on business continuity as well as on the level of reputational and legal risks in relation to the various business lines and operations carried out, by putting in place adequate control and mitigation measures, also with regard to outsourced services and IT activities, especially if suppliers are located in areas exposed to extreme weather events or other environmental vulnerabilities.
- b. Business continuity could be affected by adverse impacts caused by physical risk events (e.g., disruptions in operations caused by material damage to buildings, branches and data processing centres as a result of extreme weather and environmental events). In relation to this, the Group takes all necessary measures to safeguard business continuity and ensure timely restoration of operations in the event of a disaster, both in terms of policies and in terms of the operation of tangible assets, including IT systems.
- c. The Group assesses the extent to which the nature of its activities may increase the risk of negative financial impacts from future reputational damage, legal liability (liability risk) and litigation.





■ *Liquidity risk:*

- a. The Group integrates climate and environmental risks into the measurement and management of liquidity risk, assessing potential deterioration of the liquidity position due to cash outflows and/or a decrease in the amount of liquidity reserves and/or changes in the degree of liquidity of financial instruments held on its own account.
- b. As part of ILAAP reporting, impact assessments on net cash outflows or cash reserves take into account severe but plausible scenario assumptions of materialising physical and transition risks, paying particular attention to fundamental vulnerabilities.

Qualitative information on social risks

Strategy and business processes

- a. **Explanation of how the business model, strategy and processes, and financial planning incorporate risks arising from social factors (i.e. social risks) and how these risks evolve over time in view of changing technology, strategic frameworks, operating context and stakeholder preferences**

Among the control methods implemented by the Group to counter the aforementioned risks are, from the standpoint of internal regulations, the ESG Credit Policy, the Sustainability Policy, the ESG Investment Policy, the Code of Ethics, the Diversity and Inclusion Guidelines, Regulations on Diversity in the Composition of the Board of Directors and the Board of Statutory Auditors, the Policy on Financing in the Armaments Production and Trade Sector, the Company's Regulation on Personal Data Protection and the Regulation on the Use of Workstations and IT Services.

The Group promotes actions for sustainable development by joining international and national initiatives that outline its commitment to social issues, such as:

- Global Compact: UN initiative promoting corporate social responsibility through adherence to ten fundamental principles relating to human rights, labour, environment and anti-corruption;
- UNEP Finance Initiative - Principles for Responsible Banking (PRB): a programme with the aim of promoting actions to foster the development of a sustainable banking sector by aligning it with the goals of the UN 2030 Agenda and the 2015 Paris Climate Agreement;
- United Nations Sustainable Development Goals (SDGs): a global initiative of the United Nations Development Programme to eliminate poverty, protect ecosystem balances, build inclusive societies and promote peace;
- "Valore D": the first association of Italian companies promoting gender balance and an inclusive culture for the growth of companies and the country.

The Bank has put in place several initiatives to integrate social factors into its business and generate positive impacts on its own workforce, affected communities and consumers and end-users, as detailed in point b) below.

- b. **Description of objectives, targets and limits for the assessment and management of social risks, as well as a description of the processes they use to establish these objectives, targets and limits. Institutions must explain the links of these objectives, targets and limits with the applicable international and EU policy framework and available benchmarks**

Banca Popolare di Sondrio, following the preparation of an Operational Plan on Diversity and Inclusion, set the target of reaching 45% of placements of staff belonging to the least represented gender out of the total number of placements by 2025.



For further details on the above-mentioned target, please refer to the section "Targets related to the management of relevant negative impacts, enhancement of positive impacts and management of relevant risks and opportunities (S1-5 and MDR-T)" of the Sustainability Report, contained in the Annual Financial Report.

The current strategy includes several social initiatives aimed at promoting an inclusive corporate culture, fostering work-life balance, supporting employee welfare and strengthening activities with a positive impact on stakeholders.

ESRS Themes	Scope	Initiatives	Internal and external resources
Own workforce	Diversity and Inclusion	Preparation of an Operational Plan on Diversity and Inclusion.	■ Staff and Organisation Models Department
		Strengthening the monitoring system of recruitment, selection and hiring processes integrated with diversity elements (qualification, institution/university, nationality and disability).	■ Staff and Organisation Models Department
		Support for employees with disabilities.	■ Staff and Organisation Models Department.
		Career guidance meetings with managers and professionals from the Bank aimed at female students to support them in their professional future.	■ Staff and Organisation Models Department.
	Workers' welfare	Adoption of corporate welfare measures: ■ Company productivity bonus, loyalty bonus, study bonus, various contributions and supplementary pension plan; ■ Supplementary health care, supplementary health plan and CRAL company club.	■ Staff and Organisation Models Department.
		Use of agile working tools and flexible working locations.	■ Staff and Organisation Models Department.
		Parenting support.	■ Staff and Organisation Models Department.
		Health and Safety planning, considering possible risks, promoting responsible behaviour on the part of personnel and favouring working conditions for the protection of the physical and mental integrity of workers and respect for their moral personality.	■ Staff and Organisation Models Department. ■ Staff and Organisation Models Department.
	Remuneration policies	Introduction of ESG objectives.	■ Staff and Organisation Models Department.
	Trade Unions	Relations based on transparency, fairness, integrity, impartiality and independence, respecting the roles and prerogatives of each subject, in a climate of mutual respect and willingness to engage in dialogue and participate, while guaranteeing the widest possible freedom and representation.	■ Staff and Organisation Models Department.





ESRS Themes	Scope	Initiatives	Internal and external resources
Communities concerned	Territory	Intensification of territorial presence.	■ Secretariat and General Affairs Department.
	Sponsorships and donations	Charitable donations in favour of charitable, humanitarian and voluntary organisations, cultural and artistic associations, recreational organisations, music associations, schools, public and religious organisations, trade and various associations.	■ Secretariat and General Affairs Department.
		Sponsorships for cultural and recreational associations, trade associations, schools and religious associations, sports associations and various associations.	■ Secretariat and General Affairs Department.
Consumers and end users	Updating and renewing the catalogue of products and services	Credit product development and monitoring.	■ Retail and Product Sales Department; ■ CLO Area; ■ Planning, Investor Relations and Management Control Department. ■ Consulting companies.
	ESG rating of suppliers	Introduction of an ESG rating for suppliers, starting with the most relevant in terms of turnover and considering companies providing outsourced services.	■ Logistics and Operational Support Department. ■ Consulting companies.
	Supporting ESG virtuous companies	Provision of green finance to companies.	■ CLO Area; ■ Planning, Investor Relations and Management Control Department. ■ Consulting companies.
		Financing for agricultural and agri-food companies.	■ CLO Area; ■ Retail and Product Sales Department.
		Start-up financing.	■ Corporate Finance Department; ■ CLO Area.
		Provision of Trade Finance products.	■ CCO Area.
	Access to credit	Products and services for the "vulnerable" (children, young people, students, elderly, non-EU).	■ CLO Area; ■ Retail and Product Sales Department; ■ Virtual Unit.
		Solidarity fund for the suspension of mortgages for the purchase of the first home (Gasparrini Fund)	■ CLO Area; ■ Retail and Product Sales Department; ■ Virtual Unit.
	Promoting learning about international trade	Business school.	■ CCO Area.
	Countering cyber fraud	Awareness-raising on countering cyber fraud and operational procedures.	■ CIOO Area; ■ Consulting companies.
		Digitisation of customer processes.	■ CIOO Area.



ESRS Themes	Scope	Initiatives	Internal and external resources
	Customer support	Funding for Third Sector Entities (ETS).	<ul style="list-style-type: none"> ■ CLO Area; ■ Retail and Product Sales Department; ■ Planning, Investor Relations and Management Control Department.
		Agreement for the "CryptoBooks" service, aimed at defining the amount of tax on cryptocurrencies and generating tax reports for the compilation of the RW, W and RT forms of the tax return by the client or trusted accountant.	<ul style="list-style-type: none"> ■ CIOO Area.
	Supporting the development of new technological business initiatives	Establishment of a holding company called Liquid Factory.	<ul style="list-style-type: none"> ■ Corporate Finance Department.

c. Description of measures to mitigate risks associated with social factors, including understanding the capacity of counterparties to manage social risks and engaging in dialogue with them to mitigate social risks

Social risks are defined by the Group as risk profiles deriving from exposures to counterparties that can be negatively influenced by social factors, or as the risks to which it is directly exposed due to its characteristics and operations. These factors typically relate to protection of the rights, welfare and interests of individuals and society and include elements such as (in)equality, personal health, inclusion, labour relations, occupational health and safety, human capital and community relations.

The process of managing and mitigating social risks takes place through a reconciliation to traditional banking risks. This reconciliation process allows for the timely identification and description of risks associated with social factors in order to adopt appropriate control methods specific to each identified category.

To effectively address the risks associated with social factors, the Bank is engaged on several fronts, including promoting dedicated training for its customers. Indeed, the Bank believes that financial education is an extremely relevant opportunity to provide equitable and inclusive learning tools. To this end, a learning platform for foreign trade has been created, offering a dynamic information and training system aimed at both customers and Bank staff with the aim of promoting comprehensive understanding of international trade. Three areas have been developed, which seek to meet the main needs encountered by the Bank in its experience of assisting customers abroad: technical courses for foreign trade, tools for internationalisation and banking products for foreign markets. In 2024, in order to raise the awareness and skills of corporate clients with regard to sustainability, a webinar was organised during which relevant topics such as sustainable transition, both for the bank and the client, Sustainability Report according to CSRD, and the challenges and opportunities of the international environment were addressed.





For more detailed information on measures to mitigate risks associated with social factors, please refer to the Sustainability Report according to CSRD, contained in the Annual Financial Report, under section "3.3.1.4 Measures on relevant consumer and end-user impacts and approaches for mitigating relevant risks and achieving relevant consumer opportunities (MDR-A)".

Governance

d. Information on the management body's involvement in the supervision and management of social risks

In addition to what has already been described under e) and g) above, the Board of Directors defines Group-wide guidelines, targets and strategies on sustainability issues, taking into account the objectives of sound and sustainable creation and distribution of value for all stakeholders. In addition, it is responsible for approving the Code of Ethics, a fundamental tool for implementing corporate social responsibility and ensuring that all activities are conducted in accordance with ethical commitments and in line with industry regulations. The provisions contained therein set out the principles and ethical responsibilities in the management of corporate affairs and are aimed at protecting the Bank's reputation and image. These provisions must be observed not only by internal staff, but also by associates, suppliers and persons with whom the Bank has close business relations. The Group recognises the importance of the principles of responsibility and ethics, respect for human rights and protection of the people, as enshrined in international and national regulations, including the Constitution of the Italian Republic and the United Nations Universal Declaration of Human Rights. Furthermore, the Bank has also adhered to the UN Global Compact since 2004, basing its strategy and corporate culture on the ten fundamental principles of said initiative.

In 2024, the Board of Directors approved the "Policy on Financing in the Armaments Production and Trade Sector" in order to regulate, in full compliance with national and international standards, the management of this sector. With this initiative, the Group champions the peace economy as a necessary condition for authentically sustainable development, consistently and transparently identifying the role of the financial sector and encouraging dialogue with its stakeholders.

The Board of Directors also addressed several issues related to environmental, social and governance aspects. Examples include:

- involvement in updating the ESG Credit Policy, which governs the management and mitigation of risks arising from financial exposures to sectors or activities with a high environmental and social impact, as well as the identification of sustainable financing opportunities;
- the approval of the Operational Plan on Diversity and Inclusion, which represents a concrete step in addressing social impacts related to valuing diversity and promoting inclusion within the organisation.

For additional information, please refer to the "Governance" section on "Qualitative information on environmental risk".

e. Information on the organisation of risk committees and the allocation of tasks and responsibilities within the risk management framework to monitor and manage social risks

Social risks are appropriately monitored and managed through the organisational structures in charge, in general, of governing environmental, social and governance issues. In this regard, please refer to the "Governance" section on "Qualitative information on environmental risk".



The Group recognises the value of the principles of responsibility, ethics and sustainability, respecting international and national regulations and guidelines, including the Constitution of the Italian Republic and the United Nations Universal Declaration of Human Rights.

The Group's commitment to human rights is formalised in the Code of Ethics, the Sustainability Policy and the Organisational, Management and Control Model (Legislative Decree 231/2001).

Human rights management is integrated into daily business practices, including through procedures for verifying the identity of customers, to avoid fraudulent activities and to promote the proper use of the banking system. Employees are trained and committed to these regulations, contributing to the creation of an environment of trust and responsibility. Furthermore, the Group is committed to ensuring adequate customer care, not only to facilitate the use of products and services, but also to ensure that economic conditions are clear and understandable to all consumers. Respect for customers' privacy and the protection of their data are top priorities for the Group, which takes all necessary measures to safeguard sensitive information. In this context, the Group ensures that all transactions are carried out in compliance with applicable regulations, with particular attention to the respect for consumers' rights and their protection at every stage of the banking relationship.

In addition, specifically for the social component, in agreement with the trade union representatives, a specific Commission on equal opportunities has been set up which has the following purposes:

- identifying appropriate measures to achieve equal opportunities;
- promoting measures to facilitate the reintegration of women workers after maternity leave and to safeguard their professionalism;
- promoting initiatives aimed at eliminating any behaviour harmful to personal freedoms, including sexual harassment;
- evaluating any reports about direct or indirect discrimination at a work or professional level and making proposals on this matter.

f. Information on how social risks are included in the framework and internal reporting, as well as information on the frequency of internal reporting and information exchange on such risks

The internal reporting of sustainability issues related to social risks is carried out through mutual dialogue between the competent Bodies and Functions, in particular between the Sustainability Office, the Chief Risk Officer Area, the Sustainability Management Committee, the Board Sustainability Committee and the Control and Risk Committee.

For more details on this, see the section "Governance", point h), on "Qualitative information on environmental risk".

In 2024, several meetings of the Management Body were held at which specific ESG-related topics were discussed, containing information of relevance to social risk management; namely:

- approval of the NFS 2023;
- approval of the "Home-Work Travel Plan";
- approval of the "Policy on Financing in the Armaments Production and Trade Sector";
- approval of the operational plan on Diversity and Inclusion.





g. Inclusion of social risks in the remuneration policy and related criteria and metrics used to determine the impact of social risk considerations on variable remuneration

See the section "Governance", point i), on "Qualitative information on environmental risk".

Risk management

h. Definitions, methodologies and international standards on which the social risk management framework is based

In managing social risks, the Bank refers to the principles defined by international best practices and guidelines issued by the competent authorities. In particular, the regulatory framework taken as reference includes:

- United Nations Global Compact (2000);
- United Nations Sustainable Development Goals (2015);
- UNEP FI Principle for Responsible Banking (PRB) (2019);
- Universal Declaration of Human Rights - United Nations General Assembly (1948);
- International Covenant on Economic, Social and Cultural Rights and International Covenant on Civil and Political Rights - United Nations General Assembly, 1966 (entered into force in 1976 and implemented in Italy in 1978);
- Declaration on Fundamental Principles and Rights at Work - International Labour Organisation (ILO), 1998 and the 8 Core Conventions;
- UN Conventions on the Rights of Women, on the elimination of all forms of racial discrimination, on the rights of the child, on the rights of persons with disabilities;
- Standards of Conduct for Businesses developed in 2017 by the United Nations High Commissioner for Human Rights on anti-discrimination against lesbian, gay, bisexual, transgender and intersex persons;
- Guidelines Diversity & Inclusion in Business - UN Global Compact Network Italy (2021);
- Directive 2013/36/EU 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;
- Legislative Decree 231/2001 (Administrative Liability of Entities) as amended;
- Legislative Decree 198/2006 (Code of equal opportunities between men and women) as amended;
- Legislative Decree 81/2008 (Consolidation act on the protection of health and safety in the workplace) as amended;
- Legislative Decree 254/2016, implementing Directive 2014/95/EU of the European Parliament and of the Council on the disclosure of non-financial information of certain large and public interest companies;
- Legislative Decree 179/2017 (Provisions for the protection of the authors of reports of offences or irregularities of which they have become aware in the context of a public or private employment relationship, so-called "whistleblowing") as amended;
- Law No. 185 of 9 July 1990 on: "New provisions on the control of export, import and transit of weapons materials";
- Law No. 220 of 9 December 2021 on: "Measures to combat the financing of companies producing anti-personnel mines and cluster munitions and submunitions";
- Instructions of the Bank of Italy, COVIP, IVASS and MEF for the exercise of enhanced controls on the operations of licensed intermediaries to counter the financing of companies producing anti-personnel mines, cluster munitions and sub-munitions, 23 July 2024;
- "OECD Guidelines for Multinational Enterprises", updated version 8 June 2023, OECD (2023) Guidelines for Multinational Enterprises on Responsible Business Conduct.



In 2023, the Banca Popolare di Sondrio Group joined "Valore D" as an ordinary member, the first Association of large companies created in Italy that is committed to promoting an inclusive corporate culture, without discrimination, capable of bringing out everyone's talent through the enhancement of diversity. Through this partnership, the Bank may take advantage of numerous services and growth opportunities, including a rich training offer to reinforce an inclusive corporate culture that values all diversities within the Group.

Furthermore, the Bank, as evidence of its growing sensitivity to these issues, has endorsed the Charter "Women in Banking: enhancing gender diversity", drawn up by the Italian Banking Association ("ABI"), aimed at enhancing equal treatment and opportunities between genders in the banking sector and within corporate organisations.

In relation to the definition of social risks adopted by the Bank, see section "Corporate Strategy and Processes" above, point c).

i, j, k, m. Processes to identify, measure and monitor assets and exposures (and, where appropriate, collateral) sensitive to social risks, including relevant transmission channels. Activities, commitments and assets that contribute to mitigating social risks. Implementation of tools for the identification and management of social risks. Description of the link (transmission channels) between social risks and credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

As of 2020, the Bank has adopted a methodological framework for identifying and categorising environmental, social and governance (ESG) risk profiles based on a stakeholder engagement self-assessment approach, capable of integrating and supporting the measurement and management of these risks.

In the course of 2024, the Bank deemed it appropriate to develop the pre-existing methodological framework aimed at identifying risks of a social nature, promoting the alignment of its practices with the provisions of the CSRD's "dual materiality" analysis.

The new methodological framework involves the performance of specific analyses aimed at identifying the level of materiality of exposure to social risk cases, both from an outside-in and an inside-out perspective ("dual perspective"), as well as mapping the propagation channels through which such cases may materialise within the scope of the traditional banking risks impacted.





RISK FACTOR ²⁹	TRADITIONAL RISK	TRANSMISSION CHANNEL	TOOL
Own workforce	Risk of non-compliance	Risk arising from violations of employee welfare/rights and diversity and inclusion legislation	Regulatory analysis and possible sanctions Loss Data Collection Process
	Operational risk	<ul style="list-style-type: none"> ■ Risks arising from fraudulent breaches of company systems aimed at stealing data of a personal nature from its workforce ■ Risk arising from litigation related to failure/inadequate implementation of policies to ensure the well-being/rights of workers and to promote diversity and inclusion 	Loss Data Collection Process (analysis of number of complaints and appeals) Operational risk self-assessment scenario
	Reputational risk	<ul style="list-style-type: none"> ■ Risks arising from fraudulent breaches of company systems aimed at stealing data of a personal nature from its workforce ■ Risk arising from disputed failure/inadequate implementation of policies to ensure the well-being/rights of workers and to promote diversity and inclusion 	NFS analysis Loss data collection process (analysis of number of complaints and appeals) Reputational risk self-assessment scenario Media screening
Workers in the value chain	Credit risk	Risk arising from high exposure to counterparties with non-aligned privacy or welfare/workers' rights policies	UNEP FI Impact Radar (ESG Heat map)
	Reputational risk	Risk arising from relationships with credit counterparties and/or suppliers challenged with inadequate implementation of policies on personal data management, labour rights, and diversity and inclusion	NFS Analysis and Code of Ethics Media screening
Communities concerned	Reputational risk	Reputational risk arising from relationships with credit counterparties that are challenged with negative social impacts in the areas of operation (e.g. in terms of employment of local labour force)	NFS analysis Loss data collection process (analysis of number of complaints and appeals) Reputational risk self-assessment scenario Media screening
Consumers and end users	Risk of non-compliance	Risk arising from breaches of banking transparency and data security regulations	Regulatory analysis and possible sanctions Loss Data Collection Process (analysis of number of complaints and appeals) Operational risk self-assessment scenario
	Operational risk	<ul style="list-style-type: none"> ■ Risk arising from omissions/inadequacies in regulatory compliance in the area of banking transparency and data security ■ Risks arising from fraudulent breaches (e.g. cyber attacks) of the company systems aimed at stealing data of a personal nature from its customers 	Loss Data Collection Process (analysis of number of complaints and appeals) Operational risk self-assessment scenario
	Reputational risk	<ul style="list-style-type: none"> ■ Risks arising from fraudulent breaches of company systems aimed at stealing data of a personal nature from its customers ■ Risk arising from complaints about banking transparency, accessibility of data, discriminatory behaviour towards customers. 	Loss data collection process (analysis of number of complaints and appeals) Reputational risk self-assessment scenario Media screening

²⁹ "Social" risk factors are identified in accordance with the European Sustainability Reporting Standards (ESRS) defined within the framework of the Corporate Sustainability Reporting Directive (CSRD).



With regard to the classification and measurement of risks pertaining to the "Social" dimension, the Bank has strengthened its risk metrics of this kind. Among the metrics adopted, the Bank uses indicators that are tools for classifying Social risk at both sector and individual counterparty level.

Below is a synoptic overview of the assessment tools currently used by the Bank to determine the extent of its exposure to "Social" risks for the main traditional risk types impacted.

Credit risk

Tool	Description	Use
Counterparty ESG scores (S Score)	<p>Risk metrics acquired from qualified info providers.</p> <p>The Social score is composed of several indicators that, based on the aggregation of both specific variables calibrated at a "single-name" level and geo-sectoral averages, return a synthetic judgement on the positioning of counterparty companies with respect to the management of the following "Social" issues:</p> <ul style="list-style-type: none">■ <i>Community and society</i>: a metric constructed by considering recruitment trends in socially deprived areas;■ <i>Employee relations</i>: a metric developed by taking into account spending on the percentage of precarious employment, the presence or absence of ISO 18001 and ISO 45001 certification, state aid for employee training and/or occupational safety and the publication of company patents, as well as days lost due to accidents and the rate of occupational injuries;■ <i>Customer relations</i>: a metric that considers the presence or absence of ISO 9001 certification, cyber-security state aid, supplier code of conduct and the publication or absence of sustainability reporting;■ <i>Human rights</i>: a metric that considers the commitment of companies in the territory to social initiatives aimed at mitigating the violation of human rights and promoting their protection and promotion;■ <i>Anti-poverty</i>: a metric that considers public support obtained for the employment of workers from disadvantaged groups.	<ul style="list-style-type: none">■ Credit granting process■ RAF■ ESG reporting
UNEPFI Heatmap Impact Radar Tool	<p>A tool to determine the extent to which a given sector of economic activity is at risk of harming the achievement of one or more European Sustainability Reporting Standards (ESRS) defined within the CSRD framework.</p>	<ul style="list-style-type: none">■ Dual Materiality Analysis CSRD





Market risk

Tool	Description	Use
Social Rating (S Rating)	A tool acquired from an external info provider needed to provide a summary judgement on the issuers of the securities in the portfolio on social issues.	<ul style="list-style-type: none"> ■ ESG reporting ■ RAF

Operational and reputational risk

Tools	Description	Use
Counterparty ESG score	An internally developed risk metric to identify the level of exposure of counterparties with which the Group has relationships (supply and/or credit) to ESG risk factors.	<ul style="list-style-type: none"> ■ Dual Materiality Analysis CSRD
Single-name analysis matrix of the sustainability profile	Matrix of analysis developed internally for the purpose of assessing the sustainability profile of the counterparties with which the Group has relations (supply and/or credit), as a reporting factor regarding their potential exposure to reputational damage and/or operational losses resulting from litigation.	<ul style="list-style-type: none"> ■ Dual Materiality Analysis CSRD
Operational Risk Self-assessment (RSA)	Ordinary operational risk monitoring and management process whose evidence is instrumental in assessing the Group's prospective exposure to Social risks.	<ul style="list-style-type: none"> ■ Dual Materiality Analysis CSRD
Reputational Risk Self-assessment (REP)	Ordinary reputational risk monitoring and management process whose evidence is instrumental in assessing the Group's prospective exposure to Social risks.	<ul style="list-style-type: none"> ■ Dual Materiality Analysis CSRD
Loss Data Collection (LDC)	Ordinary process of monitoring and managing operational losses, whose evidence is instrumental in assessing the Group's final exposure to Social losses.	<ul style="list-style-type: none"> ■ Dual Materiality Analysis CSRD ■ ESG reporting

I. Description of the setting of limits for social risks and cases leading to further investigation and exclusion when limits are exceeded

The Bank has supplemented the Group's Risk Appetite Statements with specific statements and qualitative objectives relating to the management of environmental, social and governance risks. See the section "Risk Management", point q) on "Qualitative information on environmental risk".

With regard to the aforementioned quantitative parameters, in 2024 the Bank developed its ESG risk appetite framework through the definition of a new complementary level indicator, related to credit risk, which monitors the overall portfolio concentration in the aforementioned "socially sensitive" sectors. Moreover, the overall structure of the RAF provides for specific level three indicators (KRIs) to monitor "Social" factors affecting exposure to credit, market, operational and reputational risks, aimed at paying attention respectively to i) the level of concentration of the credit portfolio in each of the three sectors categorised as "socially sensitive"; ii) the level of concentration of the proprietary investment portfolio in high-risk "Social" issuers (at the integration phase); iii) the number of complaints, legal disputes and out-of-court redress related to phenomena of non/apparent adherence to instances of "Social" scope.



In addition, within its ESG Credit Policy, as mentioned in point q) of the section on "Qualitative information on environmental risk", the Bank has identified a number of sectors and economic activities considered socially "sensitive" for which special attention is paid in the granting of credit. In addition to the aforementioned "sensitive" sectors, there are financing transactions with counterparties resident in countries with privileged taxation and counterparties resident in countries subject to embargoes/restrictions on assets, for which, in the credit-granting phase, it is planned to intensify controls by means of an escalation decision-making process and, where possible, provide specific support to customers with a view to facilitating the transition to a more sustainable business.

Within the scope of its business relations, the Bank acts in compliance with the principles laid down in its Code of Ethics, promoting its values also towards third parties with whom it has business relations through the stipulation of contractual agreements whereby the parties undertake to comply with its provisions. Where third parties are legal persons, the Bank shall ensure that the dissemination and observance of the Code of Ethics is guaranteed by all natural persons included in the organisation of the third party.

Qualitative information on governance risks

Governance

- a. Integration by the institution into its governance systems of its counterparty's governance performance, including committees of the highest governance body and committees responsible for economic, environmental and social decision-making
- b. Reporting by the institution on the role of the counterparty's highest governance body in the disclosure of non-financial information
- c. Integration by the institution into its governance systems of counterparty governance outcomes including: ethical considerations, risk strategy and management, inclusiveness, transparency, conflict of interest management, internal communication on critical issues

The management of governance risks is a relevant issue in two different respects: on the one hand, with regard to the Group's internal governance, and on the other, in the Group's assessment of its counterparties' compliance with the principles of good governance.

In terms of internal rules and regulations, the Group's measures to counter the above-mentioned risks include the Sustainability Policy, the Code of Ethics, the Methodology for Assessing the ESG Characteristics of Suppliers, the Procurement Management Regulation and the Regulation on Outsourcing.

The assessment of the implementation of good governance systems of counterparties is carried out, as part of the preliminary investigation process, by means of the collection of information governed by specific internal regulations on credit granting and review activities.





In particular, the process involves the production of a set of qualitative information, capable of influencing the economic-financial situation of the counterparty, such as:

- the quality of the managerial and entrepreneurial structure;
- the sector in which the counterparty operates, with particular reference to the main competitive forces that characterise it and the positioning of the counterparty;
- the business plan in relation to the credit line requested and the specificities of the sector in which the counterparty operates;
- the political, economic and legal context if the counterparty operates abroad, where there are credit lines with cross-border elements;
- the customer's belonging to a group of connected customers, especially when repayment depends on cash flow from other connected parties;
- exposure to economic, social and governance sustainability factors (ESG factors), and in particular factors related to environmental pollution, climate change impacts and the adequacy of mitigation strategies, also investigated in the context of the dedicated "ESG Due Diligence" process for the counterparty and of any direct engagement of the financed entity on sustainability issues.

The Bank considers corporate governance assessments as part of its processes for gathering information on counterparties in order to analyse their:

- corporate composition;
- allocation of powers and the system of delegation;
- presence of anomalous indicators (protests, conservatory events and procedures detected).

This activity is carried out by analysing chamber of commerce visas, incorporation documents and any company proxy structure. In order to assess ESG risk factors, use is typically made of:

- internal data required from the customer (e.g. sector, geographical location);
- counterparty data acquired from public sources (e.g. non-financial statements, corporate sustainability documents);
- specialised info-providers;
- data from research institutes and international organisations (e.g. UNEP FI).

The governance dimension is also an integral part of the Bank's ESG assessment of counterparties; in fact, in 2024, the Bank developed its ESG Score to include the good governance component in the assessment of counterparties using appropriate risk indicators. Please refer to what is outlined under "Risk management" in point d) below.



In addition, the Bank and the other Group companies are heavily committed to preventing the products and services they offer from being used for the purposes of money laundering and terrorist financing, by promoting a culture of full compliance with the provisions in force and the effective fulfilment of the obligations of "passive cooperation" (aimed at ensuring in-depth knowledge of customers and the preservation of documents relating to transactions carried out) and of "active cooperation" (aimed at identifying and reporting suspicious money laundering transactions).

Risk management

d. Integration by the institution into its risk management systems of counterparty governance outcomes including: i) ethical considerations, ii) risk strategy and management, iii) inclusiveness, iv) transparency, v) conflict of interest management, vi) internal communication on critical issues

In relation to what is reported in the qualitative disclosure section on social risks, paragraph "Risk management" points *i,j,k,m*), also for risks pertaining to the corporate governance sphere, the Bank has recently evolved its risk identification and measurement practices in alignment with the provisions of the CSRD's "dual materiality" analysis.

In this sense, the new methodological framework envisages the performance of specific analyses aimed at identifying the level of materiality of exposure to the risk cases relating to Governance, both from an outside-in and an inside-out perspective ("dual perspective"), as well as mapping the propagation channels through which such cases may materialise within the scope of the traditional banking risks impacted.

For a Bank, governance risks arise from exposures to counterparties that may be negatively influenced by factors related to corporate governance, or from similar risks to which the Bank is directly exposed due to its characteristics and operations. These factors relate to the governance arrangements/choices of counterparties or the banks themselves, including the incorporation of ESG considerations into their corporate governance policies and procedures.





RISK FACTOR ³⁰	TRADITIONAL RISK	TRANSMISSION CHANNEL	TOOL
Business Conduct	Credit risk	Risk arising from the high exposure to counterparties that: <ul style="list-style-type: none"> ■ have not established policies to ensure respect for human rights and external/internal regulations, protection of whistleblowers, and to detect tax evasion, money laundering and anti-competitive behaviour; ■ have recorded incidents of inadequate management of supply relationships, including the appropriate definition of payment practices. 	<i>UNEP FI Impact Radar (ESG Heat map)</i>
	Risk of non-compliance	<ul style="list-style-type: none"> ■ Risk arising from failure to comply or inadequate compliance with laws, regulations, self-regulatory codes, internal procedures and codes of conduct concerning corporate culture and/or corruption ■ Risk arising from breaches of regulations on reporting misconduct 	<i>Regulatory analysis and possible sanctions</i> <i>Loss Data Collection Process</i> <i>Reputational Risk self-assessment scenario</i>
	Operational risk	<ul style="list-style-type: none"> ■ Risks deriving from legal disputes connected to failure to comply or inadequate compliance with laws, regulations, self-regulatory codes, internal procedures and codes of conduct concerning corporate culture ■ Risks arising from disputes with suppliers of goods/ services resulting from inadequate management of supply relationships (e.g. failure to meet payment deadlines, breach of contract) 	<i>Loss Data Collection Process</i> <i>Operational Risk self-assessment scenario</i> <i>Media screening</i>
	Reputational risk	<ul style="list-style-type: none"> ■ Risk arising from disputed failure to comply or inadequate compliance with laws, regulations, self-regulatory codes, internal procedures and codes of conduct concerning corporate culture and/or corruption ■ Risk arising from disputed/inadequate handling of reports of misconduct 	<i>Reputational risk self-assessment scenario</i> <i>Reports received on whistleblowing</i> <i>Media screening</i>

In addition, also with regard to the ESG risk dimension pertaining to the sphere of "Governance", the Bank has strengthened its risk metrics of this kind. Among the metrics adopted, the Bank uses indicators that are tools for classifying risk at both sector and individual counterparty level.

Below is a synoptic overview of the assessment tools currently used by the Bank to determine the extent of its exposure to "Governance" risks for the main traditional risk types impacted.

³⁰ "Governance" risk factors are identified in accordance with the European Sustainability Reporting Standards (ESRS) defined within the framework of the Corporate Sustainability Reporting Directive (CSRD).



Credit risk

Tool	Description	Use
Counterparty ESG scores (G Score)	<p>Risk metrics acquired from qualified info providers</p> <p>This indicator, which is based on the aggregation of both specific variables calibrated at the "single-name" level and geo-sector averages, returns a summary judgement on the management of "Governance" aspects of business customers:</p> <ul style="list-style-type: none">■ <i>Business conduct integrity</i>: a metric defined on the basis of variables such as the presence of a legality rating, code of ethics, voluntarily certified financial statements and voluntary adoption of a board of statutory auditors, as well as the presence of anti-money laundering violations;■ <i>Strategy and risk management</i>: a metric defined by a point variable such as the number of executives and managers per number of employees;■ <i>Inclusiveness towards women and young people</i>: metric defined on the basis of variables related to the gender gap and pay gap dimensions;■ <i>ESG transparency on corporate practices</i>: a metric defined through precise variables such as the presence of disclosure on ESG issues on the corporate website.	<ul style="list-style-type: none">■ Credit granting process■ RAF■ ESG reporting
UNEPI Heatmap Impact Radar Tool	<p>A tool to determine the extent to which a given sector of economic activity is at risk of harming the achievement of one or more European Sustainability Reporting Standards (ESRS) defined within the CSRD framework.</p>	<ul style="list-style-type: none">■ Dual materiality analysis (impact materiality) under CSRD

Market risk

Tool	Description	Use
Governance Rating (G Rating)	<p>A tool acquired from an external info provider needed to provide a summary judgement on the issuers of the securities in the portfolio on Governance issues.</p>	<ul style="list-style-type: none">■ ESG reporting■ RAF





Operational and reputational risk

Tools	Description	Use
Counterparty ESG score	An internally developed risk metric to identify the level of exposure of counterparties with which the Group has relationships (supply and/or credit) to ESG risk factors.	■ Dual Materiality Analysis CSRD
Single-name analysis matrix of the sustainability profile	Matrix of analysis developed internally for the purpose of assessing the sustainability profile of the counterparties with which the Group has relations (supply and/or credit), as a reporting factor regarding their potential exposure to reputational damage and/or operational losses resulting from litigation.	■ Dual Materiality Analysis CSRD
Operational Risk Self-assessment (RSA)	Ordinary operational risk monitoring and management process whose evidence is instrumental in assessing the Group's prospective exposure to Governance risks.	■ Dual Materiality Analysis CSRD
Reputational Risk Self-assessment (REP)	Ordinary reputational risk monitoring and management process whose evidence is instrumental in assessing the Group's prospective exposure to Governance risks.	■ Dual Materiality Analysis CSRD
Loss Data Collection (LDC)	Ordinary process of monitoring and managing operational losses, whose evidence is instrumental in assessing the Group's final exposure Governance losses.	■ Dual Materiality Analysis CSRD ■ ESG reporting

Lastly, with regard to the quantitative frameworks for defining the Group's Risk Appetite Statement, in 2024 the Bank introduced new specific key risk indicators (KRIs) at the third level of its operational and reputational risk monitoring metrics structure, aimed at focusing on the number of complaints, litigations and out-of-court redress related to non/apparent adherence to governance scope instances, as well as a risk indicator aimed at monitoring the level of concentration of the investment portfolio owned in high risk "Governance" issuers (at the integration phase).

* * *

Quantitative disclosures of environmental, social and governance risks are set out below in accordance with the technical standards introduced by Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, as amended by Implementing Regulation (EU) 2022/2453 of 30 November 2022 pursuant to Art. 449-bis of the CRR.

The review of the disclosure templates for transition risk and physical risks related to climate change subject to disclosure requirements includes the following tabular formats³¹.

³¹ The disclosure about the new Model 9 (concerning the Banking Book Taxonomy Alignment Ratio metric, or BTAR), required on a voluntary basis as of the Pillar 3 disclosure to 31 December 2024, is not the subject of this publication.



A. Indicators of potential transition risk related to climate change

- *Template 1:* reports quantitative information on the quality and residual maturity of credit exposures to non-financial corporations operating in carbon-related economic sectors, accompanied by information on the level of GHG emissions (GHG Scope 1, Scope 2 and Scope 3 emissions, of which GHG Scope 3 emissions are financed) produced by these counterparties.
- *Template 2:* reports information on commercial and residential real estate secured loans and real estate collateral recovered, classified according to the energy consumption and energy performance certificates (APE or EPC) of the real estate units.
- *Template 3:* reports information on the percentage distance of bank exposure portfolios from the sectoral decarbonisation targets envisaged at global level by the NZE 2050 scenario developed by the International Energy Agency (IEA), accompanied by information on any intermediate targets set by the Bank in order to facilitate the achievement of full alignment with these climate objectives.
- *Template 4:* reports aggregated and anonymised information on outstanding exposures to counterparties that are among the top 20 most carbon-intensive companies in the world.

B. Indicators of potential physical risk related to climate change

- *Template 5:* reports information on the banking book's exposures to non-financial corporates, loans secured by real estate and real estate collateral recovered, exposed to chronic and acute climate-related physical risks, with a breakdown by sector of economic activity and by geographic location of the counterparty's business or collateral.

C. Climate change-related mitigation actions

- *Template 6:* it provides a summary overview of the key performance indicators (KPIs) on taxonomy-aligned exposures, calculated on the basis of Template 7 and Template 8 relevant to the GAR (Green Asset Ratio) metric.
- *Template 7:* it sets out quantitative information on portfolio exposures concerning eligibility and alignment to the taxonomy with regard to the environmental objectives of climate change mitigation (CC Mitigation) and adaptation (CC Adaptation).
- *Template 8:* it sets out information on the total asset stock at 30 June 2024 and the percentage of new assets that finance economic Taxonomy-aligned activities with respect to the environmental objectives of climate change mitigation (CC Mitigation) and adaptation (CC Adaptation).
- *Template 10:* it sets out quantitative information on possible mitigation actions and exposures to climate change risks to assets that are not aligned with the Taxonomy but that support counterparties in the process of transition to and pursuit of climate change mitigation and adaptation objectives (e.g. information on bonds held and sustainable loans provided to finance "eco-friendly" assets).

In all published quantitative models, financial information refers to the entire Banking Group. In contrast, climate-environmental information is only available for the Group's legal entities established in EU-27 countries.





(in millions of euro)

Table 105 - Template 1: Banking book - Indicators of potential transition risk related to climate change: Credit quality of exposures by sector, issuance and residual maturity (1 of 3)

Sector/subsector	a	b	c	d	e
	Gross carrying amount				
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures
1 Exposures towards sectors that highly contribute to climate change	16,265	154	230	2,338	597
2 A - Agriculture, forestry and fishing	396	-	-	38	20
3 B - Mining and quarrying	71	-	-	44	2
4 B.05 - Mining of coal and lignite	-	-	-	-	-
5 B.06 - Extraction of crude petroleum and natural gas	13	-	-	-	-
6 B.07 - Mining of metal ores	-	-	-	-	-
7 B.08 - Other mining and quarrying	58	-	-	44	2
8 B.09 - Mining support service activities	1	-	-	-	-
9 C - Manufacturing	5,247	39	15	929	129
10 C.10 - Manufacture of food products	949	-	-	119	10
11 C.11 - Manufacture of beverages	126	-	-	5	-
12 C.12 - Manufacture of tobacco products	-	-	-	-	-
13 C.13 - Manufacture of textiles	159	-	-	45	8
14 C.14 - Manufacture of wearing apparel	63	-	-	4	4
15 C.15 - Manufacture of leather and related products	16	-	-	-	4
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	81	-	-	10	2
17 C.17 - Manufacture of pulp, paper and paperboard	102	-	-	15	-
18 C.18 - Printing and service activities related to printing	48	-	-	30	16
19 C.19 - Manufacture of coke oven products	113	25	1	22	1
20 C.20 - Production of chemicals	280	-	-	114	1
21 C.21 - Manufacture of pharmaceutical preparations	111	-	-	3	1
22 C.22 - Manufacture of rubber products	223	-	-	42	4
23 C.23 - Manufacture of other non-metallic mineral products	169	1	-	123	4
24 C.24 - Manufacture of basic metals	468	-	-	43	3
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	850	-	-	140	20
26 C.26 - Manufacture of computer, electronic and optical products	124	-	-	97	16
27 C.27 - Manufacture of electrical equipment	136	8	1	8	14
28 C.28 - Manufacture of machinery and equipment n.e.c.	483	-	3	41	10
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	432	-	-	54	-



(in millions of euro)

Table 105 - Template 1: Banking book - Indicators of potential transition risk related to climate change: Credit quality of exposures by sector, issuance and residual maturity (1 of 3)

Sector/subsector	a	b	c	d	e
	Gross carrying amount				
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures
30 C.30 - Manufacture of other transport equipment	121	-	10	3	1
31 C.31 - Manufacture of furniture	65	-	-	4	3
32 C.32 - Other manufacturing	68	-	-	3	4
33 C.33 - Repair and installation of machinery and equipment	60	4	-	4	1
34 D - Electricity, gas, steam and air conditioning supply	881	79	55	79	5
35 D35.1 - Electric power generation, transmission and distribution	482	76	50	61	5
36 D35.11 - Production of electricity	379	76	19	55	3
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	370	3	4	5	-
38 D35.3 - Steam and air conditioning supply	30	-	-	13	-
39 E - Water supply; sewerage, waste management and remediation activities	248	-	-	27	-
40 F - Construction	1,562	5	25	194	136
41 F.41 - Construction of buildings	1,000	3	-	134	103
42 F.42 - Civil engineering	252	1	25	17	6
43 F.43 - Specialised construction activities	311	1	-	44	28
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,761	22	-	289	127
45 H - Transportation and storage	609	-	134	121	7
46 H.49 - Land transport and transport via pipelines	327	-	-	49	4
47 H.50 - Water transport	102	-	-	43	-
48 H.51 - Air transport	8	-	-	-	-
49 H.52 - Warehousing and support activities for transportation	165	-	134	29	3
50 H.53 - Postal and courier activities	8	-	-	-	-
51 I - Accommodation and food service activities	948	-	-	180	49
52 L - Real estate activities	2,542	9	-	437	122
53 Exposures towards sectors other than those that highly contribute to climate change	3,806	1	182	396	110
54 K - Financial and insurance activities	419	-	-	120	13
55 Exposures to other sectors (NACE codes J, M - U)	3,388	1	182	277	97
56 TOTAL	20,071	154	412	2,734	708

Source: FINREP reporting base: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01; Internal ESG Database





(in millions of euro)

Table 106 - Template 1: Banking book - Indicators of potential transition risk related to climate change: Credit quality of exposures by sector, issuance and residual maturity (2 of 3)

Sector/subsector	f	g	h	i	j
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO ₂ equivalent)	
		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions
1 Exposures towards sectors that highly contribute to climate change	(570)	(141)	(388)	10,142,092	9,001,183
2 A - Agriculture, forestry and fishing	(12)	(2)	(8)	377,138	281,964
3 B - Mining and quarrying	(2)	(1)	(1)	15,449	5,904
4 B.05 - Mining of coal and lignite	-	-	-	-	-
5 B.06 - Extraction of crude petroleum and natural gas	-	-	-	-	-
6 B.07 - Mining of metal ores	-	-	-	-	-
7 B.08 - Other mining and quarrying	(2)	(1)	(1)	15,449	5,904
8 B.09 - Mining support service activities	-	-	-	-	-
9 C - Manufacturing	(141)	(47)	(85)	6,266,701	5,578,222
10 C.10 - Manufacture of food products	(13)	(4)	(7)	2,018,120	1,936,319
11 C.11 - Manufacture of beverages	(1)	-	-	12,318	7,437
12 C.12 - Manufacture of tobacco products	-	-	-	-	-
13 C.13 - Manufacture of textiles	(8)	(3)	(5)	99,476	91,375
14 C.14 - Manufacture of wearing apparel	(3)	-	(3)	6,719	4,627
15 C.15 - Manufacture of leather and related products	(3)	-	(3)	4,039	3,780
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	(2)	-	(1)	30,729	24,005
17 C.17 - Manufacture of pulp, paper and paperboard	(1)	-	-	79,851	52,489
18 C.18 - Printing and service activities related to printing	(13)	(1)	(12)	10,397	7,177
19 C.19 - Manufacture of coke oven products	(1)	-	(1)	587,722	415,377
20 C.20 - Production of chemicals	(4)	(2)	(1)	266,645	206,910
21 C.21 - Manufacture of pharmaceutical preparations	(1)	-	(1)	9,163	6,284
22 C.22 - Manufacture of rubber products	(7)	(4)	(3)	165,791	153,847
23 C.23 - Manufacture of other non-metallic mineral products	(10)	(7)	(3)	199,100	137,725
24 C.24 - Manufacture of basic metals	(10)	(7)	(2)	1,305,261	1,165,248
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	(22)	(7)	(14)	331,991	280,818
26 C.26 - Manufacture of computer, electronic and optical products	(12)	(3)	(9)	22,343	19,892
27 C.27 - Manufacture of electrical equipment	(11)	-	(11)	169,303	165,710
28 C.28 - Manufacture of machinery and equipment n.e.c.	(8)	(1)	(6)	420,948	402,891
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	(5)	(4)	-	154,352	134,637
30 C.30 - Manufacture of other transport equipment	(2)	-	(1)	273,039	270,724
31 C.31 - Manufacture of furniture	(2)	-	(2)	42,452	40,329



(in millions of euro)

Table 106 - Template 1: Banking book - Indicators of potential transition risk related to climate change: Credit quality of exposures by sector, issuance and residual maturity (2 of 3)

Sector/subsector	f	g	h	i	j
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO ₂ equivalent)	
		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions
32 C.32 - Other manufacturing	(2)	-	(2)	27,598	25,019
33 C.33 - Repair and installation of machinery and equipment	(1)	-	(1)	29,345	25,602
34 D - Electricity, gas, steam and air conditioning supply	(10)	(5)	(4)	495,049	411,641
35 D35.1 - Electric power generation, transmission and distribution	(9)	(5)	(3)	194,536	118,891
36 D35.11 - Production of electricity	(8)	(5)	(3)	162,450	101,562
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	-	-	-	289,724	286,377
38 D35.3 - Steam and air conditioning supply	(1)	(1)	-	10,789	6,372
39 E - Water supply; sewerage, waste management and remediation activities	(2)	(1)	-	38,207	17,992
40 F - Construction	(112)	(9)	(98)	324,437	288,530
41 F.41 - Construction of buildings	(88)	(8)	(77)	212,496	196,625
42 F.42 - Civil engineering	(6)	-	(5)	61,677	55,210
43 F.43 - Specialised construction activities	(19)	(1)	(17)	50,264	36,695
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	(109)	(9)	(90)	2,347,564	2,193,158
45 H - Transportation and storage	(18)	(12)	(4)	99,029	61,541
46 H.49 - Land transport and transport via pipelines	(15)	(11)	(3)	47,741	30,365
47 H.50 - Water transport	-	-	-	10,029	587
48 H.51 - Air transport	-	-	-	2,043	83
49 H.52 - Warehousing and support activities for transportation	(3)	-	(2)	39,175	30,483
50 H.53 - Postal and courier activities	-	-	-	40	23
51 I - Accommodation and food service activities	(48)	(17)	(29)	155,988	143,392
52 L - Real estate activities	(115)	(37)	(68)	22,529	18,839
53 Exposures towards sectors other than those that highly contribute to climate change	(119)	(32)	(74)		
54 K - Financial and insurance activities	(28)	(16)	(10)		
55 Exposures to other sectors (NACE codes J, M - U)	(90)	(16)	(64)		
56 TOTAL	(689)	(173)	(462)	10,142,092	9,001,183

Source: FINREP reporting base: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01; Internal ESG Database





(in millions of euro)

Table 107 - Template 1: Banking book - Indicators of potential transition risk related to climate change: Credit quality of exposures by sector, issuance and residual maturity (3 of 3)

Sector/subsector		k	l	m	n	o	p
		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	Exposures towards sectors that highly contribute to climate change	7.69%	9,385	2,653	2,097	2,130	4
2	A - Agriculture, forestry and fishing	0.00%	173	80	89	54	6
3	B - Mining and quarrying	0.00%	54	6	6	6	3
4	B.05 - Mining of coal and lignite	0.00%	-	-	-	-	-
5	B.06 - Extraction of crude petroleum and natural gas	0.00%	13	-	-	-	-
6	B.07 - Mining of metal ores	0.00%	-	-	-	-	-
7	B.08 - Other mining and quarrying	0.00%	40	6	6	6	4
8	B.09 - Mining support service activities	0.00%	1	-	-	-	-
9	C - Manufacturing	9.56%	3,595	763	200	689	3
10	C.10 - Manufacture of food products	0.29%	669	118	38	124	2
11	C.11 - Manufacture of beverages	0.00%	71	30	8	17	4
12	C.12 - Manufacture of tobacco products	0.00%	-	-	-	-	-
13	C.13 - Manufacture of textiles	3.79%	103	30	7	20	3
14	C.14 - Manufacture of wearing apparel	1.11%	41	9	2	11	2
15	C.15 - Manufacture of leather and related products	0.00%	11	1	1	2	4
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.00%	41	15	11	14	4
17	C.17 - Manufacture of pulp, paper and paperboard	3.73%	78	10	2	11	3
18	C.18 - Printing and service activities related to printing	0.00%	33	3	2	10	3
19	C.19 - Manufacture of coke oven products	59.87%	102	3	-	9	1
20	C.20 - Production of chemicals	9.85%	163	80	4	33	3
21	C.21 - Manufacture of pharmaceutical preparations	46.51%	101	5	-	4	3
22	C.22 - Manufacture of rubber products	0.00%	125	41	25	32	3
23	C.23 - Manufacture of other non-metallic mineral products	14.90%	122	22	2	24	3
24	C.24 - Manufacture of basic metals	1.25%	329	52	4	84	1
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	1.76%	575	95	37	143	3
26	C.26 - Manufacture of computer, electronic and optical products	0.00%	71	35	4	14	3
27	C.27 - Manufacture of electrical equipment	0.00%	93	16	5	22	2
28	C.28 - Manufacture of machinery and equipment n.e.c.	1.78%	351	60	34	38	3



(in millions of euro)

Table 107 - Template 1: Banking book - Indicators of potential transition risk related to climate change: Credit quality of exposures by sector, issuance and residual maturity (3 of 3)

Sector/subsector		k	l	m	n	o	p
		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	49.91%	376	31	-	26	2
30	C.30 - Manufacture of other transport equipment	58.67%	39	76	-	6	4
31	C.31 - Manufacture of furniture	0.00%	39	12	4	11	3
32	C.32 - Other manufacturing	0.00%	40	12	2	14	3
33	C.33 - Repair and installation of machinery and equipment	0.00%	24	7	6	22	3
34	D - Electricity, gas, steam and air conditioning supply	60.94%	640	128	82	31	3
35	D35.1 - Electric power generation, transmission and distribution	38.78%	267	117	75	23	4
36	D35.11 - Production of electricity	39.77%	175	114	75	15	5
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	94.71%	363	-	-	6	1
38	D35.3 - Steam and air conditioning supply	0.00%	10	11	7	1	8
39	E - Water supply; sewerage, waste management and remediation activities	0.00%	100	83	38	28	6
40	F - Construction	4.72%	830	202	178	353	4
41	F.41 - Construction of buildings	0.00%	460	144	142	254	4
42	F.42 - Civil engineering	29.25%	204	10	7	31	2
43	F.43 - Specialised construction activities	0.00%	165	48	29	68	4
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2.96%	2,327	518	342	573	3
45	H - Transportation and storage	4.42%	328	105	101	74	5
46	H.49 - Land transport and transport via pipelines	0.46%	133	49	87	58	6
47	H.50 - Water transport	0.00%	100	-	-	1	1
48	H.51 - Air transport	0.00%	3	3	1	1	5
49	H.52 - Warehousing and support activities for transportation	10.73%	84	53	13	14	4
50	H.53 - Postal and courier activities	97.82%	8	-	-	-	4
51	I - Accommodation and food service activities	0.00%	290	222	370	66	8
52	L - Real estate activities	0.00%	1,048	546	692	256	8
53	Exposures towards sectors other than those that highly contribute to climate change		2,522	534	223	528	3
54	K - Financial and insurance activities		165	70	41	144	3
55	Exposures to other sectors (NACE codes J, M - U)		2,357	464	182	384	3
56	TOTAL	6.23%	11,906	3,187	2,320	2,657	4

Source: FINREP reporting base: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01; Internal ESG Database





The tables above show the exposures to non-financial corporations outstanding at 31 December 2024, with a focus on the economic sectors most susceptible to climate transition risks. In particular, evidence is given at the level of the sectoral NACE code of the counterparties:

- of the credit quality of these exposures, including the impaired exposure status, any accounting classification to Stage 2 and related provisioning values on loans, and the maturity categories to which the exposures belong;
- of greenhouse gas (GHG) quantities financed by the Group, determined in line with the Partnership for Carbon Accounting Financials (PCAF) standard, divided into Scope 1 and 2 and Scope 3. The information used to calculate financed emissions is derived from:
 - External info-provider databases containing information and statistical data on emissions by individual counterparty and NACE sector;
 - "Reported data" database of Scope 1,2 and 3 emissions values, reported by counterparties in Non-Financial Statements or Sustainability Reports and obtained through consultation of specific databases or through the internal ESG Due Diligence process carried out against the credit counterparty;
 - Bank's Financial Statements Database, containing information on customers' reclassified individual or consolidated financial statements;
 - FINREP standardised reporting at the reporting date, from which information is collected on the degree of indebtedness of customers to the Group.

The calculation of financed emissions takes into account the absolute amounts of GHG emissions related to the corporate loans and bonds portfolio (sum of Scope 1, 2 and 3 emissions of the financed entities) weighted by an allocation factor of the client's GHG emissions. This allocation factor is calculated on the basis of the ratio between the amount financed by the Group (numerator) and the economic value of the financed company (denominator).

The denominator for corporate loans and investments in private companies or for bonds of private companies is understood as the sum of total equity and debt of the company, as shown in the most recent available company balance sheet:

$$\text{Attribution factor} = \sum_c \frac{\text{Outstanding amount}_c}{\text{Total equity+Debt}}$$

For loans to listed companies, however, the denominator of the ratio is EVIC (Enterprise Value Including Cash):

$$\text{Attribution factor} = \sum_c \frac{\text{Outstanding amount}_c}{\text{Enterprise Value Including Cash}_c \text{ (EVIC)}}$$

Finally, once the value of the allocation factor has been obtained for each counterparty, the total amount of financed issues of the portfolio considered is calculated according to the following formula:

$$\text{Financed Emissions} = \sum_c \text{Attribution factor}_c \times \text{Company emissions}_c$$

This metric represents the share of greenhouse gas emissions related to a financed counterparty attributable to the lending credit institution.



Where it was not possible to perform the calculation using precise data, a sectoral estimate was made.

In addition to the totals per NACE sector, in the tables above subtotals are included for those sub-sectors with a strong influence on climate change. In particular, totals are shown for the business sectors listed in Sections A to H and Section L of Annex I of Regulation (EC) No. 1893/2006, including oil, gas, mining and transport, defined as "sectors that highly contribute to climate change" in recital 6 of Commission Delegated Regulation (EU) 2020/1818, as well as a subtotal of exposures to "other sectors".

The templates are also supplemented with information on companies excluded from the EU benchmark indices aligned with the Paris Climate Agreement, as specified in Article 12(1)(d) to (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818, aggregated at sector level. The counterparties in question are represented by:

- companies that derive 1% or more of their revenues from the exploration, extraction, distribution or refining of hard coal and lignite;
- companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- companies that derive 50% or more of their revenues from the exploration, extraction, production or distribution of gaseous fuels;
- companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO₂ e/kWh.

These companies were identified through the use of information on the nature of the company's revenues obtained from external providers, where available, or through the internal reconciliation of the counterparty's main economic activity to the regulatory perimeter.

As recalled by Article 12.2 of Delegated Regulation (EU) 2020/1818, defined as "excluded from the EU benchmarks aligned with the Paris Climate Agreement" were also companies that are deemed to significantly undermine one or more of the environmental objectives set forth in Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council ("Taxonomy Regulation").

Further details on financed emissions (category 15) are described in the Group Sustainability Report according to the Corporate Sustainability Reporting Directive (CSRD), including additional components. In fact, as of 2024, it was possible to calculate the emission contribution of Mortgage Ratios in the calculation of financed emissions by also including the share of real estate underlying instalment mortgage loans.





Table 108 - Template 2: Banking book - Indicators of potential climate change-related transition risk: Loans secured by real estate - Energy efficiency of collateral

Counterparty sector		a	b	c	d	e	f	g
		Total gross carrying amount amount						
		Level of energy efficiency (EP score in kWh/m ² of collateral)						
		0; ≤ 100	> 100; ≤ 200	> 200; ≤ 300	> 300; ≤ 400	> 400; ≤ 500	> 500	
1	Total EU area	8,012	721	1,828	1,822	1,069	1,072	433
2	Of which Loans collateralised by commercial immovable property	3,848	317	598	840	559	749	189
3	Of which Loans collateralised by residential immovable property	4,154	404	1,229	982	510	324	243
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	11	-	-	-	-	-	-
5	Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	4,075	129	723	1,224	591	1,030	377
6	Total non-EU area	4,324	12	20	15	17	8	6
7	Of which Loans collateralised by commercial immovable property	90	-	-	-	-	-	-
8	Of which Loans collateralised by residential immovable property	4,234	12	20	15	17	8	6
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-
10	Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	47	8	12	10	5	7	6

Source: FINREP reporting base: Templates F 18.00 - F 13.03.1; Internal ESG Database



(in millions of euro)

h	i	j	k	l	m	n	o	p
Total gross carrying amount amount								
Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
A	B	C	D	E	F	G	Of which level of energy efficiency (EP score in kWh/ m ² of collateral) estimated	
555	223	262	367	378	433	649	5,145	79.20%
217	97	145	187	133	123	144	2,802	78.74%
339	125	117	180	245	310	505	2,332	80.13%
-	-	-	-	-	-	-	11	0.00%
							4,075	100.00%
6	1	1	1	3	4	14	4,293	1.09%
-	-	-	-	-	-	-	90	0.02%
6	1	1	1	3	4	14	4,203	1.12%
-	-	-	-	-	-	-	-	0.00%
							47	100.00%





The table above shows the gross book value of exposures secured by real estate (residential and commercial) and real estate collateral recovered at 31 December 2024, supplemented by information on the energy efficiency level of the collateral measured in terms of energy consumption in kWh/m², the energy efficiency class attributed by the energy performance certificate (APE or EPC) of the real estate collateralised property as defined in Article 2(12) of Directive 2010/31/EU for Member States, or as defined in any relevant local regulations for exposures located outside the European Union, where equivalent to the Union energy performance class.

The representation of exposure values is divided on the basis of the location of the pledged property or the real estate obtained by acquiring possession of it ("EU area" or "non-EU area"), indicating the extent to which energy efficiency category data are estimated and not based on EPC classes. Specifically, when the energy efficiency category is an estimated figure, evidence of this is provided in the dedicated line of the model; in all other cases, the energy performance information is obtained from the ordinary mortgage lending process, from qualified external info-providers or directly from the regional land registers in Italy, which have an electronic structure that can be queried.

In the course of 2024, in order to improve the quality of available data, the Bank promoted further massive retrieval of energy performance certificates, significantly increasing the volume of actual data and reducing the use of estimates from external info providers.

**Table 109** - Template 3: Banking book - Indicators of potential transition risk related to climate change: alignment metrics

a	b	c	d	e	f	g
Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1 Power	35.11	109.76	tCO ₂ e	2023	82%	n.d.
2 Fossil fuel combustion	09.10 19.20 35.21 35.22 35.23 46.71 47.30	274.57	tCO ₂ e	2023	35%	n.d.
3 Iron and steel	24.10 24.33 24.34	56.33	tCO ₂ e	2023	37%	n.d.
4 Aluminium	24.42	32.57	tCO ₂ e	2023	32%	n.d.

a	b	c	d	e	f	g
Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1 Agriculture - Scope 1 e 2	10.11 10.13 10.39 10.51 10.61 10.82 10.83 10.89	237.04	tCO ₂ e	2023	170%	n.d.
2 Agriculture - Scope 3	10.11 - 10.13 - 10.39 - 10.51 - 10.61 - 10.82 - 10.83 - 10.89	237.04	tCO ₂ e	2023	47%	n.d.

*** time distance to 2030 data points of the 'net zero emissions' scenario by 2050 in % (for each metric)

Source: FINREP reporting base: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01; Internal ESG Database

Following its adhesion to the Net Zero Banking Alliance (hereinafter referred to as "NZBA" or "Alliance") at the end of December 2023, Banca Popolare di Sondrio published in December 2024 the first decarbonisation targets (hereinafter referred to as "Net-Zero targets" or "NZBA targets") related to the loan portfolio with reference to the following sectors: Oil & Gas, Agriculture, Iron & Steel, Aluminium and Electricity (for more information see the press release on the corporate website³²).

³² https://istituzionale.popso.it/sites/default/files/documents/BPS_ComunicatoStampa_Target%20NZBA_ITA.pdf





Template 3 depicts, for each sector, information on the distance to the 2030 zero net emissions scenario by 2050 and the related exposures.

The sectors represented are those materially resulting from the NZBA target setting analyses carried out by Banca Popolare di Sondrio. In addition, specific exposures to non-financial companies were selected for each sector, following perimeter criteria directly linked to the identification of processes aimed at reducing their emissions, with the objective of contributing to the achievement of the Bank's climate objectives.

Below is the detail of the approaches adopted for the compilation of each area of Template 3:

- Sectors: the sectors listed in the template are the priority sectors for which the Bank has set intermediate targets to 2030. Therefore, the sectors excluded from the current publication are "Automotive"; "Air transport"; "Sea transport"; "Manufacture of cement clinker and lime"; "Chemical products". In addition, an ad hoc table was prepared for the "Agriculture" sector in relation to relevance in terms of exposures, issues financed as well as NZBA target setting;
- NACE Sectors: for each sector listed in the table, the NACE codes indicated are related to the sector perimeter used for the definition of the NZBA targets;
- Gross book value of the portfolio: represents the portion of loans to non-financial companies included in the NZBA target setting with amounts updated to 31 December 2023, which is the latest reference date used to calculate the alignment metric;
- Alignment metrics: for each sector, the Bank adopted the metric of tonnes of CO₂ financed as the unit of measurement to identify sectoral Net-Zero targets and monitor their achievement.

With reference to the emission profile considered for each sector, the scopes considered for the target setting are detailed below:

- Oil & Gas: Scope 1,2 and 3 financed emissions;
- Agriculture³³: Scope 1, 2 and 3 financed emissions;
- Iron and Steel: Scope 1 and 2 financed emissions;
- Aluminium: Scope 1 and 2 financed emissions;
- Electricity: Scope 1 financed emissions;
- Reference year: the last available reference period was taken into account, which corresponds to 31.12.2023;
- Distance to the IEA "zero net emissions" scenario by 2050 in % calculated as follows: (base year metric - IEA scenario metric to 2030) / (IEA scenario metric to 2030). It should also be noted that for the Agriculture sector, for which the Bank has identified Net Zero targets, the OECM Agriculture, Food & Tobacco Europe scenario was used.
- Target (reference year + 3 years): Net Zero targets to 2030 have not been reported in the table because, as of the date of publication of Template 3, the dedicated transition plans supporting the published targets are being developed.

³³ The Agriculture sector is not among those for which reporting is required under the Third Pillar Reporting Regulation. However, since this sector was included in the drafting of the NZBA targets, a separate table was published.



(in millions of euro)

Table 110 - Template 4: Banking book - Indicators of potential climate change-related transition risk: Exposures to the top 20 carbon-intensive companies

	a	b	c	d	e
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1	-	-	-	-	-

* For counterparties among the world's top 20 carbon emitters

The lists used to identify any exposures to these companies are as follows:

- *Carbon Majors Database* - Carbon-Majors-Report (<https://www.cdp.net/en>);
- *Climate Accountability Institute* (<https://climateaccountability.org/>).

The decision to use a dual data source allows for greater granularity and reliability of the analysis. These above-mentioned lists, containing the GHG emissions data of the counterparties for the years 2017 and 2022, respectively, are combined into one final long list (available in the annexes section of this document). Following this process, the counterparties are appropriately analysed to verify the presence of these more polluting companies, or of the relevant equity investments, within the Group's banking book.

As shown in the table above, at 31 December 2024 the Banking Group also had no material exposures to the world's top 20 carbon-intensive companies.





Table 111 - Template 5: Banking book - Indicators of potential physical risk related to climate change: Exposures subject to physical risk - All countries

a		b	c	d	e	f	g
All countries		Gross carrying amount					
		of which exposures sensitive to impact from climate change physical events					
		Breakdown by maturity bucket					
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	
1	A - Agriculture, forestry and fishing	396	139	70	58	22	6.17
2	B - Mining and quarrying	71	32	5	6	2	4.69
3	C - Manufacturing	5,247	1,402	297	84	335	2.46
4	D - Electricity, gas, steam and air conditioning supply	881	44	46	57	8	7.52
5	E - Water supply; sewerage, waste management and remediation activities	248	35	30	17	6	5.94
6	F - Construction	1,562	209	72	74	105	4.44
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,761	1,099	307	185	364	3.38
8	H - Transportation and storage	609	76	42	86	26	7.29
9	L - Real estate activities	2,542	425	329	467	159	8.01
10	Loans collateralised by residential immovable property	8,388	1,743	230	783	381	15.50
11	Loans collateralised by commercial immovable property	3,937	174	242	635	92	10.06
12	Reposessed colaterals	11	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	4,754	1,359	468	430	355	5.06

Source: FINREP reporting base: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1; Internal ESG Database



(in millions of euro)

h	i	j	k	l	m	n	o
Gross carrying amount							
of which exposures sensitive to impact from climate change physical events							
of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
						of which Stage 2 exposures	of which non-performing exposures
141	47	101	21	15	(8)	(1)	(6)
-	-	44	41	1	(1)	(1)	-
205	1,159	753	451	49	(59)	(26)	(29)
32	13	110	39	-	(3)	(2)	-
27	46	16	12	-	-	-	-
105	164	192	68	69	(60)	(5)	(53)
65	1,295	596	157	54	(45)	(5)	(35)
9	69	153	29	3	(6)	(5)	(1)
138	326	916	292	80	(70)	(25)	(39)
8	2,097	1,033	122	32	(30)	(8)	(19)
14	465	664	250	61	(62)	(22)	(36)
-	-	-	-	-	-	-	-
246	734	1,633	394	73	(86)	(39)	(40)





Table 112 - Template 5: Banking book - Indicators of potential physical risk related to climate change: Exposures subject to physical risk – Italy

a		b	c	d	e	f	g
Italy		Gross carrying amount					Average weighted maturity
		of which exposures sensitive to impact from climate change physical events					
		Breakdown by maturity bucket					
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years		
1	A - Agriculture, forestry and fishing	395	139	70	58	22	6.17
2	B - Mining and quarrying	53	32	5	6	2	4.69
3	C - Manufacturing	5,101	1,397	297	84	335	2.46
4	D - Electricity, gas, steam and air conditioning supply	880	44	46	57	8	7.52
5	E - Water supply; sewerage, waste management and remediation activities	247	35	30	17	6	5.94
6	F - Construction	1,337	189	68	74	105	4.44
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,140	1,087	306	185	364	3.38
8	H - Transportation and storage	518	76	42	86	26	7.29
9	L - Real estate activities	2,023	299	303	467	159	8.01
10	Loans collateralised by residential immovable property	4,125	74	220	743	375	15.54
11	Loans collateralised by commercial immovable property	3,725	140	241	635	92	10.10
12	Reposessed colaterals	11	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	4,021	1,028	421	430	355	5.06

Source: FINREP reporting base: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1; Internal ESG Database



(in millions of euro)

h	i	j	k	l	m	n	o
Gross carrying amount							
of which exposures sensitive to impact from climate change physical events							
of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
						of which Stage 2 exposures	Of which non-performing exposures
141	47	101	21	15	(8)	(1)	(6)
-	-	44	41	1	(1)	(1)	-
205	1,154	753	451	49	(59)	(26)	(29)
32	13	110	39	-	(3)	(2)	-
27	46	16	12	-	-	-	-
105	139	192	67	68	(59)	(5)	(53)
65	1,281	596	157	50	(41)	(5)	(30)
9	68	153	29	3	(6)	(5)	(1)
138	174	916	290	78	(70)	(25)	(39)
7	418	987	110	30	(27)	(7)	(18)
14	439	655	242	61	(62)	(22)	(36)
-	-	-	-	-	-	-	-
246	355	1,633	375	67	(86)	(39)	(40)





Table 113 - Template 5: Banking book - Indicators of potential physical risk related to climate change: Exposures subject to physical risk - Rest of world

a		b	c	d	e	f	g
Rest of the world		Gross carrying amount					
		of which exposures sensitive to impact from climate change physical events					
		Breakdown by maturity bucket					
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	
1	A - Agriculture, forestry and fishing	1	-	-	-	-	2.01
2	B - Mining and quarrying	18	-	-	-	-	-
3	C - Manufacturing	147	5	-	-	-	0.90
4	D - Electricity, gas, steam and air conditioning supply	1	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	1	-	-	-	-	-
6	F - Construction	225	21	4	-	-	2.50
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	620	12	2	-	-	3.06
8	H - Transportation and storage	91	-	-	-	-	0.59
9	L - Real estate activities	520	126	26	-	-	2.57
10	Loans collateralised by residential immovable property	4,263	1,670	10	40	6	4.45
11	Loans collateralised by commercial immovable property	212	33	1	-	-	1.60
12	Repossessed colaterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	733	331	47	-	-	2.27

Source: FINREP reporting base: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1); Internal Database ESG



(in millions of euro)

h	i	j	k	l	m	n	o
Gross carrying amount							
of which exposures sensitive to impact from climate change physical events							
of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
						of which Stage 2 exposures	Of which non-performing exposures
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	25	-	1	1	-	-	-
-	14	-	-	5	(5)	-	(5)
-	-	-	-	-	-	-	-
-	152	-	2	3	-	-	-
1	1,679	46	13	2	(2)	(1)	(1)
-	26	8	9	-	-	-	-
-	-	-	-	-	-	-	-
-	379	-	19	6	(1)	-	-





The table above provides information on the banking book's exposures to non-financial corporations - loans and advances, fixed-yield securities and equity instruments not held for trading and for sale - loans secured by real estate and real estate collateral recovered, subject to acute and chronic climate-related hazards at 31 December 2024.

A cross-section is provided both by sector of economic activity (NACE classification) and by geographical location of counterparty activity or collateral, with reference to sectors and geographical areas subject to acute and chronic climate change-related events. The credit quality of the exposures and the related accounting provisions are also disclosed.

For the identification of exposures subject to acute and/or chronic physical hazards, the Bank makes use of dedicated indicators estimated by a qualified external service provider, who assigns the Italian and foreign companies and individual real estate assets physical risk assessments conducted through special calculation engines that take into account the geographical location of headquarters and production sites for companies and buildings for collateral properties. The RCP 4.5 climate change scenario is used in the calculation logic: this scenario predicts that atmospheric greenhouse gas emissions will peak in the year 2040 with a subsequent downward trend, generating global average temperature increases by 2100 of between 2 and 3 degrees Celsius, depending on the estimation model applied to each physical risk analysed.

The types of acute and chronic physical hazards shown in the table below were examined, with high spatial resolution of analysis for the whole of Italy and the EU-27 territory. Outside the EU-27 territory, however, analyses were carried out on a subset of the listed physical risks with a less granular spatial resolution.

Chronic Physical Risk	Acute Physical Risk
Changing temperatures	Heat waves (*)
Heat stress	Waves of freezing cold
Changing wind patterns	Fire
Changing patterns and types of precipitation	Windstorm (*)
Thawing of permafrost	Drought (*)
Sea level rise	Heavy rainfall
Water stress	Floods (*)
Soil and coastal erosion	Landslides and subsidence (*)
Soil degradation	

(*the physical risks to which the Group's portfolio is most exposed are highlighted)



With reference to the Templates 6, 7 and 8, in line with the provisions of Delegated Regulation (EU) 2021/2178 and Delegated Regulation (EU) 2023/2139, Delegated Regulation (EU) 2023/2485 and Delegated Regulation (EU) 2023/2486, the Group reports its share of credit and investment assets aligned to the Taxonomy expressed by the Green Asset Ratio (GAR) using the uniform publication templates established by the implementing technical standards of the disclosure requirements introduced by Implementing Regulation (EU) 2022/2453 of 30 November 2022. The Regulation states that such Pillar III reporting should only include quantitative information on mitigation actions associated with financed economic activities, in alignment with the climate change mitigation (CC Mitigation) and adaptation (CC Adaptation) objectives set out in the Taxonomy. Similar taxonomy-alignment reporting is included within its Sustainability Report on a consolidated basis at 31 December 2024 in accordance with CSRD reporting principles.

In that sustainability disclosure document, GAR is estimated and disclosed in two versions: the first by calculating the measure of alignment to the Taxonomy of Group assets based on the Turnover value of the financed counterparties (non-financial corporations) with respect to exposures whose purpose is not to finance specified assets ("general" financing); the second by calculating the measure of alignment to the Taxonomy based on the capital expenditure (Capex) of the financed counterparties with respect to general financing. In Templates 6, 7 and 8 included in this Pillar 3 Disclosure, the GAR disclosed is calculated solely on the basis of the alignment to the Taxonomy measured against the Turnover share of the counterparty company.

GAR is an indicator designed to concisely represent the ratio of the Bank's overall activities to those that are considered environmentally sustainable according to the EU Taxonomy. In particular, it represents the percentage of environmentally sustainable assets out of the total assets on the balance sheet, as defined by Regulation (EU) 2023/2486. The denominator of the indicator actually refers to the total assets on the balance sheet of the Bank, excluding exposures to governments, institutions, central banks and supranational issuers and trading book assets. The indicator is calculated in template 1, which classifies assets into four main sections:

1. Assets included in the numerator for GAR calculation;
2. Assets excluded from the numerator for GAR calculation (included in the denominator);
3. Exclusions from KPI calculation;
4. Off-balance.

A summary description of the four different sections is given below.

1. Assets included in the numerator for GAR calculation

An asset is "green" when it represents an investment in assets that are considered Taxonomy-aligned, whose analysis metrics include the classification of exposures according to counterparty category and type of financing provided, and the identification of eligible and aligned exposures, as depicted below:

a. Exposures to counterparties falling within the scope of Directive 2014/95/EU (Non-Financial Reporting Directive, hereinafter "NFRD counterparties");

- Total GAR for financing activities for financial companies for climate change mitigation and adaptation objectives (valued from 2024);
- Total GAR for financing activities for non-financial companies for climate change mitigation and adaptation objectives.





b. Exposures to households:

- GAR for residential real estate exposures, including loans for home renovation, for climate change mitigation, adaptation and climate change adaptation purposes and circular economy;
- GAR for retail loans for the purchase of cars for climate change mitigation purposes.

c. GAR for revenues used to finance local governments, for all environmental objectives.

d. GAR for residential and commercial real estate collateral recovered and held for sale, for all environmental objectives.

a. Exposures to NFRD counterparties

These exposures can be divided into two categories, depending on the use of the proceeds for which the financing was provided:

- in the case of a general loan, data on eligibility and matching are obtained from the company's Non-Financial Statement (hereafter, "NFS"); these are percentages, repeated on both a Capex and a Turnover basis, by which the Bank's exposure to the specific company* is multiplied;
- in the case of special-purpose financing, the following technical screening criteria set out in Delegated Regulation (EU) 2021/2139 must be met:
 1. Substantial contribution criteria;
 2. Do No Significant Harm ("DNSH");
 3. Minimum safeguards.

For the purposes of this report, there were no special-purpose loans to NFRD counterparties, so the analysis focused on general loans and was therefore based on data obtained from the 2023 NFSs of the non-financial companies to which the Bank has exposure. In the case of groups of companies, the eligibility and alignment percentages calculated for the Parent Company are also applied when the exposure refers to a subsidiary, subject to verification that the subsidiary is actually consolidated in the parent company's financial statements.

b. Exposures to households

This analyses how many of the loans to households secured by real estate are EU Taxonomy-eligible and/or aligned. Exposures to households are broken down, in accordance with Regulation (EU) 2021/2139, into:

1. Loans secured by residential property;
2. Building renovation loans;
3. Motor vehicle loans.



It should be noted that minimum safeguards are not taken into account for the reporting period in question, as the methods of their application have yet to be established by the Regulator.

In the processing, the Bank allocated part of its exposures to households to the following assets described by the EU Taxonomy:

- 6.5 - Transport by motorbikes, cars and light commercial vehicles;
- 7.1 - Construction of new buildings;
- 7.2 - Renovation of existing buildings;
- 7.6 - Installation, maintenance and repair of renewable energy technologies; in this specific case, financing for the purchase of photovoltaic panels falls into this category;
- 7.7 - Purchase and ownership of buildings; new buildings are excluded; for them, the requirements of activity 7.1 must be met.

In line with the information currently available, for the current year, the Bank was able to verify Taxonomy alignment only for exposures attributed to activity 7.7.

c. Exposures to local governments

They refer to assets supporting public authority-related projects, divided into:

1. Public housing finance, which includes in particular loans granted by credit institutions to local governments for the purpose of financing the purchase of a family's place of residence in the municipality;
2. Other local government financing, which includes loans granted to local governments for the purpose of financing any activity other than the purchase of a family's place of residence in the municipality.

d. Guarantees obtained by taking possession: residential and non-residential properties

The ratio of commercial and residential real estate collateral is represented in respect of which the Bank exercises a right over the mortgaged property, thereby becoming the owner of the property (recovered collateral), and which meets the technical screening criteria set out in Annex I, paragraph 7.7 of EU Delegated Regulation 2021/2139, to the total commercial and residential real estate collateral recovered.

The alignment of this type of collateral to the EU Taxonomy is verified according to the same process used for "Loans secured by residential property", as compliance with the criteria in Activity 7.7 "Purchase and ownership of buildings" is required.

2. Assets excluded from the numerator for GAR calculation (included in the denominator)

The following is a list of the types of assets that in the GAR calculation are excluded from the numerator while being included in the denominator.





Exposures to non-NFRD counterparties

Exposures to companies not subject to NFRD are not included in the numerator of the GAR and are broken down, in accordance with Delegated Regulation (EU) 2021/2178 and Delegated Regulation (EU) 2023/2486, into:

1. Financial companies, SMEs and other non-financial companies (other than SMEs) not subject to NFRD reporting requirements;
2. Third-country counterparties not subject to NFRD reporting requirements.

Exposures to other asset classes

Also excluded from the numerator of the GAR calculation are exposures to other asset classes, which, pursuant to Delegated Regulation (EU) 2021/2178 and Delegated Regulation (EU) 2023/2486, are divided into:

1. Derivatives;
2. Interbank loans on demand;
3. Cash and cash assets;
4. Other asset categories (tangible, intangible and other assets).

The exposures mentioned, included in the denominator but not in the numerator in the GAR calculation, are not eligible, nor consequently aligned, to the EU Taxonomy.

3. Exclusions from GAR calculation

Delegated Regulation (EU) 2021/2178 stipulates that exposures to central governments, central banks and supranational issuers are excluded from the calculation of the numerator and denominator of key performance indicators.

4. Off-balance

A complementary analysis is performed concerning the level of association with EU Taxonomy-aligned economic activities of off-balance sheet exposures that the Bank manages, which direct, or contribute to directing, capital flows to economic activities whose environmental Sustainability can be assessed as compliant with the EU Taxonomy, including:

1. Financial guarantees, for which the GAR corresponds to the ratio of financial guarantees securing EU Taxonomy-aligned debt instruments financing economic activities and all financial guarantees backing corporate debt instruments;
2. Managed financial assets, for which the GAR corresponds to the ratio of managed financial assets (debt and equity instruments) financing EU Taxonomy-aligned economic activities to total managed financial assets (debt and equity instruments).



The market value of the portfolio of managed financial assets is shown net of cash and government bonds. For this type of exposure, the Bank focused its analysis of eligibility for and alignment on data obtained from the NFSs of NFRD counterparties.

However, while these analyses carried out at 31 December 2024 are included in the calculation of the Group's Taxonomy-aligned activities within the Sustainability Report (CSRD), the relevant information is not required in the uniform GAR reporting templates (6, 7 and 8) published in this Pillar 3 Disclosure.

Table 114 - Template 6: Summary of key performance indicators (KPIs) on Taxonomy-aligned exposures

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	1.58%	0.00%	1.58%	72.12%
GAR flow	1.72%	0.00%	1.72%	84.99%

* % of assets covered by KPI on the total assets of the banks

Source: FINREP reporting base: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

The table above presents a set of GAR metrics that provide a summary overview of exposures aligned to the first two environmental objectives defined by the Taxonomy: climate change mitigation and adaptation. The percentages of aligned exposures are represented both as stock volumes measured at 31 December 2024 and as flow volumes generated during the reporting period (baseline year 2024) within the Group's banking book.





(in millions of euro)

Table 115 - Template 7: Mitigation actions: assets for GAR calculation (1 of 3)

		a	b	c	d	e	f	
		Total gross carrying amount	Disclosure reference date: 31/12/2024					
			Climate Change Mitigation (CCM)					
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
			Of which environmentally sustainable (Taxonomy-aligned)					
				Of which specialised lending	Of which transitional	Of which enabling		
GAR - Covered assets in both numerator and denominator								
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	16,897	8,962	657	210	13	122	
2	Financial corporations	2,254	360	36	-	2	3	
3	Credit institutions	1,444	297	20	-	2	3	
4	Loans and advances	215	46	3	-	-	-	
5	Debt securities, including UoP	1,228	251	17	-	1	2	
6	Equity instruments	-	-	-		-	-	
7	Other financial corporations	810	63	15	-	-	-	
8	of which investment firms	719	42	13	-	-	-	
9	Loans and advances	355	-	-	-	-	-	
10	Debt securities, including UoP	365	42	13	-	-	-	
11	Equity instruments	-	-	-		-	-	
12	of which management companies	58	14	1	-	-	-	
13	Loans and advances	-	-	-	-	-	-	
14	Debt securities, including UoP	21	4	1	-	-	-	
15	Equity instruments	37	11	1		-	-	
16	of which insurance undertakings	33	6	1	-	-	-	
17	Loans and advances	-	-	-	-	-	-	
18	Debt securities, including UoP	33	6	1	-	-	-	
19	Equity instruments	-	-	-		-	-	
20	Non-financial corporations subject to NFRD disclosure obligations	2,352	671	412	-	11	119	
21	Loans and advances	1,841	448	241	-	6	61	
22	Debt securities, including UoP	450	210	169	-	4	58	
23	Equity instruments	61	13	1		-	-	
24	Households	12,287	7,928	210	210	-	-	
25	of which loans collateralised by residential immovable property	8,726	7,723	210	210	-	-	
26	of which building renovation loans	51	51	-	-	-	-	
27	of which motor vehicle loans	55	55	-	-	-	-	
28	Local governments financing	4	4	-	-	-	-	



(in millions of euro)

Table 115 - Template 7: Mitigation actions: assets for GAR calculation (1 of 3)

		a	b	c	d	e	f	
		Total gross carrying amount	Disclosure reference date: 31/12/2024					
			Climate Change Mitigation (CCM)					
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
			Of which environmentally sustainable (Taxonomy-aligned)				Of which transitional	Of which enabling
	Of which specialised lending							
29	Housing financing	2	2	-	-	-	-	
30	Other local governments financing	3	3	-	-	-	-	
31	Collateral obtained by taking possession: residential and commercial immovable properties	13	-	-	-	-	-	
32	TOTAL GAR ASSETS	16,910	8,962	657	210	13	122	
Assets excluded from the numerator for GAR calculation (covered in the denominator)								
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	22,632						
34	Loans and advances	20,836						
35	Debt securities	1,005						
36	Equity instruments	791						
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	534						
38	Loans and advances	512						
39	Debt securities	22						
40	Equity instruments	-						
41	Derivatives	2						
42	On demand interbank loans	227						
43	Cash and cash-related assets	178						
44	Other assets (e.g. Goodwill, commodities etc.)	1,118						
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	41,602						
Other assets excluded from both the numerator and denominator for GAR calculation								
46	Sovereigns	12,263						
47	Central banks exposure	3,646						
48	Trading book	174						
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	16,083						
50	TOTAL ASSETS	57,685						

Source: FINREP reporting base: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database





(in millions of euro)

Table 116 - Template 7: Mitigation actions: assets for GAR calculation (2 of 3)

	g	h	i	j	k
	Disclosure reference date: 31/12/2024				
	Climate Change Adaptation (CCA)				
	Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
	Of which environmentally sustainable (Taxonomy-aligned)				
			Of which specialised lending	Of which adaptation	Of which enabling
GAR - Covered assets in both numerator and denominator					
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	6	-	-	-
2	Financial corporations	4	-	-	-
3	Credit institutions	-	-	-	-
4	Loans and advances	-	-	-	-
5	Debt securities, including UoP	-	-	-	-
6	Equity instruments	-		-	-
7	Other financial corporations	3	-	-	-
8	<i>of which investment firms</i>	3	-	-	-
9	Loans and advances	-	-	-	-
10	Debt securities, including UoP	3	-	-	-
11	Equity instruments	-		-	-
12	<i>of which management companies</i>	-	-	-	-
13	Loans and advances	-	-	-	-
14	Debt securities, including UoP	-	-	-	-
15	Equity instruments	-		-	-
16	<i>of which insurance undertakings</i>	-	-	-	-
17	Loans and advances	-	-	-	-
18	Debt securities, including UoP	-	-	-	-
19	Equity instruments	-		-	-
20	Non-financial corporations (subject to NFRD disclosure obligations)	3	-	-	-
21	Loans and advances	1	-	-	-
22	Debt securities, including UoP	2	-	-	-
23	Equity instruments	-		-	-
24	Households				
25	<i>of which loans collateralised by residential immovable property</i>				
26	<i>of which building renovation loans</i>				
27	<i>of which motor vehicle loans</i>				
28	Local governments financing	-	-	-	-



(in millions of euro)

Table 116 - Template 7: Mitigation actions: assets for GAR calculation (2 of 3)

		g	h	i	j	k
		Disclosure reference date: 31/12/2024				
		Climate Change Adaptation (CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
		Of which environmentally sustainable (Taxonomy-aligned)				
				Of which specialised lending	Of which adaptation	Of which enabling
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	TOTAL GAR ASSETS	6	-	-	-	-
Assets excluded from the numerator for GAR calculation (covered in the denominator)						
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)					
Other assets excluded from both the numerator and denominator for GAR calculation						
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR					
50	TOTAL ASSETS					

Source: FINREP reporting base: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database





(in millions of euro)

Table 117 - Template 7: Mitigation actions: assets for GAR calculation (3 of 3)

		l	m	n	o	p
		Disclosure reference date: 31/12/2024				
		TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
		Of which environmentally sustainable (Taxonomy-aligned)				
			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
GAR - Covered assets in both numerator and denominator						
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	8,968	657	210	13	123
2	Financial corporations	363	36	-	2	3
3	Credit institutions	297	20	-	2	3
4	Loans and advances	46	3	-	-	-
5	Debt securities, including UoP	251	17	-	1	2
6	Equity instruments	-	-		-	-
7	Other financial corporations	66	15	-	-	-
8	of which investment firms	45	13	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	45	13	-	-	-
11	Equity instruments	-	-		-	-
12	of which management companies	15	1	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	4	1	-	-	-
15	Equity instruments	11	1		-	-
16	of which insurance undertakings	6	1	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	6	1	-	-	-
19	Equity instruments	-	-		-	-
20	Non-financial corporations (subject to NFRD disclosure obligations)	673	412	-	11	120
21	Loans and advances	449	242	-	6	61
22	Debt securities, including UoP	211	169	-	4	58
23	Equity instruments	13	1		-	-
24	Households	7,928	210	210	-	-
25	of which loans collateralised by residential immovable property	7,723	210	210	-	-
26	of which building renovation loans	51	-	-	-	-
27	of which motor vehicle loans	55	-	-	-	-
28	Local governments financing	4	-	-	-	-
29	Housing financing	2	-	-	-	-
30	Other local governments financing	3	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	TOTAL GAR ASSETS	8,968	657	210	13	123
Assets excluded from the numerator for GAR calculation (covered in the denominator)						
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)					



(in millions of euro)

Table 117 - Template 7: Mitigation actions: assets for GAR calculation (3 of 3)

		l m n o p		
		Disclosure reference date: 31/12/2024		
		TOTAL (CCM + CCA)		
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)		
		Of which environmentally sustainable (Taxonomy-aligned)		
		Of which specialised lending	Of which transitional/adaptation	Of which enabling
34	Loans and advances			
35	Debt securities			
36	Equity instruments			
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)			
38	Loans and advances			
39	Debt securities			
40	Equity instruments			
41	Derivatives			
42	On demand interbank loans			
43	Cash and cash-related assets			
44	Other assets (e.g. Goodwill, commodities etc.)			
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)			
Other assets excluded from both the numerator and denominator for GAR calculation				
46	Sovereigns			
47	Central banks exposure			
48	Trading book			
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR			
50	TOTAL ASSETS			

Source: FINREP reporting base: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

The table above provides information on the gross book value at 31 December 2024 of loans and advances, debt securities and equity instruments in the banking book - with a breakdown of information by type of counterparty, including financial companies, non-financial companies, households, local governments - as well as real estate loans to households, together with information on eligibility for and alignment to the Taxonomy.

Such exposures may be divided into several categories, depending on the use of the proceeds of the financing activity (e.g. general or special purpose financing). The assets are further detailed as follows:

- *transition activities*, i.e. activities that cannot yet be replaced by low-carbon, technologically and economically accessible alternatives, but that contribute to climate change mitigation and can play an important role in the transition to a climate-neutral economy;
- *enabling activities*, i.e. those that directly enable other activities to make a substantial contribution to an environmental objective of the Taxonomy;
- *adaptation activities*, i.e. those activities that can substantially contribute to climate adaptation solutions, either by reducing the risks of adverse climate effects or by preventing or reducing the risk of such effects on future generations and the environment.



**Table 118 - Template 8: GAR (%) (1 of 2)**

		a	b	c	d	e
		Disclosure reference date 31/12/2024: KPIs on stock				
		Climate Change Mitigation (CCM)				
% (compared to total covered assets in the denominator)		Proportion of eligible assets funding taxonomy relevant sectors				
		Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling
1	GAR	21.54%	1.58%	0.50%	0.03%	0.29%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	21.54%	1.58%	0.50%	0.03%	0.29%
3	Financial corporations	0.86%	0.09%	0.00%	0.00%	0.01%
4	Credit institutions	0.71%	0.05%	0.00%	0.00%	0.01%
5	Other financial corporations	0.15%	0.04%	0.00%	0.00%	0.00%
6	<i>of which investment firms</i>	<i>0.10%</i>	<i>0.03%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
7	<i>of which management companies</i>	<i>0.03%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
8	<i>of which insurance undertakings</i>	<i>0.01%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
9	Non-financial corporations subject to NFRD disclosure obligations	1.61%	0.99%	0.00%	0.03%	0.29%
10	Households	19.06%	0.50%	0.50%	0.00%	0.00%
11	<i>of which loans collateralised by residential immovable property</i>	<i>18.56%</i>	<i>0.50%</i>	<i>0.50%</i>	<i>0.00%</i>	<i>0.00%</i>
12	<i>of which building renovation loans</i>	<i>0.12%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
13	<i>of which motor vehicle loans</i>	<i>0.13%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
14	Local government financing	0.01%	0.00%	0.00%	0.00%	0.00%
15	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%
16	Other local governments financing	0.01%	0.00%	0.00%	0.00%	0.00%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.00%	0.00%	0.00%	0.00%	0.00%

Source: FINREP reporting base: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database



f	g	h	i	j	k	l	m	n	o	p	
Disclosure reference date 31/12/2024: KPIs on stock											
Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)					
Proportion of eligible assets funding taxonomy relevant sectors						Proportion of eligible assets funding taxonomy relevant sectors					
Of which environmentally sustainable						Of which environmentally sustainable					
		Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	Proportion of total assets covered	
0.01%	0.00%	0.00%	0.00%	0.00%	21.56%	1.58%	0.50%	0.03%	0.29%	72.12%	
0.01%	0.00%	0.00%	0.00%	0.00%	21.56%	1.58%	0.50%	0.03%	0.29%	29.31%	
0.01%	0.00%	0.00%	0.00%	0.00%	0.87%	0.09%	0.00%	0.00%	0.01%	3.91%	
0.00%	0.00%	0.00%	0.00%	0.00%	0.71%	0.05%	0.00%	0.00%	0.01%	2.50%	
0.01%	0.00%	0.00%	0.00%	0.00%	0.16%	0.04%	0.00%	0.00%	0.00%	1.40%	
0.01%	0.00%	0.00%	0.00%	0.00%	0.11%	0.03%	0.00%	0.00%	0.00%	1.25%	
0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.10%	
0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.06%	
0.01%	0.00%	0.00%	0.00%	0.00%	1.62%	0.99%	0.00%	0.03%	0.29%	4.08%	
					19.06%	0.50%	0.50%	0.00%	0.00%	21.30%	
					18.56%	0.50%	0.50%	0.00%	0.00%	15.13%	
					0.12%	0.00%	0.00%	0.00%	0.00%	0.09%	
					0.13%	0.00%	0.00%	0.00%	0.00%	0.10%	
					0.01%	0.00%	0.00%	0.00%	0.00%	0.01%	
					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	
					0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	





Table 119 - Template 8: GAR (%) (2 of 2)

		q	r	s	t	u
		Disclosure reference date 31/12/2024: KPIs on flows				
		Climate Change Mitigation (CCM)				
% (compared to total covered assets in the denominator)		Proportion of eligible assets funding taxonomy relevant sectors				
		Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling
1	GAR	16.72%	1.72%	0.29%	0.04%	0.35%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	16.72%	1.72%	0.29%	0.04%	0.35%
3	Financial corporations	0.51%	0.04%	0.00%	0.00%	0.00%
4	Credit institutions	0.50%	0.03%	0.00%	0.00%	0.00%
5	Other financial corporations	0.01%	0.00%	0.00%	0.00%	0.00%
6	<i>of which investment firms</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
7	<i>of which management companies</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
8	<i>of which insurance undertakings</i>	<i>0.01%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
9	Non-financial corporations subject to NFRD disclosure obligations	2.26%	1.39%	0.00%	0.04%	0.34%
10	Households	13.95%	0.29%	0.29%	0.00%	0.00%
11	<i>of which loans collateralised by residential immovable property</i>	<i>13.52%</i>	<i>0.29%</i>	<i>0.29%</i>	<i>0.00%</i>	<i>0.00%</i>
12	<i>of which building renovation loans</i>	<i>0.09%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
13	<i>of which motor vehicle loans</i>	<i>0.21%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
14	Local government financing	0.00%	0.00%	0.00%	0.00%	0.00%
15	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%
16	Other local governments financing	0.00%	0.00%	0.00%	0.00%	0.00%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.00%	0.00%	0.00%	0.00%	0.00%

Source: FINREP reporting base: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database



v	w	x	y	z	aa	ab	ac	ad	ae	af
Disclosure reference date 31/12/2024: KPIs on flows										
Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
Of which environmentally sustainable				Of which environmentally sustainable						
		Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling	
0.00%	0.00%	0.00%	0.00%	0.00%	16.73%	1.72%	0.29%	0.04%	0.35%	84.99%
0.00%	0.00%	0.00%	0.00%	0.00%	16.73%	1.72%	0.29%	0.04%	0.35%	27.37%
0.00%	0.00%	0.00%	0.00%	0.00%	0.51%	0.04%	0.00%	0.00%	0.00%	2.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	0.03%	0.00%	0.00%	0.00%	1.95%
0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.04%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.04%
0.00%	0.00%	0.00%	0.00%	0.00%	2.26%	1.39%	0.00%	0.04%	0.34%	6.55%
					13.95%	0.29%	0.29%	0.00%	0.00%	18.82%
					13.52%	0.29%	0.29%	0.00%	0.00%	12.34%
					0.09%	0.00%	0.00%	0.00%	0.00%	0.08%
					0.21%	0.00%	0.00%	0.00%	0.00%	0.18%
					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%





The table above shows, as a percentage of the total, the portion of assets financed by the Group at 31 December 2024 that can be considered "environmentally sustainable" in accordance with Articles 3 and 9 of Regulation (EU) 2020/852. In particular, evidence of the following is provided for each macro-category of assets covered by the GAR and for each of the environmental objectives of the Taxonomy (climate change mitigation and adaptation):

- the share of the stock of assets that at the reference date finance economic activities that comply with the environmental objectives of the Taxonomy ("eligible") in relation to the total assets covered by the GAR;
- the percentage of new assets generated during the reporting period (year 2024) that finance economic activities that comply with the environmental objectives of the Taxonomy ("eligible") in relation to the total assets covered by the GAR.

Table 120 - Template 10: Other climate change-related mitigation actions not covered by Regulation (EU) 2020/852

a	b	c	d	e	f
Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Financial corporations	513	Climate change transition risk		
2	Non-financial corporations	154	Climate change transition risk		
3	<i>Of which Loans collateralised by commercial immovable property</i>				
4	Households				
5	<i>Of which Loans collateralised by residential immovable property</i>				
6	<i>Of which building renovation loans</i>				
7	Other counterparties	582	Climate change transition risk		
8	Financial corporations	5	Climate change transition risk		
9	Non-financial corporations	580	Climate change transition risk		
10	<i>Of which Loans collateralised by commercial immovable property</i>	313	Climate change transition risk		
11	Households	181	Climate change transition risk		
12	<i>Of which Loans collateralised by residential immovable property</i>	106	Climate change transition risk		
13	<i>Of which building renovation loans</i>	25	Climate change transition risk		
14	Other counterparties				

Source: FINREP reporting base: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database



The purpose of the disclosures required by *Template 10 - Other climate change-related mitigation actions not covered by Regulation (EU) 2020/852* is to describe climate change-related mitigation actions implemented by institutions and to represent customer exposures that are intended to support counterparties in achieving their climate change mitigation and adaptation objectives but are not aligned with the "Taxonomy" standards set out in Regulation (EU) 2020/852 (and therefore not included in the calculation of the GAR and BTAR metrics to be published in the future).

(*1) Credit products deemed eligible according to the Bank's Green Bond framework as per specific guidelines issued by ICMA (International Capital Market Association) are counted towards the compilation of Template 10. For financial year 2024, 867 million euro of loans was eligible for recognition for environmental mitigation purposes, of which 101 million euro is aligned in accordance with Regulation (EU) 2020/852 and eliminated from this template. Overall, 766 million euro derives from financial companies, non-financial companies and households whose financeable or refinanceable economic activities are covered by the above-mentioned green bond issuance programme and who meet the following eligibility criteria:

- *Green Building*: loans or assets for the purchase, construction and renovation of residential and/or commercial buildings that meet energy efficiency requirements;
- *Renewable Energy*: loans for the acquisition, development and management of infrastructure for the production of energy from renewable sources;
- *Clean Transportation*: loans for low-carbon transport activities and the acquisition, as well as construction and operation of dedicated low-carbon transport infrastructure;
- *Energy Efficiency*: loans for goods that contribute to reducing energy consumption (e.g. energy-saving lighting);
- *Environmentally sustainable management of living natural resources and land use*: loans for activities that contribute to the sustainable management of natural resources and land use (e.g. investments in protected areas such as regional nature parks);
- *Pollution prevention and control*: loans for activities that contribute to the prevention, collection, disposal and recycling of waste;
- *Sustainable Water and Wastewater Management*: loans for activities that improve the quality, efficiency, distribution and conservation of water.

(*2) The amounts for bonds refer to those identified as green, held in the portfolio for a combined total of approximately 1.249 billion euro. In line with the objectives of Template 10, debt instruments deemed to be aligned under Regulation (EU) 2020/852, amounting to approximately 146 million euro, already accounted for in Template 7 - Mitigating actions: Assets for GAR calculation, were eliminated.

In addition to the above-mentioned loan and bond volumes, the Bank also has 1,000 million euro in loans for the 110% SuperBonus, not accounted for in this Template.



Section 13

Disclosure of exposures to counterparty risk (articles 438 and 439 CRR/CRR II)

Pursuant to the supervisory provisions, counterparty risk is the risk that the counterparty to a transaction involving certain financial instruments might default before making full settlement.

For the determination of the related «Pillar 1» capital requirement, the regulation dictates specific rules for quantifying the value of exposures, while referring to the rules on credit risk for an indication of the weighting factors.

In accordance with the legislative provisions and for regulatory purposes, counterparty risk is measured for the following categories of transactions:

- OTC financial derivatives;
- Securities Financing Transactions (SFT), such as repurchase and reverse repurchase agreements on securities or commodities, lending or borrowing operations of securities or commodities and loans with margins;
- Long Settlement Transactions (LST), forward transactions in which a counterparty undertakes to deliver (or receive) a security, commodity or foreign currency against the receipt (or delivery) of cash, other financial instruments or goods with settlement on a defined contractual date, later than that established by market practice for transactions of the same kind.

The following characteristics are common to the three types mentioned above:

- they generate an exposure equal to their positive fair value;
- they have a market value that evolves over time according to the underlying market variables;
- they generate an exchange of payments or an exchange of financial instruments or goods against payments.

For the purpose of reducing the value of exposures, the recognition of specific types of contractual compensation is allowed, subject to compliance with the requirements established by the supervisory regulations; specifically:

- bilateral novation agreements for derivative contracts entered into with counterparties (written agreements on the basis of which the reciprocal positions are automatically offset, establishing a single net balance in just one new legally binding contract, which replaces the previous contracts);
- other bilateral netting agreements for derivative contracts (written agreements on the basis of which the reciprocal positions are automatically netted by establishing a single net balance, without any novation);
- bilateral netting agreements between different products (cross-product netting).

Risk management and hedging policies

The Bank enters into derivative instruments with specific counterparties, governed by dedicated framework contracts, so-called "ISDA Master Agreement" (ISDA, International Swaps and Derivatives Association). The possibility of making bilateral offsets between opposite-sign derivative transactions is guaranteed by close-out netting clauses, present both in the framework contracts stipulated with customers, and in the rules governing ISDA contracts for transactions with financial counterparties.

For most of the exposures to financial counterparties, mainly banking institutions, Credit Support Annex (CSA) collateralisation agreements have also been entered into, through which the parties undertake to deliver and receive collateral (for Banca Popolare di Sondrio, they are represented by cash in euro) to cover the risk of default by the counterparty on the uncovered position, the amount of which is restated daily on the basis of the fair value trend of the underlying derivatives.

For derivative contracts transactions, as required by IFRS 13, the fair value of the instruments incorporates the effects of the credit risk of both the counterparty and the contracting Bank. To this end, a model for the valuation of a risk component has been implemented to adjust the pure market value of the instrument. With regard to derivatives with positive mark-to-market adjustment, the additional risk component is known as the Credit Value Adjustment (CVA) and represents the potential loss associated with the counterparty credit risk, while for instruments with negative mark-to-market adjustments the Debit Value Adjustment (DVA) quantifies the Bank's default risk.

In the context of derivative transactions in place at 31 December 2024, no significant impacts are estimated on the amount of collateral guarantees pertaining to the Bank should a downgrade of its credit rating occur (downgrading).

Repurchase agreements may be subject to netting agreements governed by Global Master Repurchase Agreements (GMRA).

The management system for counterparty risk foresees that the Group's operations with the issuers of financial assets held in portfolio (bonds and similar), with banking and institutional counterparties in the context of financial relationships (e.g. repurchase agreements, derivatives, interbank deposits, spot and forward foreign exchange transactions) and with customers operating in OTC derivatives, can only take place after a dedicated internal credit facility has been activated, indicating the maximum risk that can be assumed on each counterparty for specific types of transaction.

In relation to the OTC derivative transactions carried out by customers (people and legal entities), the credit limit is released following a careful assessment of the financial appropriateness of the requested transactions, as well as of any guarantees that can be acquired. The request for granting the limit made by the customer follows the procedure normally used for all technical forms of credit. The riskiness of credit lines of this type always requires an in-depth study of the type of transactions that the customer intends to initiate and their purpose.

The credit limits given to counterparties of financial contracts and to issuers of debt or similar instruments held in portfolio are included in the wider scope of the operating limits granted to these counterparties/issuers, whose analysis of creditworthiness is based primarily on the ratings (external, if any, or assigned internally), as well as on an in-depth examination of the financial and market information available.

From the management point of view, monitoring risk consists of estimating exposure metrics based on the "amount effectively granted"³⁴, suitably weighted by risk coefficients linked to the creditworthiness class to which each counterparty/issuer is assigned.

The exposure to counterparties/issuers must remain within predefined limits, set both on an individual basis for the Parent Company only and on a consolidated basis. At an aggregate level, the overall operations with counterparties/issuers cannot exceed a specific "general limit", from which several granular operating limits derive, respectively expressed in terms of:

- maximum limit to the weighted exposure to the individual counterparty/issuer or group of counterparties/issuers ("Single-counterparty limit");

³⁴ In operating terms, the "amount effectively granted" is the amount, measured at a specific point in time, obtained by multiplying the credit limit granted to counterparties/issuers by a corrective factor corresponding to the higher of the individual credit lines and the amount historically observed, in relation to all the credit lines granted, at a high level of statistical significance.



- maximum limit on all weighted exposures to the top 10 counterparties/issuers, individuals or groups ("Concentration limit");
- maximum limit on all exposures to counterparties/issuers belonging to the same nation, other than Italy, weighted according to the country's macro-class ("Country risk limit").

With regard to the monitoring activity carried out on the limits issued for derivative transactions, the relative use is determined as the sum of two components: the "add-on", i.e. a given percentage of the nominal value of open positions, and the "mark to market", i.e., the replacement value of the instrument, which is continuously updated.

For reasons of prudence, the degree of use of the limits can never be less than the percentage of "add-ons" applied to existing operations.

Wrong-way risk arises when there is a positive correlation between future exposure to a counterparty and a deterioration in its creditworthiness. This risk can be generic, when the probability of counterparty default depends on market factors, or specific, where there are legal or economic links between the risk factors of the exposure and the counterparty.

With regard to OTC derivative exposures, the deterioration of the overall mark-to-market for counterparties that have not signed CSA agreements is monitored on a daily basis by the relevant trading desk through appropriate reports. If the negative mark-to-market approaches the amount of the operating line granted, the relevant branch structure is urged to consider an increase in the counterparty ceiling where the customer's creditworthiness conditions are ascertained or upon presentation of collateral by the customer. In case of failure to apply for an increase in the ceiling, or failure to obtain the request, if the negative mark-to-market exceeds the amount of the line granted, early settlement of the outstanding derivatives with the counterparty will be carried out ex officio, as stipulated in the Framework Agreement in place.

* * *

The tables below show the Group's exposure profile to Counterparty Credit Risk (CCR) at 31 December 2024, 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 any 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";
- an account of exposures to central counterparties due to transactions, margins and contributions to collateral funds and the associated capital requirements.

Table 121 - Template EU CCR1: Analysis of CCR exposure by approach (1 of 2)

		a	b	c	d
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4
EU-2	EU - Simplified SA-CCR (for derivatives)	18,735	25,421		1.4
1	SA-CCR (for derivatives)	17,216	22,482		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 31/12/2024				

Source: COREP reporting framework - 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 (Effective EPE)*: 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 Effective EPE shown in the table is that applied for the determination of own funds requirements in accordance with article 284(3) of the CRR, i.e. Effective EPE calculated using current market data or Effective EPE calculated using a stress calibration, whichever results in a higher own funds requirement.



Table 122 - Template EU CCR1: Analysis of CCR exposure by approach (2 of 2)

		e	f	g	h
		Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	61,846	61,846	61,846	13,417
1	SA-CCR (for derivatives)	55,577	54,811	55,011	26,003
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)	4,267,653	476,256	476,256	131,788
5	VaR for SFTs	-	-	-	-
6	TOTAL AS AT 31/12/2024	4,385,075	592,913	593,113	171,209

Source: COREP reporting framework - 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).
- *Pre-CRM exposure value*: 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.
- *Post-CRM exposure value*: 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.

Table 123 - Template EU CCR2: Transactions subject to own funds requirements for CVA risk

		31/12/2024		31/12/2023	
		a	b	a	b
		Exposure value	RWAs	Exposure value	RWAs
1	TOTAL PORTFOLIOS SUBJECT TO THE ADVANCED METHOD	-	-	-	-
2	(i) VaR component (including the 3x multiplier)		-		-
3	(ii) SVaR component (including the 3x multiplier)		-		-
4	ALL PORTFOLIOS SUBJECT TO THE STANDARDISED METHOD	98,064	10,815	74,100	10,779
EU-4	Based on the original exposure method	-	-	-	-
5	TOTAL SUBJECT TO THE CVA CAPITAL CHARGE	98,064	10,815	74,100	10,779

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

Table 124 - Template EU CCR3 - Standardised approach - CCR exposures by regulatory exposure class and risk weights (1 of 2)

EXPOSURE CLASSES		Classes of credit worthiness (Weighting Factors)					
		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	-	54,568	-	-	426,866	138,171
7	Corporates	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-
11	TOTAL AS AT 31/12/2024	-	54,568	-	-	426,866	138,171
	TOTAL AS AT 31/12/2023	-	21,876	-	-	193,141	42,258

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



Table 125 - 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	-	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	-	-	2,235	-	-	621,840
7	Corporates	-	-	704	-	-	704
8	Retail	-	1,903	-	-	-	1,903
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	3,999	-	-	3,999
11	TOTAL AS AT 31/12/2024	-	1,903	6,938	-	-	628,446
	TOTAL AS AT 31/12/2023	-	1,203	3,764	-	-	262,242

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

Table 126 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Central governments or central banks

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

Table 127 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Institutions

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

Table 128 - Template EU CCR4 - IRB approach: exposures subject to CCR by exposure class and PD range - Corporates (1 of 2)

PD scale	a	b	c
	Exposure value	Exposure weighted average PD (%)	Number of obligors
0.00 to <0.15	5,324	0.1243%	26
0.15 to <0.25	4,747	0.1700 %	24
0.25 to <0.50	2,163	0.3400%	25
0.50 to <0.75	1,453	0.5200%	14
0.75 to <2.50	4,319	1.2457%	15
2.50 to <10.00	559	3.6533%	5
10.00 to <100.00	401	38.1347%	2
100.00 (Default)	1	100.0000%	1
SUBTOTAL (Exposure classes CORPORATES)	18,967	1.3594%	112

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

Table 129 - Template EU CCR4 - IRB approach: exposures subject to CCR by exposure class and PD range - Corporates (2 of 2)

PD scale	d	e	f	g
	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
0.00 to <0.15	26.5812%	1	957	17.9822%
0.15 to <0.25	26.4154%	2	1,390	29.2745%
0.25 to <0.50	26.1448%	2	845	39.0968%
0.50 to <0.75	27.2162%	1	732	50.4168%
0.75 to <2.50	26.8112%	1	3,130	72.4674%
2.50 to <10.00	27.6791%	1	617	110.2271%
10.00 to <100.00	26.5740%	1	687	171.1758%
100.00 (Default)	38.7850%	2	0	20.0680%
SUBTOTAL (Exposure classes CORPORATES)	26.6232%	1	8,359	44.0690%

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



Table 130 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (1 of 2)

PD scale	a	b	c
	Exposure value	Exposure weighted average PD (%)	Number of obligors
0.00 to <0.15	82	0.1020%	5
0.15 to <0.25	-	-	-
0.25 to <0.50	159	0.4548%	3
0.50 to <0.75	15	0.5200%	2
0.75 to <2.50	4	1.7560%	4
2.50 to <10.00	9	5.5600%	3
10.00 to <100.00	-	-	-
100.00 (Default)	-	-	-
SUBTOTAL (Exposure classes RETAIL)	268	0.5431%	17
TOTAL AS AT 31/12/2024	19,235	-	129

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

Table 131 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (2 of 2)

PD scale	d	e	f	g
	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
0.00 to <0.15	29.0890%	-	6	7.4659%
0.15 to <0.25	-	-	-	-
0.25 to <0.50	11.9018%	-	14	8.9424%
0.50 to <0.75	27.2370%	-	3	22.6387%
0.75 to <2.50	10.6150%	-	1	12.9653%
2.50 to <10.00	13.9710%	-	2	20.1648%
10.00 to <100.00	-	-	-	-
100.00 (Default)	-	-	-	-
SUBTOTAL (Exposure classes RETAIL)	18.0302%	-	26	9.6839%
TOTAL AS AT 31/12/2024	-	1	8,385	43.5890%

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

Table 132 - Template EU CCR5: Composition of collateral for CCR exposures (1 of 2)

		a	b	c	d
		Collateral used in derivative transactions			
COLLATERAL TYPE		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Separate	Segregated
1	Cash – domestic currency	-	7,725	-	112,054
2	Cash – other currencies	-	8,744	-	3,931
3	Domestic sovereign debt	-	-	-	-
4	Other sovereign debt	-	-	-	-
5	Government agency debt	-	-	-	-
6	Corporate bonds	-	-	-	-
7	Equity securities	-	-	-	-
8	Other collateral	-	-	-	-
9	TOTAL AS AT 31/12/2024	-	16,469	-	115,985

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

Table 133 - Template EU CCR5: Composition of collateral for CCR exposures (2 of 2)

		e	f	g	h
		Collateral used in SFTs			
COLLATERAL TYPE		Fair value of collateral received		Fair value of collateral received	
		Segregated	Segregated	Segregated	Non separate
1	Cash – domestic currency	-	-	-	764
2	Cash – other currencies	-	-	-	-
3	Domestic sovereign debt	-	-	-	2,192,011
4	Other sovereign debt	-	-	-	-
5	Government agency debt	-	-	-	-
6	Corporate bonds	-	-	-	2,555,594
7	Equity securities	-	-	-	-
8	Other collateral	-	-	-	1,712,059
9	TOTAL AS AT 31/12/2024	-	-	-	6,460,428

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

Table 134 - Template EU CCR6: Credit derivative exposures

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



Table 135 - Template EU CCR7: RWEA flow statements of CCR exposures under the IMM

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

Table 136 - Template EU CCR8: Exposures to CCPs

		31/12/2024	
		a	b
		Exposure value	RWEA
1	EXPOSURES TO QCCPS (TOTAL)		1,381
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	54,568	1,091
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	54,568	1,091
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	14,535	290
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 framework - 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 Organisation of Securities Commissions (IOSCO).

Section 14

Disclosure of exposure to securitisation positions (art. 449 CRR/CRR II)

Own securitisations

Securitisations of non-performing loans

As part of a multi-year strategic programme of measures to contain impaired loans, Banca Popolare di Sondrio completed six securitisation transactions through the bulk sale of non-performing loans in the period 2020-2024.

DIANA SECURITISATION

In the first transaction of June 2020, named "Diana", a portfolio of non-performing loans with a gross value of 999.7 million euro (consisting of 74% secured loans) was sold in a massive manner, with economic effect from 1 April 2019, to the securitisation vehicle named "Diana S.P.V. S.r.l." established pursuant to Law 130/99, which in turn issued three tranches of ABS notes totalling 274 million euro (27.4% of the gross value of the assigned loans):

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

All the notes issued were underwritten by Banca Popolare di Sondrio at the closing of the transaction, and most of them were then offered for subscription on the market. The senior securities were entirely retained by the Bank; for the same, 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.

LUZZATTI SECURITISATION

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

- a senior tranche, rated BBB by the agencies DBRS Morningstar and Scope Ratings, amounting to 109.78 million euro, corresponding to 29.5% of the gross value of the loans disposed. The tranche in question, kept in the portfolio by Banca Popolare di Sondrio, has structural characteristics that make it eligible for the GACS state guarantee;



- a mezzanine tranche of 11.36 million euro, rated CCC by DBRS Morningstar and CC by Scope Ratings, corresponding to 3.1% of the gross value of the loans disposed;
- a junior tranche of 4.55 million euro, equal to 1.2% of the gross value of the loans disposed.

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

LUZZATTI II SECURITISATION

As a continuation of the de-risking and asset quality improvement strategy pursued, in December 2021, the Bank concluded, together with 11 other participating institutions, an additional securitisation transaction of non-performing loans named "Luzzatti II".

The transaction involved the sale, with economic effect from 1 January 2021, of a portfolio of loans classified as non-performing with a gross value of 420.9 million euro (consisting of 57% secured loans) to the securitisation vehicle named "Luzzatti POP NPLs 2021 S.r.l." established pursuant to Law No. 130/1999, an entity which, in turn, issued three tranches of ABS notes attributable to Banca Popolare di Sondrio for a total of 115.62 million euro (27.47% of the gross value of the loans transferred), of which:

- a senior tranche, which was assigned a rating of BBB by the agencies DBRS Morningstar and ARC Ratings, for an amount of 97.71 million euro, corresponding to 23.21% of the gross value of the loans disposed. The tranche in question, retained by the Bank, has structural features of GACS eligibility;
- a mezzanine tranche of 12.79 million euro, equal to 3.04% of the gross value of the loans disposed;
- a junior tranche of 5.12 million euro, equal to 1.21% of the gross value of the loans disposed.

In order to obtain the deconsolidation of the loans disposed, in accordance with the provisions of the applicable sector regulations, 95%, respectively, of the mezzanine and junior tranches were placed with institutional investors, while the remaining 5% was withheld by the selling Bank. Banca Popolare di Sondrio proceeded with derecognition of the portfolio of non-performing loans disposed. For the senior notes, coverage from the Italian State was requested and obtained through the GACS scheme.

LUZZATTI III SECURITISATION

On 29 December 2022, Banca Popolare di Sondrio, together with 14 other participating banks, concluded a new multi-originator securitisation transaction named "Luzzatti III", involving loans classified as non-performing loans for a total gross book value of 545 million euro, of which 242.5 million euro related to the Bank (portfolio consisting of 57% secured loans). The securitisation vehicle company named "Luzzatti POP NPLs 2022 S.r.l." issued three tranches of ABS notes for a total of 65.71 million euro (equal to 27.09% of the value of the loans disposed), broken down as follows:

- a senior tranche amounting to 56 million euro, corresponding to 23.09% of the gross value of the loans disposed, rated Baa1 and BBB+ by the agencies Moody's and Arc Ratings, respectively; the tranche in question, wholly retained by the Bank, presents structural characteristics of eligibility for the GACS and, should this state guarantee be reintroduced, the participating banks will assess the advisability of availing themselves of it;
- a mezzanine tranche of 8.29 million euro, equal to 3.41% of the gross value of the loans disposed;
- a junior tranche of 1.42 million euro, equal to 0.59% of the gross value of the loans disposed.

In order to obtain the deconsolidation of the loans disposed, according to the provisions of the applicable sector legislation, 95%, respectively, of the mezzanine and junior tranches, were successfully placed with institutional investors. The Bank therefore proceeded with derecognition of the portfolio of non-performing loans disposed.

LUZZATTI IV SECURITISATION

On 28 December 2023 Banca Popolare di Sondrio, together with 11 other participants, completed the multi-originator securitisation of non-performing loans designated "Luzzatti POP NPLs 2023" for a total gross book value of 313 million euro.

The transaction entailed the sale, with economic effect from 1 January 2023, of a portfolio of non-performing loans with a gross value of 173.7 million euro to the securitisation vehicle Luzzatti POP NPLs 2023 S.r.l. The securitisation vehicle in turn issued three tranches of ABS notes for a total of 57.13 million euro (equal to 32.88% of the gross value of the loans disposed), of which:

- a senior tranche of 48 million euro, corresponding to 27.85% of the gross value of the loans disposed, which were rated BBB+ and BBB (high) by the agencies ARC Ratings and Morningstar DBRS, respectively;
- a mezzanine tranche of 6.86 million euro, equal to 3.95% of the gross value of the loans disposed;
- a junior tranche of 1.87 million euro, equal to 1.08% of the gross value of the loans disposed.

In order to obtain the deconsolidation of the loans disposed, according to the provisions of the applicable sector legislation, 95%, respectively, of the mezzanine and junior tranches, were successfully placed with institutional investors. The conditions for the derecognition of the transferred non-performing loan portfolio have therefore been met.

LUZZATTI V SECURITISATION

In December 2024, the Bank carried out the fifth securitisation through a multi-originator sale, relating to credits classified as bad loans originating from 8 banks and a financial institution, for a total value of around 205 million in terms of gross book value, of which 28.6 million attributable to Banca Popolare di Sondrio.

The payment of the purchase price by the vehicle company, specifically established pursuant to Law 130 of 30 April 1999, called "Luzzatti POP NPLs 2024 Srl" (SPV) was financed by issuing asset-backed securities for a total nominal value of 56.35 million euro, split as follows:

- a senior tranche (Class A) for 47.85 million euro, with investment grade rating (BBB (high) assigned by Morningstar DBRS and BBB+ assigned by ARC Ratings. The tranche in question, retained by Banca Popolare di Sondrio S.p.A., presents structural characteristics of eligibility for the GACS and, should this state guarantee be reintroduced, the participating banks will assess whether to avail themselves of it. These securities carry a fixed yield of 3.5%;
- a mezzanine tranche (Class B) for 7.0 million euro, unrated, with a yield equal to the sum of an annual spread of 10% and the 6-month Euribor;
- a junior tranche (Class J) for 1.5 million euro, unrated, with a yield equal to the 6-month Euribor plus an annual spread of 15% and any variable yield based on the performance of the securitisation.

On 19 December 2024, the issue date of the securities, the originating banks subscribed 100% of the senior notes and in application of the retention rule provided for by Article 405 of the CRR, each of the originating banks maintained a stake of not less than 5% of the mezzanine and junior tranches. The rest of the mezzanine and junior securities were subscribed by third-party investors. The conditions for the derecognition of the transferred non-performing loans from the balance sheet have therefore been met insofar as the rights and benefits relating thereto have been substantially transferred.



Securitisations of performing loans

CENTRO DELLE ALPI SME SELF-SECURITISATION

On 16 June 2023, Banca Popolare di Sondrio, as part of its management of medium-/long-term interbank funding, finalised a securitisation transaction of receivables arising from loans granted and yet to be granted to small and medium-sized enterprises for a total value of 3.2 billion euro. The transaction provides for the assignment without recourse, pursuant to Law 130 of 30 April 1999, of an initial portfolio of loans and additional portfolios of loans to the securitisation vehicle Centro delle Alpi SME S.r.l., which was set up for this purpose.

The transaction entailed the sale of an initial portfolio of loans - classified as "performing" in accordance with current supervisory regulations - for a gross book value of approximately 1,554 million euro, of which 40.9% were mortgages, 44.8% were unsecured loans guaranteed by the Central Guarantee Fund, and the remaining 14.3% were unsecured loans.

The SPV issued six classes of notes, all with a legal maturity of July 2060, for 1,576 million euro, divided into three tranches:

- a senior tranche, totalling 1,127 million euro, allocated as follows:
 - *Class A1*, outstanding amount 941 million euro (variable coupon);
 - *Class A2*, outstanding amount 73 million euro (fixed coupon);
 - *Class A3, partly paid*³⁵, outstanding amount of 105 million euro (variable coupon);
 - *Class A4, partly paid*, outstanding amount of 8 million euro (fixed coupon);
- a mezzanine tranche of Class M securities, partly paid, outstanding amount 142 million euro (variable coupon);
- a junior tranche of Class J securities, partly paid, outstanding amount 307 million euro (fixed coupon).

The senior and mezzanine notes are rated by the agencies DBRS Morningstar and Standard & Poor's. In particular:

- classes A1, A2, A3 and A4 were assigned ratings of A by both agencies;
- class M was assigned a rating of BB by the agency DBRS and a rating of BBB by the agency Standard & Poor's.

In addition, these securities were admitted to trading on the ExtraMOT PRO professional segment of the ExtraMOT market managed by Borsa Italiana. The junior class is unrated and unlisted.

All the notes were initially subscribed in full by the Bank, which can use them as collateral in its refinancing operations with the Eurosystem, thus configuring a transaction that can be defined as "self-securitisation"³⁶. On 30 June 2023, the notes belonging to the senior tranche became ECB-eligible.

The transaction envisages, for a predefined period, the possibility for the originator bank to sell to the vehicle company further portfolios of loans with characteristics similar to the loans of the first portfolio sold up to the total value of the transaction (revolving period), in compliance with specific eligibility conditions and concentration limits, which may be financed through the collections of the loans included in the portfolios purchased, or through further drawdowns of ABS securities against the partly paid notes already issued.

³⁵ The partly paid notes are ABS bonds with principal not fully paid up at the time of issuance which provide for the payment of the remaining principal in one or more specified instalments. If a bearer of the notes fails to pay any instalment due by the due date, the issuing vehicle may renounce such notes without being subject to any further obligation to the bearer in respect thereof.

³⁶ Credit self-securitisations are transactions carried out with the objective of achieving an improvement in liquidity risk management by optimising the amount of assets immediately available to meet liquidity needs. The assigning Bank's direct and full underwriting of the securities issued by the vehicles, while not allowing it to obtain direct liquidity from the market, nevertheless provides securities that can be used for refinancing operations with the Central Bank and for repurchase agreements on the market, improving the safety margin against the liquidity risk of the originator. These disposals typically do not have any economic impact on the bank balance sheet: the assigned assets continue to be shown under assets, while subscribed securities are not represented.

Since the Bank retains all risks and rewards from the securitisation, the transaction does not qualify as a transfer of risk. Therefore, the conditions for the derecognition of the securitised receivables are not met and, as a result, the assigned assets will continue to be presented in the Parent Company and consolidated financial statements.

In addition to being the originator of the securitisation transaction, the Bank performs the role of servicer on behalf of the special purpose vehicle, entailing the performance of the administration, management, collection and recovery services of the assigned loans and, more generally, the performance of all the activities envisaged and governed in the contract originally signed with the borrowers. For these activities, the Bank collects servicing fees from the vehicle.

At 31 December 2024, the value of the notes subscribed by the Bank stood at 1,529 million euro for senior notes, 252 million euro for mezzanine notes and 545 million euro for junior notes.

Third-party securitisations

The Group holds, as an investor, exposures in ABS securities related to traditional (not synthetic) securitisations, all of the "Senior" type and deriving from third-party transactions. Such investments, held entirely for purposes other than trading, are classified for accounting purposes in "Financial assets mandatorily measured at fair value" and "Financial assets measured at amortised cost". No guarantees or credit lines are provided on these issues.

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

Since, in almost all cases, the ABS securities held in portfolio do not have an external credit rating (ECAI rating) but given full knowledge of the assets underlying the related investments, the aforementioned SEC-SA methodology is applicable to them, 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 tables below show the Group's exposure to securities deriving from its own and third-party securitisations at 31 December 2024.



Table 137 - Template EU SEC1: Securitisation exposures in the non-trading book (1 of 3)

		a	b	c	d	e
		Institution acts as originator				
		Traditional				Synthetic
		STS		Non-STS		
		Of which SRT		Of which SRT		
1	TOTAL EXPOSURES	-	-	69,587	69,587	419,858
2	Retail (total)	-	-	35,171	35,171	-
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	-
5	other retail exposures	-	-	35,171	35,171	-
6	re-securitisation	-	-	-	-	-
7	Wholesale (total)	-	-	34,416	34,416	419,858
8	loans to corporates	-	-	-	-	419,858
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	-	-	-
11	other wholesale	-	-	34,416	34,416	-
12	re-securitisation	-	-	-	-	-

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

Table 138 - Template EU SEC1: Securitisation exposures in the non-trading book (2 of 3)

		f	g	h	i	j
		Institution acts as originator		Institution acts as sponsor		
		Synthetic	Sub-total	Traditional		Synthetic
		Of which SRT		STS	Non-STS	
1	TOTAL EXPOSURES	419,858	489,445	-	-	-
2	Retail (total)	-	35,171	-	-	-
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	-
5	other retail exposures	-	35,171	-	-	-
6	re-securitisation	-	-	-	-	-
7	Wholesale (total)	419,858	454,274	-	-	-
8	loans to corporates	419,858	419,858	-	-	-
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	-	-	-
11	other wholesale	-	34,416	-	-	-
12	re-securitisation	-	-	-	-	-

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

Table 139 - Template EU SEC1: Securitisation exposures in the non-trading book (3 of 3)

		k	l	m	n	o	
		Institution acts as sponsor	Institution acts as investor				
			Sub-total	Traditional		Synthetic	Sub-total
				STS	Non-STS		
1	TOTAL EXPOSURES	-	3,316	366,763	-	370,079	
2	Retail (total)	-	3,316	13,302	-	16,618	
3	residential mortgage	-	-	-	-	-	
4	credit card	-	-	-	-	-	
5	other retail exposures	-	3,316	13,302	-	16,618	
6	re-securitisation	-	-	-	-	-	
7	Wholesale (total)	-	-	353,461	-	353,461	
8	loans to corporates	-	-	-	-	-	
9	commercial mortgage	-	-	-	-	-	
10	lease and receivables	-	-	353,461	-	353,461	
11	other wholesale	-	-	-	-	-	
12	re-securitisation	-	-	-	-	-	

Source: COREP reporting framework - 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) programs³⁷.

Table 140 - Template EU SEC2: Securitisation exposures in the trading book

The template is not subject to publication given the absence of exposures to securitisation included in the trading book.

Table 141 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as promoter (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 >50% to 100%	1250% RW/ deductions
1	TOTAL EXPOSURES	419,858	-	68,480	-	1,107
2	Traditional transactions	-	-	68,480	-	1,107
3	Securitisation	-	-	68,480	-	1,107
4	Retail underlying	-	-	34,191	-	979
5	Of which STS	-	-	-	-	-
6	Wholesale	-	-	34,289	-	127
7	Of which STS	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-
9	Synthetic transactions	419,858	-	-	-	-
10	Securitisation	419,858	-	-	-	-
11	Retail underlying	-	-	-	-	-
12	Wholesale	419,858	-	-	-	-
13	Re-securitisation	-	-	-	-	-

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

³⁷ 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.

Table 142 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as promoter (2 of 3)

		f	g	h	i	j	k
		Exposure values (by regulatory approach)				RWEA (by regulatory approach)	
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW /deductions	SEC-IRBA	SEC-ERBA (including IAA)
1	TOTAL EXPOSURES	419,858	68,480	-	1,107	62,979	61,632
2	Traditional transactions	-	68,480	-	1,107	-	61,632
3	Securitisation	-	68,480	-	1,107	-	61,632
4	Retail underlying	-	34,191	-	979	-	30,772
5	Of which STS	-	-	-	-	-	-
6	Wholesale	-	34,289	-	127	-	30,860
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	Synthetic transactions	419,858	-	-	-	62,979	-
10	Securitisation	419,858	-	-	-	62,979	-
11	Retail underlying	-	-	-	-	-	-
12	Wholesale	419,858	-	-	-	62,979	-
13	Re-securitisation	-	-	-	-	-	-

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

Table 143 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as promoter (3 of 3)

		l	m	n	o	EU-p	EU-q
		RWEA (by regulatory approach)				Capital charge after cap	
		SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	TOTAL EXPOSURES	-	13,836	5,038	4,931	-	1,107
2	Traditional transactions	-	13,836	-	4,931	-	1,107
3	Securitisation	-	13,836	-	4,931	-	1,107
4	Retail underlying	-	12,244	-	2,462	-	979
5	Of which STS	-	-	-	-	-	-
6	Wholesale	-	1,593	-	2,469	-	127
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	Synthetic transactions	-	-	5,038	-	-	-
10	Securitisation	-	-	5,038	-	-	-
11	Retail underlying	-	-	-	-	-	-
12	Wholesale	-	-	5,038	-	-	-
13	Re-securitisation	-	-	-	-	-	-

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



Table 144 - 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
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)
		RW ≤20%	SEC-IRBA	RW >50% to 100%	RW >100% to <1250%	1250% RW/deductions	SEC-IRBA
1	TOTAL EXPOSURES	356,777	-	-	13,302	-	-
2	Traditional transactions	356,777	-	-	13,302	-	-
3	Securitisation	356,777	-	-	13,302	-	-
4	Retail underlying	3,316	-	-	13,302	-	-
5	Of which STS	3,316	-	-	-	-	-
6	Wholesale	353,461	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-

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

Table 145 - 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
		Exposure values (by regulatory approach)			RWEA (by regulatory approach)	
		SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)
1	TOTAL EXPOSURES	-	370,079	-	-	-
2	Traditional transactions	-	370,079	-	-	-
3	Securitisation	-	370,079	-	-	-
4	<i>Retail underlying</i>	-	16,618	-	-	-
5	Of which STS	-	3,316	-	-	-
6	<i>Wholesale</i>	-	353,461	-	-	-
7	Of which STS	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-
10	Securitisation	-	-	-	-	-
11	<i>Retail underlying</i>	-	-	-	-	-
12	<i>Wholesale</i>	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-

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



Table 146 - 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	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	TOTAL EXPOSURES	181,739	-	-	-	5,399	-
2	Traditional transactions	181,739	-	-	-	5,399	-
3	Securitisation	181,739	-	-	-	5,399	-
4	Retail underlying	128,720	-	-	-	1,158	-
5	Of which STS	332	-	-	-	27	-
6	Wholesale	53,019	-	-	-	4,242	-
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-

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

Table 147 - Template EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk value adjustments

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount	Total amount of specific credit risk adjustments made during the period	
		Of which exposures in default		
1	TOTAL EXPOSURES	4,895,077	2,275,229	46,015
2	Retail (total)	4,212,799	2,023,828	35,429
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	4,212,799	2,023,828	35,429
6	re-securitisation	-	-	-
7	Wholesale (total)	682,278	251,400	10,586
8	loans to corporates	439,743	8,865	10,586
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	242,535	242,535	-
12	re-securitisation	-	-	-

Source: COREP reporting framework - 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 15

Disclosure of operational risk management

(art. 446 CRR/CRR II)

In compliance with the regulatory provisions laid down by current EU regulations, the Group determines the capital requirements against operational risk through the standardised measurement approach (TSA, Traditional Standardised Approach). In this, the capital requirement is determined as the three-year average of the sums - having zero or positive value (or equal to zero in case of a negative value) - of the last three year-end observations of the components making up the so-called "Relevant Indicator," appropriately classified into the regulatory business lines applicable to the company's operations and weighted according to specific multiplier coefficients defined in article 317 of Regulation (EU) No. 575/2013 (CRR).

Line of activities	List of activities (not exhaustive)	Coefficient
Corporate finance services	<ul style="list-style-type: none"> ■ Underwriting of financial instruments or placement of financial instruments on the basis of irrevocable commitment ■ Services related to retained employment ■ Investment consulting ■ Advice to companies on capital structure, business strategy and related matters as well as advice and services concerning mergers and purchase of companies ■ Investment research and financial analysis and other general advice concerning financial instrument transactions 	18%
Trading and sales	<ul style="list-style-type: none"> ■ Own account trading ■ Receiving and sending orders for one or more financial instruments ■ Execution of orders on behalf of customers ■ Placement of financial instruments without irrevocable commitment ■ Management of multilateral trading systems 	18%
Retail brokerage	<ul style="list-style-type: none"> ■ Receiving and sending orders for one or more financial instruments ■ Execution of orders on behalf of customers ■ Placement of financial instruments without irrevocable commitment 	12%
Commercial banking	<ul style="list-style-type: none"> ■ Collection of deposits or other repayable funds ■ Loan transactions ■ Finance leases ■ Issuance of guarantees and signing commitments 	15%
Retail banking	<ul style="list-style-type: none"> ■ Collection of deposits or other repayable funds ■ Loan transactions ■ Finance leases ■ Issuance of guarantees and signing commitments 	12%
Payment and settlement	<ul style="list-style-type: none"> ■ Payment services ■ Issuing and managing means of payment 	18%
Agency services	<ul style="list-style-type: none"> ■ Custody and administration of financial instruments on behalf of customers, including custody and related services such as cash/collateral management 	15%
Asset management	<ul style="list-style-type: none"> ■ Portfolio management ■ Management of UCITS ■ Other forms of asset management 	12%

The following principles set forth in art. 318 of Regulation (EU) No. 575/2013 are also complied with:

- all activities are mapped into the business lines exclusively and comprehensively, with a view to preventing the components of profitability attributable to the same business line from being attributed to more than one business line;
- any activity that cannot be readily allocated or that is ancillary to a main activity attributable to a specific business line follows the allocation criteria provided for the main activity;
- an objective criterion for classifying ancillary activities that fall under more than one line of business is used;
- where an activity cannot be mapped into a specific business line, the business line and any ancillary activities are allocated to the business line with the highest regulatory ratio, with a view to ensuring greater prudence in capital requirement calculation activities;
- internal pricing methods may be used for the purpose of attributing the Relevant Indicator to different business lines, in order to re-attribute costs produced in one business line that are attributable to a different business area and to appreciate the actual contribution of business activities;
- the allocation of assets to different business lines must be consistent with the classifications adopted for credit risk and market risk, with particular reference to customer segmentation criteria.

Table 148 - Template EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,143,848	1,518,766	1,716,738	208,407	2,605,093
3	Subject to TSA:	1,143,848	1,518,766	1,716,738		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Source: COREP reporting framework - Operational Risk: Template C 16.00

* * *

For a description of the strategies, processes, and governance structure for managing operational risk, as well as the measurement systems adopted, see Section 2 above.



Section 16

Disclosure of the use of the standardised approach to market risk (art. 445 CRR/CRR II)

This section provides quantitative evidence on the components of the market risk capital requirement based on the use of the supervisory "Standardised Approach" to which the Group is subject at 31 December 2024.

Table 149 - Template EU MR1: Market risk under the standardised approach

		31/12/2024	31/12/2023
		a	b
		RWEA	RWEA
Outright products			
1	Interest rate risk (general and specific)	148,867	45,308
2	Equity risk (general and specific)	367,567	436,466
3	Foreign exchange risk	-	236,430
4	Commodity risk	5,202	3,132
Options			
5	Simplified approach	-	-
6	Delta-plus approach	1,150	1,169
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	TOTAL	522,786	722,504

Source: COREP reporting framework - 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 exposures to market risk for the purposes of determining capital requirements. Therefore, the following «Pillar 3» template to which the Group would be subject pursuant to article 438, letter h), of the CRR is not subject to publication::

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

* * *

For a description of the strategies, processes, and governance structure for managing market risk, as well as the measurement systems adopted, see Section 2 above.

Section 17

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

The interest rate risk originating from the banking book is given by the possibility that an unexpected change in market interest rates negatively affects the economic value of shareholders' equity ("value" approach or economic value perspective) as well as the profitability of the Group (margin approach or current earnings perspective).

The set of assets and liabilities included in the risk exposure measurements coincides with instruments generating net interest income other than debt securities and tax credits belonging to the regulatory trading portfolio, foreign exchange forwards, interest rate options and interest rate swaps belonging to the regulatory trading portfolio.

A definition of interest rate risk arising from the banking book, together with a description of the associated measurement, mitigation and control processes, is provided in Section 2 of this document.

The monitoring of interest rate risk is based on a set of indicators and a dedicated system of limits and thresholds aimed at guarding against the risk both from the perspective of economic value (indicators "EVE" - Economic Value of Equity) and from the perspective of net interest income and current earnings (indicator "NII" - Net Interest Income).

In particular, the monitoring framework includes: a) two primary level (Level 1) RAF indicators, of a "regulatory" nature; b) two additional complementary level (Level 2) risk indicators, represented by measures of a "managerial" nature; c) a third group of operational level (Level 3) risk indicators of a "managerial" nature.

With reference to the "management" measures, the exposure to interest rate risk is quantified, both in terms of sensitivity of the economic value of shareholders' equity and as sensitivity of net interest income and current profit, considering the evolution scenarios envisaged by the industry guidelines, i.e. the six rate scenarios (shocks) described in the Regulatory Technical Standards EBA/RTS/2022/10 published by the European Banking Authority.

Furthermore, two further hypothetical rate movement scenarios are simulated, designed by the Bank itself, aimed at respectively capturing future market expectations ("ongoing" scenario) and specific particularly adverse situations that have occurred in the past ("historical" scenario).

The quarterly analyses dedicated to the calculation of the "regulatory" metrics, the "Supervisory Outlier Test", are carried out by applying the shocks set out in the Regulatory Technical Standards EBA/RTS/2022/10. More specifically, the Economic Value of Equity (EVE) regulatory metric is calculated by applying the entire set of shocks mentioned, while for the Net Interest Income (NII) regulatory metric, only the two parallel scenarios are applied.



Additional specific prospective rate trend scenarios, contextualised to the market conditions prevailing at the time, are used in the ICAAP stress testing of the main capital, income and financial variables to determine the impacts:

- on the net economic value of assets and liabilities in the banking book;
- on the total net interest income generated by the banking book items and the trading portfolio securities.

The calculation of risk indicators and the verification of compliance with the relevant system of limits and monitoring thresholds take place on a monthly basis, with the exception of the "regulatory" metrics laid down in the sector guidelines published by the European Banking Authority (EBA), for which the official quantification takes place on a quarterly basis, albeit by carrying out monthly monitoring of the indicators calculated with the same methodology but with a proxy relating to Tier 1 for their denominator. In the event of threshold/limit violations, there are differentiated escalation processes according to the RAF level to which the metrics belong.

The Audit function ensures the adequacy of interest rate risk management arrangements and compliance with existing internal and regulatory standards. The Validation function periodically carries out an independent assessment of the correct application of the measurement methodologies used, also verifying the validity of the assumptions in use in the so-called "behavioural models" implemented by the Bank for a more accurate quantification of interest rate risk measures (described in more detail in Section 2 above)³⁸.

The ALM and Investment Committee establishes asset and liability balancing actions to ensure compliance with current interest rate risk targets by, among other things, matching strategies at maturity or repricing dates of assets and liabilities and possible risk hedging strategies through the use of derivative financial instruments.

The guidelines concerning the policies for the measurement, management and control of interest rate risk, as well as aspects relating to the methodology in use and governance are defined in a specific policy document approved by the Bank's Board of Directors.

The Group, when planning its commercial strategies for the collection and deployment of funds from customers, as well as when defining its proprietary investment policies in financial assets and equity investments, pays particular attention to balancing the interest rate risk profile that can be seen across the entire financial statements. The aim of these guidelines is to limit the potential impact on economic capital and income results of any fluctuations in market rates, thereby pursuing direct hedging of interest rate risk between asset and liability transactions. When the commercial dynamics that characterise the banking business generate an exposure that is not in line with the risk propensity, the Group implements the appropriate containment measures by resorting to instruments and techniques suitable for bringing the interest rate risk profile within the desired levels. In relation to this, starting in the financial year 2022, the Bank launched specific initiatives to hedge the interest rate risk arising from the disbursement of fixed-rate mortgages (so-called "Macro Fair Value Hedging") through the signing with market counterparties of dedicated Interest Rate Swap contracts with specific characteristics of duration, amount and rate aligned to the pools of loans being hedged.

The loan relationships in euro granted by the Parent Company and, consequently, their cash flow profile and average repricing maturity are modelled using a statistical approach called "Survival analysis - Full Accelerated Life Model", aimed at predicting the impact on the amount of interest rate risk arising from the early repayment of loans (pre-payment) depending on the interest rate scenarios taken into account in the risk measures.

³⁸ The assumptions and parameters of the "behavioural models" used for the internal measurement systems are the same as those used to generate the regulatory exposures published in the EU IRRBB1 table below.

The survival analysis of active mortgages makes use of a specific behavioural model for different "replication portfolios", i.e. identified clusters of assets differentiated by rate type, loan type and outstanding debt amount. The model assumes that the effect of a key variable can accelerate or decelerate the financial duration of a loan; the variables considered in the modelling are of the following types:

- qualitative (macro-area and sector of economic activity of the borrower, geographical area of the borrower, residual life of the loan, amount of loan debt, age of the borrower, plus an additional variable aimed at capturing, for each loan, the presence of at least one partial early repayment event in the time series);
- macroeconomic (domestic product growth rate, unemployment rate, house price growth rate, inflation rate);
- quantitative (coupon incentive).

The financial profile and average repricing maturity of the so-called "on-demand items" assets (Non-Maturing Assets - NMA) and liabilities (Non-Maturing Deposits - NMD) denominated in euro of the Parent Company and those denominated in euro and Swiss franc of the subsidiary Banca Popolare di Sondrio (SUISSE) are in turn treated using two different behavioural statistical models. The first, called "Minimum Probable Amount", models the expected persistence of asset and liability volumes with no contractual maturity. The second, on the other hand, provides probabilistic estimates of the evolution of the rate conditions applied to "on-demand items".

The combination of the two models makes it possible to determine the average repricing duration of the balance sheet liabilities subject to behavioural modelling.

At 31 December 2024, this maturity for "on-demand items" payable, in euro, was 3.95 years, net of the volatile component, and 2.03 years if overnight transactions are also taken into account (maximum permissible maturity: 20 years). For Swiss franc-denominated "on-demand items" payable, on the other hand, the average repricing term is equivalent to 5.54 years, net of the volatile component; however, if the overnight portion is also taken into account, the average repricing term is reduced to 4.76 years (maximum permissible term: 18 years).

* * *

The table below shows the expected quantitative effects of a change in rates on the future net interest income³⁹ over a twelve-month period and on the value of the shareholders' equity⁴⁰, expressed in thousands of euro and obtained with reference to 31 December 2024 on the basis of rate scenarios defined in Regulatory Technical Standards EBA/RTS/2022/10.

The change in the economic value of total equity is calculated as the sum of the changes obtained in each currency identified as material (Euro and Swiss Franc) by weighting at 50% any "positive contributions" as prescribed in the Regulatory Technical Standards.

The change in future net interest income is calculated on each currency identified as material (Euro and Swiss franc) weighting any "positive contributions" at 50% and using two parallel upwards and downwards scenarios differentiated by currency as defined in the Regulatory Technical Standards.

³⁹ The "future net interest income" is understood as being the difference between the future interest revenues and the future interest expense, calculated on an annual analysis horizon, maintaining the same volumes.

⁴⁰ "Equity" is defined as the difference between the present value of total assets and liabilities, computed on the reference date, assuming inertial volumes.



Table 150 - Template EU IRRBB1: Interest rate risk of non-trading book activities

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
	Current period (2024)	Last period (2023)	Current period (2024)	Last period (2023)
1. Parallel up	(107,974)	51,935	57,024	50,070
2. Parallel down	1,981	(142,825)	(80,305)	(76,480)
3. Steepener	127,596	73,983		
4. Flattener	(104,047)	(62,780)		
5. Short rates up	(78,009)	(23,917)		
6. Short rates down	137,123	48,620		

Source: internal information

The change in the economic value of equity at 31 December 2024 differs significantly from the figures recorded at the end of the previous year as a result of a combination of two main factors.

The first contributing factor relates to the change in the composition of the portfolio of securities assets, which from October 2024 has favoured purchases of fixed-rate bonds, reducing the variable-rate component and consequently increasing the duration of the banking portfolio.

A second contributing factor relates to the introduction, as of 31/12/2024, of tax credits within the interest rate risk framework of the banking book, as an instrument sensitive to changes in interest rates.

With regard to the estimates of changes in net interest income at 31 December 2024, compared to those drawn up at the end of 2023, there were no significant changes. In the "Parallel up" scenario, there is a slight increase in potential gain, while in the "Parallel down" scenario, there is a slight increase in potential loss.

Section 18

Disclosure of encumbered and unencumbered assets (art. 443 CRR/CRR II)

At 31 December 2024, the transactions for which the Group encumbers a part of its financial assets or assets received as collateral on the reference date mainly refer to the following cases:

- securities pledged for repurchase agreements (46.2% of the total);
- residential mortgage loans included in cover pools to guarantee outstanding covered bond issues (20.8% of the total);
- mortgage loans pledged to obtain advances (15.3% of the total);
- "ABACO" mortgage loans pledged to guarantee refinancing operations with the European Central Bank (12.5% of the total);
- securities pledged to the retirement and pension/assistance fund (0.9% of the total);
- securities pledged to obtain mortgage loans from the European Investment Bank (EIB) (0.9% of the total);
- securities pledged to associated/subsidiary companies (0.8% of the total);
- own securities pledged for the issue of cashier's cheques (0.5% of the total);
- other securities and assets pledged (1.8% of the total).

At 31 December 2024, sources of liabilities obtained by the Group for the assets subject to encumbrance are mainly composed of:

- funding from repurchase agreements (73% of the total);
- covered bond issues (13.5% of the total);
- other advances payable (11.7% of the total);
- cashier's cheques in circulation (0.9% of the total);
- mortgage loans from the European Investment Bank (EIB) (0.9% of the total).

The use of guarantees in the context of collateralised financing transactions normally requires that the value of the pledged assets is at all times higher than the amount of the funds raised. In particular, also as part of the Covered Bond Issuance Programme implemented by the Group, it is expected that an additional portion of the pledged portfolio will be kept to cover the bonds issued in order to preserve a stated level of over-collateralisation. At 31 December 2024, the amount of the "cover pool" (residential mortgages) bound to guarantee the outstanding issues exceeds by 1,604.4 million euro (equal to 62.6% of the value of the cover pool at 31 December 2024) the minimum coverage requirement of the regulatory regime for maintaining the current rating by the appointed agency, and by 1,206.9 million euro (equal to 47.1% of the value of the cover pool at 31 December 2024) the highest minimum amount to maintain the rating established on a voluntary basis under the Programme.



The Group monitors with specific management indicators the share of financial assets committed under its contingency and recovery plans. Appropriate attention and early warning thresholds are established in order to promote timely action in the event of an excessive increase in the risk associated with the proportion of captive assets, i.e. resulting from the unavailability of assets that can be readily liquidated through sale, repurchase, disposal under guarantee or securitisation. The performance of these asset encumbrance indicators is reported to the Management and Governing Bodies through production of regular disclosures.

Operations that originate encumbered assets are mainly placed by the Parent Company (about 84%). The subsidiary BPS (SUISSE) contributes to the Group's total encumbered assets to a secondary extent (about 16%). Encumbered assets pertaining to the Swiss investee are denominated in a currency other than the euro (mainly CHF); however, there is no material exposure to exchange rate risk, since the liabilities deriving from the assets subject to encumbrance are denominated in the same currency.

At the intragroup level, we note the establishment by Banca Popolare di Sondrio in favour of its Swiss subsidiary of a security deposit in securities with the Swiss Clearing House aimed at ensuring the adequate development of the subsidiary's operations, in adherence to the prudential orientation of the local Financial Markets Supervisory Authority (FINMA) aimed at protecting Swiss institutions from any negative performance of the parent companies.

The quantitative information shown in the tables below is based on the median values of the quarterly records for 2024. The exposure values considered in the statements are in accordance with the recognition criteria for assets and liabilities disclosed in the financial statements.

It is also specified that the scope of consolidation considered for the purposes of this disclosure on encumbered assets and that used for the application of liquidity requirements on a consolidated basis in accordance with Part Two, Title I, Chapter 2, of the CRR with reference to the definition of the eligibility of EHQLA and HQLA assets are given, for both disclosures, by the entire perimeter of companies belonging to the Banking Group.

Table 151 - Template EU AE1: Encumbered and unencumbered assets (1 of 2)

		Carrying amount of encumbered assets		Fair value of encumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA	
		010	030	040	050
010	ASSETS OF THE REPORTING INSTITUTION	13,793,820	4,246,395	-	-
030	Equity instruments	14,778	-	14,778	-
040	Debt securities	5,169,708	4,246,395	5,142,245	4,221,944
050	<i>of which: covered bonds</i>	19,739	19,739	19,739	19,739
060	<i>of which: asset-backed securities</i>	-	-	-	-
070	<i>of which: issued by general governments</i>	4,225,524	4,163,399	4,199,628	4,139,581
080	<i>of which: issued by financial corporations</i>	518,018	76,649	515,248	76,016
090	<i>of which: issued by non-financial corporations</i>	20,749	3,225	20,837	3,225
120	Other assets	8,609,335	-		

Table 152 - Template EU AE1: Encumbered and unencumbered assets (2 of 2)

		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which EHQLA and HQLA		of which EHQLA and HQLA	
		060	080	090	100
010	ASSETS OF THE REPORTING INSTITUTION	41,128,014	7,546,229		
030	Equity instruments	467,726	4,719	837,238	4,719
040	Debt securities	8,430,943	7,074,185	8,211,411	6,889,117
050	<i>of which: covered bonds</i>	196,650	184,231	189,722	177,122
060	<i>of which: asset-backed securities</i>	436,408	-	442,580	-
070	<i>of which: issued by general governments</i>	6,229,921	6,122,489	6,058,146	5,988,590
080	<i>of which: issued by financial corporations</i>	1,769,092	636,935	1,733,495	605,748
090	<i>of which: issued by non-financial corporations</i>	370,220	303,692	349,376	288,806
120	Other assets	31,740,438	467,324		

Source: FINREP - Asset Encumbrance: Template F 32.01 Assets of the reporting entity - liquid assets



The amounts of encumbered assets shown in column 010 of the above table consist mainly of debt securities, particularly issued by government (3.5 billion euro at 31 December 2024), and loans included in "Other assets" (7.5 billion euro at 31 December 2024), of which they are the predominant component.

The amounts of unencumbered assets shown in column 060 of the table above consist mainly of loans (27.8 billion euro at 31 December 2024 included under "Other assets," of which they are the largest component), debt securities (8.0 billion euro at 31 December 2024) and equity securities (0.5 billion euro at 31 December 2024). These types of assets appear to be potentially usable within the main areas of operation listed above. The other unencumbered assets, amounting to approximately 4.1 billion euro at 31 December 2024, are considered unencumbered in the normal course of business; they are mainly attributable to the following balance sheet items: current and deferred tax assets, intangible and tangible assets, derivative operations, cash, regulatory investments and other residual assets.

Unencumbered assets also include assets (notes) issued as part of the securitisation of non-performing loans promoted by Banca Popolare di Sondrio, corresponding to the retained portion of the junior and mezzanine tranches of ABS securities issued against these transactions. The book value of ABS instruments amounted to 0.9 billion euro at 31 December 2024; the underlying credit ratios, commensurate with the percentage of junior and mezzanine securities retained by the Bank (5%), are not subject to derecognition.

Table 153 - Template EU AE2: Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA	
		010	030	040	060
130	Collateral received by the disclosing institution	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	<i>of which: covered bonds</i>	-	-	-	-
180	<i>of which: asset-backed securities</i>	-	-	-	-
190	<i>of which: issued by general governments</i>	-	-	-	-
200	<i>of which: issued by financial corporations</i>	-	-	-	-
210	<i>of which: issued by non-financial corporations</i>	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	Own debt securities issued other than own covered bonds or asset-backed securities	-	-	3,574	-
241	Own covered bonds and securitization issued and not yet pledged			979,545	-
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED 31/12/2024	13,793,820	4,246,395		
	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED 31/12/2023	16,594,027	5,141,736		

Source: FINREP - Asset Encumbrance: Template F 32.02 Guarantees received



Table 154 - Template EU AE3: Sources of encumbrance

		31/12/2024		31/12/2023	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030	010	030
010	Carrying amount of selected financial liabilities	8,712,903	12,411,586	10,662,061	15,598,320

Source: FINREP - Asset Encumbrance: Template F 32.04 Source of encumbrance

Liabilities associated with encumbered assets and collateral received correspond, at 31 December 2024, to deposits of approximately 6.4 billion euro (including 5.4 billion euro in repurchase agreements) and debt securities of 1.0 billion euro.

NOTE: Assets with a very high liquidity and credit quality (EHQLA) are the "Level 1 assets" referred to in Art. 416 (Reporting on liquid assets), paragraph 1, second paragraph, of Regulation (EU) No. 575/2013 ("CRR"). The assets with high liquidity and credit quality (HQLA) are the "level 2 assets" referred to in art. 416, paragraph 1, second sub-paragraph, of Regulation (EU) No. 575/2013 ("CRR"); the "level 2 assets" are further divided into "level 2A assets" and "level 2B assets" in accordance with Title II, Chapter 2 of the Commission Delegated Regulation (EU) of 10 October 2014.

Section 19

Disclosure of remuneration policy (art. 450 CRR/CRR II)

The qualitative and quantitative information required by art. 450 of Regulation (EU) No. 575/2013 on remuneration and incentive policies and practices, to be published in accordance with the technical standards set forth in Implementing Regulation (EU) 2021/637, are fulfilled in the annex to the *"Annual report on the 2025 remuneration policy and compensation paid in 2024"*. This document, which fulfils the disclosure requirements under the «Pillar 3» regulatory provisions for the financial year 2024, is available on the Bank's institutional website at <https://istituzionale.popso.it/en/investor-relations/shareholders-meeting> (Shareholders' Meeting 2025 - Meeting Documents).

Specific reference is therefore made to this documentation.

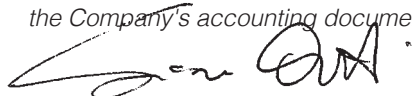


Certification of the Manager responsible for preparing the Company's accounting documents

The undersigned Simona Orietti, as Manager responsible for preparing the Company's accounting documents of Banca Popolare di Sondrio S.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 agrees with the underlying accounting entries, records and documentation.

Sondrio, 10 April 2025

Firmato Simona Orietti
Manager responsible for preparing
the Company's accounting documents



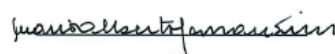
Declaration pursuant to art. 435, paragraph 1, letters e) and f) of Regulation (EU) No. 575/2013

Managing Director Mario Alberto Pedranzini, under a mandate granted by the Board of Directors by resolution dated 6 February 2025, declares pursuant to article 435(1) e) and f) of Regulation (EU) No. 575/2013 ("CRR") that:

- a. the risk management systems put in place by the Group and described in the document "*Pillar 3 Report - Public Disclosures at 31 December 2024*" are in line with the profile and strategy of Banca Popolare di Sondrio Group;
- b. section 2, paragraph "*Consistency between the overall risk profile and the Group's strategies*", of the aforementioned document briefly describes the Banca Popolare di Sondrio Group's overall risk profile in relation to the adopted business strategy.

Sondrio, 10 April 2025

Signed Mario Alberto Pedranzini
Managing Director



Annex 1: List of Top 20 most polluting companies in the world

Top 20 Carbon Majors emissions of CO ₂	
1	China (Coal)
2	Saudi Aramco, Saudi Arabia
3	Gazprom, Russia
4	Chevron, USA
5	ExxonMobil, USA
6	National Iranian Oil Co.
7	BP, UK
8	2Royal Dutch Shell, The Netherlands
9	Coal India, India
10	Pemex, Mexico
11	Russia (Coal)
12	PetroChina / China Natl Petroleum
13	Petroleos de Venezuela (PDVSA)
14	Peabody Energy, USA
15	ConocoPhillips, USA
16	Abu Dhabi, United Arab Emirates
17	Kuwait Petroleum Corp., Kuwait
18	Iraq National Oil Co., Iraq
19	Total SA, France
20	Sonatrach, Algeria

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.

Asset encumbrance

It represents a legal right in rem in favour of a creditor over a property owned by another party (debtor), typically an asset securing a credit relationship. A typical example of this legal relationship is the creation of collateral in repo transactions and for Central Bank financing.

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 on non-performing loans. Italian State guarantee scheme aimed at facilitating the mobilisation of non-performing bank loans through securitisation transactions pursuant to Decree 18 of 14 February 2016 converted into Law No. 49 of 8 April 2016 and subsequent MEF decree of 3 August 2016. 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.

MREL - Minimum Requirement for Own Funds and Eligible Liabilities

Minimum requirement for own funds and eligible liabilities designed to ensure that institutions and financial institutions established in the European Union have sufficient loss absorption and recapitalisation capacity should they enter a state of crisis.

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***

Risk-Weighted Assets (RWA). 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.

SPV

A Special Purpose Vehicle is a company specifically set up by one or more entities to carry out a specific transaction (in particular a securitisation transaction).

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).

