Banca Popolare di Sondrio FONDATA NEL 1871

PILLAR 3 REPORT

PUBLIC DISCLOSURES AS AT 30/06/2023

Banca Popolare di Sondrio Group

Date of publication: 20/09/2023

This document is an English translation of the original Italian document “Terzo Pilastro Informativa al pubblico al 30/06/2023 – 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 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 and VAT number: 00053810149
Share capital: € 1,360,157,331; Reserves: € 1,385,452,113
(Figures approved at the Shareholders’ meeting of 29 April 2023)

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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, following 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”.

The “**Pillar 1**” framework (*Minimum prudential requirements*) imposes specific capital requirements to all supervised entities designed to cope with the typical risks of banking and finance, providing for alternative calculation methods, characterised by different levels of complexity. This is 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).

The “**Pillar 2**” framework (*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.

The “**Pillar 3**” framework (*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, the main 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 European regulatory framework for Pillar 3 disclosure is completed with the provisions 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 measure implemented with the force of law the draft implementing technical standards drawn up by the European Banking Authority (EBA) aimed at a comprehensive review of the framework for fulfilling "Pillar 3" obligations, in execution of the amendments to the set of rules provided for by CRR II. The measure (ITS/2020/04) instituted a new organic set of rules governing the 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 published[1]. The new 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. Banca Popolare di Sondrio Group from the reporting of 30 June 2021 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");

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

- Regulation (EU) No 2022/631 of 13 April 2022 amending the Implementing Technical Standards laid down by the Implementing Regulation (EU) No 637/2021 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)).

On 24 January 2022, the EBA published the final draft of specific technical standards (EBA/ITS/2022/01 - Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449bis of CRR II), applicable to large listed institutions, for the disclosure of environmental, social and governance (ESG) risks. The reporting standards proposed by the EBA were subsequently transposed into the EU regulatory framework through the issuance of Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022. The new disclosure on ESG risks, to be fulfilled on a half-yearly basis, is subject to a phase-in period, whereby a limited number of quantitative tables are displayed for the first publication of the disclosure as at 31 December 2022.

EBA/GL/2020/07 Guidelines on reporting and disclosure of exposures subject to measures applied in response to Covid-19 crisis were repealed as of 1 January 2023 in response to the reduced relevance of government support measures and the decrease in loans subject to payment moratoria and government guarantees.

With these Public Disclosures, Banca Popolare di Sondrio Group (also referred to as the “Group”) intends to fulfil the disclosure requirements envisaged in the above-mentioned Pillar 3 legislation. 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 scope of consolidation used for supervisory purposes 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 various 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 Regulation (EU) 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 as at 30 June 2023.

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 June 2023
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	Means of disclosure	-	
Art. 435	Disclosure of risk management objectives and policies	Annual	
Art. 436	Disclosure of the scope of application	Quarterly/ Half-yearly *Scope of consolidation*	1 - Scope of application
		Annual *Full art. 436*	
Art. 437	Disclosure of own funds	Half-yearly *lett. a)*	3 - Disclosure of own funds
		Annual *Full art. 437*	
Art. 437-bis	Disclosure of own funds and eligible liabilities	Annual (Disclosure obligation in force from 01/01/2024)	

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 June 2023
Art. 438	Disclosure of own funds requirements and risk-weighted exposure amounts	Quarterly *lett. d) and h)*	2 - Disclosure of key metrics and overview of risk-weighted exposure amounts 10 - Disclosure of the use of the IRB approach to credit risk 12 - Disclosure of exposures to counterparty risk
		Half-yearly *lett. e)*	
		Annual *Full art. 438*	
Art. 439	Disclosure of exposures to counterparty risk	Half-yearly *lett. e) to l)*	12 - Disclosure of exposures to counterparty risk
		Annual *Full art. 439*	
Art. 440	Disclosure of countercyclical capital buffers	Half-yearly/Annual	4 - Disclosure of capital buffers
Art. 442	Disclosure of exposures to credit risk and dilution risk	Half-yearly *points c), e), f) and g)*	7 - Disclosure of exposures to credit risk
		Annual *Full art. 442*	
Art. 443	Disclosure of encumbered and unencumbered assets	Annual	
Art. 444	Disclosure of the use of the Standardised Approach	Half-yearly *lett. e)*	9 - Disclosure of the use of the standardised approach to credit risk
		Annual *Full art. 444*	
Art. 445	Disclosure of exposure to market risk	Half-yearly/Annual	14 - Disclosure of the use of the standardised approach to market risk
Art. 446	Disclosure of operational risk management	Annual	
Art. 447	Disclosure of key metrics	Quarterly/Half-yearly/Annual	2 - 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 *par. 1, lett. a) and b)*	15 - Disclosure of exposures to interest rate risk on positions not held in the trading book
		Annual *Full art. 448*	
Art. 449	Disclosure of exposure to securitisation positions	Half-yearly *lett. j), k) and l)*	13 - Disclosure of exposure to securitisation positions
		Annual *Full art. 449*	
Art. 449-bis	Disclosure of environmental, social and governance risks (ESG risks)	Annual in 2022, Half-yearly from 2023	11 - Disclosure of environmental, social and governance risks (ESG risks)
Art. 450	Disclosure of remuneration policy	Annual	

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 June 2023
Art. 451	Disclosure of the leverage ratio	Half-yearly *par. 1, lett. a) and b)*	5 - Disclosure of the leverage ratio
		Annual *Full art. 451*	
Art. 451-bis	Disclosure of liquidity requirements	Quarterly *par. 2*	6 - Disclosure of liquidity requirements
		Half-yearly *par. 3*	
		Annual *Full art. 451-bis*	
Art. 452	Disclosure of the use of the IRB approach to credit risk	Half-yearly *lett. g)*	10 - Disclosure of the use of the IRB approach to credit risk
		Annual *Full art. 452*	
Art. 453	Disclosure of the use of credit risk mitigation techniques	Half-yearly *lett. f) to j)*	8 - Disclosure of the use of credit risk mitigation techniques 9 - Disclosure of the use of the standardised approach to credit risk 10 - Disclosure of the use of the IRB approach to credit risk
		Annual *Full art. 453*	
Art. 473-bis	Introduction of IFRS 9	Quarterly/Half-yearly/Annual	2 - Disclosure of key metrics and overview of risk-weighted exposure amounts

As 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 (article 436 CRR/CRR II)

These Public Disclosures have been prepared by the Parent Company in reference to 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 SpA	Bank – Parent Company	Sondrio	Sondrio
2	Banca Popolare di Sondrio (SUISSE) SA	Swiss bank (registered in the Lugano Commercial Register) – wholly-owned	Lugano (CH)	Lugano (CH)
3	Factorit SpA	Factoring company (registered in the Register of Financial Intermediaries pursuant to art. 106 of the CBA) – 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 SpA	Bank – Wholly-owned	Sondrio	Milano
7	PrestiNuova S.r.l. - Agenzia in Attività Finanziaria	Agenzia in Attività Finanziaria – Wholly owned (100%) by BNT SpA	Roma	Roma

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

Section 2
Disclosure of key metrics and overview of risk-weighted exposure amounts (articles 438, 447 and 473-bis CRR/CRR II)

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 1 - Template EU KM1: Key metrics (1 of 2)

		a	b
		30/06/2023	**31/03/2023**
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	3,334,280	3,211,457
2	Tier 1 capital	3,334,280	3,211,457
3	Total capital	3,874,474	3,751,453
	Risk-weighted exposure (amounts)		
4	Total risk-weighted exposure amount	21,106,631	21,032,000
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	15.7973%	15.2694%
6	Tier 1 ratio (%)	15.7973%	15.2694%
7	Total capital ratio (%)	18.3567%	17.8369%
	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 (%)	2.6600%	2.6600%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.4963%*	*1.4963%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.9950%*	*1.9950%*
EU 7d	Total SREP own funds requirements (%)	10.6600%	10.6600%
	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,.0162%	0.0078%
EU 9a	Systemic risk buffer (%)	-	-

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

		a	b
		30/06/2023	**31/03/2023**
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.5162%	2.5078%
EU 11a	Overall capital requirements (%)	13.1762%	13.1678%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.6967%	9.2731%
	Leverage ratio		
13	Leverage ratio total exposure measure	59,273,997	62,783,146
14	Leverage ratio	5.6252%	5.1152%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0000%	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%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,160,414	11,154,516
EU 16a	Cash outflows - Total weighted value	9,929,395	10,087,186
EU 16b	Cash inflows - Total weighted value	2,890,527	2,796,077
16	Total net cash outflows (adjusted value)	7,038,867	7,291,109
17	Liquidity coverage ratio (%)	159.0356%	153.0459%
	Net Stable Funding Ratio		
18	Total available stable funding	37,166,827	36,548,102
19	Total required stable funding	28,858,210	28,542,750
20	NSFR ratio (%)	128.7912%	128.0469%

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

		c	d	e
		31/12/2022	30/09/2022	30/06/2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	3,239,887	3,182,253	3,164,186
2	Tier 1 capital	3,239,887	3,182,253	3,164,186
3	Total capital	3,779,302	3,727,758	3,722,275
	Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	21,049,013	20,726,040	20,849,490
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.3921%	15.3539%	15.1763%
6	Tier 1 ratio (%)	15.3921%	15.3539%	15.1763%
7	Total capital ratio (%)	17.9548%	17.9859%	17.8531%
	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 (%)	2.7700%	2.7700%	2.7700%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.5581%*	*1.5581%*	*1.5581%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*2.0775%*	*2.0775%*	*2.0775%*
EU 7d	Total SREP own funds requirements (%)	10.7700%	10.7700%	10.7700%
	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 (%)	0.0045%	0.0042%	0.0026%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.5045%	2.5042%	2.5026%
EU 11a	Overall capital requirements (%)	13.2745%	13.2742%	13.2726%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.3340%	9.2958%	9.1182%
	Leverage ratio			
13	Leverage ratio total exposure measure	62,953,892	61,797,002	59,793,592
14	Leverage ratio	5.1464%	5.1495%	5.2919%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0000%	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	ROverall leverage ratio requirement (%)	3.0000%	3.0000%	3.0000%

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

		c	d	e
		31/12/2022	30/09/2022	30/06/2022
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,115,038	11,081,710	10,905,487
EU 16a	Cash outflows - Total weighted value	10,099,736	10,289,265	10,361,286
EU 16b	Cash inflows - Total weighted value	2,775,370	3,369,826	4,217,353
16	Total net cash outflows (adjusted value)	7,324,366	6,919,439	6,143,933
17	Liquidity coverage ratio (%)	151.8126%	166.3570%	188.5102%
	Net Stable Funding Ratio			
18	Total available stable funding	37,245,000	39,367,605	38,526,715
19	Total required stable funding	28,984,542	30,661,713	30,430,150
20	NSFR ratio (%)	128.4995%	128.3934%	126.6071%

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.

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

- *Capital Conservation 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 particularly adverse market.
- *Countercyclical Capital Buffer*: this is also made up of Tier 1 Capital to protect 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 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 for exposures to Italian counterparties, which is reviewed by the Bank of Italy on a quarterly basis, remained unchanged at 0% also in the second quarter of 2023.
- *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 macro-prudential risks and, in this way, cope with the negative effects of unexpected systemic crises.

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"). From 1 January 2019, 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 2022 has been in force since 1 January 2023. 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 2.66% (down from the previous 2.77%) and includes a share of 0.01% as an increase in the Pillar 2 requirement for impaired exposures. Accordingly, the minimum capital levels to be met by the Group[2] for 2023 include:

- a minimum requirement for Common Equity Tier 1 Ratio equal to 8.50%, 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 (1.50%);
- a minimum requirement for Tier 1 Ratio of 10.50%, 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 (2.0%);
- a minimum requirement for Total Capital Ratio of 13.16%, 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 (2.66%).

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 position. The latter target parameter, assigned by the Supervisor as a result of the SREP process, however, assumes a confidential nature and, unlike the abovementioned binding 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 3 of this Disclosure.

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

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 5, for the second and third ratios please refer to Section 6 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 as at 30 June 2023 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 3 - Template IFRS 9-FL: Own funds, capital and leverage ratios under IFRS 9/analogous ECLs transitional

		30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,334,280	3,211,457	3,239,887	3,182,253	3,164,186
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,311,147	3,196,676	3,220,153	3,166,125	3,150,635
3	Tier 1 capital	3,334,280	3,211,457	3,239,887	3,182,253	3,164,186
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,311,147	3,196,676	3,220,153	3,166,125	3,150,635
5	Total capital	3,874,474	3,751,453	3,779,302	3,727,758	3,722,275
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,851,341	3,736,672	3,759,569	3,711,630	3,708,724
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	21,106,631	21,032,000	21,049,013	20,726,040	20,849,490
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21,103,182	21,028,958	21,046,458	20,717,686	20,842,406
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.7973%	15.2694%	15.3921%	15.3539%	15.1763%
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	15.6903%	15.2013%	15.3002%	15.2822%	15.1165%
11	Tier 1 (as a percentage of risk exposure amount)	15.7973%	15.2694%	15.3921%	15.3539%	15.1763%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.6903%	15.2013%	15.3002%	15.2822%	15.1165%
13	Total capital (as a percentage of risk exposure amount)	18.3567%	17.8369%	17.9548%	17.9859%	17.8531%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.2500%	17.7692%	17.8632%	17.9153%	17.7941%
	Leverage ratio					
15	Leverage ratio total exposure measure	59,273,997	62,783,146	62,953,892	61,797,002	59,793,592
16	Leverage ratio	5.6252%	5.1152%	5.1464%	5.1495%	5.2919%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.5862%	5.0916%	5.1151%	5.1234%	5.2692%

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

Transitional IFRS 9 provisions

The Group's own funds, capital and leverage ratios as at 30 June 2023 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")[3], 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 was optional and could be either "integral" or "partial" depending on whether it concerned all regulatory provisions or only a portion of them.

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

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

- a "static" component, representing the increase in credit risk adjustments during the first-time adoption of the new accounting standards; it is calculated as the difference between the amount of impairment losses on financial assets at 31/12/2017 (determined in accordance with the previous IAS 39) and the expected credit losses calculated at 1/1/2018 (date of FTA of IFRS 9); this component remains constant throughout the entire transitional period;
- a "dynamic" component, measuring further increases in credit risk adjustments that could occur at each subsequent accounting date over the transitional period, i.e. with respect to expected credit loss provisions in place at 1 January 2018 (changes in loss allowances for lifetime expected credit losses on financial assets that are credit-impaired are excluded).

This additional amount is 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.

EU regulations have given banks the right to adopt the transitional IFRS 9 regime in an "integral" manner, i.e. including both "static" and "dynamic" components, or in a "partial" manner, i.e. including only the "static" component. Any institution that decided to apply the transitional provisions, in part or in full, had to make a specific communication to the competent Supervisory Authority by 1 February 2018.

[3] 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.

Given the above, Banca Popolare di Sondrio Group has chosen to take advantage of these transitional arrangements on an "integral" 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 decision of the Group was communicated to the European Central Bank within the time allowed.

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 as at 30 June 2023. 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.

* * *

The table below provides an overview of the Group's risk-weighted exposures (RWA or TREA) and capital absorption as at 30 June 2023, broken down by type of exposure and calculation method required by the prudential regulations.

Table 4 - Template EU OV1: Overview of risk weighted exposure amounts

		RWA		Capital requirements
		a	b	a
		30/06/2023	31/03/2023	30/06/2023
1	Credit risk (excluding CCR)	18,158,637	18,083,479	1,452,691
2	*Of which the standardised approach*	*10,358,879*	10,323,010	*828,710*
3	*Of which the foundation IRB (FIRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple riskweighted approach*	-	-	-
5	*Of which the advanced IRB (AIRB) approach*	*7,799,758*	7,760,469	*623,981*
6	Counterparty credit risk - CCR	140,088	173,288	11,207
7	*Of which the standardised approach*	*49,381*	42,217	*3,950*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*611*	426	*49*
EU 8b	*Of which credit valuation adjustment - CVA*	*18,876*	24,143	*1,510*
9	*Of which other CCR*	*71,221*	106,502	*5,698*
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	250,339	264,548	20,027
17	*Of which SEC-IRBA approach*	*102,812*	109,992	*8,225*
18	*Of which SEC-ERBA (including IAA)*	*51,329*	50,911	*4,106*
19	*Of which SEC-SA approach*	*83,778*	90,247	*6,702*
EU 19a	*Of which 1250%*	*12,420*	13,398	*994*
20	Position, foreign exchange and commodities risks (Market risk)	774,590	727,709	61,967
21	*Of which the standardised approach*	*774,590*	727,709	*61,967*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,782,976	1,782,976	142,638
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,782,976*	1,782,976	*142,638*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	813,752	782,624	65,100
29	**TOTAL**	**21,106,631**	**21,032,000**	**1,688,530**

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 Group's total credit risk exposure underwent moderate growth in the last quarter, in line with the trends in lending volumes recorded by all the entities of the Group. Capital requirements from market risks increased as a result of the greater share of investments in UCITS allocated in the trading portfolio, which are penalised by an unfavourable risk-weight treatment. The capital requirements for operational risks is stable, updated annually as at 31/12 as per regulatory requirements. Lastly, CVA risks on OTC derivative transactions remained scarcely material.

Section 3
Disclosure of own funds (article 437 CRR/CRR II)

The components of regulatory own funds: main characteristics

The key elements of regulatory own funds consist of:
- Common Equity Tier 1 Capital (CET1)
- Additional Tier 1 capital (Additional Tier 1 - AT1)
- Tier 2 Capital (T2).

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

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. The prudential filters exclude from CET1 the valuation reserve generated by cash flow hedges and unrealised gains/losses arising from changes in own creditworthiness (liabilities under the fair value option and derivative liabilities).

The main Deductions to which common equity capital is subject consist of goodwill and other intangible assets and 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 and not deriving from temporary differences;
- 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

As of 30 June 2023, 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 30 June 2023 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.

Conditions for the inclusion of interim or year-end earnings

According 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 with the prior approval of the Competent Authority (art. 26 CRR), 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 prudential capital ratios and the minimum requirements to which they are subject.

Table 5 - Template EU CC1: Composition of regulatory own funds (1 of 7)

		30/06/2023		31/12/2022	
		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	1,439,106	160. SHARE PREMIUM ACCOUNTS 170. SHARE CAPITAL	1,439,135	160. SHARE PREMIUM ACCOUNTS 170. SHARE CAPITAL
	Of which: ordinary shares	*1,439,106*		*1,439,135*	
2	Retained earnings	-		-	
3	Accumulated other comprehensive income (and other reserves)	1,892,005	150. RESERVES 120. VALUATION RESERVES	1,744,185	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	103,676	200. PROFIT (LOSS) FOR THE PERIOD	128,924	200. PROFIT (LOSS) FOR THE PERIOD
6	**COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS**	**3,434,788**		**3,312,243**	

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

		30/06/2023		31/12/2022	
		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)	(3,590)		(3,996)	
8	Intangible assets (net of related tax liability) (negative amount)	(31,620)	100. INTANGIBLE ASSETS	(30,925)	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)	(4,596)	110. ATTIVITÀ FISCALI	(4,596)	110. ATTIVITÀ FISCALI
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)	(37,355)	180. TREASURY SHARES (-)	(36,878)	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)	(25,407)	70. EQUITY INVESTMENTS	-	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 7 - Template EU CC1: Composition of regulatory own funds (3 of 7)

		30/06/2023		31/12/2022	
		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	*of which: qualifying holdings outside t he financial sector (negative amount)*	-		-	
EU-20c	*of which: securitisation positions (negative amount)*	-		-	
EU-20d	*of which: free deliveries (negative amount)*	-		-	
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	*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*	-		-	
25	*of which: deferred tax assets arising from temporary differences*	-		-	
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	2,060		4,039	
28	**TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1 (CET1)**	**(100,508)**		**(72,356)**	
29	**COMMON EQUITY TIER 1 (CET1) CAPITAL**	**3,334,280**		**3,239,887**	

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

		30/06/2023		31/12/2022	
		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	*of which: classified as equity under applicable accounting standards*	-		-	
32	*of which: classified as liabilities under applicable accounting standards*	-	*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	*of which: instruments issued by subsidiaries subject to phase out*	-		-	
36	**ADDITIONAL TIER 1 (AT1) CAPITAL BEFORE REGULATORY ADJUSTMENTS**	**-**		**-**	

Table 8 - Template EU CC1: Composition of regulatory own funds (4 of 7)

		30/06/2023		31/12/2022	
		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)**	**3,334,280**		**3,239,887**	

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

		30/06/2023		31/12/2022	
		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	500,000	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	*of which: instruments issued by subsidiaries subject to phase out*	-		-	
50	Credit risk adjustments	46,932		45,732	
51	**TIER 2 (T2) CAPITAL BEFORE REGULATORY ADJUSTMENTS**	**546,932**		**545,732**	
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(6,600)		(6,199)	
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)	-		-	

Table 9 - Template EU CC1: Composition of regulatory own funds (5 of 7)

		30/06/2023		31/12/2022	
		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
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)	-		-	
EU-56b	Other regulatory adjusments to T2 capital	(138)		(117)	
57	**TOTAL REGULATORY ADJUSTMENTS TO TIER 2 (T2) CAPITAL**	**(6,738)**		**(6,317)**	
58	**TIER 2 (T2) CAPITAL**	**540,194**		**539,416**	
59	**TOTAL CAPITAL (TC = T1 + T2)**	**3,874,474**		**3,779,302**	
60	**TOTAL RISK EXPOSURE AMOUNT**	**21,106,631**		**21,049,013**	

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

		30/06/2023		31/12/2022	
		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)	15.7973%		15.3921%	
62	Tier 1 (as a percentage of total risk exposure amount)	15.7973%		15.3921%	
63	Total capital (as a percentage of total risk exposure amount)	18.3567%		17.9548%	
64	Institution CET1 overall capital requirements	8.5124%		8.5627%	
65	*of which: capital conservation buffer requirement*	*2.5000%*		*2.5000%*	
66	*of which: countercyclical buffer requirement*	*0.0162%*		*0.0045%*	
67	*of which: systemic risk buffer requirement*	-		-	
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	-		-	
EU-67b	*of which: additional own funds requirements to address the risks other than the risk of excessive leverage*	*1.4963%*		*1.5581%*	
68	**COMMON EQUITY TIER 1 AVAILABLE TO MEET BUFFER (AS A PERCENTAGE OF RISK EXPOSURE AMOUNT)**	**7.6967%**		**9.3340%**	
	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)	271,797		288,008	
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)	333,745		321,523	
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)	99,311		83,652	

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

		30/06/2023		31/12/2022	
		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)	354,404		306,569	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	46,932		45,732	
	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 following table shows the reconciliation of the elements making up regulatory capital, as well as the filters and deductions applied to them, indicated in the previous table 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 12 - Template EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		30/06/2023			31/12/2022		
		a	b	c	a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolida-tion	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolida-tion	Reference
		As at period end	As at period end		As at period end	As at period end	
	Assets - Breakdown by asset clases according to the balance sheet in the published financial statements						
70.	EQUITY INVESTMENTS	360,273	428,860	19	322,632	387,186	19
100.	INTANGIBLE ASSETS	36,995	31,619	8	36,669	30,925	8
	- Goodwill	*16,997*	*12,632*	*8*	*16,997*	*12,632*	*8*
	- Other intangible assets	*19,998*	*18,987*	*8*	*19,672*	*18,293*	*8*
110.	TAX ASSETS	304,017	303,932	10	342,647	342,522	10
b)	*Advanced*	*302,114*	*302,109*	*10*	*324,993*	*324,979*	*10*
	TOTAL ASSETS	**701,285**	**764,411**		**701,948**	**760,633**	
	Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements						
10.	FINANCIAL LIABILITIES AT AMORTISED COST	48,187,962	48,190,685	32,46	53,152,710	53,152,732	32,46
c)	*Securities issued*	*3,693,980*	*3,693,979*	*32,46*	*3,648,761*	*3,648,761*	*32,46*
120.	VALUATION RESERVES	(40,828)	(41,021)	3	(68,086)	(68,281)	3
150.	RESERVES	1,930,387	1,933,360	3	1,790,468	1,789,291	3
160.	SHARE PREMIUM ACCOUNTS	78,949	78,949	1	78,978	78,978	1
170.	SHARE CAPITAL	1,360,157	1,360,157	1	1,360,157	1,360,147	1
180.	TREASURY SHARES (-)	(25,342)	(25,341)	16	(25,402)	(25,401)	16
190.	MINORITY SHAREHOLDERS' EQUITY (+/-)	14	5	5, 34, 48	4	5	5, 34, 48
	Shareholders' Equity						
200.	PROFIT (LOSS) FOR THE PERIOD	207,086	207,956	5a	251,321	255,691	5a
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**51,698,385**	**51,704,750**		**56,540,150**	**56,543,161**	

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 in the first half of the year, net of distributable dividends, contributed to the composition of own funds as at 30 June 2023. The portion of profits for the period 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.

Compared to the end of the year 2022, the capital resources of better quality strengthened, mainly related to the effects of the inclusion of the profits for the period intended for self-financing. The availability of Tier 2 capital remained broadly unchanged.

As at 30 June 2023, the Group’s phased-in capital ratios remained at relatively high values with a wide room over regulatory requirements. Despite a moderate increase in the total amount of risk exposure, the CET1 Ratio and Tier 1 Ratio – both at 15.80% – and the Total Capital Ratio at 18.36% increased compared to the values recorded at the end of the previous year.

Section 4
Disclosure of capital buffers (article 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 possible 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 Common Equity Tier 1 capital to absorb potential losses in a downturn.

Pursuant to 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 the 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 equal to the weighted average of the coefficients applied in the countries where it has significant credit exposures.

The Bank of Italy has set at 0% the countercyclical buffer coefficient to be applied to the exposures held by intermediaries with Italian counterparties as at 30 June 2023.

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.

Table 13 - 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 banking book			
	Exposure value under SA approach	Exposure value under AIRB approach	Sum of long and short positions	Exposure value under internal models	Exposures in securitisation	Total exposure value
Italy	5,967,421	26,180,859	16,142	-	1,466,579	33,631,001
Australia	975	459	-	-	-	1,434
Bulgaria	443	442	-	-	-	886
Czech Republic	3,509	255	-	-	-	3,765
Germany	70,350	12,173	-	-	-	82,523
Denmark	3,527	167	-	-	-	3,694
Estonia	553	48	-	-	-	601
France	171,733	14,690	-	-	-	186,423
United Kingdom	65,107	17,371	-	-	-	82,478
Hong Kong	390	390	-	-	-	1,175
Croatia	2,385	-	-	-	-	2,385
Ireland	71	520	-	-	-	590
Iceland	2	-	-	-	-	2
Luxembourg	2	150,773	-	-	-	150,775
Netherlands	25,766	60,419	-	-	-	86,186
Norway	772	10,887	-	-	-	11,659
Romania	4,103	78	-	-	-	4,182
Sweden	828	1,449	-	-	-	2,276
Slovakia	361	1,565	-	-	-	1,926
Other countries	6,306,842	230,629	-	-	-	6,537,471
TOTAL	**12,625,141**	**26,683,570**	**16,142**	**-**	**1,466,579**	**40,791,432**

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

Table 14 - 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: securitisation positions in the banking book	Total	Risk-weighted exposure amounts	Weighting factors of own fund requirement	Counter-cyclical coefficient
Italy	1,065,358	1,291	20,027	1,086,676	13,583,452	81.5198%	-
Australia	88	-	-	88	1,101	0.0066%	1.0000%
Bulgaria	44	-	-	44	545	0.0033%	1.5000%
Czech Republic	283	-	-	283	3,538	0.0212%	2.5000%
Germany	4,839	-	-	4,839	60,488	0.3630%	0.7500%
Denmark	285	-	-	285	3,558	0.0214%	2.5000%
Estonia	45	-	-	45	558	0.0034%	1.0000%
France	8,988	-	-	8,988	112,351	0.6743%	0.5000%
United Kingdom	3,070	-	-	3,070	38,377	0.2303%	1.0000%
Hong Kong	47	-	-	47	593	0.0036%	1.0000%
Croatia	191	-	-	191	2,385	0.0143%	0.5000%
Ireland	14	-	-	14	180	0.0011%	0.5000%
Iceland	0	-	-	0	2	0.0000%	2.0000%
Luxembourg	3,993	-	-	3,993	49,917	0.2996%	0.5000%
Netherlands	3,594	-	-	3,594	44,925	0.2696%	1.0000%
Norway	759	-	-	759	9,489	0.0570%	2.5000%
Romania	327	-	-	327	4,093	0.0246%	0.5000%
Sweden	125	-	-	125	1,566	0.0094%	2.0000%
Slovakia	61	-	-	61	756	0.0045%	1.0000%
Other countries	219,592	-	-	219,592	2,744,898	16.4732%	-
TOTAL	**1,311,703**	**1,291**	**20,027**	**1,333,022**	**16,662,771**	**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 15 - Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount (RWA)	21,106.,631
2	Specific countercyclical coefficient of the institution	0.0162%
3	**SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER REQUIREMENT OF THE INSTITUTION**	**3,414**

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 2022, as at 30 June 2023 the Group's specific countercyclical ratio increased, resulting in a higher reserve requirement to be held.

Section 5
Disclosure of leverage ratio (article 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 EU supervised entities to calculate a specific Leverage Ratio as a new requirement 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 as at 30 June 2023 concerning specifically:

- reconciliation of the measure of overall exposure to the denominator of the ratio and the accounting assets as per the latest published consolidated financial statement;
- 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 16 - Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		30/06/2023	31/12/2022
		a	b
		Applicable amount	Applicable amount
1	Total assets as per published financial statements	53,970,919	57,854,360
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(23,035)	(15,613)
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	72,246	78,252
9	Adjustment for securities financing transactions (SFTs)	62,266	78,590
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,297,862	5,001,327
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	(106,261)	(43,024)
13	**TOTAL EXPOSURE MEASURE**	**59,273,997**	**62,953,892**

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 17 - Template EU LR2 - LRCom: Leverage ratio common disclosure (1 of 2)

		CRR leverage ratio exposures	
		30/06/2023	31/12/2022
		a	b
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	53,739,571	57,643,409
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)**	**53,739,571**	**57,643,409**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	48,419	71,262
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	10,064	12,739
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	58,412	57,893
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	57,403	80,640
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**	**174,298**	**222,534**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	8,293
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	62,266	78,590
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**	**62,266**	**86,883**

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 18 - Template EU LR2 - LRCom: Leverage ratio common disclosure (2 of 2)

		CRR leverage ratio exposures	
		30/06/2023	31/12/2022
		a	b
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	23,343,396	22,611,575
20	(Adjustments for conversion to credit equivalent amounts)	(18,045,534)	(17,610,509)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**OFF-BALANCE SHEET EXPOSURES**	**5,297,862**	**5,001,066**
	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**	**3,334,280**	**3,239,887**
24	**TOTAL EXPOSURE MEASURE**	**59,273,997**	**62,953,892**
	Leverage ratio		
25	Leverage ratio	5.6252%	5.1464%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.6252%	5.1464%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.6252%	5.1464%
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	*of which: to be made up of CET1 capital*	-	-
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	Transitional arrangements	Transitional arrangements

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

		30/06/2023	31/12/2022
		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:**	**53,739,571**	**57,643,409**
EU-2	Trading book exposures	141,942	113,874
EU-3	Banking book exposures, of which:	53,597,629	57,529,536
EU-4	*Covered bonds*	*229,800*	*218,642*
EU-5	*Exposures treated as sovereigns*	*14,393,729*	*18,466,473*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*679,613*	*637,249*
EU-7	*Institutions*	*3,262,679*	*2,993,132*
EU-8	*Secured by mortgages of immovable properties*	*12,498,661*	*12,333,784*
EU-9	*Retail exposures*	*4,555,521*	*4,819,238*
EU-10	*Corporates*	*13,041,614*	*12,464,027*
EU-11	*Exposures in default*	*578,425*	*611,465*
EU-12	*Other exposures (eg equity, securitisations, and other non-credit obligation assets)*	*4,357,588*	*4,985,525*

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

The Group's ratio, calculated by applying the transitional criteria in force for the current year (phased-in), increased by approximately 48 basis points compared to the year-end figure and by 51 basis points in the last quarter.

The effect was due partly to the increase in Tier 1 capital and mainly to the decrease in assets included in the denominator of the ratio, also as a result of the repayment to the ECB of the tranche of TLTRO funding (Targeted Longer-Term Refinancing Operations) maturing in June 2023 amounting to 4.4 billion euro.

Section 6
Disclosure of liquidity requirements (article 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, forward-looking and stressed perspective, using metrics calculated for both regulatory and internal purposes, the latter defined on the basis of operational specificities and the range of activities performed by the Group.

At an operational level, liquidity management is carried out by Group companies through dedicated business structures; in this context, the Parent Company acts as 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. This 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 20 - Template EU LIQ1: Quantitative information of LCR (1 of 2)

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on 30/06/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022
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:	17,341,697	17,340,390	17,342,465	17,162,422
3	*Stable deposits*	*11,050,287*	*10,987,145*	*10,942,979*	*10,823,052*
4	*Less stable deposits*	*6,202,399*	*6,297,223*	*6,360,518*	*6,307,252*
5	Unsecured wholesale funding	17,809,056	18,044,062	17,990,991	18,305,831
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*3,614,996*	*3,710,445*	*3,829,629*	*3,989,548*
7	*Non-operational deposits (all counterparties)*	*14,146,898*	*14,286,698*	*14,098,867*	*14,245,067*
8	*Unsecured debt*	*47,163*	*46,919*	*62,496*	*71,217*
9	Secured wholesale funding				
10	Additional requirements	778,330	703,436	660,207	650,510
11	*Outflows related to derivative exposures and other collateral requirements*	*17,481*	*17,515*	*19,061*	*18,413*
12	*Outflows related to loss of funding on debt products*	*423*	*319*	*70*	*-*
13	*Credit and liquidity facilities*	*760,427*	*685,602*	*641,076*	*632,097*
14	Other contractual funding	13,021	12,642	8,737	7,620
15	Other contingent funding obligations	14,118,661	13,745,977	13,371,513	12,994,100
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	691	25,699	50,656	178,666
18	Inflows from fully performing exposures	2,411,022	2,333,493	2,372,614	3,005,495
19	Other cash inflows	4,562,569	4,521,524	4,410,415	4,247,978
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**6,974,282**	**6,880,716**	**6,833,685**	**7,432,140**
EU-20a	*Fully exempt inflows*	*-*	*-*	*-*	*-*
EU-20b	*Inflows subject to 90% cap*	*-*	*-*	*-*	*-*
EU-20c	*Inflows subject to 75% cap*	*6,974,282*	*6,880,716*	*6,833,685*	*7,432,140*
	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 21 - Template EU LIQ1: Quantitative information of LCR (2 of 2)

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on 30/06/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	TTotal high-quality liquid assets (HQLA)	11,160,414	11,154,516	11,115,038	11,081,710
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,358,492	1,370,042	1,379,015	1,368,255
3	*Stable deposits*	*552,514*	*549,357*	*547,149*	*541,153*
4	*Less stable deposits*	*805,978*	*820,685*	*831,866*	*827,102*
5	Unsecured wholesale funding	7,814,309	7,983,704	8,048,814	8,265,426
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*856,759*	*878,927*	*909,662*	*950,805*
7	*Non-operational deposits (all counterparties)*	*6,910,388*	*7,057,858*	*7,076,657*	*7,243,404*
8	*Unsecured debt*	*47,163*	*46,919*	*62,496*	*71,217*
9	*Secured wholesale funding*	*41,979*	*41,979*	*313*	*313*
10	Additional requirements	160,541	146,294	140,901	140,242
11	*Outflows related to derivative exposures and other collateral requirements*	*17,481*	*17,515*	*19,061*	*18,413*
12	*Outflows related to loss of funding on debt products*	*423*	*319*	*70*	*-*
13	*Credit and liquidity facilities*	*142,638*	*128,460*	*121,770*	*121,829*
14	Other contractual funding	10,926	10,577	6,705	5,605
15	Other contingent funding obligations	543,147	534,591	523,989	509,426
16	**TOTAL CASH OUTFLOWS**	**9,929,395**	**10,087,186**	**10,099,736**	**10,289,265**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	1,936,941	1,854,256	1,857,833	2,494,084
19	Other cash inflows	953,586	941,821	917,536	875,742
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**	**2,890,527**	**2,796,077**	**2,775,370**	**3,369,826**
EU-20a	*Fully exempt inflows*	*-*	*-*	*-*	*-*
20b	*Inflows subject to 90% cap*	*-*	*-*	*-*	*-*
EU-20c	*Inflows subject to 75% cap*	*2,890,527*	*2,796,077*	*2,775,370*	*3,369,826*
	VTOTAL ADJUSTED VALUE				
EU-21	**LIQUIDITY BUFFER**	**11,160,414**	**11,154,516**	**11,115,038**	**11,081,710**
22	**TOTAL NET CASH OUTFLOWS**	**7,038,867**	**7,291,109**	**7,324,366**	**6,919,439**
23	**LIQUIDITY COVERAGE RATIO (%)**	**159.0356%**	**153.0459%**	**151.8126%**	**166.3570%**

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 an increase 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.

Contributing to the recent performance of the coefficient was the gradual recovery in the volume of loans and advances with shorter maturities, in particular those with expected repayment within the 30-day perimeter envisaged by the indicator; acting as a partial counterbalance was the growth recorded for loans in the form of mortgages, instalment financing and factoring transactions, up from March levels. On the liabilities side, there was a limited decrease in the overall levels of on-demand funding, while there was a significant boost in term funding from customers, offset by a reduction in interbank deposits and bonds. On the non-retail funding front, one notable element was the repayment in June of more than 4 billion euro of the TLTRO funding acquired by the Group, which was carried out firstly by drawing on the surplus liquidity deposited with the Central Bank, and secondly by carrying out new repo transactions.

This is all reflected in a progressive decline in average cash outflows net of the denominator of the index, 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 reduction in cash outflows and the recovery of average liquidity inflows, resulting from the development of deposits and loans, respectively.

The average level of high-quality liquid assets included in the liquidity reserve in the numerator of the ratio remained broadly stable compared to March levels as the reduction in deposits with central banks due to the repayment of the TLTRO funding was offset by, among other things, the corresponding release of the high-quality securities previously pledged as collateral for the refinancing operation in question.

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)[4], 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), 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.

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

[4] 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.

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).

Table 22 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 30/06/2023

Currency amount		30/06/2023				
		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	3,414,625	-	-	546,794	3,961,419
2	*Own funds*	*3,414,625*	-	-	*546,794*	*3,961,419*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		18,611,455	217,432	1,353,566	18,898,860
5	*Stable deposits*		*11,928,054*	*57,869*	*10,844*	*11,397,470*
6	*Less stable deposits*		*6,683,401*	*159,564*	*1,342,722*	*7,501,390*
7	Wholesale funding:		17,422,937	1,533,683	5,860,368	12,118,580
8	*Operational deposits*		*2,894,836*	-	-	*1,447,418*
9	*Other wholesale funding*		*14,528,101*	*1,533,683*	*5,860,368*	*10,671,162*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	3,510,759	57,193	2,159,371	2,187,968
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		*3,510,759*	*57,193*	*2,159,371*	*2,187,968*
14	**TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 30/06/2023**					**37,166,827**

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

Table 23 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/06/2023

Currency amount		30/06/2023				
		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)					488,831
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		11,994,961	1,785,850	21,640,847	23,960,508
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*		*2,527,702*	*55,162*	*608,408*	*888,760*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*7,811,755*	*1,289,461*	*10,248,505*	*20,624,777*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		309,212	327,744	2,267,261	8,719,129
22	*Performing residential mortgages, of which:*		*214,680*	*240,388*	*8,260,697*	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		209,581	234,885	8,122,611	-
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*		*1,440,823*	*200,838*	*2,523,237*	*2,446,971*
25	Interdependent assets		-	-	-	-
26	Other assets:		623,049	37,249	4,070,336	4,151,583
27	*Physical traded commodities*				-	-

Table 23 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/06/2023

Currency amount		30/06/2023				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*-*	*-*	*39,200*	*33,320*
29	*NSFR derivative assets*		*1,147*			*1,147*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*29,269*			*1,463*
31	*All other assets not included in the above categories*		*592,633*	*37,249*	*4,031,136*	*4,115,652*
32	Off-balance sheet items		4,258,247	50,000	837,356	257,288
33	**TOTAL RSF AS AT 30/06/2023**					**28,858,210**
34	**NET STABLE FUNDING RATIO (%) AS AT 30/06/2023**					**128.7912%**

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - C81.00- C 84.00

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

The available amount of stable funding (AFS) – consisting mainly of retail deposits and, secondarily, of balances of 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 24 - Template EU LIQ2: Net Stable Funding Ratio (1 of 2) - 31/03/2023

Currency amount		31/03/2023				
		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	3,302,140	-	-	546,498	3,848,639
2	*Own funds*	*3,302,140*	-	-	*546,498*	*3,848,639*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		16,814,200	115,757	1,276,933	17,056,371
5	*Stable deposits*		*10,824,803*	*24,747*	*7,505*	*10,314,578*
6	*Less stable deposits*		*5,989,397*	*91,009*	*1,269,428*	*6,741,793*
7	Wholesale funding:		23,102,330	1,381,786	6,279,887	13,397,690
8	*Operational deposits*		*3,124,548*	-	-	*1,562,274*
9	*Other wholesale funding*		*19,977,782*	*1,381,786*	*6,279,887*	*11,835,416*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	11,544	3,265,870	12,221	2,239,291	2,245,402
12	*NSFR derivative liabilities*	*11,544*				
13	*All other liabilities and capital instruments not included in the above categories*		*3,265,870*	*12,221*	*2,239,291*	*2,245,402*
14	**TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 31/03/2023**					**36,548,102**

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

Table 25 - Template EU LIQ2: Net Stable Funding Ratio (2 of 2) - 31/03/2023

Currency amount		31/03/2023				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Elementi di finanziamento stabile richiesto (RSF)					
15	Total high-quality liquid assets (HQLA)					805,807
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		11,874,520	1,754,180	21,540,212	23,443,971

Table 25 - Template EU LIQ2: Net Stable Funding Ratio (2 of 2) - 31/03/2023

Currency amount		31/03/2023				
		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*		*2,478,088*	*58,658*	*629,945*	*907,083*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*7,944,182*	*1,354,594*	*10,065,026*	*19,946,134*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		310,659	337,351	2,455,092	8,459,147
22	*Performing residential mortgages, of which:*		*264,772*	*211,781*	*8,068,456*	*-*
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		260,717	207,549	7,954,743	-
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*		*1,187,478*	*129,147*	*2,776,785*	*2,590,754*
25	Interdependent assets		-	-	-	-
26	Other assets:		752,853	40,936	3,958,605	4,027,661
27	*Physical traded commodities*				*-*	*-*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*-*	*-*	*39,200*	*33,320*
29	*NSFR derivative assets*		*-*			*-*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*44,007*			*2,200*
31	*All other assets not included in the above categories*		*708,846*	*40,936*	*3,919,405*	*3,992,141*
32	Off-balance sheet items		4,469,634	-	836,533	265,311
33	**TOTAL RSF AS AT 31/03/2023**					**28,542,750**
34	**NET STABLE FUNDING RATIO (%) AS AT 31/03/2023**					**128.0469%**

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

Table 26 - Template EU LIQ2: Net Stable Funding Ratio (1 of 2) - 31/12/2022

Currency amount		31/12/2022				
		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	3,296,887	-	-	545,615	3,842,502
2	*Own funds*	*3,296,887*	-	-	*545,615*	*3,842,502*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		17,450,955	190,475	967,850	17,400,511
5	*Stable deposits*		*11,103,596*	*3,874*	*4,732*	*10,556,829*
6	*Less stable deposits*		*6,347,359*	*186,601*	*963,118*	*6,843,682*
7	Wholesale funding:		23,322,945	1,213,026	6,944,218	14,508,695
8	*Operational deposits*		*3,927,999*	-	-	*1,963,999*
9	*Other wholesale funding*		*19,394,946*	*1,213,026*	*6,944,218*	*12,544,696*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	53,211	3,010,386	10,456	1,488,064	1,493,292
12	*NSFR derivative liabilities*	*53,211*				
13	*All other liabilities and capital instruments not included in the above categories*		*3,010,386*	*10,456*	*1,488,064*	*1,493,292*
14	**TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 31/12/2022**					**37,245,000**

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

Table 27 - Template EU LIQ2: Net Stable Funding Ratio (2 of 2) - 31/12/2022

Currency amount		31/12/2022				
		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)					782,431
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		11,643,926	1,870,497	21,726,114	24,145,076

Table 27 - Template EU LIQ2: Net Stable Funding Ratio (2 of 2) - 31/12/2022

Currency amount		31/12/2022				
		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*		*8,293*	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*2,451,898*	*147,467*	*614,073*	*932,997*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*7,881,247*	*1,335,553*	*10,179,735*	*20,581,441*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		292,165	329,348	2,546,382	8,825,648
22	*Performing residential mortgages, of which:*		*209,916*	*220,605*	*8,087,996*	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		207,789	218,310	8,027,321	-
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*		*1,092,573*	*166,871*	*2,844,310*	*2,630,638*
25	Interdependent assets		-	-	-	-
26	Other assets:		560,261	27,637	3,686,976	3,792,983
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*39,200*	*33,320*
29	*NSFR derivative assets*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		*91,776*			*4,589*
31	*All other assets not included in the above categories*		*468,485*	*27,637*	*3,647,776*	*3,755,075*
32	Off-balance sheet items		4,519,444	5,000	756,533	264,051
33	**TOTAL RSF AS AT 31/12/2022**					**28,984,542**
34	**NET STABLE FUNDING RATIO (%) AS AT 31/12/2022**					**128.4995%**

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80. 00 - C 81.00 - C 84.00

Table 28 - Template EU LIQ2: Net Stable Funding Ratio (1 of 2) - 30/09/2022

Currency amount		30/09/2022				
		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	3,258,539	3,453	-	548,278	3,806,817
2	*Own funds*	*3,258,539*	*3,453*	-	*548,278*	*3,806,817*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		17,757,401	172,966	576,902	17,264,476
5	*Stable deposits*		*11,003,257*	*1,616*	*2,631*	*10,457,260*
6	*Less stable deposits*		*6,754,144*	*171,350*	*574,272*	*6,807,216*
7	Wholesale funding:		13,763,093	5,306,993	6,846,439	14,430,375
8	*Operational deposits*		*3,597,621*	-	-	*1,798,811*
9	*Other wholesale funding*		*10,165,472*	*5,306,993*	*6,846,439*	*12,631,564*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	147,300	3,040,345	10,559	2,061,847	2,067,126
12	*NSFR derivative liabilities*	*147,300*				
13	*All other liabilities and capital instruments not included in the above categories*		*3,040,345*	*10,559*	*2,061,847*	*2,067,126*
14	**TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 30/09/2022**					**39,367,605**

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

Table 29 - Template EU LIQ2: Net Stable Funding Ratio (2 of 2) - 30/09/2022

Currency amount		30/09/2022				
		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)					2,605,693
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-

Table 29 - Template EU LIQ2: Net Stable Funding Ratio (2 of 2) - 30/09/2022

Currency amount		30/09/2022				
		a	**b**	**c**	**d**	**e**
		Unweighted value by residual maturity				**Weighted value**
		No maturity	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
17	Performing loans and securities:		11,972,998	1,565,309	21,364,489	24,098,644
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*		*2,226,591*	*103,881*	*634,348*	*908,948*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*8,447,499*	*1,163,594*	*9,725,485*	*20,584,510*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		284,741	316,228	2,610,462	8,879,251
22	*Performing residential mortgages, of which:*		*256,744*	*208,920*	*8,145,487*	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		252,581	204,567	8,035,963	-
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*		*1,042,163*	*88,914*	*2,859,169*	*2,605,185*
25	Interdependent assets		-	-	-	-
26	Other assets:		671,706	22,623	3,569,502	3,693,341
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*39,200*	*33,320*
29	*NSFR derivative assets*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		*177,147*			*8,857*
31	*All other assets not included in the above categories*		*494,559*	*22,623*	*3,530,302*	*3,651,164*
32	Off-balance sheet items		4,492,791	80,000	700,555	264,035
33	**TOTAL RSF AS AT 30/09/2022**					**30,661,713**
34	**NET STABLE FUNDING RATIO (%) AS AT 30/09/2022**					**128.3934%**

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

Section 7
Disclosure of exposures to credit risk (article 442 CRR/CRR II)

This section provides multiple disclosures, referring to the situation of the banking Group's portfolio of credit exposures as at 30 June 2023, concerning:

- the dynamics and composition of performing, non-performing and forborne exposures - including assets acquired as part of execution processes for the recovery of impaired loans - as well as provisions and adjustments on these types of exposures and the amounts of guarantees received;
- the distribution of exposures by credit quality, counterparty segment, geographical area, economic sector and residual maturity.

Table 30 - 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	2,830,775	2,820,362	10,413	-	-	-
010	Loans and advances	32,845,350	29,440,010	3,022,143	1,454,286	-	1,328,226
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	*537,895*	*532,467*	*5,388*	*459*	-	*459*
040	*Credit institutions*	*590,689*	*590,689*	-	-	-	-
050	*Other financial corporations*	*2,594,553*	*2,388,372*	*199,617*	*28,627*	-	*27,426*
060	*Non-financial corporations*	*17,489,260*	*15,279,758*	*1,980,245*	*1,046,738*	-	*944,494*
070	*Of which SMEs*	*9,398,512*	*8,011,370*	*1,173,664*	*713,601*	-	*627,079*
080	*Households*	*11,632,953*	*10,648,724*	*836,893*	*378,462*	-	*355,847*
090	Debt securities	13,799,180	13,255,946	470,753	1,257	-	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*10,790,509*	*10,754,926*	-	-	-	-
120	*Credit institutions*	*1,438,550*	*1,092,099*	*326,985*	-	-	-
130	*Other financial corporations*	*1,160,578*	*1,053,769*	*89,377*	-	-	-
140	*Non-financial corporations*	*409,543*	*355,152*	*54,391*	*1,257*	-	-
150	Off-balance-sheet exposures	24,004,115	14,690,422	1,294,282	207,333	-	107,546
160	*Central banks*	*50,000*	-	-	-	-	-
170	*General governments*	*677,364*	*511,948*	*51,684*	*200*	-	-
180	*Credit institutions*	*927,772*	*349,789*	*7,954*	-	-	-
190	*Other financial corporations*	*1,787,803*	*1,606,033*	*11,691*	*604*	-	*412*
200	*Non-financial corporations*	*18,669,882*	*10,706,051*	*1,110,443*	*198,145*	-	*100,537*
210	*Households*	*1,891,293*	*1,516,600*	*112,511*	*8,384*	-	*6,596*
220	**TOTAL AS AT 30/06/2023**	**73,479,420**	**60,206,738**	**4,797,592**	**1,662,876**	**-**	**1,435,772**
	TOTAL AS AT 31/12/2022	**76,531,621**	**63,687,522**	**4,343,892**	**1,641,800**	**-**	**1,407,061**

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

Table 31 - 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	(343)	(194)	(149)	-	-	-
010	Loans and advances	(173,316)	(52,871)	(114,368)	(876,922)	-	(799,602)
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	*(3,026)*	*(2,606)*	*(419)*	*(420)*	-	*(420)*
040	*Credit institutions*	*(372)*	*(372)*	-	-	-	-
050	*Other financial corporations*	*(17,753)*	*(11,051)*	*(6,702)*	*(19,386)*	-	*(18,184)*
060	*Non-financial corporations*	*(83,264)*	*(19,459)*	*(62,146)*	*(652,970)*	-	*(588,571)*
070	*Of which SMEs*	*(49,553)*	*(9,833)*	*(38,232)*	*(410,632)*	-	*(358,004)*
080	*Households*	*(68,902)*	*(19,383)*	*(45,100)*	*(204,146)*	-	*(192,426)*
090	Debt securities	(14,171)	(5,744)	(8,427)	-	-	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*(3,664)*	*(3,664)*	-	-	-	-
120	*Credit institutions*	*(4,557)*	*(1,322)*	*(3,235)*	-	-	-
130	*Other financial corporations*	*(952)*	*(492)*	*(460)*	-	-	-
140	*Non-financial corporations*	*(4,999)*	*(266)*	*(4,732)*	-	-	-
150	Off-balance-sheet exposures	(34,020)	(19,210)	(14,807)	(40,038)	-	(13,306)
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	*(338)*	*(159)*	*(179)*	*(1)*	-	-
180	*Credit institutions*	*(112)*	*(110)*	*(1)*	-	-	-
190	*Other financial corporations*	*(5,890)*	*(5,830)*	*(60)*	*(347)*	-	*(156)*
200	*Non-financial corporations*	*(24,323)*	*(10,783)*	*(13,538)*	*(38,408)*	-	*(12,494)*
210	*Households*	*(3,359)*	*(2,329)*	*(1,029)*	*(1,282)*	-	*(657)*
220	**TOTAL AS AT 30/06/2023**	**(221,851)**	**(78,019)**	**(137,752)**	**(916,960)**	**-**	**(812,908)**
	TOTAL AS AT 31/12/2022	**(184,165)**	**(69,098)**	**(112,708)**	**(889,805)**	**-**	**(785,700)**

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

NOTE: The total of line 220 includes items 005, 010, 090 and 150.

Table 32 - 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	(99,018)	22,363,067	511,697
020	*Central banks*	-	-	-
030	*General governments*	-	*183,963*	-
040	*Credit institutions*	-	*164,044*	-
050	*Other financial corporations*	-	*1,013,321*	*9,115*
060	*Non-financial corporations*	*(98,421)*	*10,440,912*	*347,856*
070	*Of which SMEs*	*(35,758)*	*7,077,884*	*289,932*
080	*Households*	*(597)*	*10,560,827*	*154,726*
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		790,104	7,740
160	*Central banks*		-	-
170	*General governments*		*16,583*	-
180	*Credit institutions*		*5,750*	-
190	*Other financial corporations*		*36,861*	*0*
200	*Non-financial corporations*		*595,857*	*7,081*
210	*Households*		*135,053*	*658*
220	**TOTAL AS AT 30/06/2023**	**(99,018)**	**23,153,172**	**519,436**
	TOTAL AS AT 31/12/2022	**(114,266)**	**23,006,115**	**556,575**

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

Table 33 - Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 yea	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	4,194,214	7,433,421	9,075,164	11,636,385	15,305,900	47,645,083
2	Debt securities	7,896	862,552	7,160,382	6,001,236	6,130	14,038,196
3	**TOTAL AS AT 30/06/2023**	**4,202,110**	**8,295,973**	**16,235,546**	**17,637,621**	**15,312,030**	**61,683,280**

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 shows the exposures as at 30 June 2023 in the form of loans and advances and debt securities by maturity. These exposures are mainly concentrated in the categories with maturities beyond 5 and between 1 year and 5 years. The distribution of volumes across time buckets is, in proportion to the total, broadly consistent with that observed in December 2022.

Table 34 - Template EU CR2: Changes in the stock of non-performing loans and advances

		30/06/2023
		a
		Gross carrying amount
010	**INITIAL STOCK OF NON-PERFORMING LOANS AND ADVANCES**	**1,462,406**
020	Inflows to non-performing portfolios	257,325
030	Outflows from non-performing portfolios	(265,444)
040	*Outflow due to write-off*	*(35,978)*
050	*Outflow due to other situations*	*(229,466)*
060	**FINAL STOCK OF NON-PERFORMING LOANS AND ADVANCES**	**1,454,286**

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

Inflows to non-performing portfolios in the year included new entries in non-performing portfolios of about 257 million euro. Total outflows from non-performing portfolios amounted to around 265 million euro, of which 36 million euro due to write-offs and 229 million euro due to other circumstances. The main components of the latter are: returns to performing status in the first part of the year of about 30 million euro, outflows due to partial or total repayment of loans of 157 million euro and outflows due to the liquidation of collateral in the amount of 24 million euro.

Table 35 - Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

		30/06/2023	
		a	b
		Gross carrying amount	Related net accumulated recoveries
010	**INITIAL STOCK**	**1,462,406**	
020	Inflows to non-performing portfolios	257,325	
030	Outflows from non-performing portfolios	(265,444)	
040	*Outflow to performing portfolio*	*(30,394)*	
050	*Outflow due to loan repayment, partial or total*	*(156,544)*	
060	*Outflow due to collateral liquidation*	*(23,859)*	*23,133*
070	*Outflow due to taking possession of collateral*	-	-
080	*Outflow due to sale of instruments*	*(17,418)*	*9,037*
090	*Outflow due to risk transfer*	-	-
100	*Outflow due to write-off*	*(35,978)*	
110	*Outflow due to other situations*	*(1,253)*	
120	*Outflow due to reclassification as held for sale*	-	
130	**FINAL STOCK**	**1,454,286**	

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

The overall quality of the Group's credit assets improved compared to last December. Both the stock of non-performing exposures on the balance sheet and their share of total loans declined during the period. Coverage of non-performing loans, based on prudent provisioning policies, increased further during the period. The coverage of the performing portfolio, also up on December 2022, includes specific hedges ("IFRS 9 prudential add-on") related to changes in the economic and geopolitical environment and ESG risk components, introduced as management overlays.

Table 36 - 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	358,832	657,186	657,186	637,959
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	*313*	*14,134*	*14,134*	*14,134*
060	*Non-financial corporations*	*167,500*	*469,706*	*469,706*	*455,572*
070	*Households*	*191,020*	*173,345*	*173,345*	*168,253*
080	Debt securities	-	-	-	-
090	Loan commitments given	6,624	10,057	10,057	10,057
100	**TOTAL AS AT 30/06/2023**	**365,457**	**667,242**	**667,242**	**648,016**
	TOTAL AS AT 31/12/2022	**440,242**	**664,550**	**664,550**	**646,342**

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

Table 37 - 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	(20,820)	(393,097)	550,179	247,939
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	*(7)*	*(14,120)*	*106*	*9*
060	*Non-financial corporations*	*(7,832)*	*(278,601)*	*324,469*	*179,893*
070	*Households*	*(12,980)*	*(100,376)*	*225,604*	*68,037*
080	Debt securities	-	-	-	-
090	Loan commitments given	(73)	0	2,551	2,195
100	**TOTAL AS AT 30/06/2023**	**(20,893)**	**(393,097)**	**552,729**	**250,133**
	TOTAL AS AT 31/12/2022	**(20,136)**	**(366,985)**	**664,355**	**272,638**

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

Forborne exposures recorded a significant decrease compared to 31 December 2022, due exclusively to the performing segment, while the non-performing segment of the portfolio showed substantial stability.

Table 38 - Template EU CQ2: Quality of forbearance

		30/06/2023	31/12/2022
		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	162.974	168.717
020	Non-performing forborne loans and advances that failed to meet the nonperforming exit criteria	405.182	384.148

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

At 30 June 2023, exposures that have been subject to forbearance measures more than twice represented 16% of the total forbearance measures arranged by the Group. With regard to forbearance measures related to non-performing borrowers, 61% are positions that did not meet the criteria for exit from impaired status despite the end of the cure period.

Table 39 - 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	**48,100,073**	**1,455,543**	**1,455,543**	**47,680,152**
Italy	37,559,280	1,361,106	1,361,106	37,188,571
Switzerland	4,947,997	81,117	81,117	4,936,773
Spain	1,642,016	-	-	1,642,016
France	1,111,400	3,565	3,565	1,110,411
Monaco	365,246	1,528	1,528	365,246
United states	56,131	38	38	56,131
Germany	983,601	2,000	2,000	968,925
Luxembourg	181,457	-	-	170,145
Others	1,252,944	6,188	6,188	1,241,933
Off-balance-sheet exposures	**24,211,448**	**207,333**	**207,333**	
Italy	22,401,211	207,155	207,155	
Switzerland	634,168	178	178	
Spain	21,366	-	-	
France	132,495	-	-	
Monaco	478,889	-	-	
United states	31,899	0	0	
Germany	43,500	-	-	
Luxembourg	0	-	-	
Others	467,921	0	0	
TOTAL	**72,311,521**	**1,662,876**	**1,662,876**	**47,680,152**

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

Table 40 - 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	**(1,048,480)**		**(15,929)**
Italy	(1,007,187)		(15,929)
Switzerland	(31,696)		-
Spain	(1,090)		-
France	(1,033)		-
Monaco	(684)		-
United states	(219)		-
Germany	(2,711)		-
Luxembourg	(6)		-
Others	(3,854)		-
Off-balance-sheet exposures		**74,058**	
Italy		73,228	
Switzerland		344	
Spain		7	
France		4	
Monaco		410	
United states		4	
Germany		7	
Luxembourg		-	
Others		54	
TOTAL	**(1,048,480)**	**74,058**	**(15,929)**

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 exceed the 0.1% materiality threshold of the total portfolio.

As of 30 June 2023, the majority of the Group's exposures (both on- and off-balance sheet items) related to counterparties resident in Italy. They account for 78% of total on-balance sheet exposures and about 93% of off-balance sheet exposures. The concentration of domestic exposures on the sub-set of non-performing loans is even more marked: 94% on-balance and 99.9% off-balance are percent incidences calculated on the impaired segment alone.

As for the Group's risk profile in relation to the current geo-political context and, in particular, to the ongoing military conflict between Russia and Ukraine, exposures to the two countries remain low (0.05% of gross balance sheet exposure as at 30 June).

Table 41 - Template EU CQ5: Credit quality of loans and advances by industry

		a	b	c	d	e	f
		Gross carrying amount				**Accumulated impairment**	**Accumulated 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**		
				Of which: defaulted			
010	Agriculture, forestry and fishing	322,674	5,876	5,876	308,073	(4,241)	-
020	Mining and quarrying	134,348	3,881	3,881	134,348	(6,266)	-
030	Manufacturing	5,159,728	170,989	170,989	5,132,797	(129,694)	(5,765)
040	Electricity, gas, steam and air conditioning supply	665,378	9,210	9,210	660,806	(7,461)	-
050	Water supply	225,827	4,516	4,516	225,827	(3,801)	-
060	Construction	1,739,353	243,229	243,229	1,696,178	(172,472)	(1,532)
070	Wholesale and retail trade	3,098,239	115,942	115,942	3,067,671	(85,805)	(272)
080	Transport and storage	397,356	37,604	37,604	393,615	(21,981)	(101)
090	Accommodation and food service activities	970,345	81,444	81,444	950,430	(46,979)	(98)
100	Information and communication	395,245	25,770	25,770	394,393	(18,886)	(56)
110	Financial and insurance activities	253,161	21,933	21,933	252,506	(11,734)	-
120	Real estate activities	2,554,552	241,010	241,010	2,490,710	(149,551)	(4,195)
130	Professional, scientific and technical activities	1,164,515	43,277	43,277	1,156,826	(35,132)	(1,248)
140	Administrative and support service activities	436,257	16,510	16,510	434,508	(9,978)	(25)
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	35,858	991	991	35,685	(807)	(7)
170	Human health services and social work activities	316,113	1,526	1,526	314,768	(2,299)	-
180	Arts, entertainment and recreation	278,926	10,984	10,984	278,455	(9,223)	(1)
190	Other services	388,122	12,046	12,046	386,666	(6,623)	-
200	**TOTAL AS AT 30/06/2023**	**18,535,998**	**1,046,738**	**1,046,738**	**18,314,263**	**(722,932)**	**(13,301)**
	TOTAL AS AT 31/12/2022	**18,130,973**	**1,066,164**	**1,066,164**	**17,877,318**	**(694,947)**	**(14,343)**

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

As at 30 June 2023, the business sectors in which exposure at portfolio level is most concentrated are: Manufacturing (27.8% of total exposure), Wholesale and Retail Trade (16.7% of total exposure), Real Estate (13.8% of total exposure) and Construction (9.4% of total exposure).

With reference to the impaired segment only, the prevailing segments were: Construction (23.2% of total impaired exposures), Real Estate (23% of total impaired exposures), Manufacturing (16.3% of total impaired exposures) and Wholesale and Retail Trade (11.1% of total impaired exposures).

Table 42 - 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	34,299,636	32,845,350	29,262	1,454,286	643,804
020	*Of which secured*	*19,250,768*	*18,042,752*	*25,075*	*1,208,015*	*519,427*
030	*Of which secured with immovable property*	*13,468,852*	*12,647,229*	*16,574*	*821,622*	*368,423*
040	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	*4,524,926*	*4,388,820*		*136,106*	*80,535*
050	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	*395,384*	*318,981*		*76,404*	*39,944*
060	*Of which instruments with LTV higher than 100%*	*402,187*	*205,424*		*196,764*	*27,912*
070	Accumulated impairment for secured assets	(813,262)	(120,935)	(2,420)	(692,326)	(201,351)
080	Collateral					
090	*Of which value capped at the value of exposure*	*17,117,967*	*16,718,208*	*17,320*	*399,759*	*255,757*
100	*Of which immovable property*	*14,134,889*	*13,750,955*	*14,528*	*383,934*	*247,254*
110	*Of which value above the cap*	*22,816,642*	*21,011,663*	*31,276*	*1,804,979*	*885,991*
120	*Of which immovable property*	*21,744,275*	*20,004,785*	*31,199*	*1,739,490*	*869,833*
130	Financial guarantees received	5,756,797	5,644,859	4,832	111,938	60,299
140	Accumulated partial write-off	(99,018)	(2)	-	(99,016)	(2,865)

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

Table 43 - 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	810,482	94,219	88,616	148,792	173,371	107,023	198,461
020	*Of which secured*	*688,588*	*82,009*	*75,594*	*124,945*	*121,850*	*97,706*	*186,483*
030	*Of which secured with immovable property*	*453,199*	*46,236*	*45,976*	*96,800*	*89,086*	*61,770*	*113,330*
040	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	*55,570*						
050	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	*36,460*						
060	*Of which instruments with LTV higher than 100%*	*168,852*						
070	Accumulated impairment for secured assets	(490,975)	(32,774)	(39,072)	(81,263)	(80,564)	(84,575)	(172,727)
080	Collateral							
090	*Of which value capped at the value of exposure*	*144,003*	*32,568*	*18,574*	*33,120*	*36,247*	*12,330*	*11,164*
100	*Of which immovable property*	*136,680*	*27,298*	*18,087*	*32,367*	*35,822*	*12,020*	*11,086*
110	*Of which value above the cap*	*918,989*	*100,408*	*84,546*	*178,248*	*206,189*	*111,641*	*237,956*
120	*Of which immovable property*	*869,657*	*94,383*	*79,474*	*154,380*	*205,941*	*109,469*	*226,010*
130	Financial guarantees received	51,639	16,141	17,586	10,217	5,093	801	1,800
140	Accumulated partial write-off	(96,152)	-	-	(25)	(47,078)	(3,665)	(45,384)

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

As of 30 June 2023, guaranteed exposures represented more than a half of total performing loans and advances disbursed by the Group (about 56.1%); guaranteed exposure rose to approximately 83.1% for the impaired segment stand-alone. It should also be noted that, for the portion of the portfolio guaranteed by real estate assets (about 39.3% in terms of total exposure) only a fraction equal to 13.2% of total exposures had a loan-to-value (LTV, loan/guarantee value) ratio higher than 60% and lower than or equal to 80%.

Table 44 - Template EU CQ7: Collateral obtained by taking possession and execution processes

		30/06/2023		31/12/2022	
		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	31,848	(1,892)	39,803	(1,647)
030	*Residential immovable property*	*8,715*	*(1,892)*	*7,106*	*(1,647)*
040	*Commercial Immovable property*	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	-	-	-	-
060	*Equity and debt instruments*	-	-	-	-
070	*Other collateral*	*23,133*	-	*32,698*	-
080	**TOTAL**	**31,848**	**(1,892)**	**39,803**	**(1,647)**

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

Similar to historical observations, 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 45 - 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	34,444	(1,892)	31,848	(1,892)	28,446	(914)
030	*Residential immovable property*	*8,715*	*(1,892)*	*8,715*	*(1,892)*	*5,313*	*(914)*
040	*Commercial immovable property*	-	-	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	-	-	-	-	-	-
060	*Equity and debt instruments*	-	-	-	-	-	-
070	*Other collateral*	*25,730*	-	*23,133*	-	*23,133*	-
080	**TOTAL AS AT 30/06/2023**	**34,444**	**(1,892)**	**31,848**	**(1,892)**	**28,446**	**(914)**
	TOTAL AS AT 31/12/2022	**91,232**	**(1,647)**	**39,803**	**(1,647)**	**36,422**	**(675)**

Fonte: Base segnaletica FINREP - Ingressi e uscite delle garanzie ottenute per presa di possesso: Modelli F 25.02 - F 25.03

Table 46 - Template EU CQ8: Collateral obtained by taking possession and execution processes - vintage breakdown (2 of 2)

		g	h	i	j	k	l
		Total collateral obtained by taking possessions					
		Foreclosed > 2 years <= 5 years		**Foreclosed > 5 years**		**Of which non-current assets held-for-sale**	
		Value at initial recognition	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**
010	Collateral obtained by taking possession classified as PP&E						
020	Collateral obtained by taking possession other than that classified as PP&E	3,402	(978)	-	-	-	-
030	*Residential immovable property*	*3,402*	*(978)*	-	-	-	-
040	*Commercial immovable property*	-	-	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	-	-	-	-	-	-
060	*Equity and debt instruments*	-	-	-	-	-	-
070	*Other collateral*	-	-	-	-	-	-
080	**TOTAL AS AT 30/06/2023**	**3,402**	**(978)**	**-**	**-**	**-**	**-**
	TOTAL AS AT 31/12/2022	**3,382**	**(972)**	**-**	**-**	**-**	**-**

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

As of 30 June 2023, collaterals obtained by taking possession and through execution processes were quite marginal in terms of numbers. The recovery activity conducted according to these methods focuses almost entirely on residential properties with foreclosure date no later than two years with respect to the possession of the property.

Section 8
Disclosure of the use of credit risk mitigation techniques (article 453 CRR/CRR II)

This section summarises the Group's exposures as at 30 June 2023 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 47 - Template EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured 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	13,205,066	22,874,764	17,117,967	5,756,797	-
2	Debt securities	13,786,266	-	-	-	
3	**TOTAL AS AT 30/06/2023**	**26,991,332**	**22,874,764**	**17,117,967**	**5,756,797**	**-**
4	*Of which non-performing exposures*	*66,924*	*511,697*	*399,759*	*111,938*	-
EU-5	*Of which defaulted*	*66,924*	*511,697*	*399,759*	*111,938*	-
	TOTAL AS AT 31/12/2022	**30,887,130**	**22,763,413**	**17,000,726**	**5,762,687**	**-**

Source: FINREP reporting framework - Breakdown of loans and advances, collateral for loans and advances: Templates F 05.01 - F 13.01 - F 18.00

As of 30 June 2023, 46% of the exposures were covered by CRM techniques (about 42% as at 31 December 2022). Of the latter, 74.8% of the total secured is backed by collateral and 25.2% of the total secured by personal guarantees. The figures are similar to those from December 2022.

There are risk hedging transactions using credit derivatives.

Section 9
Disclosure of the use of the standardised approach to credit risk (articles 444 and 453 CRR/CRR II)

The table below shows, for each of the Group's exposure classes as at 30 June 2023, 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 RWA density is also measured for each regulatory class, as a concise indicator of the riskiness of each portfolio of exposures.

Table 48 - Template EU CR4 - Standardised approach – Credit risk exposure and CRM effects

		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	14,070,147	211,026	17,096,857	170,316	4,812	0.0279%
2	Regional governments or local authorities	56,773	51,475	56,879	8,455	15,029	23.0029%
3	Public sector entities	622,841	478,054	622,677	19,683	438,952	68.3341%
4	Multilateral development banks	182,147	-	328,542	226	-	-
5	International organizations	136,838	15,572	136,838	287	-	-
6	Institutions	3,250,064	1,075,015	3,186,460	231,870	1,329,056	38.8803%
7	Corporates	3,635,683	1,361,941	3,528,959	337,551	3,423,657	88.5464%
8	Retail	871,547	454,142	590,104	39,124	348,225	55.3416%
9	Secured by mortgages on immovable property	4,864,208	7,700	4,864,208	3,022	1,996,449	41.0182%
10	Exposures in default	69,572	986	68,582	728	71,121	102.6134%
11	Higher-risk categories	111,123	-	111,123	-	166,685	150.0000%
12	Covered bonds	229,800	-	229,800	-	31,213	13.5828%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investments undertakings	316,621	433,613	316,621	12,364	666,264	202.5212%
15	Equity	554,982	-	554,982	-	894,267	161.1344%
16	Other items	1,892,233	19,104	1,892,233	9,552	973,151	51.1704%
17	**TOTAL AS AT 30/06/2023**	**30,864,576**	**4,108,627**	**33,584,863**	**833,178**	**10,358,879**	**30.0972%**
	TOTAL AS AT 31/12/2022	**34,996,750**	**4,012,610**	**37,859,183**	**688,229**	**10,423,761**	**27.0414%**

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 as at 30 June 2023 included in the calculation of the capital requirement for credit risk under the "Standardised Approach".

Table 49 - Template EU CR5: Standardised approach (1 of 3)

	EXPOSURES CLASS	Classes of credit worthiness (Weighting Factors)					
		0%	2%	4%	10%	20%	35%
		a	b	c	d	e	f
1	Central governments or central banks	17,257,548	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	62,881	-
3	Public sector entities	-	-	-	-	74,779	-
4	Multilateral development banks	328,767	-	-	-	-	-
5	International organizations	137,125	-	-	-	-	-
6	Institutions	-	-	-	-	1,809,585	-
7	Corporates	-	-	-	-	49,537	36,776
8	Retail	-	-	-	-	-	252,072
9	Secured by mortgages on immovable property	-	-	-	-	-	4,350,925
10	Exposures in default	-	-	-	-	-	-
11	Higher-risk categories	-	-	-	-	-	-
12	Covered bonds	-	-	-	147,468	82,332	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investments undertakings	3,473	-	-	9	164	-
15	Equity	-	-	-	-	-	-
16	Other items	1,049,583	-	-	-	35,022	-
17	**TOTAL AS AT 30/06/2023**	**18,776,497**	**-**	**-**	**147,477**	**2,114,301**	**4,639,772**
	TOTAL AS AT 31/12/2022	**23,120,231**	**-**	**-**	**162,607**	**1,902,537**	**4,506,745**

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

Table 50 - Template EU CR5: Standardised approach (2 of 3)

	EXPOSURES CLASS	Classes of credit worthiness (Weighting Factors)					
		50%	70%	75%	100%	150%	250%
		g	h	i	j	k	l
1	Central governments or central banks	9,624	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	2,452	-	-
3	Public sector entities	287,171	-	-	280,410	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-
6	Institutions	1,283,211	-	-	325,533	0	-
7	Corporates	559,609	95,924	-	3,008,632	116,032	-
8	Retail	-	-	377,157	-	-	-
9	Secured by mortgages on immovable property	6,277	-	155,947	354,081	-	-
10	Exposures in default	-	-	-	65,687	3,623	-
11	Higher-risk categories	-	-	-	-	111,123	-
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investments undertakings	906	-	-	195,005	103,909	405
15	Equity	-	-	-	328,792	-	226,190
16	Other items	-	-	-	717,869	-	99,311
17	**TOTAL AS AT 30/06/2023**	**2,146,799**	**95,924**	**533,104**	**5,278,461**	**334,687**	**325,906**
	TOTAL AS AT 31/12/2022	**2,097,760**	**84,819**	**576,416**	**5,516,032**	**241,210**	**310,231**

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

Table 51 - 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	-	-	-	17,267,173	-
2	Regional governments or local authorities	-	-	-	65,334	65,334
3	Public sector entities	-	-	-	642,361	432,238
4	Multilateral development banks	-	-	-	328,767	-
5	International organizations	-	-	-	137,125	-
6	Institutions	-	-	-	3,418,330	934,328
7	Corporates	-	-	-	3,866,510	2,128,368
8	Retail	-	-	-	629,228	629,228
9	Secured by mortgages on immovable property	-	-	-	4,867,230	4,867,230
10	Exposures in default	-	-	-	69,310	69,310
11	Higher-risk categories	-	-	-	111,123	111,123
12	Covered bonds	-	-	-	229,800	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-
14	Collective investments undertakings	-	25,114	-	328,985	327,565
15	Equity	-	-	-	554,982	554,982
16	Other items	-	-	-	1,901,785	1,901,785
17	**TOTAL AS AT 30/06/2023**	**-**	**25,114**	**-**	**34,418,041**	**12,021,489**
	TOTAL AS AT 31/12/2022	**-**	**28,824**	**-**	**38,547,412**	**12,579,935**

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

Section 10
Disclosure of the use of the IRB approach to credit risk (articles 438, 452 and 453 CRR/CRR II)

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

The initial model validation scope included exclusively the Parent Company Banca Popolare di Sondrio Spa. The subsidiaries Factorit Spa and Banca Popolare di Sondrio (SUISSE) SA are included in a multi-year roll-out program for internal models, which also envisages the extension of advanced metrics for risk exposures comprised 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 default[5].

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;
- "Enterprises", "SME - Enterprises" related to the corporate scope of the subsidiary Banca Popolare di Sondrio (SUISSE);
- All portfolios falling within the corporate scope of the subsidiaries Sinergia Seconda and BNT Banca.

On 19 October 2021, the European Central Bank authorised the Group to use the modified A-IRB parameters in order to implement EBA guidelines on the application of the new harmonised definition of default under article 178 of Regulation (EU) No. 575/2013. The main changes included:
- the updating of the default definition for the purpose of model calibration;
- the updating of time series for the purpose of model calibration.

In addition, on 17 September 2021, the Group formulated application for "model change" according to the roll-out plan authorised by the Supervisor. Having completed the related supervisory assessment, the Group at the date of this document is awaiting formal authorisation to release the new models into production for the purposes of determining capital absorption.

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.

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

* * *

The tables below show, for each exposure class envisaged at regulatory level, the values as at 30 June 2023 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 52 - 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	595,103	1,360,216	30.5850%	1,011,163	0.1080%	23,586
0.00 to <0.10	*102,077*	*311,356*	*50.9450%*	*260,707*	*0.0610%*	*10,692*
0.10 to <0.15	*493,026*	*1,048,860*	*24.5420%*	*750,456*	*0.1250%*	*12,894*
0.15 to <0.25	3,232,774	6,373,543	15.5070%	4,221,165	0.1830%	18,067
0.25 to <0.50	3,275,595	3,141,633	20.6250%	3,923,800	0.4070%	27,204
0.50 to <0.75	2,587,531	2,929,238	21.9000%	3,229,185	0.6350%	14,588
0.75 to <2.50	4,923,628	3,473,794	33.4560%	6,086,762	1.5980%	32,298
0.75 to <1.75	*2,695,003*	*2,096,525*	*34.5060%*	*3,418,797*	*1.1840%*	*19,056*
1.75 to <2.50	*2,228,625*	*1,377,269*	*31.8580%*	*2,667,965*	*2.1280%*	*13,242*
2.50 to <10.00	2,417,320	1,220,150	27.5680%	2,755,048	4.9280%	22,027
2.50 to <5.00	*1,503,255*	*712,854*	*23.7720%*	*1,673,572*	*3.6550%*	*14,282*
5.00 to <10.00	*914,064*	*507,296*	*32.9020%*	*1,081,476*	*6.8980%*	*7,745*
10.00 to <100.00	1,126,515	485,859	36.6370%	1,305,776	23.7250%	16,274
10.00 to <20.00	*607,139*	*297,109*	*38.7190%*	*722,662*	*13.0480%*	*6,069*
20.00 to <30.00	*115,787*	*41,146*	*39.9250%*	*132,375*	*22.2650%*	*1,705*
30.00 to <100.00	*403,588*	*147,604*	*31.5300%*	*450,740*	*41.2710%*	*8,500*
100.00 (default)	1,271,637	205,092	25.7310%	1,324,410	100.0000%	5,831
TOTAL AS AT 30/06/2023	**19,430,104**	**19,189,525**	**23.0499%**	**23,857,310**	**8.0165%**	**159,875**

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 53 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range (2 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	h	i	j	k	l	m
Total as exposure						
0.00 to <0.15	19.7720%	2	73,177	7.2369%	214	(811)
0.00 to <0.10	*21.1430%*	*2*	*8,111*	*3.1111%*	*36*	*(77)*
0.10 to <0.15	*19.2960%*	*2*	*65,066*	*8.6702%*	*178*	*(733)*
0.15 to <0.25	24.2070%	2	908,492	21.5223%	1,888	(11,133)
0.25 to <0.50	18.7100%	2	808,318	20.6004%	2,897	(11,343)
0.50 to <0.75	21.5500%	2	996,822	30.8691%	4,275	(9,315)
0.75 to <2.50	19.7470%	2	2,547,614	41.8550%	19,052	(39,866)
0.75 to <1.75	*20.1370%*	*2*	*1,369,035*	*40.0443%*	*8,192*	*(19,982)*
1.75 to <2.50	*19.2490%*	*3*	*1,178,579*	*44.1752%*	*10,861*	*(19,885)*
2.50 to <10.00	17.5520%	3	1,356,466	49.2357%	22,861	(33,779)
2.50 to <5.00	*16.8890%*	*3*	*752,518*	*44.9648%*	*9,857*	*(14,159)*
5.00 to <10.00	*18.5780%*	*3*	*603,948*	*55.8448%*	*13,004*	*(19,620)*
10.00 to <100.00	15.2200%	2	739,194	56.6096%	47,013	(57,459)
10.00 to <20.00	*15.2200%*	*2*	*407,789*	*56.4287%*	*13,540*	*(21,102)*
20.00 to <30.00	*16.3200%*	*3*	*72,328*	*54.6385%*	*4,872*	*(7,158)*
30.00 to <100.00	*14.9050%*	*3*	*259,078*	*57.4783%*	*28,601*	*(29,199)*
100.00 (default)	45.5170%	2	369,675	27.9124%	577,624	(866,806)
TOTAL AS AT 30/06/2023	**21.5400%**	**2**	**7,799,758**	**32.6934%**	**675,823**	**(1,030,511)**

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 54 - 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 55 - 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 56 - 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
Imprese - PMI						
0.00 to <0.15	132,292	464,022	9.0070%	174,085	0.1180%	478
0.00 to <0.10	*4,083*	*18,467*	*4.9290%*	*4,993*	*0.0700%*	*90*
0.10 to <0.15	*128,209*	*445,555*	*9.1760%*	*169,092*	*0.1200%*	*388*
0.15 to <0.25	999,345	1,760,372	8.7920%	1,154,121	0.1840%	1,770
0.25 to <0.50	566,632	681,807	10.6830%	639,466	0.3870%	963
0.50 to <0.75	963,138	692,551	15.3130%	1,069,189	0.5920%	1,039
0.75 to <2.50	1,703,812	803,153	23.0690%	1,889,091	1.6960%	1,724
0.75 to <1.75	*783,505*	*445,902*	*18.6740%*	*866,773*	*1.1840%*	*955*
1.75 to <2.50	*920,307*	*357,251*	*28.5540%*	*1,022,318*	*2.1290%*	*769*
2.50 to <10.00	803,724	297,245	25.4340%	879,326	4.5470%	784
2.50 to <5.00	*460,858*	*158,785*	*23.7550%*	*498,577*	*3.3720%*	*434*
5.00 to <10.00	*342,866*	*138,460*	*27.3600%*	*380,749*	*6.0850%*	*350*
10.00 to <100.00	362,584	204,521	30.3360%	424,626	19.9290%	407
10.00 to <20.00	*260,761*	*155,268*	*36.1470%*	*316,885*	*12.2030%*	*208*
20.00 to <30.00	*29,754*	*10,908*	*19.6030%*	*31,892*	*25.7020%*	*51*
30.00 to <100.00	*72,069*	*38,345*	*9.8580%*	*75,850*	*49.7770%*	*148*
100.00 (default)	567,242	58,167	20.4510%	579,138	100.0000%	316
SUBTOTAL AS AT 30/06/2023	**6,098,768**	**4,961,839**	**14.3147%**	**6,809,042**	**10.9695%**	**7,481**

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

Table 57 - 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	26.4160%	2	24,839	14.2685%	55	(465)
0.00 to <0.10	*24.9150%*	*2*	*334*	*6.6833%*	*1*	*(2)*
0.10 to <0.15	*26.4600%*	*2*	*24,506*	*14.4925%*	*54*	*(463)*
0.15 to <0.25	22.9410%	2	195,036	16.8991%	487	(2,863)
0.25 to <0.50	23.6830%	3	169,687	26.5357%	585	(2,167)
0.50 to <0.75	23.5740%	3	363,559	34.0033%	1,492	(1,917)
0.75 to <2.50	19.4190%	3	770,512	40.7875%	6,193	(8,188)
0.75 to <1.75	*20.1230%*	*3*	*327,307*	*37.7616%*	*2,087*	*(3,373)*
1.75 to <2.50	*18.8210%*	*3*	*443,205*	*43.3530%*	*4,105*	*(4,815)*
2.50 to <10.00	18.6500%	3	420,056	47.7702%	7,527	(7,852)
2.50 to <5.00	*17.1140%*	*3*	*206,571*	*41.4322%*	*2,753*	*(3,113)*
5.00 to <10.00	*20.6610%*	*2*	*213,485*	*56.0697%*	*4,774*	*(4,739)*
10.00 to <100.00	15.5560%	2	257,458	60.6315%	13,144	(14,846)
10.00 to <20.00	*15.1530%*	*2*	*181,941*	*57.4154%*	*5,544*	*(6,594)*
20.00 to <30.00	*18.4890%*	*3*	*25,411*	*79.6766%*	*1,533*	*(1,453)*
30.00 to <100.00	*16.0080%*	*3*	*50,106*	*66.0603%*	*6,066*	*(6,799)*
100.00 (default)	43.5740%	2	148,395	25.6235%	242,716	(366,723)
SUBTOTAL AS AT 30/06/2023	**22.9620%**	**3**	**2,349,543**	**34.5062%**	**272,198**	**(405,020)**

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

Table 58 - 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 59 - 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	72,074	286,431	7.5090%	93,582	0.1190%	61
0.00 to <0.10	*11*	*325*	*-*	*11*	*0.0700%*	*2*
0.10 to <0.15	*72,064*	*286,106*	*7.5170%*	*93,571*	*0.1190%*	*59*
0.15 to <0.25	1,631,504	4,148,987	14.4680%	2,231,798	0.1840%	413
0.25 to <0.50	959,334	1,904,315	11.2610%	1,173,772	0.3890%	245
0.50 to <0.75	551,762	1,832,936	17.6070%	874,495	0.5900%	176
0.75 to <2.50	1,227,520	1,923,666	27.1580%	1,749,947	1.5670%	283
0.75 to <1.75	*681,876*	*1,236,213*	*31.4010%*	*1,070,060*	*1.1970%*	*123*
1.75 to <2.50	*545,644*	*687,453*	*19.5270%*	*679,887*	*2.1490%*	*160*
2.50 to <10.00	493,168	602,708	13.8180%	576,450	4.1560%	165
2.50 to <5.00	*371,283*	*382,616*	*10.9200%*	*413,065*	*3.3670%*	*98*
5.00 to <10.00	*121,885*	*220,092*	*18.8560%*	*163,385*	*6.1530%*	*67*
10.00 to <100.00	52,459	81,507	23.8600%	71,906	18.5520%	92
10.00 to <20.00	*38,271*	*54,127*	*34.4740%*	*56,930*	*11.3480%*	*39*
20.00 to <30.00	*1,302*	*3,149*	*4.3060%*	*1,437*	*22.9530%*	*11*
30.00 to <100.00	*12,886*	*24,232*	*2.6900%*	*13,538*	*48.3790%*	*42*
100.00 (default)	230,615	91,833	23.5030%	252,199	100.0000%	147
SUBTOTAL AS AT 30/06/2023	**5,218,435**	**10,872,383**	**16.6081%**	**7,024,147**	**4.7103%**	**1,582**

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

Table 60 - 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	23.3110%	3	20,450	21.8527%	26	(26)
0.00 to <0.10	*25.8860%*	*1*	*1*	*8.7897%*	*0*	*0*
0.10 to <0.15	*23.3110%*	*3*	*20,449*	*21.8542%*	*26*	*(26)*
0.15 to <0.25	27.6620%	2	664,849	29.7899%	1,149	(7,173)
0.25 to <0.50	26.9490%	2	462,574	39.4092%	1,236	(6,425)
0.50 to <0.75	28.9700%	2	462,687	52.9091%	1,498	(4,385)
0.75 to <2.50	27.9120%	2	1,331,176	76.0695%	7,529	(20,274)
0.75 to <1.75	*29.1190%*	*2*	*805,402*	*75.2670%*	*3,735*	*(10,461)*
1.75 to <2.50	*26.0120%*	*2*	*525,774*	*77.3325%*	*3,794*	*(9,813)*
2.50 to <10.00	24.1630%	3	545,763	94.6767%	5,868	(8,917)
2.50 to <5.00	*23.4720%*	*2*	*346,563*	*83.9003%*	*3,264*	*(2,640)*
5.00 to <10.00	*25.9080%*	*3*	*199,201*	*121.9212%*	*2,603*	*(6,278)*
10.00 to <100.00	24.4130%	2	96,457	134.1437%	3,007	(1,740)
10.00 to <20.00	*25.7650%*	*2*	*79,190*	*139.0987%*	*1,648*	*(1,434)*
20.00 to <30.00	*19.1180%*	*3*	*1,780*	*123.8432%*	*68*	*(42)*
30.00 to <100.00	*19.2860%*	*3*	*15,488*	*114.4003%*	*1,291*	*(264)*
100.00 (default)	49.3030%	2	64,452	25.5562%	120,497	(182,583)
SUBTOTAL AS AT 30/06/2023	**28.1666%**	**2**	**3,648,410**	**51.9410%**	**140,810**	**(231,523)**

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

Table 61 - Modello EU CR6 - Metodo IRB: esposizioni al rischio di credito per classe di esposizioni e intervallo di PD - Retail - Garanzie immobiliari PMI (1 di 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	115,411	4,311	48.0120%	117,481	0.1180%	1,234
0.00 to <0.10	*9,504*	*1,847*	*56.4270%*	*10,546*	*0.0700%*	*95*
0.10 to <0.15	*105,906*	*2,465*	*41.7060%*	*106,934*	*0.1230%*	*1,139*
0.15 to <0.25	362,544	6,254	23.8460%	364,035	0.1790%	3,245
0.25 to <0.50	82,941	2,768	32.6700%	83,845	0.3120%	741
0.50 to <0.75	73,392	549	37.4110%	73,598	0.6350%	340
0.75 to <2.50	308,612	8,920	54.9930%	313,518	1.3940%	2,236
0.75 to <1.75	*172,241*	*6,098*	*61.9030%*	*176,017*	*1.0470%*	*1,248*
1.75 to <2.50	*136,371*	*2,822*	*40.0620%*	*137,501*	*1.8380%*	*988*
2.50 to <10.00	216,903	4,690	50.3660%	219,266	3.9820%	1,666
2.50 to <5.00	*175,540*	*2,764*	*70.6190%*	*177,493*	*3.4810%*	*1,445*
5.00 to <10.00	*41,363*	*1,926*	*21.2930%*	*41,773*	*6.1090%*	*221*
10.00 to <100.00	227,896	1,489	43.4890%	228,548	23.4060%	2,083
10.00 to <20.00	*100,550*	*979*	*49.2170%*	*101,034*	*11.7630%*	*917*
20.00 to <30.00	*41,725*	*281*	*43.9570%*	*41,848*	*20.9550%*	*361*
30.00 to <100.00	*85,621*	*230*	*18.5270%*	*85,666*	*38.3360%*	*805*
100.00 (default)	101,604	218	-	101,604	100.0000%	592
SUBTOTAL AS AT 30/06/2023	**1,489,301**	**29,200**	**43.1040%**	**1,501,895**	**11.3003%**	**12,137**

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

Table 62 - 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	12.4760%	-	3,344	2.8464%	17	(54)
0.00 to <0.10	*19.5170%*	-	*300*	*2.8412%*	*1*	*(1)*
0.10 to <0.15	*11.7820%*	-	*3,044*	*2.8469%*	*15*	*(53)*
0.15 to <0.25	10.7710%	-	12,941	3.5547%	70	(487)
0.25 to <0.50	15.2320%	-	6,310	7.5262%	40	(170)
0.50 to <0.75	19.6680%	-	11,668	15.8531%	92	(389)
0.75 to <2.50	13.9010%	-	59,190	18.8794%	622	(1,912)
0.75 to <1.75	*13.6700%*	-	*27,530*	*15.6403%*	*259*	*(952)*
1.75 to <2.50	*14.1960%*	-	*31,661*	*23.0259%*	*363*	*(960)*
2.50 to <10.00	13.5020%	-	75,007	34.2083%	1,236	(2,928)
2.50 to <5.00	*12.2720%*	-	*51,269*	*28.8852%*	*758*	*(2,239)*
5.00 to <10.00	*18.7280%*	-	*23,738*	*56.8263%*	*478*	*(689)*
10.00 to <100.00	12.3850%	-	130,182	56.9606%	6,900	(11,067)
10.00 to <20.00	*11.8230%*	-	*51,583*	*51.0556%*	*1,434*	*(3,350)*
20.00 to <30.00	*12.3060%*	-	*25,195*	*60.2064%*	*1,080*	*(2,951)*
30.00 to <100.00	*13.0870%*	-	*53,403*	*62.3393%*	*4,386*	*(4,766)*
100.00 (default)	33.6360%	-	60,564	59.6078%	29,621	(52,108)
SUBTOTAL AS AT 30/06/2023	**14.4339%**	**-**	**359,206**	**23.9169%**	**38,600**	**(69,116)**

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

Table 63 - 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	114,660	1,164	49.3100%	115,234	0.1130%	1,624
0.00 to <0.10	*34,788*	*960*	*41.7150%*	*35,189*	*0.0510%*	*658*
0.10 to <0.15	*79,872*	*204*	*85.0840%*	*80,046*	*0.1400%*	*966*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	1,245,667	15,079	53.8260%	1,253,783	0.4490%	10,879
0.50 to <0.75	674,778	4,363	47.6430%	676,858	0.7400%	5,870
0.75 to <2.50	901,033	9,868	53.0720%	906,274	1.5910%	7,410
0.75 to <1.75	*617,641*	*7,247*	*51.9230%*	*621,406*	*1.2200%*	*5,248*
1.75 to <2.50	*283,392*	*2,621*	*56.2470%*	*284,868*	*2.4000%*	*2,162*
2.50 to <10.00	435,667	2,677	48.7500%	436,976	6.9380%	4,070
2.50 to <5.00	*226,749*	*2,066*	*40.6610%*	*227,593*	*4.8100%*	*1,859*
5.00 to <10.00	*208,917*	*611*	*76.1130%*	*209,382*	*9.2500%*	*2,211*
10.00 to <100.00	203,781	380	42.2460%	203,941	29.1910%	1,896
10.00 to <20.00	*87,998*	*81*	*48.1830%*	*88,037*	*18.9900%*	*865*
20.00 to <30.00	-	-	-	-	-	-
30.00 to <100.00	*115,782*	*299*	*40.6410%*	*115,904*	*36.9400%*	*1,031*
100.00 (default)	95,359	51	-	95,359	100.0000%	598
SUBTOTAL AS AT 30/06/2023	**3,670,944**	**33,582**	**52.0267%**	**3,688,425**	**5.7042%**	**32,347**

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

Table 64 - 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	9.0800%	-	2,975	2.5815%	12	(65)
0.00 to <0.10	*9.1490%*	-	*499*	*1.4190%*	*2*	*(35)*
0.10 to <0.15	*9.0490%*	-	*2,475*	*3.0925%*	*10*	*(30)*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	9.0910%	-	91,581	7.3043%	511	(1,865)
0.50 to <0.75	9.0620%	-	69,844	10.3189%	454	(1,519)
0.75 to <2.50	9.0970%	-	152,983	16.8804%	1,314	(4,029)
0.75 to <1.75	*9.0690%*	-	*89,603*	*14.4194%*	*687*	*(1,957)*
1.75 to <2.50	*9.1590%*	-	*63,380*	*22.2489%*	*626*	*(2,071)*
2.50 to <10.00	9.0420%	-	166,620	38.1303%	2,743	(6,970)
2.50 to <5.00	*9.0260%*	-	*73,803*	*32.4278%*	*988*	*(2,747)*
5.00 to <10.00	*9.0610%*	-	*92,817*	*44.3288%*	*1,755*	*(4,223)*
10.00 to <100.00	9.4910%	-	121,613	59.6314%	5,715	(16,097)
10.00 to <20.00	*9.0800%*	-	*49,520*	*56.2486%*	*1,518*	*(5,227)*
20.00 to <30.00	-	-	-	-	-	-
30.00 to <100.00	*9.8030%*	-	*72,093*	*62.2009%*	*4,197*	*(10,870)*
100.00 (default)	22.1850%	-	41,710	43.7399%	17,978	(44,634)
SUBTOTAL AS AT 30/06/2023	**9.4416%**	**-**	**647,326**	**17.5502%**	**28,727**	**(75,179)**

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

Table 65 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Companies - 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	5,729	79,387	59.6800%	53,126	0.0840%	8,780
0.00 to <0.10	*2,005*	*50,940*	*58.3540%*	*31,738*	*0.0460%*	*5,804*
0.10 to <0.15	*3,724*	*28,447*	*62.0540%*	*21,388*	*0.1400%*	*2,976*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	28,594	55,920	63.1700%	64,106	0.4360%	5,749
0.50 to <0.75	7,527	11,162	57.6490%	14,038	0.7400%	1,122
0.75 to <2.50	22,883	22,818	57.7250%	36,473	1.6710%	2,779
0.75 to <1.75	*13,704*	*15,050*	*57.3740%*	*22,537*	*1.2200%*	*1,650*
1.75 to <2.50	*9,179*	*7,768*	*58.4070%*	*13,935*	*2.4000%*	*1,129*
2.50 to <10.00	14,347	8,813	60.3710%	20,025	6.7740%	1,532
2.50 to <5.00	*7,718*	*5,037*	*59.9110%*	*10,923*	*4.8100%*	*837*
5.00 to <10.00	*6,628*	*3,776*	*60.9850%*	*9,102*	*9.1320%*	*695*
10.00 to <100.00	4,581	4,087	62.6100%	7,304	28.6780%	837
10.00 to <20.00	*2,441*	*1,379*	*61.3480%*	*3,362*	*18.9900%*	*294*
20.00 to <30.00	-	-	-	-	-	-
30.00 to <100.00	*2,139*	*2,708*	*63.2530%*	*3,942*	*36.9400%*	*543*
100.00 (default)	2,230	654	-	2,230	100.0000%	205
SUBTOTAL AS AT 30/06/2023	**85,892**	**182,841**	**60.2646%**	**197,301**	**3.4052%**	**21,004**

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

Table 66 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Companies - 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	13.7960%	-	415	0.7819%	6	(12)
0.00 to <0.10	*13.6940%*	-	*151*	*0.4764%*	*2*	*(6)*
0.10 to <0.15	*13.9470%*	-	*264*	*1.2353%*	*4*	*(5)*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	14.1180%	-	2,017	3.1468%	39	(52)
0.50 to <0.75	14.1170%	-	669	4.7682%	15	(17)
0.75 to <2.50	14.1470%	-	3,189	8.7443%	86	(113)
0.75 to <1.75	*14.1430%*	-	*1,579*	*7.0084%*	*39*	*(48)*
1.75 to <2.50	*14.1530%*	-	*1,610*	*11.5518%*	*47*	*(65)*
2.50 to <10.00	14.1630%	-	4,580	22.8742%	192	(340)
2.50 to <5.00	*14.1380%*	-	*2,038*	*18.6602%*	*74*	*(116)*
5.00 to <10.00	*14.1940%*	-	*2,542*	*27.9313%*	*118*	*(224)*
10.00 to <100.00	14.0600%	-	3,237	44.3213%	294	(348)
10.00 to <20.00	*14.1550%*	-	*1,360*	*40.4462%*	*90*	*(174)*
20.00 to <30.00	-	-	-	-	-	-
30.00 to <100.00	*13.9800%*	-	*1,877*	*47.6263%*	*204*	*(175)*
100.00 (default)	24.8260%	-	34	1.5214%	551	(1,196)
SUBTOTAL AS AT 30/06/2023	**14.1600%**	**-**	**14,143**	**7.1682%**	**1,184**	**(2,078)**

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

Table 67 - 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 - Other SME						
0.00 to <0.15	119,294	467,232	48.5670%	346,226	0.1010%	10,503
0.00 to <0.10	*35,087*	*208,939*	*46.6240%*	*132,503*	*0.0700%*	*3,006*
0.10 to <0.15	*84,206*	*258,293*	*50.1390%*	*213,723*	*0.1210%*	*7,497*
0.15 to <0.25	239,382	457,930	50.6090%	471,212	0.1810%	13,646
0.25 to <0.50	172,245	343,272	49.8050%	343,247	0.3370%	5,394
0.50 to <0.75	218,168	340,268	46.9880%	378,083	0.6320%	3,601
0.75 to <2.50	559,611	579,824	53.3060%	869,130	1.5090%	12,794
0.75 to <1.75	*296,237*	*305,051*	*51.8450%*	*454,538*	*1.1380%*	*6,627*
1.75 to <2.50	*263,373*	*274,773*	*54.9290%*	*414,593*	*1.9140%*	*6,167*
2.50 to <10.00	358,077	269,431	52.1800%	499,474	4.5950%	9,602
2.50 to <5.00	*213,058*	*141,916*	*47.0170%*	*280,355*	*3.4500%*	*6,998*
5.00 to <10.00	*145,019*	*127,515*	*57.9260%*	*219,119*	*6.0590%*	*2,604*
10.00 to <100.00	241,020	187,292	46.5520%	329,197	26.0060%	9,750
10.00 to <20.00	*99,590*	*81,100*	*43.7250%*	*135,420*	*11.7690%*	*3,470*
20.00 to <30.00	*43,007*	*26,808*	*52.3350%*	*57,197*	*21.2900%*	*1,450*
30.00 to <100.00	*98,424*	*79,384*	*47.4860%*	*136,580*	*42,0960%*	*4,830*
100.00 (default)	209,219	51,869	36.4880%	228,145	100.0000%	3,444
SUBTOTAL AS AT 30/06/2023	**2,117,016**	**2,697,116**	**49.8796%**	**3,464,714**	**10.2338%**	**68,734**

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

Table 68 - 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	25.3690%	-	17,963	5.1883%	86	(175)
0.00 to <0.10	*29.5650%*	-	*6,024*	*4.5465%*	*27*	*(31)*
0.10 to <0.15	*22.7670%*	-	*11,939*	*5.5862%*	*59*	*(144)*
0.15 to <0.25	21.3260%	-	35,666	7.5689%	181	(610)
0.25 to <0.50	26.8010%	-	47,155	13.7380%	312	(437)
0.50 to <0.75	26.1710%	-	74,229	19.6331%	622	(898)
0.75 to <2.50	21.4890%	-	191,757	22.0631%	2,822	(3,624)
0.75 to <1.75	*22.3360%*	-	*96,151*	*21.1537%*	*1,172*	*(1,845)*
1.75 to <2.50	*20.5600%*	-	*95,606*	*23.0602%*	*1,651*	*(1,780)*
2.50 to <10.00	19.3760%	-	122,365	24.4989%	4,531	(5,317)
2.50 to <5.00	*18.0050%*	-	*62,047*	*22.1316%*	*1,737*	*(2,725)*
5.00 to <10.00	*21.1300%*	-	*60,318*	*27.5277%*	*2,793*	*(2,592)*
10.00 to <100.00	19.0610%	-	120,275	36.5359%	16,915	(11,357)
10.00 to <20.00	*18.4870%*	-	*39,757*	*29.3584%*	*2,960*	*(3,628)*
20.00 to <30.00	*17.9780%*	-	*19,941*	*34.8646%*	*2,191*	*(2,712)*
30.00 to <100.00	*20.0840%*	-	*60,576*	*44.3523%*	*11,764*	*(5,017)*
100.00 (default)	60.0660%	-	51,254	22.4657%	133,263	(168,855)
SUBTOTAL AS AT 30/06/2023	**24.8966%**	**-**	**660,665**	**19.0684%**	**158,733**	**(191,272)**

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

Table 69 - 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	35,643	57,668	131.4180%	111,429	0.1020%	3,516
0.00 to <0.10	*16,599*	*29,878*	*97.4940%*	*45,727*	*0.0480%*	*2,083*
0.10 to <0.15	*19,044*	*27,790*	*167.8910%*	*65,702*	*0.1400%*	*1,433*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	220,183	138,472	104.9910%	365,581	0.4440%	7,301
0.50 to <0.75	98,765	47,409	93.0820%	142,925	0.7400%	3,672
0.75 to <2.50	200,158	125,545	97.2490%	322,329	1.6400%	8,126
0.75 to <1.75	*129,799*	*80,963*	*95.9050%*	*207,466*	*1.2200%*	*4,968*
1.75 to <2.50	*70,359*	*44,582*	*99.6890%*	*114,863*	*2.4000%*	*3,158*
2.50 to <10.00	95,435	34,587	80.6960%	123,533	6.8640%	6,301
2.50 to <5.00	*48,049*	*19,670*	*88.5800%*	*65,566*	*4.7690%*	*3,890*
5.00 to <10.00	*47,386*	*14,917*	*70.3000%*	*57,967*	*9.2340%*	*2,411*
10.00 to <100.00	34,195	6,583	90.5560%	40,254	27.5790%	2,695
10.00 to <20.00	*17,528*	*4,176*	*82.0690%*	*20,994*	*18.9900%*	*949*
20.00 to <30.00	-	-	-	-	-	-
30.00 to <100.00	*16,666*	*2,406*	*105.2870%*	*19,261*	*36.9400%*	*1,746*
100.00 (default)	65,369	2,299	15.9490%	65,735	100.0000%	1,173
SUBTOTAL AS AT 30/06/2023	**749,747**	**412,563**	**102.1973%**	**1,171,786**	**7.9705%**	**32,784**

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

Table 70 - 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	10.6330%	-	3,190	2.8625%	12	(14)
0.00 to <0.10	*11.1000%*	-	*802*	*1.7533%*	*2*	*(3)*
0.10 to <0.15	*10.3080%*	-	*2,388*	*3.6346%*	*9*	*(12)*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	10.5550%	-	28,994	7.9308%	172	(227)
0.50 to <0.75	9.6200%	-	14,164	9.9104%	101	(190)
0.75 to <2.50	8.9180%	-	38,806	12.0393%	486	(1,725)
0.75 to <1.75	*8.3320%*	-	*21,462*	*10.3448%*	*212*	*(1,345)*
1.75 to <2.50	*9.9750%*	-	*17,344*	*15.1000%*	*274*	*(381)*
2.50 to <10.00	9.3570%	-	22,074	17.8688%	765	(1,454)
2.50 to <5.00	*9.1780%*	-	*10,226*	*15.5969%*	*282*	*(580)*
5.00 to <10.00	*9.5590%*	-	*11,848*	*20.4385%*	*482*	*(875)*
10.00 to <100.00	9.1660%	-	9,972	24.7724%	1,038	(2,004)
10.00 to <20.00	*8.6390%*	-	*4,439*	*21.1429%*	*345*	*(696)*
20.00 to <30.00	-	-	-	-	-	-
30.00 to <100.00	*9.7410%*	-	*5,533*	*28.7284%*	*693*	*(1,309)*
100.00 (default)	50.5290%	-	3,265	4.9671%	32,998	(50,707)
SUBTOTAL AS AT 30/06/2023	**12.0665%**	**-**	**120,465**	**10.2805%**	**35,571**	**(56,322)**

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

The following table shows the impact of credit derivatives recognised as credit risk mitigation (CRM) techniques on the values at 30 June 2023 of risk-weighted exposures (RWA) and credit risk capital requirements calculated by the Group under the “Advanced IRB Approach”, broken down by category of relevant exposure at regulatory level.

Table 71 - Template EU CR7 - IRB approach: Effect on the RWEAs of credit derivatives used as CRM techniques

		30/06/2023		31/12/2022	
		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**	**7,799,758**	**7,799,758**	**7,611,573**	**7,611,573**
6	Central governments and central banks	-	-	-	-
7	Institutions	-	-	-	-
8	Corporates	5,997,953	5,997,953	5,876,640	5,876,640
8,1	*of which - Corporates SMEs*	*2,349,543*	*2,349,543*	*2,403,749*	*2,403,749*
8,2	*of which Corporates - Specialised lending*	-	-	-	-
9	Retail	1,801,805	1,801,805	1,734,933	1,734,933
9,1	*of which Retail – SMEs - Secured by immovable property collateral*	*359,206*	*359,206*	*356,067*	*356,067*
9,2	*of which Retail – non-SMEs - Secured by immovable property collateral*	*647,326*	*647,326*	*608,867*	*608,867*
9,3	*of which Retail – Qualifying revolving*	*14,143*	*14,143*	*15,605*	*15,605*
9,4	*of which Retail – SMEs - Other*	*660,665*	*660,665*	*621,163*	*621,163*
9,5	*of which Retail – Non-SMEs-Other*	*120,465*	*120,465*	*133,231*	*133,231*
10	**TOTAL AS AT 30/06/2023**	**7,799,758**	**7,799,758**	**7,611,573**	**7,611,573**

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, as at 30 June 2023, 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 30 June 2023 covered by real and personal credit risk mitigation (CRM) techniques. It also shows the amounts of risk-weighted exposures (RWA), including any reduction due to the existence of credit protection, with and without the application of the "Substitution approach"[6].

Table 72 - Template EU CR7-A - IRB approach: Disclosure of the extent of the use of CRM techniques (1 of 3)

	A-IRB	Total exposures	Credit risk Mitigation techniques				
			Funded credit Protection (FCP)				
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)			
					Part of exposures covered by 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	13,833,189	2.4062%	25.0370%	24.3570%	-	0.6800%
3,1	*Of which Corporates – SMEs*	*6,809,042*	*4.4655%*	*41.2069%*	*40.0212%*	-	*1.1858%*
3,2	*Of which Corporates – Specialised lending*	-	-	-	-	-	-
3,3	*Of which Corporates – Other*	*7,024,147*	*0.4100%*	*9.3623%*	*9.1725%*	-	*0.1898%*
4	Retail	10,024,121	2.5274%	57.7398%	57.7177%	-	0.0221%
4,1	*Of which Retail – Immovable property SMEs*	*1,501,895*	*0.0123%*	*97.7331%*	*97.7331%*	-	-
4,2	*Of which Retail – Immovable property non-SMEs*	*3,688,425*	*0.0082%*	*97.5176%*	*97.5176%*	-	-
4,3	*Of which Retail – Qualifying revolving*	*197,301*	-	-	-	-	-
4,4	*Of which Retail – Other SMEs*	*3,464,714*	*3.8213%*	*17.0835%*	*17.0197%*	-	*0.0638%*
4,5	*Of which Retail – Other non-SMEs*	*1,171,786*	*10.2804%*	*11.2046%*	*11.2046%*	-	-
5	**TOTAL AS AT 30/06/2023**	**23,857,310**	**2.4571%**	**38.7777%**	**38.3741%**	**-**	**0.4036%**

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

[6] 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 73 - 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	0.0097%	-	0.0097%	-	10.2673%	-
3,1	*Of which Corporates – SMEs*	*0.0197%*	-	*0.0197%*	-	*14.9258%*	-
3,2	*Of which Corporates – Specialised lending*	-	-	-	-	-	-
3,3	*Of which Corporates – Other*	-	-	-	-	*5.7515%*	-
4	Retail	0.0301%	-	0.0301%	-	8.0849%	-
4,1	*Of which Retail – Immovable property SMEs*	-	-	-	-	*0.3966%*	-
4,2	*Of which Retail – Immovable property non-SMEs*	-	-	-	-	*0.2320%*	-
4,3	*Of which Retail – Qualifying revolving*	-	-	-	-	-	-
4,4	*Of which Retail – Other SMEs*	*0.0071%*	-	*0.0071%*	-	*20.5672%*	-
4,5	*Of which Retail – Other non-SMEs*	*0.2364%*	-	*0.2364%*	-	*7.1118%*	-
5	**TOTAL AS AT 30/06/2023**	**0.0183%**	**-**	**0.0183%**	**-**	**9.3503%**	**-**

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

Table 74 - 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 sustitution effects)
		m	n
1	Central governments and central banks	-	-
2	Institutions	-	-
3	Corporates	6,963,140	5,997,953
3,1	*Of which Corporates – SMEs*	*3,060,753*	*2,349,543*
3,2	*Of which Corporates – Specialised lending*	-	-
3,3	*Of which Corporates – Other*	*3,902,387*	*3,648,410*
4	Retail	2,101,768	1,801,805
4,1	*Of which Retail – Immovable property SMEs*	*432,198*	*359,206*
4,2	*Of which Retail – Immovable property non-SMEs*	*750,354*	*647,326*
4,3	*Of which Retail – Qualifying revolving*	*14,125*	*14,143*
4,4	*Of which Retail – Other SMEs*	*774,328*	*660,665*
4,5	*Of which Retail – Other non-SMEs*	*130,763*	*120,465*
5	**TOTAL AS AT 30/06/2023**	**9,064,908**	**7,799,758**

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

		RWA
		a
1	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE PREVIOUS REPORTING PERIOD**	**7,870,461**
2	Asset size	139,666
3	Asset quality	(234,044)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	5,576
8	Other	120,911
9	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE REPORTING PERIOD**	**7,902,570**

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

* * *

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 11
Disclosure of environmental, social and governance (ESG) risks (article 449-bis CRR/CRR II)

This section provides the information on environmental, social and governance (ESG) risks, including 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 standards implementing 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, proportionality measures having been foreseen to facilitate their transposition by banking institutions, including the provision of transitional periods. 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 transitional risks related to climate change, comprising multiple data and information on: a) exposures to assets linked to atmospheric carbon emissions and subject to critical climate change events; b) mitigation measures taken by banks to support their counterparties in the transition to a carbon-neutral economy and adaptation to climate change.

Quantitative disclosure is subject to a phase-in period with a focus on the reporting of counterparty climate gas emissions data and specific taxonomy alignment metrics such as the Green Asset Ratio (GAR) and the Banking Book Taxonomy Alignment Ratio (BTAR), designed to measure exposure to sectors of economic activity aligned with the EU Taxonomy of eco-compatible assets as defined by Regulation (EU) 2020/852, consistent with the targets set by the Paris Climate Agreement and the European Green Deal, the publication of which will become mandatory as of 2024 (with the first reporting date of 31 December 2023) and 2025 (with the first reporting date of 31 December 2024), respectively.

For this disclosure as at 30 June 2023, similarly to the disclosure as at 31 December 2022, the following information is mandatory:

- qualitative information on environmental, social and governance risks, describing ESG risk management policies and strategies and how these factors are integrated into the overall framework for identifying and monitoring "traditional" banking risks and into credit institutions' internal decision-making and information processes;
- quantitative templates setting out specific disclosures on exposures to funded counterparties subject to physical and transition risk.

The information in this section is also in line with the contents of the Consolidated Non-Financial Report (NFR) and/or the report prepared by the Group on the basis of the Task Force on Climate-Related Financial Disclosure (TCFD Report) protocol for the year 2022, with any updates to reflect the situation as at 30 June 2023. Both documents are published in the "Sustainability" section of the Bank's institutional website (https://istituzionale.popso.it/it/sostenibilita/dichiarazione-consolidata-di-carattere-non-finanziario).

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*": 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*": the risk of loss arising 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, including factors related to the transition towards the following environmental objectives: i) climate change mitigation; ii) climate change adaptation; iii) sustainable use and protection of water and marine resources; iv) transition to a circular economy; v) pollution prevention and control; and vi) protection and restoration of biodiversity and ecosystems. It 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. The most commonly publicly reported emissions are carbon dioxide (CO_2); other examples of polluting gases are water vapour (H_2O), nitrous oxide (N_2O), methane (CH_4) and sulphur hexafluoride (SF_6). They are measured in CO_2 equivalents, a unit of measurement that enables the homogeneous assessment of different types of pollutant gases and their effects on climate change;

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.** "*PAIs (Principal Adverse Impacts)*": principal adverse impacts of investment decisions and investment advice on sustainability factors.

Qualitative information on environmental risk

Strategy and business processes

a. Explanation of how the business model, strategy and processes, and financial planning incorporate risks arising from environmental factors and how these risks may evolve over time in view of changing technology, strategic frameworks, operating context, stakeholder preferences and changes in the physical environment itself.

The Group is committed to acting consistently with the United Nations Sustainable Development Goals (SDGs) and, as far as environmental issues are concerned, is inspired by those that are most relevant in light of its business activities and the UN Global Compact Principles. Within its Code of Ethics, the Bank also outlines specific "Behavioural Principles with reference to climate and environmental aspects".

The Bank has a strong body of internal regulations to concretise its commitment to environmental protection and combating climate change in its business and operations, comprising a *Sustainability Policy* and an *Environmental Policy*, both of which are available on the institutional website (https://istituzionale.popso.it/it/sostenibilita/il-nostro-impegno). In the first document, the Bank describes how it works to monitor and limit the impact that its activities generate, both directly and indirectly, on the environment and climate. The *Environmental Policy* also reinforces the Bank's determination to ensure that its activities and relations with customers, suppliers, collaborators and partners are conducted in light of a cost-benefit balance assessment that takes due account of environmental impacts, with the aim of minimising any negative effects that might arise. The two policies are adopted by all Group companies.

BPS, aware of the urgency related to environmental issues and the fight against climate change, in its Business Plan 2022-2025 (hereinafter, the Business Plan) has placed particular attention on the integration of the environmental factor (Environmental) in its traditional areas of activity, i.e. the granting of credit and investments in financial assets. In particular, it set an ambitious path with respect to reducing its environmental and climate impacts, identifying the challenging goal of adhering to the UN Principles for Responsible Banking (hereafter, “PRB”) and the Net Zero Banking Alliance (hereafter, “NZBA”) in 2023. This latest initiative, promoted by the United Nations, is aimed at accelerating the sustainable transition of the banking sector, through the commitment of participating banks to align their lending and investment portfolios towards the goal of “zero net emissions” by 2050.

In early 2023, the Bank formalised its support for the Task Force on Climate-Related Financial Disclosures (hereinafter, “TCFD”), an international organisation aimed at encouraging companies globally to be more transparent about the financial risks and opportunities associated with climate change, by committing to report on the internal disclosure of these issues, as well as the specific performance targets (KPIs) set, in a special TCFD Report , prepared as an annex to the Consolidated Non-Financial Report pursuant to Legislative Decree 254/2016 (hereinafter, “NFR”), thus aligning with international best practices.

As a demonstration of its attention to the fight against climate change and environmental protection, the Bank carries out detailed analyses of its carbon footprint, which is the calculation of greenhouse gas (GHG) emissions attributable to its own operations and to the various business lines that make up its customer service activities, and is engaged in projects to reduce its environmental impacts, particularly those related to its financial and credit asset portfolios (so-called Scope 3 indirect GHG emissions). Further information on the Bank’s “GHG Inventory”, the actions it has taken to reduce its carbon footprint and the first quantitative targets set can be found in the aforementioned TCFD Report.

Among the initiatives implemented so far by the Group to promote the reduction of environmental impacts are the following main activities:

- integration of environmental and climate risk factors into credit processes;
- integration of environmental and climate risk factors into the internal governance system, strategic framework, risk management system and reporting, in line with the expectations of the Supervisory Authority;
- gradual development and placement of investment instruments to promote environmental characteristics;
- analysis of PAIs of investment decisions and investment advice on sustainability factors;
- development of a specific bond issue program aimed at financing and/or refinancing eco-sustainable activities (green bonds);
- progressive promotion of financing products aimed at supporting the economic activities that contribute most to the mitigation and adaptation to climate change, such as, for example:
  - low-emission production processes;
  - purchase of housing with a reduced environmental impact;
  - energy upgrading of buildings;
  - energy production from renewable sources;
- selection of funding opportunities, with reference to companies in “sensitive” sectors, through an assessment of regulatory compliance and environmental standards.

[7] The Task Force on Climate-Related Financial Disclosure (TCFD) recommends the use of scenario analysis in order to assess climate change risks, so as to obtain a clear direction towards a reduction of direct and indirect impacts. The guidelines developed by the TCFD aim to measure the adequacy of the climate strategy of member companies and to support them in communicating climate-relevant aspects to the outside world in a transparent and timely manner. The first TCFD Report published by the Bank, covering the year 2022, is presented as an annex to the NFR and available on the corporate website (https://istituzionale.popso.it/it/sostenibilita/dichiarazione-consolidata-di-carattere-non-finanziario).

For more information on the "environmental sustainability" content of the Group's Business Plan, as well as the "ESG Business Plan" section of the NFR 22 and the "Strategy" section of the TCFD Report, please refer to the Bank's institutional website.

The initiatives concerning lending activities took the form of the adoption of a new *ESG Credit Policy* and the development of the "*Next - sustainable credit products*" range, a new line of loans for individuals and companies wishing to contain their energy consumption, make their travel more sustainable or invest in energy efficiency and renewable energy – and in the adoption of a specific C&E risk scoring system in the credit process. Furthermore, as will be discussed in more detail in the following paragraphs and in the TCFD Report itself, the Bank is developing risk management systems aimed at identifying, assessing and monitoring climate and environmental risks in an increasingly robust manner.

Finally, the Bank is firmly committed to reducing the environmental impacts of both its own securities portfolio, through the selection of investments in financial instruments with low pollutant emissions, and the financial advisory and asset management services it provides to customers.

b. Objectives, targets and limits for the assessment and management of environmental risks and explanation of the processes used to establish them.

With the 2022-2025 Business Plan, the Bank set out an ambitious path towards reducing its environmental and climate impacts, identifying the challenging goal of joining the Net Zero Banking Alliance (NZBA) in 2023.

Considering also the interest of the markets, the requests of the European authorities to intensify their efforts to tackle the global issue of climate change, and the need to create specific key indicators (KPIs) to support the monitoring of its own climate performance, starting with a review of its asset and counterparty portfolios, the Bank decided to embark on a path of "target setting" to define specific, objective and measurable targets, in line with the current international strategic framework. For this reason, the Bank has initiated a process to:

- refine the collection of data on GHG emissions, both direct and indirect, enabling, already in NFR 22, the preparation of a dedicated inventory based on increasingly robust sources;
- develop near-term targets based on Scope 1 and Scope 2 GHG emissions according to NZBA's science-based methodology for the financial sector;
- develop near-term targets based on Scope 3, category 15 GHG emissions according to NZBA's science-based methodology for the financial sector;
- analyse preliminary target long-term assumptions with a view to adherence to the NZBA framework, pending the publication of guidelines specifically concerning the financial sector.

The Bank's strategic planning is currently being integrated in order to incorporate an effective and clear vision of the implications of climate change from a management perspective, in the short, medium and long term. The aim is to understand the climate drivers relevant to the pursuit of the objectives dictated by the business model and to integrate them into the framework of strategic asset allocation choices, assessing their impacts on the company's business profile and its sustainability. The definition of a corporate "climate strategy" cannot in fact disregard the study of scenario analysis, i.e. the projection of asset portfolios under different climate scenarios. Through the use of a scientific methodology, targets are set for reducing the amount of greenhouse gas emissions associated with portfolios. The achievement and monitoring of these targets are entrusted to specific performance indicators.

See the “Strategy” and “Metrics and Targets” sections of the TCFD Report for more in-depth planning and target setting.

In order to promote an adequate governance of climate and environmental risks, both physical and transitional, the Bank is also equipping itself with increasingly effective processes and systems for the control and management of these particular sources of risk, 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 interventions 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. Information on current and future (planned) investments in environmentally sustainable activities and sectors aligned with environmental objectives, including climate change targets.

In 2022, the Bank developed the *ESG Credit Policy*, a document that identifies the approach and general principles for the formulation of an ESG-sensitive credit process, in accordance with the EBA Guidelines on the granting and monitoring of credit. The document was approved on 22 December 2022 by the Board of Directors. In particular, the Policy:

- identifies the objectives pursued by the Group and the scope of application;
- defines the main technical terms and lists relevant regulations and principles;
- lays down general guidelines for the integration of ESG factors into the credit process, providing details on how ESG, sector and counterparty assessment is to be carried out;
- distinguishes sensitive sectors and activities;
- informs about the development of ESG credit products;
- outlines roles and responsibilities;
- indicates how it will be overseen, monitored, shared and disseminated.

With regard to the investment activity offered to customers, the Bank, in compliance with the aforementioned regulations, carried out a thorough investigation in order to select the ESG info-provider that would guarantee appropriate information coverage, in particular on ESG risks, about the financial instruments included in asset management or offered to customers through the advisory service. At the same time, the Bank carries out autonomous analyses on the basis of information provided by financial applications normally used for offering its services and examines information received directly from the producers of financial products.

The acquisition, analysis and processing of this information are key to efficient assessment of the environment and related investment opportunities which, in turn, are essential when building portfolios of financial instruments designed to optimise the risk-yield profile based on the established investment opportunities. In carrying out this activity, both a fundamental analysis approach and technical analysis methodologies are used, without neglecting ESG factor analyses, which are integrated into the decision-making process.

In July 2021, Banca Popolare di Sondrio also issued its first Senior Green Bond amounting to 500 million euro, under the EMTN (Euro Medium Term Notes) programme, whose framework is aligned with the ICMA principles updated in 2021.

As a participant in the financial markets, the Bank, following changes in the financial context linked to an increasing focus on sustainability factors, has integrated both assessments relating to sustainability risk and the consideration of major negative effects on sustainability factors into its investment decisions, more closely tailoring its range of products and services to customers' changing needs. In the securities portfolio management service, the integration of ESG factors has been implemented in the investment processes, especially in the definition of specific securities-based management lines that favour sustainable, socially and environmentally conscious growth.

On 30 June 2023, the Bank, in accordance with the requirements of Art. 4 of Reg. (EU) No 2019/2088 and the related regulatory technical standards, published the first Statement on the principal adverse impacts of investment decisions and investment advice on sustainability factors, analysing the specific indicators ("PAIs") prescribed by the regulations, selecting additional voluntary environmental and social indicators and defining a process for prioritising them. More information is available at the following link: https://www.popso.it/cm/pages/ServeBLOB.php/L/IT/IDPagina/2968.

With regard to the implementation of Regulation (EU) 2020/852 (hereinafter, "Taxonomy"), the Bank publishes in its NFR the eligibility disclosure under Article 8: this exercise is a useful testing ground to prepare the future taxonomy alignment disclosure. In accordance with the regulatory changes available at the time, the Bank developed a project aimed at enhancing the information on the percentage of turnover and capital expenditure aligned with the Taxonomy, based on information collected from its counterparties or through external info-providers. Furthermore, the Group understands the relevance of this exercise in the development of new "sustainable" strategies and products, both credit and investment, and, in planning the activities envisaged in the Business Plan, recognises the Taxonomy and future related regulatory provisions as fundamental references.

d. Information on measures taken to mitigate risks associated with environmental factors. Institutions must consider the counterparty's ability to manage environmental risks.

See "Risk Management" paragraph, point m below.

Governance

FOREWORD: ESG GOVERNANCE

In accordance with the 2022-2025 Business Plan, with the aim of increasingly integrating environmental, social and governance sustainability into its business, the Bank has implemented a specific ESG governance system that involves the interaction of various bodies and functions dedicated to the supervision, management and control of these issues and their impacts. In particular, in 2023 the Bank envisaged further measures to strengthen corporate governance mechanisms, aimed at increasing the involvement of the management body and integrating the system of controls to safeguard the effective implementation of ESG guidelines.

The distribution of roles and responsibilities in the field of “sustainability” as set out in the *Sustainability Policy*, available from the Bank’s institutional website, is detailed below:

Board of Directors

- Defines Group-wide guidelines, targets and strategies on sustainability issues (Business Plan);
- Ensures that ESG risks are integrated into business strategies, governance, processes, procedures and the control system;
- Approves the Consolidated Non-Financial Report (NFR) and the main relevant policies;
- Approves the Risk Appetite Framework and risk governance policies, integrating them in time with ESG issues and, in particular, climate and environmental risks;
- Follows continuous training and updating activities on ESG issues and related risks, with particular attention to climate and environmental risks, in order to monitor and progressively increase its skills, also by filling in questionnaires and self-assessments.
- Supervises the correct handling of these issues.

Board of Statutory Auditors

- Oversees compliance with the legal requirements for drawing up the NFR;
- Monitors the adequacy of the procedures and processes governing the drafting of the NFR.

Sustainability Committee (Board)

- Consists of three non-executive members, at least one of whom is independent;
- Performs a support function for the Board of Directors in an investigative, advisory and propositional role in the assessment of sustainability factors deemed fundamental to the Bank’s medium- to long-term strategy and their translation into its policies;
- Examines and assesses 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 the sustainability objectives in the light of the relevant national and international regulations, standards and practices;
- Provides support to the other Board Committees on the reflections of sustainability issues with reference to their specific competences, 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 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 an 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;
- Reviews the NFR in the light of the approved policies, actions taken and results obtained, in advance of the Control and Risk Committee, so that the latter can take them into account in the performance of its duties;
- Reviews the other sustainability disclosures prepared by the Bank, including the TCFD Report and the sustainability-related contribution in the Public Disclosures in application of Pillar 3 regulations;
- 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;
- Takes care of the reporting and documentation to be submitted to the Board of Directors for decision-making.

Sustainability Committee (Managerial)

- 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;
- Coordinates activities aimed at identifying potentially relevant sustainability issues and updating the materiality matrix. Examines the contents of the NFR and the accompanying TCFD Report and makes any comments and suggestions;
- In the context of transactions with debt instruments with sustainability characteristics (ESG bonds):
  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 interface activities with relevant stakeholders and disclosure actions.

Risk and Control Committee (Board)

In line with its mandate, it assists the Board of Directors with regard to ESG and associated risks:

- 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 assessing the conformity of the qualitative and quantitative information included in the NFR with regulatory guidance and reporting standards, after consulting the statutory auditor and the Board of Auditors.

Risk Committee (Managerial)

In line with the General Climate and Environmental Risk Regulation and further internal regulations:

- examines 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.

Sustainability Unit

- Constantly monitors national and international regulations, standards and practices on sustainability issues;
- Supports and coordinates the central and peripheral structures, as well as the Subsidiary Companies in understanding and addressing sustainability factors and interfacing with relevant stakeholders;
- Drafts the NFR and other sustainability disclosures, including the TCFD Report, and coordinates its activities;
- Contributes to the preparation of the Public Disclosure in application of Pillar 3 regulations , as far as the ESG risk section is concerned;
- Carries out, for the parts within its competence, liaison activities with the Supervisory Authorities, in particular supporting the Risk Control Department in relation to climate and environmental risk issues;
- Manages dialogue with ESG rating agencies, handles questionnaire completion and monitors Group-wide ratings;
- Supports and coordinates the drafting of the Group's guidelines, targets and strategies on sustainability issues (Business Plan) with particular reference to the Bank's commitments to decarbonisation targets ("net zero");
- Identifies and promotes initiatives to spread a culture of sustainability in the bank and awareness among staff of the importance of pursuing sustainable development;

- Looks after the Bank's relations with Third Sector entities, proposing initiatives particularly aimed at local communities, assessing their social and environmental aspects;
- Supports Sustainability Committees:
  i. in identifying the initiatives to be implemented;
  ii. in promoting and managing the strategy on ESG and sustainability issues;
  iii. in the operational management of ESG issues in accordance with the Business Plan;
  iv. in the periodic monitoring and reporting of initiatives;
- Identifies initiatives to spread the culture of sustainability and promotes its internal and external communication in order to raise awareness among colleagues and all stakeholders of the importance of pursuing sustainable development;
- In consultation with the competent structures of the Secretarial Service and the Personnel and Organisational Model Service, defines training plans for the Board of Directors, management and staff, aimed at ensuring appropriate dissemination and awareness of ESG issues and related risks, with particular focus on climate and environmental risks.

ESG contact points

Appointed for each of the subsidiaries and for each of the main business areas of the Parent Company:

- Constitute reference figures for the dissemination of a culture of sustainability;
- Address ESG factors with respect to their own activities, identifying projects and intercepting business opportunities;
- Facilitate the circulation of information, the coordination of activities and their sharing, allowing for more effective interaction between functions and guiding internal operations.

Mobility Manager

- Continuously supports the decision-making, planning, programming, management and promotion of optimal sustainable mobility solutions for the Group's employees.

e. Information on the management body's involvement in the supervision and management of environmental risks.

As part of its strategic supervisory powers, the Board of Directors (hereinafter, "BoD") is responsible for setting Group-wide guidelines, targets and strategies on environmental and climate issues, and for monitoring progress against the defined targets.

The BoD plays an active guiding and governing role in integrating climate and environmental risks into the corporate and Group culture and strategies, consistently outlining the main corporate policies and ensuring the appropriate adaptation of organisational and management systems. In order to ensure the integration of ESG risks into business strategies, governance, processes, procedures and the system of controls, and to oversee the proper monitoring of these issues, the BoD is responsible for approving the Risk Appetite Framework and the climate and environmental risk management process, verifying their compatibility with the strategic guidelines and policies for overall risk governance. The management body is also responsible for conducting effective supervision of the exposure to climate and environmental risks, taking regular cognisance of the time-to-time risk profile and the manner in which it is identified, assessed and measured, and taking appropriate corrective measures where necessary.

The BoD carries out continuous training and updating activities on ESG issues and related risks, with a special focus on climate and environmental risks, in order to monitor and progressively increase its skills, also through the completion of questionnaires and self-assessments.

The recent change in the governance structure in the area of sustainability saw the establishment of a board-level Sustainability Committee, consisting of three directors, at least one of whom is independent. This Committee ensures a continuous flow of information to the Board of Directors on all the activities carried out in the field of sustainability and, in particular, on the definition of the climate strategy and the management of climate and environmental risks. In addition, the process of communicating issues relating to the climate and environmental protection to the BoD also takes place with ad hoc sessions in which the Chief Risk Officer Area presents specific ESG risk reports with a focus on climate and environmental risk factors to Board members on a quarterly basis.

On several occasions during the first half of 2023, the Board of Directors had the opportunity to discuss ESG management issues, with a focus on the supervision and management of climate and environmental risks. Specifically, the following were submitted to the Board of Directors:

- the issuance of new policy documents supplementing the internal policy frameworks on the management of risks related to the environment and climate change, such as the "General Regulation of Climate and Environmental Risks" and special guidelines for conducting analyses on the level of materiality of such risks;
- as part of the annual results of the ICAAP process, the results of materiality analyses of exposure to physical and transition risks in the context of the Group's exposure to Pillar 1 banking risks and an internal stress-testing exercise aimed at an initial quantification of the impact of climatic and environmental factors on credit risk parameters based on the application of prospective scenarios simulating the climate transition and/or assumptions on the severity of the effects of relevant physical risks;
- updates on the overall progress of programmes to implement the supervisory expectations dictated by the ECB in its "Guide on climate-related and environmental risks";
- the findings of supervisory assessments of external reporting on climate and environmental risks and the presentation of the corresponding Action Plan;

- the quarterly updating of reports on the dynamics of the riskiness of credit and financial exposure portfolios from the perspective of the incidence of ESG factors, with particular regard to climate-environmental (physical and transitional) risk sources;
- the annual Consolidated Non-Financial Statement (NFR) and the first TCFD Report, including the first set of portfolio climate targets, both referring to the financial year 2022;
- proposals for the reorganisation of the ESG governance structure, resulting in the establishment of a new Sustainability Committee at the Board level.

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.

As stipulated in the *Sustainability Policy*, the BoD defines Group-wide guidelines, targets and strategies on sustainability issues, in particular with the approval of the Business Plan.

As detailed in the "Strategy" section of the TCFD Report, corporate strategic planning is currently being supplemented in order to incorporate an effective and clear view of the implications of climate change from a management perspective, in the short, medium and long term. The aim is to understand the climate drivers relevant to the pursuit of the objectives dictated by the business model and to integrate them into the framework of strategic asset allocation choices, assessing their impacts on the company's business profile and its sustainability.

In pursuit of this objective, the Bank is defining a new planning model aimed at capturing the specificities linked to medium-long term climate-related risks and opportunities (e.g. adherence to decarbonisation initiatives of lending and reduction of GHG emissions financed), while maintaining consistency and alignment with short and medium term strategic planning (budgeting and Business Plan), a process that in turn is intended to evolve to capture the main effects of transition risk and physical risk on the Bank's prospective situation (capital and economic). The evolution of the framework will focus, in the first instance, on climate-related aspects and will include the impacts that transition and physical events may generate on the Bank's operations, according to different climate transition scenarios.

On the basis of these activities, specific climate KPIs will be defined and a dedicated reporting system will be set up to adequately monitor the achievement of the targets, using special enabling tools such as: provision of economic forecasts influenced by climate effects, engines for processing forecast estimates of physical risk and transition risk, tools for Portfolio Alignment analysis.

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.

The board *Audit and Risk Committee* supports the BoD in carrying out the functions it oversees regarding 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 in a current and prospective perspective; moreover, without prejudice to the competences of the Remuneration Committee, it ensures that the incentives underlying the Bank's remuneration and incentive system are consistent with the Risk Appetite Framework. The Committee examines the TCFD Report and makes any comments and suggestions. It also supports the BoD 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.

The Board-level *Sustainability Committee* supports the Board of Directors in an investigative, advisory and propositional role in assessing the sustainability factors deemed fundamental to the Bank's medium- to long-term strategy and their translation into its policies. It consists of three non-executive members, at least one of whom is independent. With particular reference to climate-environmental issues, the Committee assesses, including from a proactive perspective, the integration into the Business Plan of environmental and social aspects aimed at creating value in the medium to long term; it examines the Bank's commitments in relation to sustainability, in particular with regard to decarbonisation ("net zero") targets; and it assesses their pursuit, with specific regard to the products offered and sustainable finance solutions. It also reviews sustainability disclosures, including the TCFD Report and this Public Disclosure in application of Pillar 3 regulations. For further details, see the section "Foreword: ESG Governance".

At the management level, the *Sustainability Committee* has the function of proposing, advising and coordinating the organisational units responsible for implementing the policies of top management on environmental, social and governance sustainability issues. It consists of the following permanent members: Chief Financial Officer (CFO), Chief Commercial Officer (CCO), Chief Lending Officer (CLO), Chief Risk Officer (CRO), Chief Information and Operations Officer (CIOO), Head of the Logistics and Operational Support Service, Head of the Personnel and Organisational Models Service, Head of the Planning, Investor Relations and Management Control Service, Head of the Sustainability Department. The Committee is chaired by the Chief Financial Officer (CFO) and the Managing Director and General Manager, where existing, and all ESG contact persons, including those of subsidiary entities, are invited on a permanent basis. With particular reference to climate and environmental issues, it periodically examines regulatory developments, standards and national and international reference practices overseen by the Sustainability Office, and takes care of their circulation to the organisational units concerned, while also assessing proposals for the introduction or amendment of policies/regulations on these issues. It also contributes to the coordination of the Bank's organisational structures in line with strategic sustainability planning. Within the scope of reporting, it coordinates activities and provides comments and suggestions to the Board. It approves the ESG Bond Framework and related reporting; it validates assets eligible for ESG Bonds. For further details, see the section "Foreword: ESG Governance".

The managerial *Risk Committee* examines proposals for the definition, integration or significant modification of techniques, methodologies and criteria for monitoring ESG risks, with particular attention to climate and environmental risks, expressing its own opinions and assessments. In addition, it assesses proposals concerning: a) the definition, updating or revision of the parameters representative of the ESG risk appetite, in particular climate and environmental risk, envisaged in the Risk Appetite Framework, b) the introduction, extension, modification or significant integration of systems, models, techniques or methodologies for analysing ESG risks, with particular attention to climate and environmental profiles; finally, it approves, within the scope of its resolution powers, the system of operational level limits/thresholds associated with the exposure metrics to the risks of the species. The Committee consists of: Chief Executive Officer, General Manager, Deputy General Manager, Chief Risk Officer (CRO), Chief Financial Officer (CFO), Chief Commercial Officer (CCO), Chief Lending Officer (CLO), Chief Information and Operations Officer (CIOO), Head of the Compliance Function and DPO, Head of Internal Audit.

The subsidiary Banca Popolare di Sondrio (SUISSE) also has its own *ESG Committee* to specifically manage issues related to environmental, social and investment 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 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 Bank's positioning regarding sustainable investment.

In addition, an ESG team has been established within the company'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 operational since June 2022: 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 aspects that can be implemented on managed products (e.g. provision of ESG data).

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

The Bank adopts a system of regular disclosure and reporting on ESG risk issues, with a focus on climate and environmental risks, which involves a dialogue between various competent bodies and functions. In particular, with reference to the Board Committees involved:

- *Sustainability Committee*: it supports the Board of Directors with an investigative, advisory and propositional role in assessing the sustainability factors deemed fundamental to the Bank's medium/long-term strategy and in translating them into its policies, providing support to the other Board Committees on the impact of sustainability issues with reference to their specific competences, in particular in risk and opportunity analyses, remuneration policies, training and succession plans.
- *Audit and Risk Committee*: in line with its mandate, it assists the BoD with regard to ESG and related risks (and, in particular, of a climatic-environmental nature):
  - in determining the guidelines of the internal control and risk management system in question;
  - 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 assessing, in consultation with the statutory auditor and the Board of Statutory Auditors, the conformity of the qualitative and quantitative information included annually in the NFR with regulatory guidance and reporting standards.

To support the processes of climate and environmental risk monitoring and control, as well as for robust and reliable decision-making, the Bank's CRO area prepares adequate internal reporting to document to the relevant bodies and functions, on request or with predefined periodicity, the analyses and risk measurements performed. At the top management level, the Board of Directors and the Control and Risk Committee are regularly informed of trends in exposure to climate and environmental risks through the production of quarterly reports on the type and level of significance of physical and transitional factors relevant to each of the main traditional banking risk categories potentially impacted. For further information, see section on "Risk Management" below, item l.

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.

Remuneration is a fundamental tool for attracting and retaining staff with the professionalism needed to ensure the growth of Group entities and their ability to compete in target markets. It is therefore essential to develop staff by assigning them to roles with an increasing level of responsibility and complexity.

In this regard, the Group's remuneration policy has evolved, reflecting and supporting the general dimensional expansion of the activities. This expansion has also revealed the need for increasingly qualified professional resources to work in both the central and branch offices, partly because of the new areas that have been opened – among these, the area of environmental, social and governance sustainability, – and partly because of the higher level of competition within the banking system. In keeping with the general trends of the market, and with the aim of attracting, retaining and motivating the best human resources, the Bank has held firm to a number of basic principles: attention to the medium- and long-term sustainability of remuneration policies, general balance, meritocracy, a gradual approach and the desire to establish lasting relationships over time.

The Remuneration Policies submitted for approval to the Shareholders' Meeting of 29 April 2023 are the result of a thorough revision of the previous regulations. The main innovations introduced, which are discussed in more detail in the NFR 22 chapter "Human Rights, Diversity and Inclusion", include:

- the strengthening of the link between the sustainable success of the Group, individual management performance measurement and remuneration, in particular through:
  - broadening the scope of the quantitative and objective metrics considered in the determination of variable remuneration (excluding Heads of Control Functions);
  - selection of both short-term and long-term performance metrics, consistent with the objectives set out in the 2022-2025 Business Plan (expected results and timelines);
- strengthening of the system of metrics to support the Group's commitment to ESG issues. Specifically, measurable sustainability objectives relating to the improvement of certain types of ESG ratings, the development of sustainable credit and finance processes, the reduction of CO_2 emissions, as well as the use of ESG training and adherence to international environmental and social initiatives are considered in the determination of short-term and long-term variable remuneration.

Details on the changes introduced and the operation of the new Policies can be found in the "Annual Report on Remuneration Policy and Compensation Paid", approved by the Board of Directors on 17 March 2023. This document was approved by the Shareholders' Meeting on 29 April 2023. More in-depth information on the Remuneration Policies applicable to members of the governing bodies and senior executives (managers), as well as on the remuneration determination process and the annual total remuneration ratio, can be found on the Bank's institutional website at the following links:

https://istituzionale.popso.it/it/governance/documenti-societari
https://istituzionale.popso.it/it/investor-relations/assemblea-dei-soci.

Risk management

j. Integration of the short, medium and long-term effects of environmental factors and risks into the risk management framework and the RAF.

In order to integrate the short-, medium- and long-term effects of climatic and environmental factors into its overall risk management framework, the Bank has defined the following reference time horizons:

- short term, from 0 to 3 years;
- medium term, 3 to 5 years;
- long term, from 5 to 30 years.

The maximum time horizon considered is therefore 30 years; this timeframe has been taken as a reference by the Bank in its forward-looking processes of estimating instruments and metrics for assessing climate and environmental risks, as well as in its analyses of measuring and quantifying its exposures to such risks.

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 n, o and q below in this section "Risk Management".

k. Information on methods, definitions and international standards used to identify and manage environmental factors and risks.

In promoting adequate governance of climate and environmental risks, the Bank is adopting appropriate systems to manage and control these exposures, in line with the overall internal control framework, so as to have a holistic and well-documented view of their impact on "traditional" risk profiles. These systems aim on an ongoing basis to identify, measure, monitor and mitigate exposure to physical and transitional risk factors through the adoption of procedures, processes and methodologies that ensure careful risk management.

In particular, the approach adopted for the management of climate and environmental risks includes:

- the definition of appropriate tools and methodologies to assess the climate-environmental risk profile of sectors, counterparties and investment activities;
- the presence of appropriate processes for identifying, mapping and analysing the level of materiality of the current and prospective exposure to climatic and environmental risk factors that may manifest themselves in the context of traditional risk cases;
- the presence 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.);
- the 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.);
- the identification of appropriate actions and tools to mitigate exposure to physical and transitional 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.

Climate and environmental risks are integrated into the Bank's regular risk management systems as determining factors for existing risk categories.

The Bank has defined the aforementioned management approach on the basis of principles defined by international best practices and guidelines issued by the competent authorities. In particular, the framework of reference norms, guidelines and standards includes, among others:

- European Parliament Resolution of 29 May 2018 on Sustainable Finance;
- EBA Action Plan on Sustainable Finance of 6 December 2019;
- Regulation (EU) 2019/2088 (so-called SFDR) of the European Parliament and of the Council of 27 November 2019 on sustainability reporting in the financial services sector;
- Regulation (EU) 2020/852 (so-called Taxonomy Regulation) of the European Parliament and of the Council of 18 June 2020;
- Commission Delegated Regulation (EU) No. 2021/2139 of 4 June 2021 supplementing Regulation (EU) No. 2020/852 laying down technical screening criteria for determining under which conditions an economic activity can be considered to contribute substantially to climate change mitigation or adaptation and whether it does not cause significant harm to any other environmental objective;
- Regulation (EU) No. 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulation (EC) No. 401/2009 and Regulation (EU) No. 2018/1999 (so-called European climate regulation);
- Commission Delegated Regulation (EU) No. 2021/2178 of 6 July 2021 supplementing Regulation (EU) No. 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information that companies subject to Article 19a or Article 29a of Directive 2013/34/EU must report on environmentally sustainable economic activities and specifying the methodology to comply with this obligation;
- ECB Guide on Climate-Related and Environmental Risks of 27 November 2020;
- ECB Good practices for climate-related and environmental risk management - Observations from the 2022 thematic review, 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);
- 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;
- Partnership for Carbon Accounting Financials (PCAF).

During 2023, the Bank also renewed its participation in important initiatives such as the CDP (Carbon Disclosure Project) and the Sustainable Finance Forum; it also recently joined the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures). By the end of this year, the following additional initiatives are planned:

- UN PRB (Principles for Responsible Banking);
- Net-Zero Banking Alliance.

With regard to the defining framework, see the key definitions in the introductory part of this Section 11.

I. Indication of the processes by which the entity identifies and monitors its activities and exposures that are sensitive and vulnerable to environmental risks.

The Bank has established regular processes for identifying and assessing the materiality of exposure to risks related to climate and environmental change, physical and transitional risks that may affect the business context. The materiality of these risks, understood as their ability to affect the sustainability of current and future business returns and the Group's corporate and Group liquidity position, is analysed normally on an annual basis. To this end, the Bank adopts specific tools and metrics as well as specific methodologies for conducting analyses to identify its degree of vulnerability to climatic and environmental risk factors.

Generally speaking, in order to determine the level of materiality of sources of risk related to the environment and climate change, the Bank considers these risk factors as causal elements capable of affecting the exposure to existing risks and not as additional factors to the typical perimeter of banking risks that can potentially be assumed. The level of materiality is therefore detected in relation to the possible influence of physical and transitional factors on traditional risk categories, thanks to a structured analysis of the transmission channels by which they could propagate in the event of materialisation.

In identifying the relevant risk factors, the Bank took as a reference the dictates contained in the "*Final Guide on climate-related and environmental risks - Supervisory expectations relating to risk management and disclosure*", a document published by the European Central Bank in November 2020, which summarises and defines climate and environmental risk drivers and factors in detail. For the purposes of its significance analyses, the Bank takes these drivers and risk factors as a reference, which it confirms and/or supplements, where relevant, by means of the results of internal expert-based assessment processes, mapped out in the so-called "Inventory of ESG risks" (for more details see the "Risk Management" section of the Qualitative Information on Social and Governance Risks).

The elements identified are being reviewed and updated from time to time according to developments in scientific knowledge and the regulatory framework.

Below is a synoptic overview of the relevant climatic and environmental risk factors, as classified by the Supervisory Authority, divided into physical and transitional risk drivers.

Physical risk factors		Transition risk factors	
Climate-related	**Environmental**	**Climate-related**	**Environmental**
■ Extreme weather events ■ Chronic weather conditions	■ Water stress ■ Resource scarcity ■ Loss of biodiversity ■ Pollution	■ Policies and regulation ■ Technology ■ Market confidence	■ Policies and regulation ■ Technology ■ Market confidence

For each relevant risk factor, the diagram below explains the transmission channels through which climate and environmental risk factors manifest themselves within the traditional banking risk categories.

ESG Risk driver	Trasmission channels (non-exhaustive)	Banking risk
Environmental	■ Lower profitability	■ Credit risk ■ Market risk ■ Operational and reputational risk ■ Liquidity risk ■ Strategic risk
Physical risks ■ Acute ■ Chronic	■ Reduction in property value ■ Decrease in private wealth	
Transition risks ■ Regulatory ■ Technological obsolescence ■ Market preferences	■ Lower asset performance ■ Increased compliance costs ■ Increased legal costs	

Concerning the conduct of materiality analyses, specific and distinct methods of identifying and detecting materiality levels of exposure to climatic and environmental risk factors are defined according to the traditional risk cases analysed. In general, materiality assessments and the subsequent measurement and monitoring of their impact on existing risk exposure levels and, consequently, on potentially associated capital and liquidity requirements, take into account:

- geographical, economic and regulatory context factors (e.g. vulnerability to environmental and climate risks of different economic sectors);
- specific factors linked to strategic objectives, operations and the business model pursued (e.g. services offered and reference markets), the composition of the company's assets (e.g. credit portfolio, financial investments, guarantees, etc.), the composition of funding sources, logistical aspects (e.g. physical location of Group components, location of counterparties' production activities).

For all the traditional risk categories analysed, the process aimed at detecting the materiality of climate-environmental risk sources is divided into the following common sub-stages:

- identification of traditional risks potentially impacted by the effects generated by exposure to physical and transitional risk factors;
- definition of the portfolios and perimeters under analysis for each traditional risk case identified;
- definition and precise description of the transmission channels through which physical and transitional risk factors may propagate their impacts on the riskiness of portfolios and the activity perimeters defined for each type of risk analysed;
- identification of appropriate tools and metrics to intercept and assess the individual transmission channels through which climatic and environmental risk factors manifest themselves;
- development and application of accurate methodologies to detect the degree of materiality of exposure to identified climate and environmental drivers and risk factors.

Materiality assessments are preparatory to the measurement of climate and environmental risk exposure. In fact, the identification of the most significant physical events and transition risk factors makes it possible to understand and quantify their negative impacts on the business context, in the short, medium and long term, also with a view to orienting strategic choices and ensuring, by this means, the resilience of the business model pursued.

The annual survey of the degree of materiality of the physical and transitional factors, inspired by the evaluation methods of the so-called "*Exposure Method*" [8], was carried out on a priority basis, as part of the ICAAP process concluded in March 2023, primarily for the following traditional banking risks:

- Credit risk
- Market risk
- Operational risk.

Despite the absence of best practice methodological references, preliminary internal analyses of the degree of materiality of climatic and environmental factors in relation to exposure to liquidity risks (funding and market liquidity risk) were also carried out in the first few months of the current financial year, subject to future refinements and additions to the method in line with the Bank's plans to evolve the climate and environmental risk management framework.

For each of the above risk types, different tools and metrics were used to detect the level of materiality, capable of intercepting the extent of climatic and environmental risk factors that may manifest themselves within them, through specific risk transmission channels.

For more information on the processes for identifying relevant climate and environmental (physical and transitional) risks, the methodological criteria adopted for estimating the materiality of these factors in the context of exposures that are sensitive to them, and the outcomes of the latest materiality analyses conducted by the Bank, see, respectively, the chapter "Introduction, context and drafting methodology" (paragraph "ESG Risks") of the TCFD Report 22 and the chapter "Risk Management" (paragraph "Identification of climate and environmental risks and materiality analysis") of the TCFD Report 22.

The Bank analyses the evolution of its exposure to climatic and environmental risk factors in order to intercept potential changes in the risk profile and to identify critical issues or abnormal trends, in terms of the number or magnitude of expected impacts. Specifically, the monitoring of exposure to climatic and environmental risk passes through the analysis and periodic evaluation of quantitative, objective and measurable metrics, referring to the various traditional risk cases impacted by these factors. This system of risk indicators and limits, which is being progressively enriched, integrates the Group's Risk Appetite Framework at various hierarchical levels, supporting the control of the effects of physical and transitional risk sources on current and prospective positions exposed to traditional risks.

To this end, a special reporting apparatus was defined to represent to the top management, on a quarterly basis, the dynamics of the riskiness of the Bank's loan and securities portfolios in terms of the incidence of ESG factors. The list of synthetic indicators used to monitor risks related to the environment and climate change, as well as the description of the escalation mechanisms envisaged in the event of exceeding the set risk limits, are documented, depending on the hierarchical level of the metric, in the "Risk Appetite Statement" (RAS) and in the "Risk Appetite Framework Regulation" of the Group, as well as of the individual entities comprising it, or in the specific internal regulations on the management of the risk cases impacted.

The overall environmental and climate risk management process is regulated in a special policy document ("*General Climate and Environmental Risk Regulation*") approved by the Board of Directors. Individual steps or components of the process are formalised in specific internal regulatory devices, forming together with the aforementioned reference policy an organic and integrated body of regulations with the general apparatus of risk management documentation.

[8] The *Exposure Method* is a methodology useful for assessing the ESG riskiness of individual counterparties and exposures. The approach is based on the direct assessment of an exposure's performance against the ESG risk profile (and, in particular, climate and environmental risk) and can be used to supplement the standard assessment of traditional financial risk categories. The indicators, metrics and/or tools used for this assessment are typically calibrated at the company level, taking into account granular characteristics at the sector level to capture specific sensitivities to climatic and environmental risk factors. See "*EBA Report on management and supervision of ESG risks for credit institutions and investment firms*", June 2021, European Banking Authority.

m. Information on activities, commitments and exposures put in place to mitigate environmental risks.

The Bank, in the face of the identification of any critical issues arising from vulnerability to climate and environmental risks, envisages the activation of specific mitigation measures. This may occur, in general, as a result of the measurement of key indicators that reveal excessive exposure to risks, both physical and transitional, in relation to established risk limits.

To manage these circumstances, the Group defines a series of potential management tools and actions to limit its exposure to climate and environmental risks. Since these risk factors are key determinants of the possible scope of impact of the various risk areas to which a bank is typically exposed, mitigation initiatives are specifically defined according to the traditional risk types within which climatic and environmental factors tend to materialise.

With particular regard to climate and environmental risks that may arise in the context of *credit risk* exposure, the following mitigation actions are being implemented:

- centralised decision-making procedures, enforced by specific C&E due diligence processes, to finance assets and/or counterparties with a high exposure to climate and environmental risk factors, as measured by the internal measurement systems (e.g. risk scoring);
- offering specific financing products (e.g. “green loans” and other forms of green lending) aimed at fostering the process of improving the climate-environmental profile of customers, supporting their adaptation to the eco-sustainable transition.

In addition, to mitigate the risks in question, specific climate and environmental performance measurement clauses (e.g. green covenants) may be introduced in contractual agreements with customers in the presence of new credit lines in favour of counterparties more exposed to climate and environmental risk factors.

On the other hand, with regard to climate and environmental risks that may arise in the context of *market risk* exposure, the following mitigation actions may be taken, by way of example:

- reorientation of investment policies to redesign the composition of the portfolio of financial assets to favour a reduction in the overall exposure to climate and environmental risks.

With regard to climate and environmental risks that find manifestation in the form of *operational and reputational risks*, the following mitigation measures can be taken, by way of example:

- monitoring the level of maturity and completeness of the physical security procedures and energy efficiency standards of the Group’s buildings, also through the definition of specific business continuity and disaster recovery plans (subject to periodic verifications of their effectiveness), in order to prevent or proactively manage the occurrence of physical risks;
- underwriting and periodic review of the adequacy of insurance policies taken out by the Group to cover potential operational risks arising from climatic and environmental factors;
- reorienting its policies for selecting and engaging suppliers and business counterparties on the basis of compliance with certain requirements concerning the environmental sustainability of its business, with reference both to physical risk threats and to compliance with applicable climate-environmental regulations;
- reorienting its core business policies (e.g. customer financial services, credit disbursement and management) towards approaches that favour the prevention and/or reduction of overall exposure to climate and environmental risks, with direct or indirect benefits for the Group (e.g. effect on complaints and penalties);

- monitoring of the level of reputation enjoyed in terms of sensitivity to climate-environmental issues, with the possible activation of campaigns to restore the corporate image (e.g. emergency plans and crisis management, communication flows of public recognition of corporate choices) in the event that the Group is perceived as not adhering or only apparently adhering to instances of environmental sustainability (so-called greenwashing).

Finally, with regard to climatic and environmental risks capable of affecting *liquidity risk* exposure, no specific managerial risk mitigation actions other than those listed above are considered, as they mitigate potential negative impacts on the liquidity position.

n. Information on implementation tools to identify and manage environmental risks. These include stress tests, sensitivity analyses or other forward-looking indicators, applied at exposure level, portfolio level, counterparty level or sector level, depending on the materiality of the risk.

With regard to the measurement and quantification of climate and environmental risk profiles, 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.

In this context, metrics are developed to determine what exposure is considered acceptable, defining an appropriate system of limits and risk indicators. With regard to climate risks in particular, the measurement tools adopted take into account the long-term nature of climate change, assessing how different temperature and greenhouse gas emission paths may accentuate these risks.

Recognition of these metrics enhances the Group’s ability to respond to a disorderly transition to a low-carbon economy or to individual physical and natural events that may impact the Group’s typical operations, counterparties or asset portfolios, and to take mitigating action in a timely manner.

Among the metrics adopted, the Bank makes use of indicators calculated through the definition of internal and/or external instruments and methodologies for assessing and classifying climate/environmental risk at both sector and individual counterparty/transaction levels, which are useful both for portfolio analyses and the assessment of specific assets, transactions, investments or counterparties/issuers.

Below is a synoptic overview of the assessment tools currently used by the Bank to determine the extent of its exposure to climate and environmental (physical and transitional) risks for the main “traditional” risk types impacted.

Credit risks		
Tool	**Description**	**Use**
ESG Heat Map	A tool developed at the sector level to identify the potential risk of the ESG factors related to the Bank portfolio towards the 17 Sustainable Developing Goals (SDGs) laid down by the United Nations.	■ Definition of credit policies ■ Portfolio analysis ■ Granting process
Counterparty C&E Score	Risk metrics that the Bank has developed internally in order to identify the level of exposure of its credit customers to climate-related and environmental risk factors.	■ Granting process ■ RAF ■ Materiality analysis
C&E risk quantification metrics	Metrics for measuring impacts on traditional credit risk parameters through C&E risk transmission channels.	■ ICAAP

Market risk		
Tool	**Description**	**Use**
ESG Heat Map	A tool developed at the sector level to identify the potential risk of ESG factors related to the Bank portfolio towards the 17 Sustainable Development Goals (SDGs) laid down by the United Nations.	■ Portfolio analysis
External ESG rating	Risk metrics that the Bank acquires from external providers to identify the level of exposure of its issuers to climate-related and environmental risk factors.	■ Materiality analysis ■ ICAAP

Operational risk		
Tool	**Description**	**Use**
Metrics for assessing extreme weather impacts	The Bank retrieves and processes information sources from external databases (ISPRA and ThinkHazard!) with the aim of determining the classes of exposure to physical risk threats analysed, for which a significant risk exposure can be found in the geographic areas with the highest territorial concentration for the Group.	■ Materiality analysis ■ ICAAP

The above tools meet the need to assess the Bank's 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 by, for example, investigating the riskiness of its counterparty portfolios and exposures due to climate change or environmental degradation (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).

Responding to the first of the two evaluation perspectives is the counterpart climate-environmental scoring system developed by the Bank according to an internal calculation methodology. The classification tool makes it possible to estimate, through the assignment of a numerical score and an associated risk category, the potential financial impacts associated with the exposure of credit counterparties (corporate segment) to transition and physical risks.

All the elements making up the score are assessed prospectively through the use of forward-looking scenarios or hypotheses, representative of the possible evolution of the counterparty's physical and climatic and environmental transition risks over short, medium and long-term horizons, with differentiation assessments at geographic and/or sectoral level. For example, in order to prospectively capture the sensitivity of the individual counterparty company to the climate and environmental transition and the related projected financial impacts, some of the climate scenarios proposed by the NGFS[9] are adopted over different time horizons of analysis (short term: 3 years; medium term: 5 years; long term: 30 years); the following scenarios in particular are relevant:

- "Net Zero 2050" scenario: a particular scenario that assumes the containment of global warming to 1.5°C through strict climate policies and strong technological innovation. The scenario assumes the immediate introduction of ambitious climate change policies with the goal of zero net CO_2 emissions around 2050;
- "Delayed Transition" scenario: a particular scenario in which it is assumed that annual global GHG emissions will not decrease until 2030, resulting in the delayed implementation of drastic policy choices aimed at keeping the global warming target below 2°C. This calls for a rapid decarbonisation pathway of economies to achieve the Net Zero 2050 scenario targets;

[9] The NGFS (Network of Central Banks and Supervisors for Greening the Financial System) is a group of central banks committed to contributing to the global development of climate and environmental risk management practices in the financial sector and to mobilising the world of finance towards a commitment to support the transition to a sustainable economy. Among other things, it develops specific forecast scenarios for the prospective assessment of climate risks.

- “Current Policy” scenario: a particular scenario that assumes no evolution in current environmental and climate change policies, resulting in high physical risks. GHG emissions would grow until 2080, causing global warming of about 3°C and serious manifestations of physical risk. The scenario helps to assess the long-term magnitude of the physical risks, acute and chronic, to the economy and the financial system should climate gas emissions remain at current levels.

For more details on the characteristics of the climate-environmental risk scoring system under internal development and the additional assessment tools above, see the “Risk Management” section of the TCFD Report 22.

Based on the findings of the materiality analyses described above, the Bank also incorporates climate and environment-related risk factors into its internal capital adequacy assessment (ICAAP) and liquidity assessment (ILAAP) processes through dedicated impact quantifications (e.g., on the values of business portfolios and assets, operating volumes and profitability, management and regulatory risk exposure measures, etc.) based on the application of prospective scenarios simulating climate transition and/or assumptions on the severity of the effects of relevant physical risks.

Getting to the heart of the internal climate risk stress testing framework defined by the Bank, the first major components of the simulation framework were designed and implemented during 2022, adopting recurring data supplies focused on climate drivers and the use of analytical simulation calculation engines to estimate the impacts of physical and transition risks.

In particular, the framework was activated in order to understand the potential impacts, also managerial and in terms of sustainability, deriving from the action of climate risk transmission channels on traditional risk measures, starting with the credit risk parameters of the portfolio of loans to businesses and individuals and of the collateral received (real estate).

At the same time, the components used to conduct climate-risk-adjusted analyses are supporting the introduction of specific climate risk indicators (KRI) in order to complete the process of identifying, measuring and monitoring the risks of the kind.

This framework, which was used for the first time in the ICAAP exercise at 31 December 2022, allowed simulations to be conducted to quantify the potential impacts of materially relevant physical risks and transition risk, under different time horizons (short, medium, long) and under different scenario/magnitude assumptions of the events hypothesised. In particular, the stress conditions taken into account refer to:

- adverse events generated by acute physical risks;
- the amplification of the effects of acute risks in the medium to long term, as a result of worsening climatic conditions;
- climate transition events/policies imposed by the external technological or political context (e.g. European decarbonisation policies and/or technological innovations).

For more details on the methodological approach for quantifying climate and environmental risks adopted for stress testing performed in an ICAAP context, see the “Risk Management” section of the TCFD Report 22.

o. Estimated impact of environmental risk, including climate change risk, on an institution's solvency, regulatory capital requirements and liquidity risk profile as part of its internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP).

As mentioned in the previous point, this year, the Bank planned to develop within the ICAAP exercise, evolving from the first sensitivity analyses conducted in the previous capital analysis cycle, an organic stress testing system aimed at testing vulnerability to possible manifestations of climate-environmental risk impacting the credit portfolio, simulating the consequences on specific risk exposure measures.

In line with the Supervisory Authority's expectations, the stress analyses were conducted on the basis of the credit risk drivers of the corporate and private loan portfolio. In particular, the stress test was aimed at determining the effects on specific measures of credit risk exposure (potential changes in PD and LGD parameters and consequent impacts on the short-, medium- and long-term dynamics of the RWA associated with the exposures covered by the analyses) of pre-defined scenarios of adverse developments in climatic and environmental risk factors - physical and transitional - to which both the borrowing companies in the portfolio and the real estate securing loans granted to households and businesses are typically exposed.

The identification of physical and transitional risk factors on which the impact analyses are to be focused was based on the findings of the quantitative materiality analyses to which all potential climate-environmental risk factors and their transmission channels were subjected.

The simulation exercise conducted highlighted, even in the context of the "Orderly Transition" scenario, possible material effects on credit risk arising from the higher investments and/or operating costs that debtor companies will already have to bear in the short term. Increased efforts on the part of the counterpart companies from the early years of the scenario will also make it possible to achieve future decarbonisation targets.

However, the quantitative results observed must be interpreted with caution with regard to capital adequacy considerations, due to:

- an as yet incomplete availability of timely data relevant to climate change and environmental degradation impact assessments (e.g. geo-location of counterparties and real estate collateral, data on atmospheric greenhouse gas emissions produced by counterparties, data on the energy classes of real estate assets acquired as collateral), compensated by proxy methods that do not meet uniform standards;
- the lack of information about the existence of possible risk mitigators activated by the counterparties (e.g. companies' ecological transition plans, insurance coverage against physical risk threats, technological developments underway for the reconversion of highly carbon-intensive business production activities, modernisation of housing, etc.).

With respect to the ILAAP process, the Bank planned this year to conduct a prototype materiality analysis exercise of climatic and environmental risk factors on liquidity risk, conducted with the aim of identifying the potential magnitude of relevant physical and transitional factors in determining exposure to both funding liquidity risk and market liquidity risk. The preliminary analyses performed are preparatory to a forthcoming activity to quantify the effects of these factors on representative measures of corporate liquidity.

p. Information on data and elements for environmental risk management, key information currently missing and measures being taken to fill data gaps and improve data quality and accuracy.

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. 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 data required to assess ESG risk exposure, to acquire information in an orderly manner through interchange channels and to place it in dedicated ICT environments available to multiple processes and users.

A data dictionary is also being developed to identify and collect all information needs related to the integration of ESG considerations into business processes to enable any company user to understand the provenance and granularity of the available data.

The information that makes up the Bank's ESG assets is mainly derived from qualified external info-providers (who provide proxy or point data of counterparties or issuers of investment securities), from the collection of data from public sources or directly from customers themselves.

As is well known, the subject of "ESG data" suffers from certain weaknesses in terms of completeness and accuracy (proxy data), as well as a lack of standardisation and homogeneity of the same. The creation of datasets that are as complete, accurate and robust as possible is therefore a fundamental element of the framework for the governance and control of these risks; for this reason, the Bank is assiduously engaged in activities to acquire, systematise and computerise management systems and verify the quality of the data and their sources.

q. Information on the limits set for climatic and environmental risks and their corrective actions.

The Bank has supplemented the Group's Risk Appetite Statement, on the one hand, through the inclusion of qualitative indications and objectives relating to aspects of ESG risk governance and management and, on the other hand, through the introduction at a complementary level (2nd level RAF) of a quantitative parameter for measuring the extent of climate and environmental risk profiles in the context of the credit risk exposure of the "corporate" portfolio.

With regard to qualitative objectives, the Bank outlined:

- the commitment to the activation of policies to guide the reconversion of bank credit towards green and sustainable sectors, as well as the definition of evaluation elements - current and prospective - related to the impact of climate and environmental factors on the economic and financial stability of its counterparties;
- the recognition of the risks of environmental degradation and climate change as significant sources of credit risk, resulting in the adoption of systems to measure these factors at the individual counterparty level. The single-name scoring of customers to assess their exposure to climatic-environmental factors and the portfolio synthesis through specific risk propensity metrics are considered elements of strategic direction, 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 logics;
- the promotion of the integration of additional and new 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.

As for the new quantitative indicator, it was defined to measure the concentration, in the loan portfolio regarding the "corporate" segment, of debtor counterparties with a negative assessment of vulnerability to climatic and environmental risk factors summarised through the cited internal scoring system. An alert threshold (risk trigger) is applied to the indicator, which is calculated as the ratio between the value of exposure to counterparties with a negative climate-environmental risk score and the total amount of exposure of the "corporate" portfolio covered by the score. The monitoring of this indicator makes use of appropriate systems for detecting, reporting and alerting deviations (alert or escalation procedures) governed by the Group's RAF Regulation.

In addition, the Bank has defined additional, more granular environmental and social sustainability risk indicators (RAF level 3), which aim to ensure operational-level monitoring of trends in the exposure of credit portfolios to ESG risk dimensions, with a focus on the climate-environmental profiles of borrowers.

Finally, within its ESG Credit Policy, the Bank has identified a number of sectors and economic activities that are considered "sensitive" from an ESG point of view and in which special attention is paid during the lending phase, with the aim of adopting a responsible approach to these. The identified sectors pertaining to the "Environmental" sphere are as follows:

- Coal mining
- Oil & Gas
- Production of electricity from non-renewable sources
- Mining (other than coal).

r. Impact/link of climate and environmental risks with respect to prudential risk categories, including credit risk, liquidity risk, market risk and operational risk.

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 and liquidity risks. Climatic 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.

In line with the Group's taxonomic risk inventory ("Risk Map"), climate and environmental risk profiles include the two typical risk drivers of transition and physical risk. Both are susceptible to causing impacts on economic activities, and consequently on the financial system: these types of risk factors in fact influence the level of productive activities, and can even permanently compromise them, through direct impacts (e.g. material damage, drop in productivity or profitability of banking counterparties, devaluation of relevant assets, etc.) or indirect impacts (e.g. by causing subsequent events such as the interruption of production chains or macro-financial changes).

These risk factors are also likely to affect the resilience of a bank's business model in the medium and longer term, especially for financial institutions with a business plan based on economic sectors and markets that are particularly vulnerable to climate and environmental risks. In addition, physical and transitional risks may give rise to further losses arising directly or indirectly from lawsuits (so-called "legal liability risk") as well as the reputational damage that may arise if the public, counterparties and/or investors associate the banking institution with adverse environmental effects.

In relation to this, for each main area of "traditional" risk, the Bank has defined, formalising them in a specific policy document ("*General Regulation of 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 counterparts, 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.** IThe 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 of essential or important services/functions 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 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.

The Group has in its founding values solidarity, subsidiarity, attention to individuals and communities and proximity to families and small and medium-sized enterprises. It is also committed to fostering the economic and social development of the local communities and territories in which it operates, with particular attention to families and small and medium-sized enterprises, acting consistently with Agenda 2030 and, in particular, with several SDGs on social issues such as:

- SDG 3: Health and well-being
- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 10: Reduced inequalities
- SDG 11: Sustainable cities and communities.
- SDG 12: Responsible consumption and production.

In its Sustainability Policy, the Group affirms its long-standing commitment to fostering the economic and social development of the communities in its reference territories, implementing constant action to promote dialogue with these communities, with particular regard to their constituent structures, made up of families and small and medium-sized enterprises. Consistently, it develops initiatives to support them that have a positive impact on quality of life, employment, investment, skills development, and personal and social relationships.

These values are also reflected in the “Next step” Business Plan 2022-2025, with which the Group, focused on its distinctive areas, maintains its intention to grow while keeping its ambition for social sustainability high.

Valuing diversity and inclusion represents a priority commitment for the Group in order to sustain a working environment that respects all forms of individual uniqueness and participation, inspired by principles of freedom, fairness and dignity in professional relations, and free of any collective or individual discriminatory behaviour. This commitment was further given concrete form through:

- the issuing of specific “Guidelines on Diversity and Inclusion”;
- joining the “*Valore D*” initiative, the first association of Italian companies promoting gender balance and an inclusive culture for the growth of companies and the country;
- the signing of the Charter “Women in banking: enhancing gender diversity”, drawn up by the Italian Banking Association (ABI).

The objective is to create an inclusive working environment that promotes plurality, respect and free expression and that allows for the recognition and enhancement of everyone’s talent, offering each individual the same opportunities for professional growth and salary dynamics. To this end, a training programme for all staff on ESG issues was finalised.

In the same context, a Regulation on diversity in the composition of the Board of Directors and the Board of Statutory Auditors was adopted, a document that identifies the measures adopted to ensure that the composition of the corporate bodies reflects an adequate degree of diversification in terms, inter alia, of skills, experience, age, gender and international projection, in order to encourage the emergence of different perspectives and points of view on the subjects of competence.

The Group identifies and manages social risks within its business processes. For more information on this, see the following points.

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.

The current ESG Strategy, an integral part of the broader Business Plan, includes, among other things:

- the introduction of ESG objectives in the remuneration policies;
- the definition of an operational plan on Diversity and Inclusion;
- the activation of the women’s leadership programme;
- the definition of the giving strategy, including:
  - sponsorships
  - donations
- adoption of an ESG rating for suppliers;
- formalisation of a process digitisation programme for the customer.

In implementing the 2022-2025 Business Plan, the Group also aims to consolidate its position in the corporate sector, with a particular focus on SMEs, as well as to intensify its presence in high-value areas with under-exploited potential, capitalising as much as possible on the new opportunities offered by the market - in particular, the National Recovery and Resilience Plan (so-called *PNRR*) -, including in areas contiguous to the banking business.

More information can be found on the Bank's institutional website at the following link https://istituzionale.popso.it/it/documenti/piano-industriale-di-gruppo-2022-2025.

When approving the distribution of the year's profit, the Bank allocates a sum to be used for charitable donations, which are assessed by a specific Charity Commission that meets, except in special cases, on a weekly basis.

The Bank acts consistently with the 2030 Agenda and supports the goals of SDGs 3 "Ensure healthy lives and promote well-being for all at all ages" and 4 "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all".

Staff administration is underpinned by a robust and consolidated system of personnel management and training, which harmonises personal development paths with corporate objectives for building skills to achieve the internal necessary levels of professionalism. A corporate welfare program and adequate planning in terms of health and safety are also created, developing awareness of possible risks, promoting responsible behaviour on the part of all personnel and favouring working conditions functional to the protection of the psychophysical integrity of workers and respect for their moral personality.

Regarding "Dialogue with the social partners", relations with trade union organisations, as defined in the company Code of Ethics, are characterised by the utmost transparency, fairness, integrity, impartiality and independence, respecting the roles and prerogatives of each subject, in a climate of mutual respect and willingness to dialogue and participate, while guaranteeing the widest possible freedom and representation.

For the Group, respect for human rights is a fundamental and indispensable requirement, and therefore it protects and promotes their safeguard and the continuous dissemination of these rights in the performance of its activities. With this in mind, it proceeds, with a holistic approach and with the will to be a player of change, on the path already undertaken of identifying, implementing and monitoring Diversity and Inclusion objectives, implementing the most appropriate ways to achieve them in its own and system context.

The Group's *Sustainability Policy*, issued in the first half of 2021, expressly recalls the commitment to promote and respect human rights, as also set out in the UN Global Compact. The Code of Ethics reiterates that the Bank is committed to guaranteeing working conditions that respect the dignity of the individual, and to neither admitting nor tolerating forms of discrimination contrary to the law: to this end, the Code requires that acts of psychological violence or attitudes or behaviour that are discriminatory or harmful to individuals, their beliefs, convictions or preferences are not permitted in internal and external labour relations.

With reference to SDG 11 above, the Group continues to ensure a strong social commitment by maintaining access points in scarcely populated areas as further confirmation of the strong support guaranteed to local communities.

Access points in low-populated areas	2022	2021	2020
Total Group access points (treasury offices, branches, etc.)	509	506	484
Number of municipalities with <5,000 inhabitants served	131	130	130
Number of access points in municipalities with <5,000 inhabitants	136	135	135
Percentage	26.72%	26.68%	27.89%
Number of access points in municipalities with <5,000 inhabitants closed during the year	0	0	0
Number of access points in municipalities with <5,000 inhabitants opened during the year	0	0	0

With reference to the commitment on “Responsible Consumption and Production” (SDG 12), relations with suppliers are regulated in the Code of Ethics, a fundamental charter of corporate principles that includes commitments to guarantee transparency and fairness in relations, but also in the provisions dictated by the Group’s policies on outsourcing, which provides for the inclusion in contracts with critical suppliers of general clauses in terms of the eligibility requirements of suppliers to guarantee compliance with environmental protection regulations and workers’ rights. In general, therefore, preference is given to suppliers who adopt high standards to safeguard social rights and good environmental practices.

With a view to assisting companies interested in internationalisation, the Bank promotes multiple free initiatives that aim to disseminate clear and up-to-date information on the opportunities offered by foreign markets, but also to support companies in opening new business channels in international markets. A total of 36 initiatives with 3,375 participants were realised in 2022, reaching an all-time record in recent years, thanks to the increase in dedicated staff and the online mode, which allowed for faster organisation. The initiatives in question, which also continued in the first six months of the current financial year, spanned the various topics of foreign trade, multiple sectors and numerous countries, seeking to follow the most interesting trends and needs of client and prospect companies, but also of the Bank’s branches with specific internal training.

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 ESG risk subcategories and then to traditional banking risks. This process allows for the timely identification and description in order to adopt appropriate control methods specific to each identified category.

For further details see NFR 22 available on the Bank’s institutional website at the following link: https://istituzionale.popso.it/it/sostenibilita/dichiarazione-consolidata-di-carattere-non-finanziario (ref. p. 179 et seq.).

Governance

d. Information on the management body's involvement in the supervision and management of social risks.

See the section "Governance" (Foreword: ESG Governance) 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 sustainability, social and governance issues. In this regard, see the section "Governance" (*Foreword: ESG Governance*) on "Qualitative information on environmental risk".

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 a mutual dialogue between the competent bodies and functions, in particular between the Sustainability Department, the Sustainability Management Committee, the Control and Risk Committee and the Board Sustainability Committee.

For more details on this, see the section "Governance", point h, on "Qualitative information on environmental risk".

In the course of 2022 and in the first part of 2023, 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 "Guidelines on Diversity and Inclusion";
- approval of the "ESG Credit Policy";
- approval of the Consolidated Non-Financial Report 2021 and 2022 pursuant to Legislative Decree 254/2016;
- approval of the "Home-Work Travel Plan".

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. Information on methods, definitions and international standards used to identify and manage social risks.

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.

The Banca Popolare di Sondrio Group has joined, as an ordinary member, “*Valore D*”, the first Association of large companies created in Italy to promote 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 be spread throughout the Group to create an inclusive corporate culture that values all diversities.

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. Indication of the processes by which the entity identifies, measures and monitors social risks and the tools used in support. Impact/link of social risks with respect to prudential risk categories, including credit risk, liquidity risk, market risk and operational risk.

As of 2020, the Bank has adopted an initial method of identifying and categorising environmental, social and governance (ESG) risk profiles based on a self-assessment approach that originates from the best practices promoted at the international level, capable of integrating and supporting, with a forward-looking vision, the activities of measuring and managing these risks. This reconnaissance method is based on the identification and mapping of ESG risk cases perceived as manifest in the short, medium and long term, both from an outside-in and an inside-out perspective ("dual perspective"), in light of the strategic guidelines pursued and the management policies adopted for the conduct of the company's business.

The types of ESG risk identified are classified according to a taxonomic approach inspired by the evaluation scheme adopted in the CDP (Carbon Disclosure Project) Questionnaire for the retrieval of information relating to risks related to sustainability, suitably contextualised through the enhancement of specific information attributes, defined in the scope of the Recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). The risk mapping and taxonomies have been internally integrated with further analysis aspects, functional to a more precise identification and classification of non-climatic environmental, social and governance considerations (topics not covered by the CDP initiative, which focuses only on risks associated with carbon emissions into the atmosphere).

In order to carry out this internal exercise to identify the risks linked to the specific reality of the banking group, the following types of risks pertaining to the "S" (Social) sphere are defined, taking the TCFD recommendations as a starting point:

Risk	
Legal and Policy	**Technology**
Market	**Reputation**
Credit	**Strategy and Business**

On an annual basis, the mapped ESG factors, including those relating to the "Social" component, are subjected to expert-based assessment by various company representatives and Group subsidiaries, who, through dedicated cycles of interviews, are called upon to identify, within its sphere of competence, the possible negative effects - current or prospective - of different issues related to "sustainability", cataloguing them in a specific "ESG risk inventory" and accompanying them with additional information, useful for qualifying the identified risk dimensions.

The reconnaissance exercise is then supplemented by an examination of the interconnections between the ESG risks resulting from the Inventory and the list of characteristic banking risks present in the "Risk Map" (credit, market, operational, liquidity risks, etc.), a system for defining, identifying and assessing the relevant risk profiles used as a reference for the Group's main risk governance processes (e.g. RAF, ICAAP, ILAAP), through an empirical association between the two frameworks.

On the other hand, as regards the classification and measurement of risks pertaining to the "Social" aspect, the Bank has developed its own ESG Heatmap, a tool aimed at identifying at sector level the potential risk linked to ESG factors inherent in asset portfolios (loans and advances, investments in proprietary securities). It is represented by a double-entry matrix instrumental in the sectoral mapping of economic activities from the point of view of their exposure to climatic-environmental, social and governance risk factors, allowing a score to be associated with each economic sector on the basis of assessments of the potential environmental damage caused by the activities or the possible negativity from the point of view of the principles of social equity or good governance of the business organisation that characterise each sector.

The mapping process underpinning the development of the sectoral ESG Heatmap sees as its main source for defining the matrix's categorisations the analysis and classification standard published periodically by UNEP FI, an initiative developed from the collaboration between UNEP (United Nations Environment Programme) and the global financial sector. The tool used (Impact Radar - Portfolio Impact Analysis Tool for Banks), by identifying specific areas or categories of negative impact, makes it possible to determine the extent to which operators in a given sector of economic activity are at risk of harming the achievement of one or more of the 17 SDGs dictated by the UN as part of the global action programme "Agenda 2030 for Sustainable Development". The 17 SDGs are translated by UnepFI into 38 categories of negative impact from ESG liability risks, with assessment conducted at sector level using specific indicators.

The methodological approach is based on an inside-out materiality perspective, aimed at assessing the sectoral incidence of risk that the Bank may face when doing business with counterparties/sectors that may be responsible for actions, conduct or practices that may have negative consequences, not only for the quality of the environment and climate change, but also on compliance with socially recognised values and rules of good corporate governance.

The following diagram shows the negative impact factors, pertaining to the "Social" sphere, defined by UNEP FI for each economic sector and analysed by the Bank in the elaboration of its sectoral ESG Heatmap.

ESG Pillars	UNEPFI factors
Social	■ Availability of water ■ Availability of food ■ Availability of housing ■ Healthcare ■ Child labour ■ Privacy ■ Education ■ Access to energy ■ Mobility ■ Conflicts and modern slavery ■ Natural disasters ■ Access to the financial offer ■ Access to information ■ Access to culture ■ Justice ■ Social equality ■ Age discrimination ■ Protection of minorities

Based on the level of negative impact on ESG factors detected through the Heatmap, a riskiness scale was constructed according to five different levels identified by colours indicating the "potential risk" of each economic macro/sub-sector, both in terms of the overall ESG assessment, and by individual "Environmental", "Social" and "Governance" components.

l. Information on limits set in relation to the financing of projects or counterparties that significantly harm the social objectives of their business strategy

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".

In addition, within its ESG Credit Policy, the Bank has identified a number of sectors and economic activities that are considered "sensitive" from an ESG point of view and for which special attention is paid during the lending phase, with the aim of adopting a responsible approach to these. The identified sectors pertaining to the "Social" sphere are as follows:

- Manufacture of and trade in arms
- Gambling
- Tobacco.

The Bank has also defined a social sustainability risk indicator, which aims to ensure that the value of exposure to the above-mentioned sensitive sectors is monitored at the operational level (RAF level 3).

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. Information on how the counterparty's governance performance is integrated into the governance systems. Consideration of the counterparty's governance performance must cover the necessary steps in the counterparty's decision-making, supervisory and management processes at all levels, including committees of the highest governance body and committees responsible for economic, environmental and social decision-making.

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), in particular factors related to environmental pollution, climate change impacts and the adequacy of mitigation strategies.

b. How the role of the counterparty's highest governing body is taken into account in the disclosure of non-financial information, including the committee or top-level functional position that formally reviews and approves the organisation's sustainability report and ensures that all relevant aspects are addressed.

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 requested from the customer
- counterparty data acquired from public sources (e.g. non-financial statements, corporate sustainability documents)
- specialised info-providers (e.g. MSCI, Vigeo, CDP)
- data from research institutes (e.g. UNEP FI).

By way of example, through the completion of dedicated ESG questionnaires, information can be gathered on the environmental sustainability strategies and initiatives adopted by credit customers or on the possible existence of external quality certifications, used to infer the sensitivity of managerial and ownership structures towards the mitigation of the impacts on ecosystems of the business activities carried out and of the awareness of their environmental performance.

c. Information on how the counterparty governance results are integrated into the institution's corporate governance systems.

As already highlighted in the "Risk Management" section on "Qualitative information on environmental risk", the governance aspect is an integral part of the ESG assessment of the Bank's counterparties.

The Bank and the other members of the Banking Group are strongly 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: a) "passive cooperation", aimed at ensuring in-depth knowledge of customers and the preservation of documents relating to transactions carried out, and b) of "active cooperation", aimed at identifying and reporting suspicious transactions. The adoption at the Group-wide level of strict policy rules on the prevention of money laundering and terrorist financing is an expression of the commitment of all entities of which it is composed to combat said criminal phenomena.

Risk management

d. Ways of integrating governance risks into risk management systems

As with social risks, the method for identifying, mapping and categorising relevant risks pertaining to the sphere of "Governance" is the "ESG Risk Inventory". For more details on this, see points i,j,k,m of the "Risk Management" section on "Qualitative information on social risks".

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.

Within the "Governance" risk macro-category, the same sub-categories were identified as in the "Social" area for the purposes of compiling the aforementioned Inventory:

Risk	
Legal and Policy	**Technology**
Market	**Reputation**
Credit	**Strategy and Business**

Also with regard to the measurement of risks pertaining to the governance aspect, the reference tool is the aforementioned sectoral ESG Heatmap. For more details, see points i,j,k,m of the "Risk Management" section on "Qualitative information on social risks".

The following diagram shows the negative impact factors, referring to the "Governance" sphere, defined by UNEP FI for each economic sector and analysed by the Bank in the elaboration of its sectoral ESG Heatmap.

UNEPFI factors	UNEPFI factors
Governance	■ Safety and social protection ■ Employment ■ Strong institutions, peace and stability

* * *

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 as of 31 December 2022 includes the following tabular formats.

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 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 10*: reports information on possible mitigation actions and exposures to climate change risks to assets that are not aligned with Regulation (EU) 2020/852 ("Green Taxonomy") but that support counterparties in the process of transition and adaptation to climate change mitigation 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.

Table 76 - 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	a	b	c	d	e
		Gross carrying amount (Mln EUR)				
			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**	**15,519,924**	**197,938**		**1,802,372**	**910,516**
2	A - Agriculture, forestry and fishing	322,665	-		47,468	5,885
3	B - Mining and quarrying	134,347	-		76,729	3,881
4	*B.05 - Mining of coal and lignite*	-	-		-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	39,393	-		-	-
6	*B.07 - Mining of metal ores*	1	-		-	-
7	*B.08 - Other mining and quarrying*	60,850	-		42,625	3,881
8	*B.09 - Mining support service activities*	34,104	-		34,104	-
9	C - Manufacturing	5,211,560	10,026		659,826	164,557
10	*C.10 - Manufacture of food products*	851,783	-		158,299	26,564
11	*C.11 - Manufacture of beverages*	92,209	-		14,004	301
12	*C.12 - Manufacture of tobacco products*	-	-		-	-
13	*C.13 - Manufacture of textiles*	186,766	-		40,417	9,574
14	*C.14 - Manufacture of wearing apparel*	59,726	-		7,217	7,168
15	*C.15 - Manufacture of leather and related products*	26,571	-		884	6,893
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	83,470	-		6,553	2,868
17	*C.17 - Manufacture of pulp, paper and paperboard*	101,756	-		3,620	190
18	*C.18 - Printing and service activities related to printing*	68,006	-		6,049	18,771
19	*C.19 - Manufacture of coke oven products*	250,654	6,280		106	759
20	*C.20 - Production of chemicals*	239,388	-		57,416	571
21	*C.21 - Manufacture of pharmaceutical preparations*	124,430	-		48,248	1,182
22	*C.22 - Manufacture of rubber products*	238,297	-		17,099	2,269
23	*C.23 - Manufacture of other non-metallic mineral products*	156,002	1,207		45,486	7,361
24	*C.24 - Manufacture of basic metals*	431,244	-		21,170	3,797
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	918,067	-		100,464	17,543
26	*C.26 - Manufacture of computer, electronic and optical products*	119,933	-		14,529	35,485
27	*C.27 - Manufacture of electrical equipment*	149,361	2,509		27,673	4,702
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	460,964	-		55,275	9,112
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	298,334	-		12,126	1,455
30	*C.30 - Manufacture of other transport equipment*	172,734	-		461	1,923
31	*C.31 - Manufacture of furniture*	75,992	-		9,683	3,797
32	*C.32 - Other manufacturing*	59,757	-		5,146	1,241
33	*C.33 - Repair and installation of machinery and equipment*	46,116	30		7,901	1,031

Table 76 - 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	a	b	c	d	e
		Gross carrying amount (Mln EUR)				
			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
34	D - Electricity, gas, steam and air conditioning supply	745,195	151,764		53,135	9,210
35	*D35.1 - Electric power generation, transmission and distribution*	493,997	148,085		41,706	4,612
36	*D35.11 - Production of electricity*	254,107	146,788		37,355	4,181
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	220,820	2,263		10,036	3,182
38	*D35.3 - Steam and air conditioning supply*	30,379	1,416		1,393	1,416
39	E - Water supply; sewerage, waste management and remediation activities	225,765	-		16,392	4,515
40	F - Construction	1,753,913	6,923		211,526	244,138
41	*F.41 - Construction of buildings*	1,166,607	3,071		151,525	188,684
42	*F.42 - Civil engineering*	236,830	838		20,825	15,003
43	*F.43 - Specialised construction activities*	350,476	3,014		39,176	40,451
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,102,641	21,323		314,619	111,801
45	H - Transportation and storage	428,319	-		18,916	37,597
46	*H.49 - Land transport and transport via pipelines*	253,491	-		9,359	26,812
47	*H.50 - Water transport*	22,984	-		17	7,447
48	*H.51 - Air transport*	10,707	-		1,771	-
49	*H.52 - Warehousing and support activities for transportation*	124,964	-		7,747	3,300
50	*H.53 - Postal and courier activities*	16,174	-		22	37
51	I - Accommodation and food service activities	970,339	-		124,481	82,038
52	L - Real estate activities	2,625,182	7,902		279,280	246,894
53	**Exposures towards sectors other than those that highly contribute to climate change**	**3,507,926**	**8,856**		**298,059**	**137,478**
54	K - Financial and insurance activities	267,270	-		19,188	21,933
55	Exposures to other sectors (NACE codes J, M - U)	3,240,656	8,856		278,871	115,545
56	**TOTAL**	**19,027,850**	**206,795**		**2,100,431**	**1,047,994**

Source: Consolidated balance sheet (data verified by FINREP: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01); Internal ESG Database

Table 77 - 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	f	g	h	i	j
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			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**	**635,027**	**56,109**		**24,540,528**	**20,864,739**
2	A - Agriculture, forestry and fishing	4,271	1,369	2,548	27,050	-
3	B - Mining and quarrying	6,266	3,253	2,908	108,012	64,888
4	*B.05 - Mining of coal and lignite*	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	87	-	-	-	-
6	*B.07 - Mining of metal ores*	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	4,583	1,657	2,908	41,869	17,632
8	*B.09 - Mining support service activities*	1,596	1,596	-	66,143	47,256
9	C - Manufacturing	129,121	20,171	105,716	22,659,744	20,149,769
10	*C.10 - Manufacture of food products*	25,388	6,175	18,473	4,617,327	4,430,000
11	*C.11 - Manufacture of beverages*	897	674	152	14,426	9,025
12	*C.12 - Manufacture of tobacco products*	-	-	-	-	-
13	*C.13 - Manufacture of textiles*	7,650	665	6,899	214,189	182,229
14	*C.14 - Manufacture of wearing apparel*	4,163	152	3,965	11,493	6,920
15	*C.15 - Manufacture of leather and related products*	2,712	9	2,683	7,180	6,763
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	2,467	274	2,156	56,234	37,618
17	*C.17 - Manufacture of pulp, paper and paperboard*	393	148	190	159,115	99,873
18	*C.18 - Printing and service activities related to printing*	16,761	186	16,543	18,729	13,672
19	*C.19 - Manufacture of coke oven products*	730	0	690	9,800,800	8,440,825
20	*C.20 - Production of chemicals*	1,845	1,182	556	510,477	365,082
21	*C.21 - Manufacture of pharmaceutical preparations*	1,069	325	697	14,321	9,646
22	*C.22 - Manufacture of rubber products*	2,058	579	1,328	285,818	242,103
23	*C.23 - Manufacture of other non-metallic mineral products*	7,668	1,911	5,687	379,784	251,956
24	*C.24 - Manufacture of basic metals*	3,678	920	2,490	3,648,446	3,361,105
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	13,036	2,688	9,944	628,875	516,776
26	*C.26 - Manufacture of computer, electronic and optical products*	17,976	146	17,781	62,971	56,793
27	*C.27 - Manufacture of electrical equipment*	4,544	1,008	3,427	408,715	394,001
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	8,226	2,084	5,898	747,878	712,587

Table 77 - 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	f	g	h	i	j
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			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
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	2,062	601	1,232	224,220	181,648
30	*C.30 - Manufacture of other transport equipment*	1,174	11	885	713,383	707,425
31	*C.31 - Manufacture of furniture*	2,896	190	2,651	71,386	67,108
32	*C.32 - Other manufacturing*	1,008	214	754	35,140	31,196
33	*C.33 - Repair and installation of machinery and equipment*	721	29	635	28,837	25,419
34	D - Electricity, gas, steam and air conditioning supply	7,509	746	6,028	445,558	-
35	*D35.1 - Electric power generation, transmission and distribution*	5,095	714	3,791	382,543	-
36	*D35.11 - Production of electricity*	4,452	583	3,592	104,499	-
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	1,698	23	1,540	43,699	-
38	*D35.3 - Steam and air conditioning supply*	716	9	697	19,316	-
39	E - Water supply; sewerage, waste management and remediation activities	3,800	832	2,880	51,057	-
40	F - Construction	174,566	7,511	164,285	688,910	586,643
41	*F.41 - Construction of buildings*	138,535	6,638	129,871	379,492	351,895
42	*F.42 - Civil engineering*	10,627	259	10,005	207,971	168,785
43	*F.43 - Specialised construction activities*	25,404	614	24,408	101,447	65,963
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	81,938	7,859	71,152	432,156	-
45	H - Transportation and storage	22,122	130	21,771	111,126	63,439
46	*H.49 - Land transport and transport via pipelines*	14,848	71	14,654	62,274	43,040
47	*H.50 - Water transport*	5,221	1	5,210	4,230	651
48	*H.51 - Air transport*	6	1	-	14,685	499
49	*H.52 - Warehousing and support activities for transportation*	1,999	57	1,871	29,874	19,218
50	*H.53 - Postal and courier activities*	48	0	37	63	31
51	I - Accommodation and food service activities	47,369	4,125	42,345	8,606	-
52	L - Real estate activities	158,064	10,112	143,634	8,309	-
53	**Exposures towards sectors other than those that highly contribute to climate change**	**106,205**	**12,420**	**89,703**		
54	K - Financial and insurance activities	11,743	712	10,739		
55	Exposures to other sectors (NACE codes J, M - U)	94,462	11,708	78,964		
56	**TOTAL**	**741,232**	**68,528**	**652,970**	**24,540,528**	**20,864,739**

Source: Consolidated balance sheet (data verified by FINREP: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01); Internal ESG Database

Table 78 - 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	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**	**9.70%**	**7,966,609**	**2,676,921**	**1,719,816**	**2,428,078**	**4.93**
2	A - Agriculture, forestry and fishing	8.64%	121,781	85,863	80,410	33,781	8.10
3	B - Mining and quarrying	25.38%	92,382	15,606	404	25,954	3.41
4	*B.05 - Mining of coal and lignite*	-	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	-	31,313	-	-	8,079	0.05
6	*B.07 - Mining of metal ores*	-	1	-	-	-	0.05
7	*B.08 - Other mining and quarrying*	-	26,965	15,606	404	17,875	2.76
8	*B.09 - Mining support service activities*	100.00%	34,104	-	-	-	4.51
9	C - Manufacturing	15.31%	3,419,618	827,108	164,501	769,226	3.36
10	*C.10 - Manufacture of food products*	6.77%	509,880	164,214	37,498	140,042	3.72
11	*C.11 - Manufacture of beverages*	-	52,588	31,313	5,209	3,098	6.27
12	*C.12 - Manufacture of tobacco products*	-	-	-	-	-	-
13	*C.13 - Manufacture of textiles*	4.83%	102,427	44,729	2,819	36,791	3.17
14	*C.14 - Manufacture of wearing apparel*	-	34,965	7,590	1,860	15,265	2.80
15	*C.15 - Manufacture of leather and related products*	-	21,776	983	64	3,678	2.59
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	-	41,042	12,813	9,270	17,152	4.57
17	*C.17 - Manufacture of pulp, paper and paperboard*	4.71%	55,575	23,219	4,166	18,796	4.15
18	*C.18 - Printing and service activities related to printing*	-	46,889	6,711	2,914	11,383	3.68
19	*C.19 - Manufacture of coke oven products*	94.84%	242,569	5,087	-	2,999	0.82
20	*C.20 - Production of chemicals*	19.40%	177,929	28,978	4,498	27,943	3.27
21	*C.21 - Manufacture of pharmaceutical preparations*	36.10%	78,088	30,755	121	5,353	3.21
22	*C.22 - Manufacture of rubber products*	8.50%	154,926	30,949	9,650	42,772	3.58
23	*C.23 - Manufacture of other non-metallic mineral products*	-	95,503	27,965	2,193	28,519	3.19
24	*C.24 - Manufacture of basic metals*	7.65%	284,970	46,960	8,269	91,046	2.60
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	3.54%	524,491	197,352	21,730	173,763	3.58
26	*C.26 - Manufacture of computer, electronic and optical products*	-	87,275	12,958	5,506	13,637	3.69
27	*C.27 - Manufacture of electrical equipment*	-	96,648	18,846	3,773	23,083	2.74
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	4.26%	307,985	59,363	30,499	60,693	3.68

Table 78 - 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	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*	55.60%	246,573	35,815	15	15,931	3.26
30	*C.30 - Manufacture of other transport equipment*	72.42%	165,920	1,324	262	5,227	2.38
31	*C.31 - Manufacture of furniture*	-	41,434	12,760	7,446	11,906	4.70
32	*C.32 - Other manufacturing*	-	23,233	15,672	6,423	12,140	4.73
33	*C.33 - Repair and installation of machinery and equipment*	-	26,933	10,749	316	8,009	3.98
34	D - Electricity, gas, steam and air conditioning supply	22.23%	463,075	151,085	69,042	61,994	7.16
35	*D35.1 - Electric power generation, transmission and distribution*	33.53%	241,133	134,258	63,874	54,732	6.50
36	*D35.11 - Production of electricity*	19.88%	62,535	117,125	63,874	10,572	7.04
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	-	215,099	701	-	5,020	5.08
38	*D35.3 - Steam and air conditioning supply*	-	6,843	16,125	5,167	2,242	6.60
39	E - Water supply; sewerage, waste management and remediation activities	7.47%	108,399	52,374	18,383	46,608	5.68
40	F - Construction	4.99%	839,462	245,311	158,151	418,286	4.16
41	*F.41 - Construction of buildings*	-	481,981	180,997	133,559	289,288	4.50
42	*F.42 - Civil engineering*	35.00%	179,438	8,761	6,058	42,573	3.02
43	*F.43 - Specialised construction activities*	-	178,043	55,553	18,533	86,426	3.95
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	9.32%	1,790,303	427,533	173,465	654,766	3.47
45	H - Transportation and storage	7.24%	199,100	99,811	75,541	52,119	5.84
46	*H.49 - Land transport and transport via pipelines*	-	109,423	46,154	56,471	39,694	6.62
47	*H.50 - Water transport*	-	22,127	487	-	370	1.52
48	*H.51 - Air transport*	-	4,845	1,771	3,068	1,022	5.89
49	*H.52 - Warehousing and support activities for transportation*	11.93%	54,079	43,937	16,001	10,946	5.26
50	*H.53 - Postal and courier activities*	98.90%	8,626	7,462	-	86	3.36
51	I - Accommodation and food service activities	-	296,790	230,398	341,601	72,148	8.27
52	L - Real estate activities	-	635,698	541,831	638,319	293,197	7.29
53	**Exposures towards sectors other than those that highly contribute to climate change**		**1,779,724**	**531,486**	**198,262**	**520,572**	**4.12**
54	K - Financial and insurance activities		115,746	79,540	27,287	44,696	5.01
55	Exposures to other sectors (NACE codes J, M - U)		1,663,978	451,945	170,975	475,876	4.01
56	**TOTAL**	**8.05%**	**9,746,333**	**3,208,407**	**1,918,079**	**2,948,650**	**4.79**

Source: Consolidated balance sheet (data verified by FINREP: 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 as at 30 June 2023, 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. Specifically, the GHG emission data reported are derived directly from the NFR (Non-Financial Report) published by the counterparties obliged to such reporting or, in their absence, from estimates of highly qualified info-providers. Information on the Group's financed greenhouse gas emissions is made available in this document on a voluntary basis with respect to the regulatory deadline of 30 June 2024 established by Implementing Regulation (EU) 2022/2453.

In addition to the totals per NACE sector, 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 CO_2 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 (so-called "Taxonomy Regulation"). For this purpose, use was made of information on the alignment of the counterparty's activities with environmental objectives provided by external providers.

The data on financed emissions shown in the tables above may be subject to significant variations over the course of the various Pillar 3 publications. The volatility that characterises this information is correlated to both the increasing level of analyticity and accuracy of the estimates of direct and indirect greenhouse gas emissions reported in the non-financial reports (or similar sustainability disclosures) published from time to time by counterparties, and to the trends in the volumes of financial exposure that the debtors in the portfolio have both to the Group and to other financing entities.

Table 79 - Template 2: Banking book - Indicators of potential climate change-related transition risk: Loans secured by real estate - Energy efficiency of collateral

	Settori	a	b	c	d	e	f	g
			Level of energy efficiency (EP score in kWh/m² of collateral)					
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500
1	**Total EU area**	**8.053.644**	**807.571**	**1.717.349**	**1.780.567**	**1.063.855**	**1.147.209**	**477.607**
2	Of which Loans collateralised by commercial immovable property	4,077,489	307,953	596,801	817,508	689,634	763,225	241,769
3	Of which Loans collateralised by residential immovable property	3,967,440	499,618	1,120,548	963,059	374,221	383,985	235,838
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	8,715	-	-	-	-	-	-
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	4,812,695	209,249	909,790	1,389,732	695,791	1,120,635	427,843
6	**Total non-EU area**	**3,989,921**	**13,864**	**15,619**	**16,114**	**8,680**	**13,159**	**4,070**
7	Of which Loans collateralised by commercial immovable property	147,511	-	-	-	54	24	-
8	Of which Loans collateralised by residential immovable property	3,842,410	13,864	15,619	16,114	8,626	13,135	4,070
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	54,822	9,373	12,219	12,305	4,371	12,763	3,647

Source: Consolidated balance sheet (data verified by FINREP: Templates F 18.00 - F 13.03.1); Internal ESG Database

h	i	j	k	l	m	n	o	p
Total gross carrying amount amount (in MEUR)								
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/m² of collateral) estimated
398.037	**159.668**	**204.786**	**303.776**	**290.553**	**293.475**	**509.205**	**4.931.418**	**96,38%**
196,256	66,811	123,982	172,533	115,109	94,591	162,191	2,523,139	97.03%
201,781	92,857	80,804	131,243	175,444	198,884	347,014	2,408,279	95.71%
-	-	-	-	-	-	-	-	0.00%
							4,753,040	100.00%
2,512	**1,010**	**1,325**	**1,260**	**1,396**	**2,459**	**6,029**	**56,110**	**1.38%**
-	-	-	-	-	-	54	24	0.02%
2,512	1,010	1,325	1,260	1,396	2,459	5,975	56,086	1.43%
-	-	-	-	-	-	-	-	0.00%
							54,677	100.00%

The table shows the gross book value of exposures secured by real estate (residential and commercial) and real estate collateral recovered as at 30 June 2023, supplemented by information on the energy efficiency level of the collateral measured in terms of energy consumption in kWh/m^2, 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 outside the European Union, where equivalent to the Union energy performance class. The representation of exposure values of which the portfolio is composed 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.

Not all types of collateral assets have an energy rating. The Group has thus determined, as its own convention, to exclude from the calculation of columns "b" to "p" of the table under comment assets attributable to such specific cases (e.g. land, parking garages, car parks, etc.). Columns "b" to "g" show the values required on the basis of the energy performance score (EP score), expressed in kWh/m^2 of estimated or actual energy consumption, of the underlying assets; columns "h" to "n" display only the values underlying the existence of an actual energy rating.

The energy efficiency class of a property is defined as real when the information is provided directly by the entrusted party or obtained from official public sources. The estimated energy efficiency component, on the other hand, is obtained thanks to the contribution of qualified external info-providers . Columns "o" and "p" of the table show the value for which the energy efficiency level of the property, as measured by the EPC label attributed to the property, is not present or is estimated, and the percentage of total energy efficiency that is estimated (with estimated and missing EPC label) in column "o", respectively.

Rows 2, 3 and 4 ("EU area") and rows 7, 8 and 9 ("non-EU area") of the table show the breakdown between loans secured by residential and commercial properties and real estate subject to execution proceedings. In accordance with the compilation instructions, rows 5 and 10 show the portion of energy efficiency data estimated and not based on precise data. The latter, also on the basis of EBA Q&A 2022_6532, were considered as an "of which" of the sum of the previous rows.

In the columns for the breakdown into energy classes, consistent with EBA Q&A 2022_6517, the amounts are shown in correspondence with the energy labels according to the following rule:

- if the value of the collateral is greater than the gross book value of the loan, the gross book value is reported;
- if the value of the collateral is less than the gross book value of the loan, the value of the collateral is reported.

Table 80 - 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 top 20 carbon emitting companies in the world

As shown in the table above, as at 30 June 2023 the Group had no material exposures to the world's top 20 carbon-intensive companies.

The lists used to identify these exposures are as follows:
- Carbon Majors Database - Carbon-Majors-Report-2017.pdf (https://www.cdp.net/en);
- *Climate Accountability Institute* (https://climateaccountability.org/).

Both lists are annexed to this document.

The table below 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.

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 chronic physical hazards, the Bank makes use of dedicated estimates provided by external providers who assign 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 process: this scenario predicts that 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 area.

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	

Table 81 - 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	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	322,665	59,913	48,720	59,013	19,926	7.65
2	B - Mining and quarrying	134,347	16,689	14,895	-	11,331	3.14
3	C - Manufacturing	5,211,560	930,522	310,598	79,065	318,481	3.20
4	D - Electricity, gas, steam and air conditioning supply	745,195	33,483	58,386	42,356	7,148	7.06
5	E - Water supply; sewerage, waste management and remediation activities	225,765	21,107	4,392	-	6,691	2.89
6	F - Construction	1,753,913	175,728	82,722	46,651	110,107	4.12
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,102,641	679,340	230,113	110,437	336,550	3.39
8	H - Transportation and storage	428,319	68,885	38,617	47,113	21,773	6.90
9	L - Real estate activities	2,625,182	335,245	250,802	374,291	110,312	7.50
10	Loans collateralised by residential immovable property	7,809,851	79,795	203,193	647,898	237,083	14.70
11	Loans collateralised by commercial immovable property	4,225,000	168,196	218,575	491,406	70,405	9.65
12	Repossessed colalterals	8,715	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	4,478,265	540,781	339,267	331,449	191,894	6.36

Source: Consolidated balance sheet (data verified by FINREP: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1); Internal Database ESG

h	i	j	k	l	m	n	o
Gross carrying amount (Mln EUR)							
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
37,900	86,850	62,822	31,098	1,900	1,777	959	600
-	4,039	38,876	37,525	867	2,263	1,650	609
164,293	1,025,153	449,220	289,755	66,784	44,089	10,790	32,387
5,383	30,912	105,078	31,800	-	636	466	-
6,216	14,024	11,949	2,544	8	73	51	8
48,516	196,797	169,894	49,757	47,903	31,524	1,225	29,769
30,852	1,083,282	242,306	152,970	38,758	25,776	4,269	20,336
908	49,465	126,016	7,807	17,978	8,449	39	8,358
156,055	647,924	266,671	135,374	103,768	52,882	5,171	45,974
19,562	290,278	858,129	94,313	36,401	27,110	7,593	17,555
37,158	282,088	629,337	101,181	118,927	72,154	4,357	66,798
-	-	-	-	-	-	-	-
206,265	645,317	551,808	145,546	91,809	63,825	5,083	57,297

Table 82 - 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						
		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	321,835	59,913	48,720	59,013	19,926	7.65
2	B - Mining and quarrying	91,310	16,689	14,895	-	11,331	3.14
3	C - Manufacturing	5,117,320	930,522	310,598	79,065	318,481	3.20
4	D - Electricity, gas, steam and air conditioning supply	742,524	33,483	58,386	42,356	7,148	7.06
5	E - Water supply; sewerage, waste management and remediation activities	225,765	21,107	4,392	-	6,691	2.89
6	F - Construction	1,534,421	175,728	82,722	46,651	110,107	4.12
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,750,717	679,340	230,113	110,437	336,550	3.39
8	H - Transportation and storage	420,300	68,885	38,617	47,113	21,773	6.90
9	L - Real estate activities	2,108,803	335,245	250,802	374,291	110,312	7.50
10	Loans collateralised by residential immovable property	3,941,674	76,864	192,484	611,160	234,297	14.71
11	Loans collateralised by commercial immovable property	4,000,910	168,142	217,817	491,406	70,405	9.65
12	Repossessed colalterals	8,715	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	3,923,093	540,781	339,267	331,449	191,894	6.36

Source: Consolidated balance sheet (data verified by FINREP: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1); Internal Database ESG

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
37,900	86,850	62,822	31,098	1,900	1,777	959	600
-	4,039	38,876	37,525	867	2,263	1,650	609
164,293	1,025,153	449,220	289,755	66,784	44,089	10,790	32,387
5,383	30,912	105,078	31,800	-	636	466	-
6,216	14,024	11,949	2,544	8	73	51	8
48,516	196,797	169,894	49,757	47,903	31,524	1,225	29,769
30,852	1,083,282	242,306	152,970	38,758	25,776	4,269	20,336
908	49,465	126,016	7,807	17,978	8,449	39	8,358
156,055	647,924	266,671	135,374	103,768	52,882	5,171	45,974
14,877	280,754	819,174	89,575	33,729	25,842	7,214	16,757
37,158	282,088	628,524	100,423	118,927	72,132	4,335	66,798
-	-	-	-	-	-	-	-
206,265	645,317	551,808	145,546	91,809	63,825	5,083	57,297

Table 83 - 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
	Italy		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	830	-	-	-	-	-
2	B - Mining and quarrying	43,037	-	-	-	-	-
3	C - Manufacturing	94,239	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	2,672	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	0	-	-	-	-	-
6	F - Construction	219,492	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	351,923	-	-	-	-	-
8	H - Transportation and storage	8,019	-	-	-	-	-
9	L - Real estate activities	516,378	-	-	-	-	-
10	Loans collateralised by residential immovable property	3,868,177	2,931	10,709	36,738	2,786	14.44
11	Loans collateralised by commercial immovable property	224,090	54	759	-	-	7.57
12	Repossessed colalterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	555,171	-	-	-	-	-

Source: Consolidated balance sheet (data verified by FINREP: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1); Internal Database ESG

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
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,685	9,524	38,955	4,738	2,672	1,269	379	798
-	-	813	759	-	22	21	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

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).

However, the identification of Taxonomy-aligned activities is still under analysis with mandatory public reporting from 31 December 2023. For the purposes of this Disclosure Document, all mitigation activities have therefore been considered as described below[10].

Pending the analyses resulting from the adoption of the taxonomic regulations, examples of mitigation activities relevant to the disclosure required by Template 10 are given of the credit products deemed eligible under the Bank's Green Bond framework as per specific guidelines issued by ICMA (International Capital Market Association).

Economic activities that can be financed or refinanced through the above-mentioned "green bond" issuance programme include activities that 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.

In particular, with reference to June 2023, it is possible to record the disbursement of 1,554 million euro in loans for environmental purposes (+64% on 31/12/2022), of which 500 million euro as the use of resources raised through the inaugural issue of Senior Green Bonds placed in 2021 under the EMTN (Euro Medium Term Notes) programme.

[10] Consequently, it cannot be ruled out that the current identification of climate change-related mitigation actions includes activities that will be aligned with the European Taxonomy in the future and will therefore enter the GAR or BTAR metrics in December 2023 and December 2024, respectively.

Section 12

Disclosure of exposures to counterparty risk (articles 438 and 439 CRR/CRR II)

The tables below show the Group's exposure profile to Counterparty Credit Risk (CCR) as at 30 June 2023 on the basis of a variety of disclosures, including:

- an overview of the approaches adopted by the Group to quantify its capital requirements for counterparty risk and the main parameters used in each method;
- all derivative transactions subject to the capital requirement on credit valuation adjustment (CVA) risk;
- a breakdown of exposures to counterparty risk by type of regulatory portfolio and risk weight;
- information on 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 84 - Template EU CCR1: Analysis of CCR exposure by approach (1 of 2)

		a	b	c	d
		Replacement cost (RC)	**Potential future exposure (PFE)**	**Actual positive expected exposure (Actual EPE)**	**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)	10,034	38,128		1.4
1	SA-CCR (for derivatives)	34,585	32,279		1.4
2	IMM (for derivatives and SFTs)			-	-
2a	*Of which securities financing transactions netting sets*			-	
2b	*Of which derivatives and long settlement transactions netting sets*			-	
2c	*Of which from contractual cross-product netting sets*			-	
3	Financial collateral simple method (for SFTs)				
4	Financial collateral comprehensive method (for SFTs)				
5	VaR for SFTs				
6	**TOTAL AS AT 30/06/2023**				

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 85 - 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)	67,467	67,467	67,467	16,118
1	SA-CCR (for derivatives)	93,610	92,903	93,650	49,381
2	IMM (for derivatives and SFTs)	-	-	-	-
2a	*Of which securities financing transactions netting sets*	-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*	-	-	-	-
2c	*Of which from contractual cross-product netting sets*	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-
4	Financial collateral comprehensive method (for SFTs)	3,165,728	191,725	191,725	55,103
5	VaR for SFTs	-	-	-	-
6	**TOTAL AS AT 30/06/2023**	**3,326,805**	**352,095**	**352,843**	**120,602**

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

		30/06/2023		31/12/2022	
		a	b	a	b
		Exposure value	RWAs	Exposure value	RWAs
1	**TOTAL PORTFOLIOS SUBJECT TO THE ADVANCED METHOD**	**-**	**-**	**-**	**-**
2	(i) VaR component (including the 3× multiplier)		-		-
3	(ii) SVaR component (including the 3× multiplier)		-		-
4	**ALL PORTFOLIOS SUBJECT TO THE STANDARDISED METHOD**	**128,663**	**18,876**	**183,820**	**24,999**
EU-4	Based on the original exposure method	-	-	-	-
5	**TOTAL SUBJECT TO THE CVA CAPITAL CHARGE**	**128,663**	**18,876**	**183,820**	**24,999**

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

Table 87 - 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	-	17,914	-	-	219,867	89,465
7	Corporates	-	-	-	-	-	0
8	Retail	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-
11	**TOTAL AS AT 30/06/2023**	**-**	**17,914**	**-**	**-**	**219,867**	**89,466**
	TOTAL AS AT 31/12/2022	**-**	**25,129**	**-**	**-**	**118,805**	**209,524**

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

Table 88 - 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	-	-	737	-	-	327,983
7	Corporates	-	-	691	-	-	691
8	Retail	-	4,621	-	-	-	4,621
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	4,764	-	-	4,764
11	**TOTAL AS AT 30/06/2023**	**-**	**4,621**	**6,192**			**338,059**
	TOTAL AS AT 31/12/2022	**-**	**2,395**	**22,321**			**378,175**

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

Table 89 - 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 90 - 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 91 - Template EU CCR4 - IRB approach: exposures subject to CCR by exposure class and PD range - Companies (2 of 2)

PD SCALE	a	b	c
	Exposure value	Exposure weighted average PD (%)	Number of obligors
0.00 to <0.15	3,406	0.1200%	5
0.15 to <0.25	7,147	0.1886%	41
0.25 to <0.50	3,260	0.3900%	18
0.50 to <0.75	1,504	0.5900%	16
0.75 to <2.50	2,968	1.4304%	27
2.50 to <10.00	515	4.9302%	6
10.00 to <100.00	13,018	10.4400%	1
100.00 (Default)	-	-	-
SUBTOTAL (Exposure classes CORPORATES)	**31,817**	**4.6080%**	**114**

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

Table 92 - Template EU CCR4 - IRB approach: exposures subject to CCR by exposure class and PD range - Companies (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	25.8817%	1	528	15.5128%
0.15 to <0.25	25.3582%	1	1,500	20.9914%
0.25 to <0.50	24.9146%	1	1,097	33.6495%
0.50 to <0.75	25.0851%	1	619	41.1299%
0.75 to <2.50	25.5234%	1	1,728	58.2013%
2.50 to <10.00	19.8358%	2	300	58.2132%
10.00 to <100.00	24.8970%	1	16,389	125.8967%
100.00 (Default)	-	-	-	-
SUBTOTAL (Exposure classes CORPORATES)	**25.0930%**	**1**	**22,160**	**69.6484%**

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

Table 93 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (1 of 2)

PD SCALE	a Exposure value	b Exposure weighted average PD (%)	c Number of obligors
0.00 to <0.15	45	0.1145%	9
0.15 to <0.25	35	0.1800%	3
0.25 to <0.50	765	0.4562%	5
0.50 to <0.75	18	0.5900%	3
0.75 to <2.50	4	1.0574%	3
2.50 to <10.00	1	3.4400%	1
10.00 to <100.00	12	16.9730%	2
100.00 (Default)	-	-	-
SUBTOTAL (Exposure classes RETAIL)	**880**	**0.6589%**	**26**
TOTAL (All exposure classes) AS AT 30/06/2023	**32,697**	**4.5010%**	**140**

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

Table 94 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (2 of 2)

PD SCALE	d Exposure weighted average LGD (%)	e Exposure weighted average maturity	f RWEA	g Density of risk weighted exposure amount
0.00 to <0.15	22.6664%	-	2	5.1210%
0.15 to <0.25	20.4050%	-	3	7.4755%
0.25 to <0.50	11.4697%	-	65	8.5472%
0.50 to <0.75	25.7960%	-	4	19.6938%
0.75 to <2.50	13.6789%	-	1	13.3559%
2.50 to <10.00	24.8970%	-	0	28.5311%
10.00 to <100.00	15.3810%	-	3	26.4644%
100.00 (Default)	-	-	-	-
SUBTOTAL (Exposure classes RETAIL)	**12.7661%**	**-**	**78**	**8.8359%**
TOTAL (All exposure classes) AS AT 30/06/2023	**24.7620%**	**1**	**22,238**	**68.0120%**

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

Table 95 - Template EU CCR5: Composition of collateral for CCR exposures (1 of 2)

		a	b	c	d
COLLATERAL TYPE		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	4,519	56,790	78,578
2	Cash – other currencies	-	1,461	-	1,414
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 30/06/2023**	**-**	**5,980**	**56,790**	**79,992**

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

Table 96 - 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 posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	-	-	17,878
2	Cash – other currencies	-	-	-	-
3	Domestic sovereign debt	-	-	-	952,787
4	Other sovereign debt	-	-	-	-
5	Government agency debt	-	-	-	-
6	Corporate bonds	-	-	-	764,940
7	Equity securities	-	-	-	-
8	Other collateral	-	-	-	2,400,788
9	**TOTAL AS AT 30/06/2023**	**-**	**-**	**-**	**4,136,393**

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

Table 97 - Template EU CCR6: Credit derivative exposures

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

Table 98 - 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 99 - Template EU CCR8: Exposures to CCPs

		30/06/2023	
		a	b
		Exposure value	RWEA
1	**EXPOSURES TO QCCPS (TOTAL)**		**611**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	17,914	358
3	*(i) OTC derivatives*	-	-
4	*(ii) Exchange-traded derivatives*	-	-
5	*(iii) SFTs*	*17,914*	*358*
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	12,722	252
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 13
Disclosure of exposure to securitisation positions (article 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 four securitisation transactions through the bulk sale of non-performing loans in the three-year period 2020-2022.

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 sold;
- 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 sold;
- a junior tranche of 4.55 million euro, equal to 1.2% of the gross value of the loans sold.

95% of the mezzanine and junior tranches were placed with institutional investors, while the remaining 5% was retained by the 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 sold;
- 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.

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[11], 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 rating 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 will be able to use them as collateral in its refinancing operations with the Eurosystem, thus configuring a transaction that can be defined as "self-securitisation[12]". On 30 June 2023, the notes of 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

[11] 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.

[12] 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.

(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.

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.

As at 30 June 2023, the value of the notes subscribed by the Bank was equal to 1,127 million euro for senior securities, 142 million euro for mezzanine securities and 307 million euro for junior securities.

Third-party securitisations

The Group holds, as an investor, exposures in ABS securities related to traditional (not synthetic) securitisations, all of the "Senior" type, not STS (Simple, Transparent and Standardised)[13] and deriving from third-party transactions. Investments of this kind, held entirely for purposes other than trading, are classified for accounting purposes in "Financial assets measured at fair value" and "Financial assets measured at amortised cost". No guarantees or credit lines are provided on these transactions.

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 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 SEC-SA methodology is applicable; this approach 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 attachment/detachment points), allows the application of the calculation algorithm provided by the SEC-SA approach.

* * *

The tables below show the Group's exposure to securities deriving from its own and third-party securitisations as at 30 June 2023.

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

Table 100 - 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**	**-**	**-**	**58,026**	**58,026**	**685,414**
2	**Retail (total)**	**-**	**-**	**863**	**863**	**-**
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	-
5	other retail exposures	-	-	863	863	-
6	re-securitisation	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**57,163**	**57,163**	**685,414**
8	loans to corporates	-	-	-	-	685,414
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	-	-	-
11	other wholesale	-	-	57,163	57,163	-
12	re-securitisation	-	-	-	-	-

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

Table 101 - 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**	**685,414**	**743,440**	**-**	**-**	**-**
2	**Retail (total)**	**-**	**863**	**-**	**-**	**-**
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	
5	other retail exposures	-	863	-	-	-
6	re-securitisation	-	-	-	-	-
7	**Wholesale (total)**	**685,414**	**742,578**	**-**	**-**	**-**
8	loans to corporates	685,414	685,414	-	-	-
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	-	-	-
11	other wholesale	-	57,163	-	-	-
12	re-securitisation	-	-	-	-	-

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

Table 102 - 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**	**-**	**-**	**469,417**	**-**	**469,417**
2	**Retail (total)**	**-**	**-**	**16,438**	**-**	**16,438**
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	-
5	other retail exposures	-	-	16,438	-	16,438
6	re-securitisation	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**452,980**	**-**	**452,980**
8	loans to corporates	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	452,980	-	452,980
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) programs.[14]

Table 103 - 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.

[14] 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 104 - 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 >100% to <1250%	1250% RW/ deductions
1	**TOTAL EXPOSURES**	**685,414**	**-**	**57,033**	**-**	**994**
2	**Traditional transactions**	**-**	**-**	**57,033**	**-**	**994**
3	Securitisation	-	-	57,033	-	994
4	*Retail underlying*	-	-	-	-	*863*
5	Of which STS	-	-	-	-	-
6	*Wholesale*	-	-	*57,033*	-	*131*
7	Of which STS	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-
9	**Synthetic transactions**	**685,414**	**-**	**-**	**-**	**-**
10	Securitisation	685,414	-	-	-	-
11	*Retail underlying*	-	-	-	-	-
12	*Wholesale*	*685,414*	-	-	-	-
13	Re-securitisation	-	-	-	-	-

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

Table 105 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as originator or as sponsor (2 of 3)

		f	g	h	i	j	k
		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**	**685.414**	**57.033**	**-**	**994**	**102.812**	**51.329**
2	**Traditional transactions**	**-**	**57.033**	**-**	**994**	**-**	**51.329**
3	Securitisation	-	57.033	-	994	-	51.329
4	*Retail underlying*	-	-	-	*863*	-	-
5	Of which STS	-	-	-	-	-	-
6	*Wholesale*	-	*57.033*	-	*131*	-	*51.329*
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	**Synthetic transactions**	**685.414**	**-**	**-**	**-**	**102.812**	**-**
10	Securitisation	685.414	-	-	-	102.812	-
11	*Retail underlying*	-	-	-	-	-	-
12	*Wholesale*	*685.414*	-	-	-	*102.812*	-
13	Re-securitisation	-	-	-	-	-	-

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

Table 106 - 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**	**-**	**12,420**	**8,225**	**4,106**	**-**	**863**
2	**Traditional transactions**	**-**	**12,420**	**-**	**4,106**	**-**	**863**
3	Securitisation	-	12,420	-	4,106	-	863
4	*Retail underlying*	-	*10,784*	-	-	-	*863*
5	Of which STS	-	-	-	-	-	-
6	*Wholesale*	-	*1,636*	-	*4,106*	-	-
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	**Synthetic transactions**	**-**	**-**	**8,225**	**-**	**-**	**-**
10	Securitisation	-	-	8,225	-	-	-
11	*Retail underlying*	-	-	-	-	-	-
12	*Wholesale*	-	-	*8,225*	-	-	-
13	Re-securitisation	-	-	-	-	-	-

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

Table 107 - 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**	**452,980**	**-**	**-**	**16,438**	**-**	**-**
2	**Traditional transactions**	**452,980**	**-**	**-**	**16,438**	**-**	**-**
3	Securitisation	452,980	-	-	16,438	-	-
4	*Retail underlying*	-	-	-	*16,438*	-	-
5	Of which STS	-	-	-	-	-	-
6	*Wholesale*	*452,980*	-	-	-	-	-
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 108 - 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**	**-**	**469,417**	**-**	**-**	**-**
2	**Traditional transactions**	**-**	**469,417**	**-**	**-**	**-**
3	Securitisation	-	469,417	-	-	-
4	*Retail underlying*	-	*16,438*	-	-	-
5	Of which STS	-	-	-	-	-
6	*Wholesale*	-	*452,980*	-	-	-
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 109 - 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**	**224,889**	**-**	**-**	**-**	**6,702**	**-**
2	**Traditional transactions**	**224,889**	**-**	**-**	**-**	**6,702**	**-**
3	Securitisation	224,889	-	-	-	6,702	-
4	*Retail underlying*	*156,942*	-	-	-	*1,266*	-
5	Of which STS	-	-	-	-	-	-
6	*Wholesale*	*67,947*	-	-	-	*5,436*	-
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 110 - 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
			Of which exposures in default	
1	**TOTAL EXPOSURES**	**4,267,781**	**2,040,138**	**17,573**
2	**Retail (total)**	**3,303,877**	**1,796,246**	**12,908**
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	3,303,877	1,796,246	12,908
6	re-securitisation	-	-	-
7	**Wholesale (total)**	**963,905**	**243,891**	**4,665**
8	loans to corporates	721,369	1,356	4,665
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 14
Disclosure of the use of the standardised approach to market risk (article 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 as at 30 June 2023.

Table 111 - Template EU MR1: Market risk under the standardised approach

		30/06/2023	31/12/2022
		a	b
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	121,174	216,915
2	Equity risk (general and specific)	458,486	364,037
3	Foreign exchange risk	190,919	183,152
4	Commodity risk	3,276	4,223
5	Simplified approach	-	-
6	Delta-plus approach	736	1,555
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**TOTAL**	**774,590**	**769,882**

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, point h), of the CRR is not subject to publication:

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

Section 15
Disclosure of exposures to interest rate risk on positions not held in the trading book (article 448 CRR/CRR II)

The interest rate risk on the banking portfolio is the possibility that an unexpected change in market interest rates could negatively affect the economic value of equity (understood as the difference between the economic value of assets and liabilities that generate interest income) and the Group's profitability.

The set of assets and liabilities included in the risk exposure measurements coincides with instruments generating net interest income other than debt securities belonging to the regulatory trading portfolio, foreign exchange forwards, interest rate options and interest rate swaps belonging to the regulatory trading portfolio.

The following table shows the effects of a change in rates on the future net interest income[15] over twelve months and on the value of shareholders' equity[16], obtained with reference to 30 June 2023 compared to 31 December 2022 based on hypothetical scenarios of interest rate movements. The assumptions underlying the construction of the six "supervisory shock" scenarios are contained in Regulatory Technical Standards EBA/RTS/2022/10.

The six "supervisory shocks" considered are:
- parallel up;
- parallel down;
- Steepening the slope of the curve (steepener);
- flattening of the curve (flattener);
- short rates up;
- short rates down.

The change in the economic value of equity is calculated as the sum of the changes obtained in each currency identified as material by weighting at 50% any positive contributions. The values as at 30 June 2023 are obtained on the scenarios listed above pursuant to Regulatory Technical Standards EBA/RTS/2022/10 in force as of 30/06/2023, while the values as at 31 December 2022 are calculated on the same scenarios in accordance with paragraphs 113 and 114 of the Guidelines EBA/GL/2018/02 and coincide with the Bank's Short Term Exercise (STE) supervisory reporting.

[15] The "future net interest income" is understood as being the difference between the future interest revenues and the future interest expense, based on transactions outstanding and to be settled at the reference date, possibly renewed with the same volumes.

[16] "Equity" is defined as the difference between the present value of total assets and liabilities, computed only for transactions outstanding and to be settled on the reference date, assuming inertial volumes.

The change in future net interest income over the 12-month period to 30 June 2023 is calculated on each currency identified as material by 50% weighting any positive contributions using the parallel up scenario and the parallel down scenario in accordance with Regulatory Technical Standards EBA/RTS/2022/10, while the values as at 31 December 2022 are obtained on the parallel up or down rate change scenarios of 200 basis points, considering all currencies identified as material by weighting any positive contributions at 100%, and coincide with the Bank's Short Term Exercise (STE) supervisory reporting.

Tabella 112 - 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	Last period	Current period	Last period
1. Parallel up	(94,102)	(109,712)	(1,865)	45,610
2. Parallel down	58,299	69,006	(434)	(21,682)
3. Steepener	68,308	61,359		
4. Flattener	(117,683)	(110,855)		
5. Short rates up	(138,216)	(135,687)		
6. Short rates down	86,301	81,847		

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

The undersigned Maurizio Bertoletti, as Manager responsible for preparing the Company's accounting documents of Banca Popolare di Sondrio S. 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, 12 September 2023

Signed Maurizio Bertoletti
Manager responsible for preparing
the Company's accounting documents

Annexes

Annex 1: Lists Top 20 most polluting companies in the world

1. CARBON MAJORS DATABASE AND REPORTS OF THE CARBON DISCLOSURE PROJECT

Carbon Majors emissions of CO_2 and methane 1988–2015

Producer	Cumulative 1988-2015 Scope 1 GHG, $MtCO_2e$	Cumulative 1988-2015 Scope 3 GHG, $MtCO_2e$	Cumulative 1988-2015 Scope 1+3 GHG, $MtCO_2e$	Cumulative 1988-2015 Scope 1+3 of global industrial GHG, %
China (Coal)	9,622	119,312	128,933	14.3
Saudi Arabian Oil Company (Aramco)	4,263	36,298	40,561	4.5
Gazprom OAO	4,652	30,569	35,221	3.9
National Iranian Oil Co	2,468	18,037	20,505	2.3
ExxonMobil Corp	1,833	15,952	17,785	2.0
Coal India	892	15,950	16,842	1.9
Petroleos Mexicanos (Pemex)	2,055	14,749	16,804	1.9
Russia (Coal)	1,216	15,524	16,740	1.9
Royal Dutch Shell PLC	1,212	13,805	15,017	1.7
China National Petroleum Corp (CNPC)	1,479	12,564	14,042	1.6
BP PLC	1,072	12,719	13,791	1.5
Chevron Corp	1,215	10,608	11,823	1.3
Petroleos de Venezuela SA (PDVSA)	1,108	9,971	11,079	1.2
Abu Dhabi National Oil Co	1,135	9,635	10,769	1.2
Poland Coal	884	9,596	10,480	1.2
Peabody Energy Corp	266	10,098	10,364	1.2
Sonatrach SPA	1,490	7,507	8,997	1.0
Kuwait Petroleum Corp	767	8,194	8,961	1.0
Total SA	778	7,762	8,541	0.9
BHP Billiton Ltd	588	7,595	8,183	0.9
ConocoPhillips	654	6,809	7,463	0.9
Petrobras	533	6,375	6,907	0.8
LukOil	557	6,193	6,750	0.8

2. CLIMATE ACCOUNTABILITY INSTITUTE

Carbon Majors emissions of CO_2 and methane 1965–2018

Entity	$MtCO_2e$	% of global FF
Saudi Aramco, Saudi Arabia	61,143	4.33%
Gazprom, Russia	44,757	3.17%
Chevron, USA	43,787	3.10%
ExxonMobil, USA	42,484	3.01%
National Iranian Oil Co.	36,924	2.62%
BP, UK	34,564	2.45%
2Royal Dutch Shell, The Netherlands	32,498	2.30%
Coal India, India	24,338	1.73%
Pemex, Mexico	23,025	1.63%
PetroChina / China Natl Petroleum	16,515	1.17%
Petroleos de Venezuela (PDVSA)	16,029	1.14%
Peabody Energy, USA	15,783	1.12%
ConocoPhillips, USA	15,422	1.09%
Abu Dhabi, United Arab Emirates	14,532	1.03%
Kuwait Petroleum Corp., Kuwait	13,923	0.99%
Iraq National Oil Co., Iraq	13,162	0.93%
Total SA, France	12,755	0.90%
Sonatrach, Algeria	12,700	0.90%
BHP, Australia	10,068	0.71%
Petrobras, Brazil	9,061	0.64%
Top Twenty	493,471	34.98%

Glossary

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

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

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

EAD – Exposure At Default
Expected exposure at the time of insolvency of the counterparty of a risk position.

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

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

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

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

IAS/IFRS
International Accounting Standards (IAS) issued by the International Accounting Standard Board (IASB), a body in which the accounting professionals of the major countries worldwide are represented, with the European Union, the IOSCO (International Organisation of Securities Commissions) and the Basel Committee on Baking 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.

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).