Banca Popolare di Sondrio FONDATA NEL 1871

PILLAR 3 REPORT

PUBLIC DISCLOSURES AS AT 30.06.2024

Banca Popolare di Sondrio Group

Date of publication: 20/09/2024

This document is an English translation of the original Italian document "Terzo Pilastro Informativa al pubblico al 30/06/2024 - Gruppo Banca Popolare di Sondrio", prepared only for the convenience of the international readers. In the case of discrepancies between the Italian version and the English translation, the Italian document shall prevail.

Banca Popolare di Sondrio
Società per azioni

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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: € 1,564,088,615
(Figures approved at the Shareholders' meeting of 27 April 2024)
Stock listed on the Mercato Telematico Azionario (MTA or Screen-Traded Market)

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Introduction

The “Basel III” regulatory framework transposed into the European Union regulatory system has been in force since 1 January 2014:

- Regulation (EU) No 575/2013 (Capital Requirements Regulation, known as “CRR”) of the European Parliament and Council of 26 June 2013 governing the prudential requirements for credit institutions and investment firms (“Pillar 1” provisions) and the rules on public disclosures by institutions (“Pillar 3” provisions);
- Directive 2013/36/EU (Capital Requirements Directive, known as “CRD IV”) of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

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

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

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

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

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

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

Pillar 3 disclosure is governed by the CRR, Part Eight "*Disclosure by institutions*" (articles 431 - 455) and Part Ten, Title I, Chapter 1 "*Own funds requirements, unrealised gains and losses measured at fair value and deductions*" (article 473-bis) and Chapter 3 "*Transitional provisions for disclosure of own funds*" (article 492), as amended by Regulation (EU) 2019/876 ("CRR II").

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

The relevant regulatory framework on a European basis for Pillar 3 disclosure is completed with the execution measures contained in Regulatory or Implementing Technical Standards (RTS and ITS) adopted by the European Commission on the proposal of the European Supervisory Authorities (ESA).

With the issuance of the CRR II Regulation, public disclosure requirements provided for by the "Pillar 3" of prudential regulations have undergone a thorough revision. New publication requirements, effective from 28 June 2021, were detailed in the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, published on 21 April 2021 in the Official Journal of the European Union, which established innovative technical standards of implementation regarding the publication of information to the public by entities.

The 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. From the reporting of 30 June 2021, Banca Popolare di Sondrio Group publishes its information in adherence to the aforementioned Implementing Regulations.

The regulatory structure of Pillar 3 also includes:

- EBA/GL/2014/14 Guidelines on the materiality, proprietary, confidentiality and on disclosure frequency under articles 432, paragraphs 1 and 2, and 433 of the CRR;
- EBA/GL/2018/01 Guidelines on uniform disclosures under article 473-bis of the CRR on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR, EBA/GL/2020/12 Guidelines amending EBA/GL/2018/01 Guidelines to ensure compliance with the CRR "Quick-fix" in response to the COVID-19 pandemic;
- EU Regulation No 2020/873 of 24 June 2020 (CRR Quick-fix), amending Regulations (EU) No 575/2013 and (EU) 2019/876 with regard to certain adjustments in response to the spread of the COVID-19 pandemic (CRR "Quick-fix");

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

With these Public Disclosures, Banca Popolare di Sondrio Group (also referred to as the "Group") intends to fulfil the disclosure requirements envisaged in the "Pillar 3" legislation mentioned above. The frequency of disclosure conforms to the rules dictated by article 433-bis of CRR/CRR II for the category of listed "large institutions".

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

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

* * *

NOTE:

All the amounts indicated in the 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 (UE) Regulation No 876/2019 ("CRR II") to the relevant disclosure requirements for Banca Popolare di Sondrio Group, integrated by the respective disclosure frequency and the sections of this document in which qualitative or quantitative information required by the "Pillar 3" regulations are reported with regard to the Group's situation as at 30 June 2024.

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 June 2024
Art. 431	Disclosure requirements and policies	-	
Art. 432	Non-material, proprietary or confidential information	-	
Art. 433	Frequency and scope of disclosures	-	
Art. 433-bis	Disclosure by large institutions	-	
Art. 433-ter	Disclosure by small and non-complex entities	-	
Art. 433-quater	Disclosure by other institutions	-	
Art. 434	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 and eligible liabilities
		Annual *Full art. 437*	
Art. 437-bis	Disclosure of own funds and eligible liabilities	Half-yearly/ Annual	3 - Disclosure of own funds and eligible liabilities

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 June 2024
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)	Half-yearly/Annual	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 2024
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 (art. 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 S.p.A.	Bank - Wholly-owned	Sondrio	Sondrio
7	PrestiNuova S.r.l. - Agenzia in Attività Finanziaria	Agenzia in Attività Finanziaria - Wholly owned (100%) by BNT S.p.A.	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
		30/06/2024	**31/03/2024**
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	3,622,276	3,516,085
2	Tier 1 capital	3,622,276	3,516,085
3	Total capital	4,268,253	4,162,217
	Risk-weighted exposure (amounts)		
4	Total risk-weighted exposure amount	22,732,338	23,151,727
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	15.9345%	15.1871%
6	Tier 1 ratio (%)	15.9345%	15.1871%
7	Total capital ratio (%)	18.7761%	17.9780%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.7900%	2.7900%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.5694%*	*1.5694%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*2.0925%*	*2.0925%*
EU 7d	Total SREP own funds requirements (%)	10.7900%	10.7900%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.0510%	0.0350%
EU 9a	Systemic risk buffer (%)	-	-

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

		a	b
		30/06/2024	**31/03/2024**
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.5510%	2.5350%
EU 11a	Overall capital requirements (%)	13.3410%	13.3250%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.8420%	7.0946%
	Leverage ratio		
13	Leverage ratio total exposure measure	62,328,732	62,346,915
14	Leverage ratio	5.8116%	5.6396%
	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)	10,807,511	10,747,395
EU 16a	Cash outflows - Total weighted value	9,032,386	9,097,424
EU 16b	Cash inflows - Total weighted value	3,185,939	3,144,005
16	Total net cash outflows (adjusted value)	5,846,446	5,953,418
17	Liquidity coverage ratio (%)	184.8666%	180.7696%
	Net Stable Funding Ratio		
18	Total available stable funding	36,263,785	33,558,257
19	Total required stable funding	28,687,263	28,544,893
20	NSFR ratio (%)	126.4108%	117.5631%

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
		31/12/2023	30/09/2023	30/06/2023
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	3,512,520	3,410,749	3,334,280
2	Tier 1 capital	3,512,520	3,410,749	3,334,280
3	Total capital	4,053,189	3,950,672	3,874,474
	Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	22,855,291	20,969,426	21,106,631
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.3685%	16.2653%	15.7973%
6	Tier 1 ratio (%)	15.3685%	16.2653%	15.7973%
7	Total capital ratio (%)	17.7341%	18.8402%	18.3567%
	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%	2.6600%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.4963%*	*1.4963%*	*1.4963%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.9950%*	*1.9950%*	*1.9950%*
EU 7d	Total SREP own funds requirements (%)	10.6600%	10.6600%	10.6600%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.0359%	0.0224%	0.0162%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.5359%	2.5224%	2.5162%
EU 11a	Overall capital requirements (%)	13.1959%	13.1824%	13.1762%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.0741%	8.1802%	7.6967%
	Leverage ratio			
13	Leverage ratio total exposure measure	63,354,781	60,049,825	59,273,997
14	Leverage ratio	5.5442%	5.6799%	5.6252%
	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	Overall leverage ratio requirement (%)	3.0000%	3.0000%	3.0000%

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

		c	d	e
		31/12/2023	30/09/2023	30/06/2023
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	10,925,070	11,041,299	11,160,414
EU 16a	Cash outflows - Total weighted value	9,328,685	9,579,907	9,929,395
EU 16b	Cash inflows - Total weighted value	3,024,555	2,955,754	2,890,527
16	Total net cash outflows (adjusted value)	6,304,129	6,624,153	7,038,867
17	Liquidity coverage ratio (%)	174.0695%	167.3417%	159.0356%
	Net Stable Funding Ratio			
18	Total available stable funding	35,015,406	35,179,641	37,166,827
19	Total required stable funding	27,882,651	27,402,765	28,858,210
20	NSFR ratio (%)	125.5813%	128.3799%	128.7912%

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

Capital requirements

Banking groups must comply with the following minimum capital requirements:

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

The following capital reserves (known as “buffers”) have to be added to these minimum ratios provided by the CRR with the aim of providing supervised entities with high quality capital to be used in times of market tension to prevent malfunctions of the banking system and avoid interruptions to the credit disbursement process, as well as to face risks deriving from certain banks systemic relevance at a global or local level and other risks of a macro-prudential or systemic nature (understood as the possibility of a disruption of the financial system that is significant enough to have serious negative consequences for the financial system itself and the real economy).

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

- *Capital Conservation Buffer:* mandatory reserve 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 through the allocation of high-quality capital resources in periods of no market stress.
- *Countercyclical Capital Buffer:* this is also made up of Tier 1 Capital to strengthen the capital position of the banking sector at times of excessive lending growth; following measures by the competent Supervisory Bodies, it could be set up during periods of economic expansion through the accumulation, during periods of overheating in the credit cycle, of Common Equity Tier 1 capital intended 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 2024, deemed appropriate to the macro-financial context [2].

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

- *Global Systemically Important Institution Buffer (G-SII buffer)* and *Other Systemically Important Institution Buffer (O-SII buffer):* reserves consisting of Common Equity Tier 1 capital; applied to Global Systemically Important Institutions (G-SII) and Other Systemically Important Institutions (O-SII) to account for the increased risks they potentially pose to the stability of the financial system. The buffer for G-SIIs can vary between a minimum of 1% and a maximum of 3.5%, whereas for O-SIIs a non-binding maximum threshold of 2% is foreseen.
- *Systemic Risk Buffer:* additional reserve of an amount equal to at least 1% of the risk exposures, established by each individual EU Member State in order to mitigate long-term non-cyclical systemic or macro-prudential risks that are not already covered by the macro-prudential instruments under the CRR or previous capital buffers and, in this way, cope with the negative effects of unexpected systemic crises caused by factors of systemic scope. On 26 April 2024, the Bank of Italy communicated the decision to apply a systemic risk buffer (SyRB) for banks and groups authorised in Italy. The target rate of 1.0% is to be achieved gradually by building up a buffer of 0.5% of material exposures by 31 December 2024 and the remaining 0.5% by 30 June 2025.

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

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

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

The new supervisory decision on prudential requirements resulting from the Supervisory Review and Evaluation Process (SREP) conducted by the Supervisory Authority during 2023 has been in force since 1 January 2024. The additional Pillar 2 Requirement (“P2R”) imposed on the Group, to be held in the form of Common Equity Tier 1 (CET1) capital at least for 56.25% and Tier 1 (T1) capital for at least 75%, has been set at 2.79% (up from the previous 2.66%) and includes a share of 0.04% as an increase in the Pillar 2 requirement for impaired exposures. Accordingly, the minimum capital levels to be met by the Group[3] for 2024 include:

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

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

In addition to these minimum ratios is a “Pillar 2 Guidance” (P2G), 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.

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 2024 and in the four previous quarterly periods taking into account the complete fulfilment of the phase-in rules for the gradual introduction of IFRS 9, compared with the homologous quantities calculated in case transitional provisions or applicable temporary treatments are missing/absent.

Table 3 - Template IFRS 9-FL: Own funds, capital and leverage ratios under IFRS 9/analogous ECLs transitional arrangements compared to fully loaded IFRS 9/analogous ECLs

		30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,622,276	3,516,085	3,512,520	3,410,749	3,334,280
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,591,906	3,493,229	3,457,570	3,389,043	3,311,147
3	Tier 1 capital	3,622,276	3,516,085	3,512,520	3,410,749	3,334,280
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,591,906	3,493,229	3,457,570	3,389,043	3,311,147
5	Total capital	4,268,253	4,162,217	4,053,189	3,950,672	3,874,474
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,237,883	4,139,361	3,998,240	3,928,965	3,851,341
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	22,732,338	23,151,727	22,855,291	20,969,426	21,106,631
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22,731,899	23,150,624	22,852,976	20,965,952	21,103,182
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.9345%	15.1871%	15.3685%	16.2653%	15.7973%
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	15.8012%	15.0891%	15.1296%	16.1645%	15.6903%
11	Tier 1 (as a percentage of risk exposure amount)	15.9345%	15.1871%	15.3685%	16.2653%	15.7973%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.8012%	15.0891%	15.1296%	16.1645%	15.6903%
13	Total capital (as a percentage of risk exposure amount)	18.7761%	17.9780%	17.7341%	18.8402%	18.3567%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.6429%	17.8801%	17.4955%	18.7397%	18.2500%
	Leverage ratio					
15	Leverage ratio total exposure measure	62,328,732	62,346,915	63,354,781	60,049,825	59,273,997
16	Leverage ratio	5.8116%	5.6396%	5.5442%	5.6799%	5.6252%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.7628%	5.6029%	5.4575%	5.6437%	5.5862%

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 2024 are calculated in application of the transitional provisions set out in Regulation (EU) 2017/2395 of 12 December 2017, as amended by Regulation (EU) 2020/873 of 24 June 2020 (so-called CRR "Quick-fix")[4], 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 amount associated with these additional loss provisions, calculated net of tax effects, as a positive element of equity, can be broken down into a "static" component, representing a measure of the increases in adjustments when the new accounting standard is first adopted, and a "dynamic" component, measuring the additional increases in adjustments that could occur at each subsequent accounting date during the transitional period with respect to the provisions in place at 1/1/2018, excluding changes in adjustments calculated on portfolios of financial instruments.

This additional amount 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.

The Banca Popolare di Sondrio Group chose to take advantage of these transitional arrangements on a "full" basis, i.e. with reference to both additional credit risk provisions for expected credit losses on performing and credit-impaired financial instruments observed at the time of FTA of IFRS 9 (the "static" component), as well as to the increase in impairment losses recorded excluding credit-impaired instruments (only positions classified into Stage 1 and Stage 2) at each reference date following FTA of IFRS 9 (the "dynamic" component).

The figures reported in the tables above demonstrate how the impacts on the Group's capital adequacy in the event of immediate and full recognition of the effects of the accounting standard would remain fully limited also as at 30 June 2024. The differentials between the capital solvency and financial leverage ratios calculated taking into account the compensatory adjustments granted by the IFRS 9 transitional regime and those available to the Group in the event that it had not opted for this possibility remain substantially in line with those observed in the previous quarter.

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

* * *

The table below provides an overview of the Group's risk-weighted exposures (RWA or TREA) and capital absorption as at 30 June 2024, broken down by type of exposure and calculation method required by prudential regulations.

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

		RWA		Capital requirements
		a	b	a
		30/06/2024	31/03/2024	30/06/2024
1	Credit risk (excluding CCR)	19,516,646	19,962,954	1,561,332
2	*Of which the standardised approach*	*11,416,421*	*11,761,772*	*913,314*
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*	*8,100,226*	*8,201,182*	*648,018*
6	Counterparty credit risk - CCR	85,597	101,938	6,848
7	*Of which the standardised approach*	*25,762*	*24,101*	*2,061*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*541*	*480*	*43*
EU 8b	*Of which credit valuation adjustment - CVA*	*10,647*	*11,604*	*852*
9	*Of which other CCR*	*48,648*	*65,752*	*3,892*
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	227,572	257,008	18,206
17	*Of which SEC-IRBA approach*	*75,178*	*80,376*	*6,014*
18	*Of which SEC-ERBA (including IAA)*	*64,159*	*78,763*	*5,133*
19	*Of which SEC-SA approach*	*74,406*	*83,096*	*5,952*
EU 19a	*Of which 1250%*	*13,828*	*14,773*	*1,106*
20	Position, foreign exchange and commodities risks (Market risk)	655,266	582,571	52,421
21	*Of which the standardised approach*	*655,266*	*582,571*	*52,421*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	2,247,257	2,247,257	179,781
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*2,247,257*	*2,247,257*	*179,781*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	815,824	809,195	65,266
29	**TOTAL**	**22,732,338**	**23,151,727**	**1,818,587**

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

In the last quarter, despite an overall growth in lending operations, the amount of the Group's exposure to credit risk declined significantly, as a portion of weighted assets attributable to the presence of balances on transitory items fell compared to March, with the creation of significant asset positions. Capital requirements for market risks increased due to the change in tax credits acquired in excess of the Group's tax capacity and allocated to trading. The capital absorption for operational risks, after the update at the end of last year as per the regulatory method, confirms the value as at 31/12/2023. Lastly, CVA risks on certain types of derivative instruments (*over-the-counter*, OTC) traded with counterparties have remained scarcely material.

Section 3
Disclosure of own funds and eligible liabilities (articles 437 and 437-bis CRR/CRR II)

Composition of own funds

The components of regulatory own funds: main characteristics

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

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

Common Equity Tier 1 Capital (CET1)

The Common Equity Tier 1 Capital (CET1) is made up of the following positive and negative components:
- Share capital and related share premium reserve
- Profit reserves
- Valuation reserves as per UCI Accumulated Other Comprehensive Income
- Other reserves
- Previous CET1 instruments subject to transitional instructions (grandfathering)
- Non-controlling interests
- Prudential filters
- Deductions.

Prudential filters are (positive or negative) regulatory adjustments to items in the financial statement aimed at granting the quality of own funds, reducing the potential volatility caused by applying IAS/IFRS. 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

At 30 June 2024, the Group's own funds were calculated applying the prudential regulations that came into force with the CRR on 1 January 2014, as subsequently amended and supplemented, which transposed the new capital standards defined by the Basel Committee for Banking Supervision ("Basel 3 Framework" and subsequent evolutions and additions to the regulatory framework conventionally referred to as "Basel 4").

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

As already indicated in Section 3 above, the Group's own funds and prudential capital ratios at 30 June 2024 were calculated in accordance with the transitional arrangements set out in Regulation (EU) 2017/2395 of 12 December 2017, as partially amended by Regulation (EU) 2020/873 of 24 June 2020, designed to mitigate the impact of the introduction of IFRS 9.

Conditions for the inclusion of interim or year-end earnings

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

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

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

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

* * *

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

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common equity tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	1,439,091	160. SHARE PREMIUM ACCOUNTS 170. SHARE CAPITAL	1,439,106	160. SHARE PREMIUM ACCOUNTS 170. SHARE CAPITAL
	Of which: ordinary shares	*1,439,091*		*1,439,106*	
2	Retained earnings	-		-	
3	Accumulated other comprehensive income (and other reserves)	2,146,972	150. RESERVES 120. VALUATION RESERVES	1,936,084	150. RESERVES 120. VALUATION RESERVES
EU-3a	Funds for general banking risk	-		-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-		-	
5	Minority interests (amount allowed in consolidated CET1)	-	190. MINORITY SHAREHOLDERS' EQUITY (+/-)	-	190. MINORITY SHAREHOLDERS' EQUITY (+/-)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	121,498	200. PROFIT (LOSS) FOR THE PERIOD	206,815	200. PROFIT (LOSS) FOR THE PERIOD
6	**COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS**	**3,707,561**		**3,582,005**	

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

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(5,270)		(4,045)	
8	Intangible assets (net of related tax liability) (negative amount)	(34,531)	100. INTANGIBLE ASSETS	(32,744)	100. INTANGIBLE ASSETS
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(4,594)	110. TAX ASSETS	(4,594)	110. TAX ASSETS
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-		-	
12	Negative amounts resulting from the calculation of expected loss amounts	-		-	
13	Any increase in equity that results from securitised assets (negative amount)	-		-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-		-	
15	Defined-benefit pension fund assets (negative amount)	-		-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(27,128)	180. TREASURY SHARES (-)	(35,603)	180. TREASURY SHARES (-)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(22,726)	70. EQUITY INVESTMENTS	(26,779)	70. EQUITY INVESTMENTS

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

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-		-	
EU-20b	*of which: qualifying holdings outside the 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	8,963		34,280	
28	**TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1 (CET1)**	**(85,285)**		**(69,485)**	
29	**COMMON EQUITY TIER 1 (CET1) CAPITAL**	**3,622,276**		**3,512,520**	

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

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	-		-	
31	*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)

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-		-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-		-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-		-	
42a	Other regulatory adjustments to AT1 capital	-		-	
43	**TOTAL REGULATORY ADJUSTMENTS TO ADDITIONAL TIER 1 (AT1) CAPITAL**	**-**		**-**	
44	**ADDITIONAL TIER 1 (AT1) CAPITAL**	**-**		**-**	
45	**TIER 1 CAPITAL (T1 = CET1 + AT1)**	**3,622,276**		**3,512,520**	

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

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	600,000	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	48,647		47,520	
51	**TIER 2 (T2) CAPITAL BEFORE REGULATORY ADJUSTMENTS**	**648,647**		**547,520**	
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(2,536)		(6,700)	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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 adjustments to T2 capital	(133)		(151)	
57	**TOTAL REGULATORY ADJUSTMENTS TO TIER 2 (T2) CAPITAL**	**(2,670)**		**(6,851)**	
58	**TIER 2 (T2) CAPITAL**	**645,977**		**540,670**	
59	**TOTAL CAPITAL (TC = T1 + T2)**	**4,268,253**		**4,053,189**	
60	**TOTAL RISK EXPOSURE AMOUNT**	**22,732,338**		**22,855,291**	

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

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.9345%		15.3685%	
62	Tier 1 (as a percentage of total risk exposure amount)	15.9345%		15.3685%	
63	Total capital (as a percentage of total risk exposure amount)	18.7761%		17.7341%	
64	Institution CET1 overall capital requirements	8.6204%		8.5321%	
65	*of which: capital conservation buffer requirement*	*2.5000%*		*2.5000%*	
66	*of which: countercyclical buffer requirement*	*0.0510%*		*0.0359%*	
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*	*1.5694%*		*1.4963%*	
68	**COMMON EQUITY TIER 1 AVAILABLE TO MEET BUFFER (AS A PERCENTAGE OF RISK EXPOSURE AMOUNT)**	**7.8420%**		**7.0741%**	
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	313,948		271,597	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	361,587		348,485	
75	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	100,140		87,038	

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

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in TIER 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-		-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	415,956		354,106	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	48,647		47,520	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	-		-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-	
82	Current cap on AT1 instruments subject to phase out arrangements	-		-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-	
84	Current cap on T2 instruments subject to phase out arrangements	-		-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-	

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

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

Table 12 - Template EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		30/06/2024			31/12/2023		
		a	b	c	a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements							
70.	EQUITY INVESTMENTS	386,063	474,575	19	376,357	464,125	19
100.	INTANGIBLE ASSETS	39,390	34,531	8	37,756	32,744	8
	- Goodwill	*16,997*	*12,632*	*8*	*16,997*	*12,632*	*8*
	- Other intangible assets	*22,393*	*21,899*	*8*	*20,759*	*20,112*	*8*
110.	TAX ASSETS	237,504	236,716	10	260,813	260,071	10
b)	*Advanced*	*236,296*	*235,606*	*10*	*259,438*	*258,725*	*10*
	TOTAL ASSETS	**662,957**	**745,823**		**674,926**	**756,940**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements							
10.	FINANCIAL LIABILITIES AT AMORTISED COST	51,142,341	51,150,107	32,46	52,310,486	52,313,496	32,46
c)	*Securities issued*	*5,296,726*	*5,296,726*	*32,46*	*4,476,510*	*4,476,510*	*32,46*
120.	VALUATION RESERVES	(11,403)	(11,604)	3	(16,222)	(16,420)	3
150.	RESERVES	2,157,430	2,159,246	3	1,950,646	1,952,748	3
160.	SHARE PREMIUM ACCOUNTS	78,934	78,934	1	78,949	78,949	1
170.	SHARE CAPITAL	1,360,157	1,360,157	1	1,360,157	1,360,157	1
180.	TREASURY SHARES (-)	(25,175)	(25,175)	16	(25,418)	(25,417)	16
190.	MINORITY SHAREHOLDERS' EQUITY (+/-)	14	5	5, 34, 48	14	5	5, 34, 48
Shareholders' Equity							
200.	PROFIT (LOSS) FOR THE PERIOD	263,562	266,581	5a	461,162	461,210	5a
	TOTAL LIABILITIES	**54,965,860**	**54,978,251**		**56,119,774**	**56,124,729**	

Source: Consolidated balance sheet, FINREP reporting framework

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

The portion of profits in the first half of the year, net of distributable dividends, contributed to the composition of own funds as at 30 June 2024. The portion of period profits calculated by the Group among the positive elements of regulatory capital was authorised by the European Central Bank in compliance with the provisions of art. 26, paragraph 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 2023, capital resources of better quality strengthened, mainly due to the effects of the inclusion of the profits for the period intended for self-financing. Additional Tier 2 capital also increased as a result of the liability management transaction finalised last March, which provided for the placement with institutional investors of a new subordinated qualifying issue in the amount of 300 million euro for the partial delivery, based on a purchase offer, of a previous subordinated bond issue with a total nominal value of 200 million euro, whose eligibility for Tier 2 capital has entirely failed.

As at 30 June 2024, the Group's capital ratios calculated in the phased-in version remained at high values with a wide margin over minimum regulatory requirements. The CET1 Ratio and Tier 1 Ratio - both at 15.93% - and the Total Capital Ratio at 18.78% increased compared to the levels recorded at the end of the previous year.

Own funds and eligible liabilities (MREL)

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

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

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

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

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

In November 2023, the Single Resolution Board (SRB) and the Bank of Italy as the National Resolution Authority notified Banca Popolare di Sondrio of its annual MREL requirement decision, according to which, as of 1 January 2024, the Bank must comply on a consolidated basis with both an MREL-TREA requirement (not including the combined buffer requirement component) equal to a minimum level of 23.10% of its risk-weighted assets, and an MREL-LRE requirement equal to at least 5.90% of its leverage exposure.

These minimum requirements must be observed by the Parent Company alone, as the only entity in the banking group subject to the resolution regime, as the resolution strategy defined by the Single Resolution Board for the Group is the Single Point of Entry (SPE)[5].

No additional subordination requirements were imposed by the authorities.

As at 30 June 2024, the Group had MREL ratios well over the above thresholds. In particular:

- the MREL-TREA indicator is 32.14%; this compares with the minimum requirement of 23.10% and a secondary limit including combined capital buffer of 25.65%;
- the MREL-LRE indicator stands at 11.72%, against a regulatory requirement of 5.90%.

Table 13 - Template EU KM2 Key Metrics - MREL and, where applicable, requirement for own funds and eligible liabilities for G-SIIs

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
		30/06/2024
	Own funds and eligible liabilities, ratios and components	
1	Own funds and eligible liabilities	7,307,291
EU-1a	*Of which own funds and subordinated liabilities*	*4,279,723*
2	Total risk exposure amount of the resolution group (TREA)	22,732,338
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	32.1449%
EU-3a	*Of which own funds and subordinated liabilities*	*18.8266%*
4	Total exposure measure of the resolution group	62,328,732
5	Own funds and eligible liabilities as percentage of the total exposure measure	11.7238%
EU-5a	*Of which own funds or subordinated liabilities*	*6.8664%*
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)	
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)	
	Minimum requirement for own funds and eligible liabilities (MREL)	
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	23.1000%
EU-8	*Of which to be met with own funds or subordinated liabilities*	*-*
EU-9	MREL requirement expressed as percentage of the total exposure measure	5.9000%
EU-10	*Of which to be met with own funds or subordinated liabilities*	*-*

Source: MREL_TLAC reporting framework: Template M 01.00

NOTE: The amounts shown in rows 1 and EU-1a reflect the deduction of the entire ceiling authorised (General Prior Permission) by the Single Resolution Committee for buyback and market making activities.

[5] The resolution strategy of a banking group can include two different ways: Single Point of Entry (SPE) or Multiple Point of Entry (MPE). Under the first template, the resolution phases are handled exclusively by the authorities where the parent company is based (Home Authorities), not taking into account the party within the supervised group that led the institution to bankruptcy. The second template implies that the Resolution Authorities of the countries in which systemically important subsidiaries operate (Host Authorities) can manage all the steps of the resolution process to be undertaken when they are in danger of failing and financial support from the parent entity is not supposed to intervene.

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

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

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

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

Like the other national authorities designated by individual member states of the Single Supervisory Mechanism, Bank of Italy has the obligation to determine quarterly the countercyclical coefficient applicable for the Italian banking system regulations and to monitor the congruity of the analogous coefficients applied by other countries, both EU and non-EU. The specific countercyclical coefficient of each supervised institution is equivalent to the weighted average of the coefficients applied in the countries where it has its significant credit exposures[6].

The Bank of Italy has set at 0% the countercyclical buffer coefficient to be applied by national intermediaries to the exposures held with Italian counterparties as at 30 June 2024, the same as for the first quarter of the reference year.

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.

[6] Since December 2023, the Bank of Italy, in its capacity as the national macroprudential authority, has undertaken a comprehensive reassessment of the methodological framework for the use of the CCyB, in order to verify whether the one currently used in the domestic system is still adequate with respect to the purposes of the buffer. The work will also take into account the Basel Committee's recognition of the possibility - already applied by some countries - of introducing a positive capital buffer even under normal conditions, i.e. when cyclical risks are balanced (neither high nor low; "positive cycle-neutral CCyB").

Table 14 - Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (1 of 2)

	a	b	c	d	e	f
	Exposures in the banking book		Exposures in the trading book		Exposures in securitisation	Total exposure value
	Exposure value under SA approach	Exposure value under AIRB approach	Sum of long and short positions	Exposure value under internal models		
Italy	6,743,165	26,532,056	45,521	-	1,184,324	34,505,067
Armenia	20	-	-	-	-	20
Australia	1,955	1,634	-	-	-	3,590
Belgium	18,220	3,662	-	-	-	21,882
Bulgaria	515	26	-	-	-	541
Chile	-	-	-	-	-	-
Cyprus	201	516	-	-	-	717
Czech Republic	1,516	-	-	-	-	1,516
Germany	134,580	11,597	-	-	-	146,177
Denmark	15,070	186	-	-	-	15,256
Estonia	2,000	517	-	-	-	2,517
France	234,486	17,603	-	-	-	252,089
United Kingdom	163,650	17,790	-	-	-	181,441
Hong Kong	1,063	338	-	-	-	1,401
Croatia	2,548	-	-	-	-	2,548
Ireland	14,339	659	-	-	-	14,999
Iceland	1,020	-	-	-	-	1,020
South Korea (Republic of)	724	-	-	-	-	724
Lithuania	281	6	-	-	-	286
Luxembourg	-	151,833	-	-	-	151,833
Netherlands	96,683	9,688	-	-	-	106,371
Norway	5,269	1,066	-	-	-	6,335
Romania	17,552	-	-	-	-	17,552
Sweden	19,253	1,314	-	-	-	20,568
Slovenia	7,184	-	-	-	-	7,184
Slovakia	8,330	1,455	-	-	-	9,785
Other countries	6,594,557	280,224	-	-	-	6,874,782
TOTAL	**14,084,183**	**27,032,171**	**45,521**	**-**	**1,184,324**	**42,346,200**

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 CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (2 of 2)

	g	h	I	j	k	l	m
	Own funds requirement						
	of which: generic credit exposures	of which: credit exposures of the trading book	of which: securi-tisation positions in the banking book	Total	Risk-weighted exposure amounts	Weighting factors of own fund requirement	Counter-cyclical coefficient
Italy	1,148,603	3,398	18,206	1,170,206	14,627,577	80.3653%	-
Armenia	2	-	-	2	20	0.0001%	1.5000%
Australia	190	-	-	190	2,376	0.0131%	1.0000%
Belgium	1,526	-	-	1,526	19,069	0.1048%	0.5000%
Bulgaria	40	-	-	40	499	0.0027%	2.0000%
Chile	-	-	-	-	-	-	0.5000%
Cyprus	28	-	-	28	355	0.0020%	1.0000%
Czech Republic	121	-	-	121	1,516	0.0083%	1.7500%
Germany	9,989	-	-	9,989	124,865	0.6860%	0.7500%
Denmark	1,210	-	-	1,210	15,130	0.0831%	2.5000%
Estonia	179	-	-	179	2,241	0.0123%	1.5000%
France	13,988	-	-	13,988	174,851	0.9607%	1.0000%
United Kingdom	10,726	-	-	10,726	134,070	0.7366%	2.0000%
Hong Kong	93	-	-	93	1,161	0.0064%	1.0000%
Croatia	204	-	-	204	2,548	0.0140%	1.5000%
Ireland	1,158	-	-	1,158	14,475	0.0795%	1.5000%
Iceland	82	-	-	82	1,020	0.0056%	2.5000%
South Korea (Republic of)	58	-	-	58	724	0.0040%	1.0000%
Lithuania	23	-	-	23	284	0.0016%	1.0000%
Luxembourg	2,733	-	-	2,733	34,162	0.1877%	0.5000%
Netherlands	7,604	-	-	7,604	95,049	0.5222%	2.0000%
Norway	415	-	-	415	5,194	0.0285%	2.5000%
Romania	1,403	-	-	1,403	17,538	0.0964%	1.0000%
Sweden	1,564	-	-	1,564	19,553	0.1074%	2.0000%
Slovenia	575	-	-	575	7,183	0.0395%	0.5000%
Slovakia	691	-	-	691	8,641	0.0475%	1.5000%
Other countries	231,300	-	-	231,300	2,891,252	15.8848%	-
TOTAL	**1,434,504**	**3,398**	**18,206**	**1,456,108**	**18,201,349**	**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 16 - Template EU CCyB2: Amount of institution-specific countercyclical capital buffer		
		a
1	Total risk exposure amount (RWA)	22,732,338
2	Specific countercyclical coefficient of the institution	0.0510%
3	**SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER REQUIREMENT OF THE INSTITUTION**	**11,588**

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

Compared to the previous disclosure at the end of 2023, as at 30 June 2024 the Group's specific countercyclical ratio increased, resulting in a higher reserve requirement to be held.

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

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

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

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

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

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

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

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

The tables below summarise the main information on the Group's Leverage Ratio as at 30 June 2024 specifically concerning:

- reconciliation of the measure of overall exposure to the denominator of the ratio and the accounting assets;
- 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 17 - Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		30/06/2024	31/12/2023
		a	b
		Applicable amount	Applicable amount
1	Total assets as per published financial statements *	56,704,098	57,721,765
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation *	1,239	(10,849)
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	50,416	52,154
9	Adjustment for securities financing transactions (SFTs)	75,009	80,040
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,620,016	5,702,758
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	(122,046)	(191,087)
13	**TOTAL EXPOSURE MEASURE**	**62,328,732**	**63,354,781**

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

* The value as at 31/12/2023 of line 1 "Total assets as per published financial statements" of the Template EU LR1 was adjusted from the value published in the Annual Report document by taking into account the figure resulting from the statutory consolidation of the published financial statements.

Table 18 - Template EU LR2 - LRCom: Leverage ratio common disclosure (1 of 2)

		CRR leverage ratio exposures	
		30/06/2024	31/12/2023
		a	b
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	55,965,087	57,467,738
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)**	**55,965,087**	**57,467,738**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	20,224	31,297
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	34,864	402
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	44,637	43,212
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	59,144	34,224
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**	**158,869**	**109,136**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	514,689	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	75,009	80,040
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**	**589,699**	**80,040**

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

Table 19 - Template EU LR2 - LRCom: Leverage ratio common disclosure (2 of 2)

		CRR leverage ratio exposures	
		30/06/2024	31/12/2023
		a	b
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	25,845,101	25,376,240
20	(Adjustments for conversion to credit equivalent amounts)	(20,230,023)	(19,678,373)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**OFF-BALANCE SHEET EXPOSURES**	**5,615,078**	**5,697,867**
	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**	**3,622,276**	**3,512,520**
24	**TOTAL EXPOSURE MEASURE**	**62,328,732**	**63,354,781**
	Leverage ratio		
25	Leverage ratio	5.8116%	5.5442%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.8116%	5.5442%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.8116%	5.5442%
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: Template C 01.00 and Leverage ratio calculation: Templates C 40.00 - C 47.00 and FINREP reporting framework - Balance sheet: Template F 01.00

Table 20 - Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		30/06/2024	31/12/2023
		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:**	**55.965.087**	**57.467.738**
EU-2	Trading book exposures	707,061	132,247
EU-3	Banking book exposures, of which:	55,258,027	57,335,490
EU-4	*Covered bonds*	*227,567*	*267,745*
EU-5	*Exposures treated as sovereigns*	*14,988,481*	*16,959,876*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*419,742*	*440,516*
EU-7	*Institutions*	*3,673,651*	*3,721,270*
EU-8	*Secured by mortgages of immovable properties*	*12,204,657*	*12,341,971*
EU-9	*Retail exposures*	*4,217,718*	*4,579,715*
EU-10	*Corporates*	*15,028,430*	*14,336,298*
EU-11	*Exposures in default*	*556,637*	*554,565*
EU-12	*Other exposures (eg equity, securitisations, and other non-credit obligation assets)*	*3,941,144*	*4,133,535*

Source: COREP reporting framework - Leverage ratio calculation: Template C 43.00

The Group's leverage ratio, calculated by applying the transitional criteria in force for the current year (phased-in), increased by approximately 27 basis points compared to the year-end figure and by 17 basis points in the last quarter.

The half-year performance is mainly due to the increase in Tier 1 capital; to a lesser extent, to the decrease in assets in the denominator of the ratio.

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

The Group regularly monitors its exposure to liquidity risk and the adequacy of the related management and mitigation systems from a current, 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.

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

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on 30/06/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**				
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	18,680,709	18,342,424	17,922,891	17,618,072
3	*Stable deposits*	*11,899,735*	*11,733,574*	*11,492,167*	*11,279,156*
4	*Less stable deposits*	*6,281,888*	*6,226,238*	*6,169,391*	*6,177,785*
5	Unsecured wholesale funding	15,346,176	15,669,279	16,269,974	16,955,092
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*2,949,555*	*3,051,742*	*3,162,151*	*3,343,829*
7	*Non-operational deposits (all counterparties)*	*12,323,038*	*12,543,367*	*13,072,288*	*13,578,537*
8	*Unsecured debt*	*73,583*	*74,171*	*35,535*	*32,726*
9	Secured wholesale funding				
10	Additional requirements	890,133	865,730	857,975	828,108
11	*Outflows related to derivative exposures and other collateral requirements*	*11,597*	*15,320*	*16,805*	*14,197*
12	*Outflows related to loss of funding on debt products*	*1,550*	*1,653*	*1,902*	*1,972*
13	*Credit and liquidity facilities*	*876,986*	*848,756*	*839,267*	*811,939*
14	Other contractual funding	6,675	6,240	8,426	9,295
15	Other contingent funding obligations	15,170,811	14,997,819	14,816,836	14,591,792
16	**TOTAL CASH OUTFLOWS**				
	CASH - INFLOWS				
17	Secured lending (e.g. reverse repos)	59,596	16,693	16,693	691
18	Inflows from fully performing exposures	2,806,124	2,737,603	2,578,330	2,479,724
19	Other cash inflows	4,417,595	4,482,438	4,470,738	4,508,471
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**7,283,314**	**7,236,734**	**7,065,761**	**6,988,886**
EU-20a	*Fully exempt inflows*	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*7,283,314*	*7,236,734*	*7,065,761*	*6,988,886*
	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 22 - Template EU LIQ1: Quantitative information of LCR (2 of 2)

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on 30/06/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
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)	10,807,511	10,747,395	10,925,070	11,041,299
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,410,228	1,392,822	1,372,334	1,363,128
3	*Stable deposits*	*594,987*	*586,679*	*574,608*	*563,958*
4	*Less stable deposits*	*815,241*	*806,143*	*797,726*	*799,171*
5	Unsecured wholesale funding	6,827,103	6,926,739	7,154,086	7,433,939
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*715,644*	*736,954*	*757,728*	*796,271*
7	*Non-operational deposits (all counterparties)*	*6,037,877*	*6,115,614*	*6,360,823*	*6,604,942*
8	*Unsecured debt*	*73,583*	*74,171*	*35,535*	*32,726*
9	*Secured wholesale funding*	*58,199*	*43,084*	*68,321*	*56,438*
10	Additional requirements	176,444	177,909	176,985	169,590
11	*Outflows related to derivative exposures and other collateral requirements*	*11,597*	*15,320*	*16,805*	*14,197*
12	*Outflows related to loss of funding on debt products*	*1,550*	*1,653*	*1,902*	*1,972*
13	*Credit and liquidity facilities*	*163,297*	*160,935*	*158,278*	*153,421*
14	Other contractual funding	4,489	4,059	6,265	7,172
15	Other contingent funding obligations	555,922	552,812	550,693	549,640
16	**TOTAL CASH OUTFLOWS**	**9,032,386**	**9,097,424**	**9,328,685**	**9,579,907**
	CASH - INFLOWS				
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	2,257,874	2,206,559	2,092,644	2,014,950
19	Other cash inflows	928,065	937,446	931,911	940,805
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	**TOTAL CASH INFLOWS**	**3,185,939**	**3,144,005**	**3,024,555**	**2,955,754**
EU-20a	*Fully exempt inflows*	-	-	-	-
20b	*Inflows subject to 90% cap*	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*3,185,939*	*3,144,005*	*3,024,555*	*2,955,754*
	TOTAL ADJUSTED VALUE				
EU-21	**LIQUIDITY BUFFER**	**10,807,511**	**10,747,395**	**10,925,070**	**11,041,299**
22	**TOTAL NET CASH OUTFLOWS**	**5,846,446**	**5,953,418**	**6,304,129**	**6,624,153**
23	**LIQUIDITY COVERAGE RATIO (%)**	**184.8666%**	**180.7696%**	**174.0695%**	**167.3417%**

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 consolidation of 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. As at 30 June 2024, the ratio had improved compared to the previous quarter.

Contributing to the recent evolution of the index was the gradual settlement of financial liabilities due to a higher portion of stable funding resulting, in particular, from the increase in on-demand current account balances from retail customers.

On the business side, a substantial stability of overall volumes was observed in the last quarter; however, the increase in the number of short-term lending transactions with customers - transactions for which the LCR index envisages favourable weightings - led to a strengthening of the average share of loans with expected return within the 30-day range.

These overall changes in the composition of loans and deposits reflected in a gradual decline in net average cash outflows included at the index's denominator, determined by applying the liquidity outflow and inflow adjustment weighting factors envisaged by the prudential provisions to all the on-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 growth of average liquidity inflows, resulting from the dynamics of funding and loans, respectively.

The average level of high-quality liquid assets included in the liquidity reserve in the numerator of the ratio rose slightly compared to December's levels, averaging around 10.8 billion euro in the last twelve months.

The high quality liquid assets ("HQLA") are held by the Group mainly in Euro currency, to cover any financial needs expressed in this currency; they remain predominantly made up of debt instruments issued by eligible sovereign entities classified in the "EHQLA" category (Level 1)[7], recognised as being of extremely high liquidity and credit quality pursuant to Delegated Regulation (EU) 2015/61. These are mainly securities issued by the Italian State, accompanied by investments in bonds issued by other sovereign states (particularly Spain and France), supranational organisations, credit institutions and financial companies. The subsidiary Banca Popolare di Sondrio (SUISSE), in turn, also holds its own bond portfolio, which is mainly composed of national Central Bank eligible securities, integrated by cash amounts in CHF deposited with it, aimed at coping with the specific liquidity requirements.

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

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

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

Table 23 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 30/06/2024

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

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

Table 24 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/06/2024

(Importo in valuta)		30/06/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					513,886
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		60,308	66,476	1,617,719	1,482,828
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		13,154,818	2,023,372	20,220,578	22,390,163
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*514,517*	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*2,997,251*	*190,378*	*430,660*	*825,574*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*7,588,414*	*1,423,401*	*10,470,743*	*19,071,260*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		315,974	340,200	1,968,217	7,308,749
22	*Performing residential mortgages, of which:*		*193,461*	*204,277*	*6,849,150*	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		190,874	201,505	6,763,524	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*1,861,175*	*205,316*	*2,470,026*	*2,493,328*
25	Interdependent assets		-	-	-	-

Table 24 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/06/2024

(Importo in valuta)		30/06/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
26	Other assets:		1,637,992	34,323	3,389,982	4,019,293
27	*Physical traded commodities*				*-*	*-*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*-*	*-*	*42,000*	*35,700*
29	*NSFR derivative assets*		*34,048*			*34,048*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*9,607*			*480*
31	*All other assets not included in the above categories*		*1,594,338*	*34,323*	*3,347,982*	*3,949,065*
32	Off-balance sheet items		4,727,673	57,654	835,774	281,093
33	**TOTAL RSF AS AT 30/06/2024**					**28,687,263**
34	**NET STABLE FUNDING RATIO (%) AS AT 30/06/2024**					**126.4108%**

Source: COREP reporting framework - Net Stable Funding Ratio: Templates C 80.00 - 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 25 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 31/03/2024

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

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

Table 26 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 31/03/2024

		31/03/2024				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					517,072
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		66,028	68,654	1,689,510	1,550,563
16	Deposits held at other financial institutions for operational purposes		-	-	-	-

Table 26 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 31/03/2024

		31/03/2024				
		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:		12,464,230	2,230,723	20,191,636	22,179,329
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*2,810,384*	*288,227*	*450,121*	*875,273*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*8,025,514*	*1,483,097*	*10,482,806*	*18,751,323*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		314,741	337,096	2,068,848	6,956,337
22	*Performing residential mortgages, of which:*		*254,887*	*161,028*	*6,675,519*	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		252,301	158,333	6,592,731	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*1,373,445*	*298,371*	*2,583,190*	*2,552,733*
25	Interdependent assets		-	-	-	-
26	Other assets:		2,313,916	50,041	3,361,948	4,013,570
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*42,000*	*35,700*
29	*NSFR derivative assets*		*54,942*			*54,942*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*13,659*			*683*
31	*All other assets not included in the above categories*		*2,245,315*	*50,041*	*3,319,948*	*3,922,245*
32	Off-balance sheet items		4,781,374	164,046	738,225	284,360
33	**TOTAL RSF AS AT 31/03/2024**					**28,544,893**
34	**NET STABLE FUNDING RATIO (%) AS AT 31/03/2024**					**117.5631%**

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

Table 27 - Template EU LIQ2: Net stable funding ratio (1 of 2) - 31/12/2023

		31/12/2023				
		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	3,560,844	-	-	547,370	4,108,214
2	*Own funds*	*3,560,844*	-	-	*547,370*	*4,108,214*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		18,430,103	472,206	1,215,377	18,834,726
5	*Stable deposits*		*12,030,873*	*114,546*	*17,992*	*11,556,140*
6	*Less stable deposits*		*6,399,230*	*357,661*	*1,197,384*	*7,278,586*
7	Wholesale funding:		20,928,937	4,176,444	3,219,488	11,183,714
8	*Operational deposits*		*3,270,896*	-	-	*1,635,448*
9	*Other wholesale funding*		*17,658,040*	*4,176,444*	*3,219,488*	*9,548,266*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	50,055	4,491,450	37,171	870,166	888,752
12	*NSFR derivative liabilities*	*50,055*				
13	*All other liabilities and capital instruments not included in the above categories*		*4,491,450*	*37,171*	*870,166*	*888,752*
14	**TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 31/12/2023**					**35,015,406**

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 (2 of 2) - 31/12/2023

		31/12/2023				
		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)					519,723
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		63,603	70,331	1,760,492	1,610,263
16	Deposits held at other financial institutions for operational purposes		-	-	-	-

Table 28 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 31/12/2023

		31/12/2023				
		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:		11,846,090	2,166,803	20,362,016	22,009,888
18	*Performing securities financing transactions with financial customerscollateralised 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*		*2,733,087*	*341,143*	*499,239*	*943,119*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*7,446,276*	*1,425,513*	*10,511,844*	*18,606,292*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		312,000	329,601	2,136,717	7,144,928
22	*Performing residential mortgages, of which:*		*185,343*	*180,915*	*6,834,200*	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		182,642	178,031	6,747,246	-
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*		*1,481,384*	*219,232*	*2,516,733*	*2,460,477*
25	Interdependent assets		-	-	-	-
26	Other assets:		1,503,581	47,634	3,290,067	3,466,301
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-		*42,000*	*35,700*
29	*NSFR derivative assets*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		*65,386*			*3,269*
31	*All other assets not included in the above categories*		*1,438,195*	*47,634*	*3,248,067*	*3,427,332*
32	Off-balance sheet items		4,685,447	130,000	712,230	276,476
33	**TOTAL RSF AS AT 31/12/2023**					**27,882,651**
34	**NET STABLE FUNDING RATIO (%) AS AT 31/12/2023**					**125.5813%**

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 (1 of 2) - 30/09/2023

		30/09/2023				
		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	3,488,662	-	-	546,523	4,035,184
2	*Own funds*	*3,488,662*	*-*	*-*	*546,523*	*4,035,184*
3	*Other capital instruments*		*-*	*-*	*-*	*-*
4	Retail deposits		18,685,210	325,374	1,307,996	19,025,806
5	*Stable deposits*		*12,078,231*	*87,453*	*13,977*	*11,571,377*
6	*Less stable deposits*		*6,606,979*	*237,921*	*1,294,020*	*7,454,429*
7	Wholesale funding:		18,720,663	4,533,321	2,643,668	10,413,379
8	*Operational deposits*		*2,424,810*	*-*	*-*	*1,212,405*
9	*Other wholesale funding*		*16,295,852*	*4,533,321*	*2,643,668*	*9,200,974*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	3,264,587	37,877	1,686,333	1,705,271
12	*NSFR derivative liabilities*	*-*				
13	*All other liabilities and capital instruments not included in the above categories*		*3,264,587*	*37,877*	*1,686,333*	*1,705,271*
14	**TOTAL AVAILABLE STABLE FUNDING (ASF) AS AT 30/09/2023**					**35,179,641**

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

Table 30 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/09/2023

		30/09/2023				
		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)					501,240
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 30 - Template EU LIQ2: Net stable funding ratio (2 of 2) - 30/09/2023

		30/09/2023				
		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:		11,316,844	1,827,140	21,553,641	22,468,800
18	*Performing securities financing transactions with financial customerscollateralised 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*		*2,411,081*	*158,988*	*587,782*	*908,384*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*7,215,518*	*1,275,749*	*10,225,983*	*19,185,762*
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		315,759	326,598	2,172,604	8,144,688
22	*Performing residential mortgages, of which:*		*262,435*	*230,765*	*8,278,759*	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		258,360	226,550	8,155,245	-
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*		*1,427,810*	*161,638*	*2,461,117*	*2,374,653*
25	Interdependent assets		-	-	-	-
26	Other assets:		750,300	31,774	4,058,983	4,173,028
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*		*34,641*			*34,641*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*22,247*			*1,112*
31	*All other assets not included in the above categories*		*693,412*	*31,774*	*4,019,783*	*4,103,955*
32	Off-balance sheet items		4,401,920	110,000	681,939	259,697
33	**TOTAL RSF AS AT 30/09/2023**					**27,402,765**
34	**NET STABLE FUNDING RATIO (%) AS AT 30/09/2023**					**128.3799%**

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 (art. 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 2024, 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 31 - 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 1	of which STAGE 2
005	Cash balances at central banks and other demand deposits	3,021,543	3,015,761	5,782	-	-	-
010	Loans and advances	34,462,426	29,631,978	4,523,899	1,355,975	-	1,235,074
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	*328,568*	*324,219*	*4,321*	*447*	-	*447*
040	*Credit institutions*	*688,025*	*682,201*	*5,824*	-	-	-
050	*Other financial corporations*	*3,445,221*	*3,341,766*	*101,536*	*26,321*	-	*26,321*
060	*Non-financial corporations*	*18,359,385*	*15,017,236*	*3,168,045*	*965,168*	-	*863,747*
070	*Of which SMEs*	*9,046,672*	*7,033,850*	*1,851,551*	*711,641*	-	*631,877*
080	*Households*	*11,641,226*	*10,266,557*	*1,244,174*	*364,038*	-	*344,558*
090	Debt securities	14,430,262	14,065,465	280,700	-	-	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*11,258,508*	*11,217,628*	-	-	-	-
120	*Credit institutions*	*1,585,475*	*1,354,872*	*203,033*	-	-	-
130	*Other financial corporations*	*1,185,765*	*1,143,725*	*26,393*	-	-	-
140	*Non-financial corporations*	*400,514*	*349,240*	*51,274*	-	-	-
150	Off-balance-sheet exposures	26,509,223	15,313,218	2,566,402	278,833	-	169,354
160	*Central banks*	*50,000*	-	-	-	-	-
170	*General governments*	*797,545*	*559,301*	*71,252*	*366*	-	-
180	*Credit institutions*	*764,331*	*181,554*	*8,436*	-	-	-
190	*Other financial corporations*	*1,616,111*	*1,507,266*	*25,586*	*140*	-	*140*
200	*Non-financial corporations*	*20,432,308*	*10,742,314*	*2,216,889*	*264,621*	-	*157,291*
210	*Households*	*2,848,928*	*2,322,783*	*244,239*	*13,706*	-	*11,923*
220	**TOTAL AS AT 30/06/2024**	**78,423,455**	**62,026,423**	**7,376,784**	**1,634,807**	**-**	**1,404,428**
	TOTAL AS AT 31/12/2023	**79,283,559**	**63,666,639**	**6,762,238**	**1,512,553**	**-**	**1,280,259**

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

Table 32 - 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 1**	**of which STAGE 2**
005	Cash balances at central banks and other demand deposits	(71)	(58)	(13)	-	-	-
010	Loans and advances	(269,546)	(57,853)	(205,586)	(799,862)	-	(720,931)
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	*(595)*	*(530)*	*(65)*	*(424)*	-	*(424)*
040	*Credit institutions*	*(146)*	*(145)*	-	-	-	-
050	*Other financial corporations*	*(4,216)*	*(3,571)*	*(645)*	*(19,113)*	-	*(19,113)*
060	*Non-financial corporations*	*(187,328)*	*(38,149)*	*(145,980)*	*(597,817)*	-	*(530,528)*
070	*Of which SMEs*	*(118,303)*	*(20,407)*	*(95,101)*	*(413,799)*	-	*(362,792)*
080	*Households*	*(77,261)*	*(15,458)*	*(58,896)*	*(182,509)*	-	*(170,866)*
090	Debt securities	(10,053)	(5,502)	(4,551)	-	-	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*(1,832)*	*(1,832)*	-	-	-	-
120	*Credit institutions*	*(3,334)*	*(1,607)*	*(1,727)*	-	-	-
130	*Other financial corporations*	*(829)*	*(747)*	*(82)*	-	-	-
140	*Non-financial corporations*	*(4,058)*	*(1,316)*	*(2,742)*	-	-	-
150	Off-balance-sheet exposures	(48,222)	(26,742)	(21,198)	(39,930)	-	(11,821)
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	*(41)*	*(41)*	-	*(4)*	-	-
180	*Credit institutions*	*(114)*	*(113)*	*0*	-	-	-
190	*Other financial corporations*	*(1,455)*	*(1,416)*	*(39)*	*(121)*	-	*(121)*
200	*Non-financial corporations*	*(44,023)*	*(24,246)*	*(19,513)*	*(38,753)*	-	*(11,285)*
210	*Households*	*(2,589)*	*(925)*	*(1,645)*	*(1,052)*	-	*(415)*
220	**TOTAL AS AT 30/06/2024**	**(327,892)**	**(90,155)**	**(231,347)**	**(839,792)**	**-**	**(732,752)**
	TOTAL AS AT 31/12/2023	**(312,000)**	**(95,225)**	**(211,079)**	**(798,725)**	**-**	**(689,694)**

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

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

Table 33 - 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	(113,766)	23,036,743	501,930
020	*Central banks*	-	-	-
030	*General governments*	-	*41,299*	-
040	*Credit institutions*	-	*284,463*	-
050	*Other financial corporations*	-	*1,436,487*	*7,209*
060	*Non-financial corporations*	*(97,986)*	*10,591,171*	*327,639*
070	*Of which SMEs*	*(46,626)*	*6,825,265*	*281,493*
080	*Households*	*(15,780)*	*10,683,323*	*167,083*
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		821,617	8,819
160	*Central banks*		-	-
170	*General governments*		*16,562*	-
180	*Credit institutions*		*10,215*	-
190	*Other financial corporations*		*57,374*	*0*
200	*Non-financial corporations*		*610,034*	*8,189*
210	*Households*		*127,431*	*630*
220	**TOTAL AS AT 30/06/2024**	**(113,766)**	**23,858,360**	**510,749**
	TOTAL AS AT 31/12/2023	**(83,467)**	**23,677,720**	**509,801**

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

Table 34 - Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	4,009,035	9,231,314	8,928,432	11,874,878	17,308,819	51,352,478
2	Debt securities	249	3,850,237	7,302,278	3,256,627	10,818	14,420,209
3	**TOTAL AS AT 30/06/2024**	**4,009,284**	**13,081,551**	**16,230,710**	**15,131,505**	**17,319,637**	**65,772,687**

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 2024 in the form of loans and advances and debt securities by maturity. These exposures are mainly concentrated in the 1- to 5-year time frame and in the over 5-year time frame. The distribution of volumes across time buckets is, in proportion to the total, broadly consistent with that observed in December 2023.

Table 35 - Template EU CR2: Changes in the stock of non-performing loans and advances

		30/06/2024
		a
		Gross carrying amount
010	**INITIAL STOCK OF NON-PERFORMING LOANS AND ADVANCES**	**1,316,484**
020	Inflows to non-performing portfolios	331,482
030	Outflows from non-performing portfolios	(291,991)
040	*Outflow due to write-off*	*(33,850)*
050	*Outflow due to other situations*	*(258,141)*
060	**FINAL STOCK OF NON-PERFORMING LOANS AND ADVANCES**	**1,355,975**

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 331 million euro. Total outflows from non-performing portfolios amounted to around 292 million euro, of which 34 million euro due to write-offs and 258 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 27 million euro, outflows due to partial or total repayment of loans of 158 million euro and outflows due to the liquidation of collateral in the amount of 43 million euro.

Table 36 - Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

		30/06/2024	
		a	b
		Gross carrying amount	Related net accumulated recoveries
010	**INITIAL STOCK**	**1,316,484**	
020	Inflows to non-performing portfolios	331,482	
030	Outflows from non-performing portfolios	(291,991)	
040	*Outflow to performing portfolio*	*(27,332)*	
050	*Outflow due to loan repayment, partial or total*	*(157,705)*	
060	*Outflow due to collateral liquidation*	*(42,659)*	*30,326*
070	*Outflow due to taking possession of collateral*	-	-
080	*Outflow due to sale of instruments*	*(24,677)*	*18,630*
090	*Outflow due to risk transfer*	-	-
100	*Outflow due to write-off*	*(33,850)*	
110	*Outflow due to other situations*	*(5,768)*	
120	*Outflow due to reclassification as held for sale*	-	
130	**FINAL STOCK**	**1,355,975**	

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

The overall quality of the Group's credit assets worsened slightly compared to last December. Both the stock of non-performing exposures on the balance sheet and their share of total loans increased during the period. Coverage of non-performing loans, based on prudent provisioning policies, remained at high levels and increased further during the period.

Table 37 - 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	314,173	564,609	564,609	545,342
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	*96*	*15,135*	*15,135*	*15,135*
060	*Non-financial corporations*	*120,629*	*398,873*	*398,873*	*382,843*
070	*Households*	*193,448*	*150,601*	*150,601*	*147,364*
080	Debt securities	-	-	-	-
090	Loan commitments given	23,321	8,234	8,234	8,234
100	**TOTAL AS AT 30/06/2024**	**337,494**	**572,843**	**572,843**	**553,576**
	TOTAL AS AT 31/12/2023	**338,098**	**593,195**	**593,195**	**571,520**

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

Table 38 - 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	(35,912)	(347,716)	437,459	198,004
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	*(5)*	*(15,108)*	*118*	*27*
060	*Non-financial corporations*	*(14,169)*	*(238,530)*	*239,159*	*145,580*
070	*Households*	*(21,737)*	*(94,078)*	*198,183*	*52,396*
080	Debt securities	-	-	-	-
090	Loan commitments given	(967)	-	1,229	504
100	**TOTAL AS AT 30/06/2024**	**(36,879)**	**(347,716)**	**438,689**	**198,508**
	TOTAL AS AT 31/12/2023	**(28,489)**	**(342,395)**	**498,449**	**223,990**

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

Forborne exposures recorded a decrease compared to 31 December 2023, due exclusively to the non-performing segment, while the performing segment of the portfolio showed substantial stability.

Table 39 - Template EU CQ2: Quality of forbearance

		30/06/2024	31/12/2023
		a	b
		Gross carrying amount of forborne exposures	Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	141,622	154,516
020	Non-performing forborne loans and advances that failed to meet the nonperforming exit criteria	347,974	355,209

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

At 30 June 2024, 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 40 - 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	**50,248,663**	**1,355,975**	**1,355,975**	**49,894,906**
Italy	37,831,057	1,243,376	1,243,376	37,535,174
Switzerland	5,132,750	105,087	105,087	5,112,469
Spain	1,923,598	-	-	1,923,598
France	1,725,684	7	7	1,724,656
Germany	1,240,486	435	435	1,222,981
Monaco	409,697	1,425	1,425	409,697
Netherlands	265,037	-	-	265,037
Luxembourg	182,372	-	-	168,187
Others	1,537,982	5,646	5,646	1,533,106
OFF-BALANCE-SHEET EXPOSURES	**26,788,056**	**278,833**	**278,833**	
Italy	25,088,616	278,651	278,651	
Switzerland	410,348	182	182	
Spain	19,469	-	-	
France	65,807	-	-	
Germany	21,487	-	-	
Monaco	516,836	-	-	
Netherlands	39,863	-	-	
Luxembourg	-	-	-	
Others	625,630	-	-	
TOTAL	**77,036,719**	**1,634,807**	**1,634,807**	**49,894,906**

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

Table 41 - 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	**(1,061,721)**		**(17,739)**
Italy	(1,013,541)		(17,739)
Switzerland	(40,810)		-
Spain	(446)		-
France	(724)		-
Germany	(975)		
Monaco	(678)		-
Netherlands	(234)		-
Luxembourg	(9)		-
Others	(4,304)		-
OFF-BALANCE-SHEET EXPOSURES		**88,153**	
Italy		86,250	
Switzerland		655	
Spain		7	
France		6	
Germany		6	
Monaco		209	
Netherlands		1	
Luxembourg		-	
Others		1,019	
TOTAL	**(1,061,721)**	**88,153**	**(17,739)**

Fonte: Base segnaletica FINREP - Ripartizione geografica delle attività: Modelli F 20.04 - F 20.05

The table shows the countries to which the Group's total cash and off-balance sheet exposures exceed a minimum materiality threshold.

As at 30 June 2024, the major part of the Group's exposures (both on- and off-balance sheet items) related to counterparties resident in Italy. They account for about 75.3% of total on-balance sheet exposures and about 91.7% of total off-balance sheet exposures. The concentration of domestic exposures on the sub-set of non-performing loans is even more marked: 93.7% and nearly 100%, respectively, are the percentages of incidence calculated on the impaired segment alone.

Considering the ongoing military conflict between Russia and Ukraine, in order to provide an exhaustive picture of the Group's risk profile in respect of the affected countries, it should be noted that direct exposures to the two countries remained low at 30 June 2024 (0.04% of gross balance sheet exposure). Exposures to countries involved in the Israeli-Palestinian crisis remained also immaterial.

Table 42 - 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	302,100	18,373	18,373	300,376	(12,393)	-
020	Mining and quarrying	91,873	1,092	1,092	91,873	(2,951)	-
030	Manufacturing	4,848,769	154,365	154,365	4,827,193	(147,787)	(4,685)
040	Electricity, gas, steam and air conditioning supply	828,118	8,280	8,280	824,069	(11,684)	-
050	Water supply	237,335	1,003	1,003	237,334	(1,972)	-
060	Construction	1,629,880	199,526	199,526	1,596,000	(145,672)	(735)
070	Wholesale and retail trade	3,570,089	147,717	147,717	3,548,844	(111,908)	(1,601)
080	Transport and storage	458,486	24,039	24,039	455,226	(14,054)	(132)
090	Accommodation and food service activities	937,900	70,358	70,358	923,731	(58,801)	(198)
100	Information and communication	327,221	25,529	25,529	326,750	(23,036)	(11)
110	Financial and insurance activities	592,738	20,333	20,333	592,252	(16,713)	-
120	Real estate activities	2,495,318	205,099	205,099	2,439,914	(147,693)	(5,763)
130	Professional, scientific and technical activities	1,172,251	55,110	55,110	1,166,090	(39,023)	(2,257)
140	Administrative and support service activities	710,087	15,735	15,735	708,678	(14,434)	(53)
150	Public administration and defence, compulsory social security	58	-	-	58	-	-
160	Education	40,970	715	715	40,811	(692)	-
170	Human health services and social work activities	351,902	1,552	1,552	350,964	(3,634)	-
180	Arts, entertainment and recreation	342,044	11,263	11,263	341,671	(13,136)	(38)
190	Other services	387,415	5,080	5,080	386,121	(4,086)	-
200	**TOTAL AS AT 30/06/2024**	**19,324,554**	**965,168**	**965,168**	**19,157,955**	**(769,671)**	**(15,474)**
	TOTAL AS AT 31/12/2023	**19,006,701**	**961,913**	**961,913**	**18,802,567**	**(718,689)**	**(14,841)**

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

As at 30 June 2024, the business sectors in which exposure at portfolio level is most concentrated are: Manufacturing (25.1% of total exposure), Wholesale and Retail Trade (18.5% of total exposure), Real Estate (12.9% of total exposure) and Construction (8.4% of total exposure).

With reference to the impaired segment only, the prevailing segments were: Real Estate (21.3% of total impaired exposures), Construction (20.7% of total impaired exposures), Manufacturing (16.0% of total impaired exposures) and Wholesale and Retail Trade (15.3% of total impaired exposures).

Table 43 - 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	35,818,401	34,462,426	155,479	1,355,975	652,262
020	*Of which secured*	*19,443,320*	*18,334,599*	*72,473*	*1,108,721*	*545,699*
030	*Of which secured with immovable property*	*13,578,411*	*12,818,860*	*25,572*	*759,551*	*395,020*
040	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	*4,486,022*	*4,330,379*		*155,643*	*85,910*
050	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	*351,633*	*291,504*		*60,128*	*24,581*
060	*Of which instruments with LTV higher than 100%*	*271,966*	*159,215*		*112,751*	*11,667*
070	Accumulated impairment for secured assets	(796,703)	(191,930)	(3,949)	(604,773)	(234,324)
080	Collateral					
090	*Of which value capped at the value of exposure*	*17,778,662*	*17,383,457*	*24,059*	*395,205*	*263,194*
100	*Of which immovable property*	*14,301,367*	*13,919,070*	*22,090*	*382,297*	*254,401*
110	*Of which value above the cap*	*23,578,058*	*21,673,730*	*54,162*	*1,904,329*	*1,150,362*
120	*Of which immovable property*	*22,662,613*	*20,804,502*	*53,878*	*1,858,111*	*1,133,852*
130	Financial guarantees received	5,760,011	5,653,286	41,512	106,724	47,454
140	Accumulated partial write-off	(113,766)	-	-	(113,766)	(3,011)

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

Table 44 - 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	703,712	216,900	133,952	74,745	130,643	51,710	95,762
020	*Of which secured*	*563,022*	*177,961*	*102,874*	*64,588*	*84,595*	*42,193*	*90,812*
030	*Of which secured with immovable property*	*364,530*	*117,028*	*57,859*	*36,476*	*59,723*	*32,302*	*61,142*
040	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	*69,733*						
050	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	*35,547*						
060	*Of which instruments with LTV higher than 100%*	*101,084*						
070	Accumulated impairment for secured assets	(370,449)	(86,522)	(56,945)	(37,462)	(67,770)	(33,774)	(87,976)
080	Collateral							
090	*Of which value capped at the value of exposure*	*132,011*	*64,333*	*28,861*	*16,469*	*12,074*	*7,710*	*2,564*
100	*Of which immovable property*	*127,896*	*62,213*	*28,271*	*15,810*	*11,462*	*7,647*	*2,492*
110	*Of which value above the cap*	*753,967*	*238,865*	*166,084*	*82,555*	*126,675*	*29,600*	*110,189*
120	*Of which immovable property*	*724,258*	*229,203*	*159,620*	*79,342*	*121,745*	*28,448*	*105,900*
130	Financial guarantees received	59,270	26,286	16,911	10,545	4,549	708	271
140	Accumulated partial write-off	(110,755)	-	(6,000)	-	(21,944)	(29,757)	(53,055)

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

At 30 June 2024, guaranteed exposures represented more than a half of total performing loans and advances disbursed by the Group (about 54.3%); guaranteed exposure rose to approximately 80% for the impaired segment stand-alone. It should also be noted that, for the portion of the portfolio guaranteed by real estate assets (about 38% in terms of total exposure) only a fraction equal to 12.5% of total exposures had a loan-to-value (LTV, loan/guarantee value) ratio higher than 60% and lower than or equal to 80%.

Table 45 - Template EU CQ7: Collateral obtained by taking possession and execution processes

		30/06/2024		31/12/2023	
		a	b	a	b
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-	-	-
020	Other than PP&E	38,173	(1,632)	64,466	(2,165)
030	*Residential immovable property*	*7,847*	*(1,632)*	*9,971*	*(2,165)*
040	*Commercial Immovable property*	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	-	-	-	-
060	*Equity and debt instruments*	-	-	-	-
070	*Other collateral*	*30,326*	-	*54,495*	-
080	**TOTAL**	**38,173**	**(1,632)**	**64,466**	**(2,165)**

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 46 - 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	49,274	(2,081)	38,173	(1,632)	32,851	(491)
030	*Residential immovable property*	*7,847*	*(2,081)*	*7,847*	*(1,632)*	*2,525*	*(491)*
040	*Commercial immovable property*	-	-	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	-	-	-	-	-	-
060	*Equity and debt instruments*	-	-	-	-	-	-
070	*Other collateral*	*41,426*	-	*30,326*	-	*30,326*	-
080	**TOTAL AS AT 30/06/2024**	**49,274**	**(2,081)**	**38,173**	**(1,632)**	**32,851**	**(491)**
	TOTAL AS AT 31/12/2023	**93,879**	**(2,165)**	**64,466**	**(2,165)**	**60,870**	**(1,229)**

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

Table 47 - 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	4,253	(781)	1,069	(360)	-	-
030	*Residential immovable property*	*4,253*	*(781)*	*1,069*	*(360)*	-	-
040	*Commercial immovable property*	-	-	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	-	-	-	-	-	-
060	*Equity and debt instruments*	-	-	-	-	-	-
070	*Other collateral*	-	-	-	-	-	-
080	**TOTAL AS AT 30/06/2024**	**4,253**	**(781)**	**1,069**	**(360)**	**-**	**-**
	TOTAL AS AT 31/12/2023	**3,596**	**(936)**	**-**	**-**	**-**	**-**

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

At 30 June 2024, 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 (art. 453 CRR/CRR II)

This section summarises the Group's exposures as at 30 June 2024 in the form of loans and advances disbursed and debt securities held for investment purposes, covered and uncovered by guarantees - collateral or financial - acquired as credit risk mitigation (CRM) instruments recognised under applicable accounting rules, regardless of whether such techniques are deemed to be permissible forms of credit protection under current prudential regulations.

Table 48 - 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	14,231,793	23,538,673	17,778,662	5,760,011	-
2	Debt securities	14,420,209	-	-	-	
3	**TOTAL AS AT 30/06/2024**	**28,652,002**	**23,538,673**	**17,778,662**	**5,760,011**	**-**
4	*Of which non-performing exposures*	*54,183*	*501,930*	*395,205*	*106,724*	-
EU-5	*Of which defaulted*	*54,183*	*501,930*	*395,205*	*106,724*	-
	TOTAL AS AT 31/12/2023	**30,070,157**	**23,409,126**	**17,629,109**	**5,780,017**	**-**

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

As at 30 June 2024, unsecured exposures amounted to 55% of total exposures, while 45% of total exposures were covered by CRM techniques. Within the latter, exposures secured by collateral amounted to 76% of the total secured and exposures secured by personal guarantees to 24% of the total secured. The figures are similar to those from December 2023.

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 2024, the effect of the credit risk mitigation (CRM) techniques recognised as part of the determination of the capital requirement for credit risk under the "Standardised Approach". The relative RWA density is also measured for each regulatory class, as a concise indicator of the riskiness of each portfolio of exposures.

Table 49 - Template EU CR4 - Standardised approach - Credit risk exposure and CRM effects

	Exposures class	Exposures before CCF and CRM		Exposures post CCF and post CRM		RWAs and RWA density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWA density
		a	b	c	d	e	f
1	Central governments or central banks	14,633,338	56,759	17,197,654	21,142	28	0.0002%
2	Regional governments or local authorities	38,760	75,292	38,796	7,145	11,012	23.9701%
3	Public sector entities	380,982	689,953	380,848	44,344	255,200	60.0198%
4	Multilateral development banks	163,570	-	415,410	3,745	-	-
5	International organizations	186,979	15,572	186,979	287	-	-
6	Institutions	3,665,154	958,193	3,620,660	230,532	1,327,875	34.4796%
7	Corporates	5,033,710	2,860,304	4,734,663	349,868	4,542,151	89.3327%
8	Retail	907,006	414,971	632,511	26,018	358,614	54.4568%
9	Secured by mortgages on immovable property	5,071,345	8,284	5,071,345	3,189	2,064,541	40.6843%
10	Exposures in default	80,877	528	80,489	149	82,171	101.9016%
11	Higher-risk categories	119,128	-	119,128	-	178,692	150.0000%
12	Covered bonds	227,567	-	227,567	-	30,953	13.6018%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	300,611	73,749	300,610	2,950	695,251	229.0324%
15	Equity	622,593	-	622,593	-	961,878	154.4955%
16	Other items	1,697,309	19,987	1,697,309	9,993	908,055	53.1866%
17	**TOTAL AS AT 30/06/2024**	**33,128,929**	**5,173,591**	**35,326,561**	**699,363**	**11,416,421**	**31.6895%**
	TOTAL AS AT 31/12/2023	**35,069,457**	**5,285,031**	**37,526,835**	**986,020**	**11,622,002**	**30.1769%**

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

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

The following tables show the breakdown by asset class and risk weight of the Group's exposures at 30 June 2024 included in the calculation of the capital requirement for credit risk under the "Standardised Approach".

Table 50 - Template EU CR5: Standardised approach (1 of 3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)					
		0%	2%	4%	10%	20%	35%
		a	b	c	d	e	f
1	Central governments or central banks	17,218,740	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	43,661	-
3	Public sector entities	-	-	-	-	124,626	-
4	Multilateral development banks	419,155	-	-	-	-	-
5	International organizations	187,265	-	-	-	-	-
6	Institutions	-	-	-	-	2,173,337	-
7	Corporates	-	-	-	-	36,929	38,204
8	Retail	-	-	-	-	-	280,228
9	Secured by mortgages on immovable property	-	-	-	-	-	4,560,274
10	Exposures in default	-	-	-	-	-	-
11	Higher-risk categories	-	-	-	-	-	-
12	Covered bonds	-	-	-	145,603	81,964	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	5,219	-	-	10	110	-
15	Equity	-	-	-	-	-	-
16	Other items	930,131	-	-	-	24,157	-
17	**TOTAL AS AT 30/06/2024**	**18,760,510**	**-**	**-**	**145,613**	**2,484,784**	**4,878,705**
	TOTAL AS AT 31/12/2023	**21,153,575**	**-**	**-**	**164,686**	**2,272,365**	**4,977,266**

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

Table 51 - Template EU CR5: Standardised approach (2 of 3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)					
		50%	70%	75%	100%	150%	250%
		g	h	i	j	k	l
1	Central governments or central banks	56	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	2,280	-	-
3	Public sector entities	140,584	-	-	159,982	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-
6	Institutions	1,569,295	-	-	108,560	-	-
7	Corporates	806,873	100,707	-	3,989,159	112,658	-
8	Retail	-	-	378,301	-	-	-
9	Secured by mortgages on immovable property	9,891	-	161,303	343,066	-	-
10	Exposures in default	-	-	-	77,571	3,067	-
11	Higher-risk categories	-	-	-	-	119,128	-
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	1,190	-	-	145,695	121,677	429
15	Equity	-	-	-	396,403	-	226,190
16	Other items	-	-	-	652,874	-	100,140
17	**TOTAL AS AT 30/06/2024**	**2,527,890**	**100,707**	**539,604**	**5,875,591**	**356,530**	**326,759**
	TOTAL AS AT 31/12/2023	**2,384,446**	**103,502**	**608,390**	**6,184,531**	**321,834**	**313,663**

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

Table 52 - Template EU CR5: Standardised approach (3 of 3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)			Total	Without rating
		370%	1250%	Altri		
		m	n	o	p	q
1	Central governments or central banks	-	-	-	17,218,796	613
2	Regional governments or local authorities	-	-	-	45,941	45,941
3	Public sector entities	-	-	-	425,192	308,077
4	Multilateral development banks	-	-	-	419,155	-
5	International organizations	-	-	-	187,265	-
6	Institutions	-	-	-	3,851,192	875,136
7	Corporates	-	-	-	5,084,531	2,995,413
8	Retail	-	-	-	658,529	658,529
9	Secured by mortgages on immovable property	-	-	-	5,074,534	5,074,534
10	Exposures in default	-	-	-	80,638	80,638
11	Higher-risk categories	-	-	-	119,128	119,128
12	Covered bonds	-	-	-	227,567	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-
14	Collective investment undertakings	-	29,229	-	303,560	302,331
15	Equity	-	-	-	622,593	622,593
16	Other items	-	-	-	1,707,303	1,707,303
17	**TOTAL AS AT 30/06/2024**	**-**	**29,229**	**-**	**36,025,924**	**12,790,234**
	TOTAL AS AT 31/12/2023	**-**	**28,596**	**-**	**38,512,855**	**13,110,921**

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

Section 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 determining the amount of capital requirements for credit risk (Advanced IRB Approach - A-IRB) relating to "Corporate" and "Retail" regulatory portfolios, with effects starting from the supervisory reporting at 30 June 2019.

The initial model validation scope includes exclusively the Parent Company Banca Popolare di Sondrio. The subsidiary Factorit will be involved in a phased extension programme (roll-out plan) with a multi-year horizon.

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[8].

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", "Institutions - supervised intermediaries" and "Enterprises - residual exposures" (including specialised loans) related to the entire Group;
- All portfolios falling within the corporate scope of the subsidiaries Sinergia Seconda, Banca Popolare di Sondrio (SUISSE) and BNT Banca.

Following the last Internal Model Investigation, in October 2023 the ECB granted the Bank permission to use the internal models subject to a previous material model change request. The new rating models have been used with effect from the 31 December 2023 supervisory reporting.

Furthermore, on 29 December 2023, the Group formulated a new request for a model change on the Parent Company's Corporate and Retail models and for the extension of the A-IRB perimeter to the subsidiary Factorit, in accordance with the roll-out plan.

The rating system and the roll-out plan for internal models are monitored by the Bank, which produces a quarterly report on the coverage of the rating system and the monitoring of the roll-out plan and PPU portfolios. The outcomes are presented to the Board of Directors at least annually.

* * *

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

The tables below show, for each exposure class envisaged at regulatory level, the values as at 30 June 2024 of the main parameters used by the Group to calculate capital requirements for credit risk under the "Advanced IRB Approach" (A-IRB). In particular, the following are specified per individual counterparty PD value range:

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

Table 53 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Total as exposure						
0.00 to <0.15	1,470,197	3,864,493	9.6740%	2,053,280	-	26,939
0.00 to <0.10	*94,501*	*317,406*	*8.4170%*	*199,645*	-	*11,160*
0.10 to <0.15	*1,375,695*	*3,547,088*	*9.7870%*	*1,853,635*	-	*15,779*
0.15 to <0.25	2,370,479	3,772,037	14.3090%	3,023,816	-	17,168
0.25 to <0.50	3,625,101	4,598,878	12.1250%	4,508,962	-	28,143
0.50 to <0.75	1,956,527	2,212,103	15.9800%	2,471,037	-	4,927
0.75 to <2.50	5,550,898	3,988,504	24.1850%	7,082,464	-	35,338
0.75 to <1.75	*3,679,564*	*2,573,462*	*20.6490%*	*4,570,368*	-	*28,461*
1.75 to <2.5	*1,871,334*	*1,415,043*	*30.6170%*	*2,512,096*	-	*6,877*
2.50 to <10.00	2,388,284	1,302,674	23.8660%	2,990,391	-	20,666
2.5 to <5	*1,237,061*	*644,301*	*19.2380%*	*1,507,604*	-	*10,711*
5 to <10	*1,151,222*	*658,373*	*28.3950%*	*1,482,787*	-	*9,955*
10.00 to <100.00	1,005,405	603,450	11.8910%	1,216,021	-	20,043
10 to <20	*435,537*	*126,495*	*20.4830%*	*506,355*	-	*6,050*
20 to <30	*92,841*	*45,516*	*18.5400%*	*116,236*	-	*1,188*
30.00 to <100.00	*477,028*	*431,440*	*8.6710%*	*593,430*	-	*12,805*
100,00 (default)	1,124,056	273,438	19.1210%	1,235,600	-	5,879
TOTAL AS AT 30/06/2024	**19,490,947**	**20,615,579**	**15.6399%**	**24,581,572**	**-**	**159,103**

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 54 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (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
Total as exposure						
0.00 to <0.15	-	2	254,253	12.3828%	422	(5,118)
0.00 to <0.10	-	*2*	*4,578*	*2.2929%*	*18*	*(87)*
0.10 to <0.15	-	*2*	*249,675*	*13.4695%*	*404*	*(5,030)*
0.15 to <0.25	-	2	558,823	18.4807%	980	(9,729)
0.25 to <0.50	-	2	988,922	21.9324%	2,750	(29,217)
0.50 to <0.75	-	3	850,907	34.4352%	2,639	(28,649)
0.75 to <2.50	-	2	2,869,728	40.5188%	16,757	(82,260)
0.75 to <1.75	-	*2*	*1,586,740*	*34.7180%*	*8,012*	*(45,224)*
1.75 to <2.5	-	*3*	*1,282,987*	*51.0724%*	*8,745*	*(37,037)*
2.50 to <10.00	-	3	1,492,599	49.9132%	21,617	(84,215)
2.5 to <5	-	*3*	*610,979*	*40.5265%*	*6,624*	*(31,141)*
5 to <10	-	*3*	*881,619*	*59.4569%*	*14,994*	*(53,074)*
10.00 to <100.00	-	3	804,469	66.1559%	54,793	(43,508)
10 to <20	-	*3*	*283,617*	*56.0115%*	*9,604*	*(19,669)*
20 to <30	-	*3*	*84,477*	*72.6774%*	*4,553*	*(6,265)*
30.00 to <100.00	-	*3*	*436,375*	*73.5344%*	*40,636*	*(17,574)*
100,00 (default)	-	2	280,525	22.7035%	528,486	(761,727)
TOTAL AS AT 30/06/2024	**-**	**2**	**8,100,226**	**32.9524%**	**628,445**	**(1,044,423)**

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 55 - 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 56 - 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 57 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Corporates - SMEs (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Corporates - SME						
0.00 to <0.15	422,837	1,391,631	7.8490%	599,278	0.1250%	1,464
0.00 to <0.10	*2,513*	*14,996*	*4.3810%*	*4,020*	*0.0800%*	*78*
0.10 to <0.15	*420,324*	*1,376,636*	*7.8870%*	*595,258*	*0.1250%*	*1,386*
0.15 to <0.25	678,611	1,003,172	9.1950%	829,723	0.1750%	1,031
0.25 to <0.50	773,681	848,125	11.9600%	928,222	0.3390%	1,013
0.50 to <0.75	894,589	624,789	14.7030%	1,042,071	0.5240%	1,087
0.75 to <2.50	1,897,320	801,288	19.8990%	2,183,722	1.4570%	1,836
0.75 to <1.75	*1,012,721*	*486,655*	*15.8730%*	*1,144,163*	*1.0640%*	*1,059*
1.75 to <2.5	*884,600*	*314,633*	*26.1260%*	*1,039,560*	*1.8890%*	*777*
2.50 to <10.00	693,243	410,921	29.4350%	914,613	4.9390%	776
2.5 to <5	*369,039*	*173,959*	*28.2140%*	*456,154*	*2.9750%*	*411*
5 to <10	*324,203*	*236,962*	*30.3310%*	*458,458*	*6.8940%*	*365*
10.00 to <100.00	183,599	176,124	13.5860%	240,444	31.7920%	425
10 to <20	*61,978*	*37,829*	*31.7240%*	*81,950*	*12.9420%*	*101*
20 to <30	*30,376*	*26,433*	*13.0450%*	*41,184*	*23.7270%*	*57*
30.00 to <100.00	*91,245*	*111,862*	*7.5810%*	*117,311*	*47.7910%*	*267*
100,00 (default)	537,826	94,167	14.4180%	573,867	100.0000%	350
TOTAL AS AT 30/06/2024	**6,081,706**	**5,350,217**	**13.3205%**	**7,311,940**	**10.0945%**	**7,982**

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 - SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Corporates - SME						
0.00 to <0.15	19.9260%	2	85,656	14.2932%	149	(1,284)
0.00 to <0.10	*18.9910%*	*2*	*276*	*6.8675%*	*1*	*(4)*
0.10 to <0.15	*19.9320%*	*2*	*85,380*	*14.3434%*	*148*	*(1,280)*
0.15 to <0.25	18.8930%	3	140,211	16.8986%	271	(2,945)
0.25 to <0.50	20.1680%	3	236,799	25.5110%	635	(10,794)
0.50 to <0.75	19.1040%	3	330,133	31.6805%	1,042	(11,751)
0.75 to <2.50	18.1750%	3	915,140	41.9073%	5,673	(36,009)
0.75 to <1.75	*18.9490%*	*3*	*451,823*	*39.4894%*	*2,311*	*(14,694)*
1.75 to <2.5	*17.3230%*	*3*	*463,317*	*44.5686%*	*3,361*	*(21,315)*
2.50 to <10.00	17.4820%	3	502,241	54.9130%	7,736	(25,956)
2.5 to <5	*17.4480%*	*3*	*221,085*	*48.4672%*	*2,363*	*(11,833)*
5 to <10	*17.5170%*	*3*	*281,156*	*61.3264%*	*5,373*	*(14,123)*
10.00 to <100.00	19.8100%	3	229,068	95.2686%	16,004	(11,438)
10 to <20	*16.9510%*	*3*	*56,699*	*69.1881%*	*1,806*	*(4,082)*
20 to <30	*19.9440%*	*3*	*42,734*	*103.7649%*	*1,963*	*(1,934)*
30.00 to <100.00	*21.7600%*	*3*	*129,634*	*110.5049%*	*12,234*	*(5,421)*
100,00 (default)	44.0710%	2	116,562	20.3116%	246,575	(348,504)
TOTAL AS AT 30/06/2024	**20.7849%**	**3**	**2,555,810**	**34.9539%**	**278,085**	**(448,680)**

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

Table 59 - 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 60 - 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	639,996	1,658,684	12.4020%	833,429	0.1210%	248
0.00 to <0.10	*-*	*90*	*-*	*28*	*0.0800%*	*1*
0.10 to <0.15	*639,996*	*1,658,594*	*12.4020%*	*833,401*	*0.1210%*	*247*
0.15 to <0.25	1,137,490	2,459,674	17.0030%	1,566,588	0.1710%	289
0.25 to <0.50	1,130,056	3,211,246	12.6580%	1,591,084	0.3400%	260
0.50 to <0.75	795,356	1,254,133	15.4040%	1,054,732	0.5200%	209
0.75 to <2.50	1,329,593	2,502,521	27.4740%	2,189,020	1.4400%	356
0.75 to <1.75	*706,618*	*1,614,696*	*23.5760%*	*1,185,237*	*1.0600%*	*184*
1.75 to <2.5	*622,975*	*887,825*	*34.5640%*	*1,003,783*	*1.8900%*	*172*
2.50 to <10.00	394,002	557,029	21.9500%	554,758	4.6090%	142
2.5 to <5	*204,651*	*296,499*	*13.9960%*	*268,522*	*2.9440%*	*75*
5 to <10	*189,350*	*260,529*	*31.0030%*	*286,236*	*6.1710%*	*67*
10.00 to <100.00	31,299	190,524	2.3540%	37,473	36.5200%	118
10 to <20	*7,068*	*36,120*	*2.9980%*	*8,974*	*12.9410%*	*17*
20 to <30	*1,400*	*2,619*	*7.0910%*	*1,679*	*22.2750%*	*10*
30.00 to <100.00	*22,830*	*151,784*	*2.1190%*	*26,820*	*45.3020%*	*91*
100,00 (default)	151,262	130,356	16.4660%	178,028	100.0000%	121
TOTAL AS AT 30/06/2024	**5,609,053**	**11,964,167**	**17.2127%**	**8,005,113**	**3.2902%**	**1,743**

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

Table 61 - 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	18.1960%	2	148,237	17.7864%	187	(3,360)
0.00 to <0.10	*16.3190%*	*1*	*2*	*7.3331%*	*0*	*0*
0.10 to <0.15	*18.1960%*	*2*	*148,235*	*17.7868%*	*187*	*(3,359)*
0.15 to <0.25	20.3900%	2	385,353	24.5982%	545	(5,677)
0.25 to <0.50	22.2170%	2	585,176	36.7785%	1,204	(12,881)
0.50 to <0.75	20.9710%	2	460,791	43.6880%	1,159	(15,238)
0.75 to <2.50	21.6030%	2	1,483,895	67.7881%	6,750	(30,265)
0.75 to <1.75	*22.6040%*	*2*	*774,300*	*65.3287%*	*2,842*	*(18,912)*
1.75 to <2.5	*20.4220%*	*2*	*709,595*	*70.6921%*	*3,908*	*(11,353)*
2.50 to <10.00	20.2270%	2	537,771	96.9380%	5,400	(36,596)
2.5 to <5	*17.3800%*	*3*	*195,317*	*72.7381%*	*1,373*	*(10,675)*
5 to <10	*22.8970%*	*2*	*342,454*	*119.6402%*	*4,026*	*(25,920)*
10.00 to <100.00	20.2430%	2	52,239	139.4032%	2,905	(1,204)
10 to <20	*18.4300%*	*2*	*10,391*	*115.7930%*	*217*	*(376)*
20 to <30	*18.0940%*	*3*	*2,194*	*130.6811%*	*68*	*(24)*
30.00 to <100.00	*20.9840%*	*2*	*39,653*	*147.8493%*	*2,620*	*(804)*
100.00 (default)	51.7780%	2	34,876	19.5899%	90,319	(129,979)
TOTAL AS AT 30/06/2024	**21.6190%**	**2**	**3,688,339**	**46.0748%**	**108,467**	**(235,201)**

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 (1 of 2)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors
a	b	c	d	e	f	g
Retail - Secured by immovable property SME						
0.00 to <0.15	106,602	5,686	6.9210%	107,884	0.1280%	1,242
0.00 to <0.10	*6,987*	*1,902*	*19.7160%*	*7,774*	*0.0800%*	*89*
0.10 to <0.15	*99,615*	*3,784*	*0.4890%*	*100,111*	*0.1320%*	*1,153*
0.15 to <0.25	349,246	4,671	16.6860%	350,884	0.1940%	3,218
0.25 to <0.50	80,304	2,607	-	80,553	0.3070%	735
0.50 to <0.75	51,515	1,262	-	51,986	0.6460%	310
0.75 to <2.50	273,606	6,511	23.8450%	278,574	1.4050%	2,035
0.75 to <1.75	*162,560*	*4,559*	*22.7000%*	*165,681*	*1.0830%*	*1,208*
1.75 to <2.5	*111,045*	*1,951*	*26.5210%*	*112,893*	*1.8770%*	*827*
2.50 to <10.00	173,121	2,724	10.0050%	176,064	4.2180%	1,328
2.5 to <5	*99,027*	*1,982*	*13.7470%*	*100,623*	*2.9960%*	*758*
5 to <10	*74,094*	*741*	-	*75,440*	*5.8490%*	*570*
10.00 to <100.00	208,914	2,968	16.8020%	210,760	28.3490%	2,152
10 to <20	*67,388*	*1,101*	*33.6090%*	*68,469*	*12.2870%*	*602*
20 to <30	*29,625*	*86*	-	*29,810*	*21.9210%*	*267*
30.00 to <100.00	*111,901*	*1,781*	*7.2230%*	*112,481*	*39.8290%*	*1,283*
100,00 (default)	87,148	67	14.8360%	89,365	100.0000%	545
TOTAL AS AT 30/06/2024	**1,330,455**	**26,495**	**13.2349%**	**1,346,070**	**12.0243%**	**11,565**

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 - Retail - Secured by real estate SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Retail - Secured by immovable property SME						
0.00 to <0.15	11.2440%	-	3,350	3.1050%	15	(61)
0.00 to <0.10	*15.9780%*	-	*241*	*3.0964%*	*1*	*(1)*
0.10 to <0.15	*10.8760%*	-	*3,109*	*3.1056%*	*14*	*(60)*
0.15 to <0.25	11.3030%	-	15,118	4.3085%	77	(463)
0.25 to <0.50	14.5870%	-	6,487	8.0534%	36	(177)
0.50 to <0.75	16.6140%	-	8,074	15.5303%	56	(266)
0.75 to <2.50	13.4480%	-	57,335	20.5817%	529	(2,523)
0.75 to <1.75	*13.3650%*	-	*29,054*	*17.5360%*	*242*	*(1,078)*
1.75 to <2.5	*13.5700%*	-	*28,281*	*25.0515%*	*287*	*(1,445)*
2.50 to <10.00	13.0320%	-	66,944	38.0227%	996	(3,412)
2.5 to <5	*12.9530%*	-	*31,925*	*31.7271%*	*399*	*(1,621)*
5 to <10	*13.1380%*	-	*35,019*	*46.4199%*	*596*	*(1,791)*
10.00 to <100.00	12.9800%	-	143,607	68.1375%	7,936	(8,422)
10 to <20	*12.2000%*	-	*40,037*	*58.4749%*	*1,034*	*(2,702)*
20 to <30	*13.3220%*	-	*22,191*	*74.4411%*	*871*	*(2,300)*
30.00 to <100.00	*13.3630%*	-	*81,378*	*72.3486%*	*6,031*	*(3,420)*
100,00 (default)	30.0800%	-	55,734	62.3671%	23,227	(42,716)
TOTAL AS AT 30/06/2024	**13.8791%**	**-**	**356,649**	**26.4956%**	**32,872**	**(58,041)**

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 (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	116,902	2,463	38.9030%	119,318	0.1160%	1,752
0.00 to <0.10	*33,844*	*896*	*22.0990%*	*34,627*	*0.0570%*	*696*
0.10 to <0.15	*83,058*	*1,567*	*48.5130%*	*84,691*	*0.1400%*	*1,056*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	1,249,858	10,824	24.8570%	1,261,095	0.4790%	11,221
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	1,307,431	9,381	37.0630%	1,317,623	1.0340%	11,253
0.75 to <1.75	*1,307,431*	*9,381*	*37.0630%*	*1,317,623*	*1.0340%*	*11,253*
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	636,799	4,013	35.0530%	642,580	4.4870%	5,065
2.5 to <5	*301,060*	*2,750*	*28.7530%*	*303,929*	*2.5600%*	*2,324*
5 to <10	*335,739*	*1,262*	*48.7780%*	*338,651*	*6.2170%*	*2,741*
10.00 to <100.00	314,391	508	41.9070%	315,886	24.8980%	3,156
10 to <20	*179,095*	*108*	*51.6610%*	*180,216*	*14.6950%*	*1,560*
20 to <30	-	-	-	-	-	-
30.00 to <100.00	*135,296*	*400*	*39.2800%*	*135,670*	*38.4500%*	*1,596*
100,00 (default)	99,642	40	-	102,009	100.0000%	672
TOTAL AS AT 30/06/2024	**3,725,023**	**27,229**	**32.1166%**	**3,758,511**	**6.1007%**	**33,119**

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 - Secured by real estate non-SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Retail - Secured by immovable property non-SME						
0.00 to <0.15	7.5830%	-	2,904	2.4341%	11	(65)
0.00 to <0.10	*7.5080%*	-	*491*	*1.4172%*	*2*	*(17)*
0.10 to <0.15	*7.6140%*	-	*2,414*	*2.8499%*	*9*	*(48)*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	8.7230%	-	101,547	8.0523%	528	(4,365)
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	9.7680%	-	200,251	15.1979%	1,341	(7,002)
0.75 to <1.75	*9.7680%*	-	*200,251*	*15.1979%*	*1,341*	*(7,002)*
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	9.6130%	-	225,301	35.0619%	2,792	(8,552)
2.5 to <5	*9.4720%*	-	*79,595*	*26.1888%*	*737*	*(3,156)*
5 to <10	*9.7390%*	-	*145,705*	*43.0252%*	*2,055*	*(5,397)*
10.00 to <100.00	10.4810%	-	213,897	67.7132%	8,010	(10,334)
10 to <20	*11.0380%*	-	*122,896*	*68.1938%*	*2,928*	*(6,927)*
20 to <30	-	-	-	-	-	-
30.00 to <100.00	*9.7420%*	-	*91,001*	*67.0748%*	*5,082*	*(3,408)*
100,00 (default)	23.8470%	-	44,391	43.5163%	21,238	(51,310)
TOTAL AS AT 30/06/2024	**9.7635%**	**-**	**788,290**	**20.9735%**	**33,919**	**(81,628)**

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 (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	4,931	78,037	-	75,519	0.0840%	9,061
0.00 to <0.10	*1,820*	*50,934*	-	*47,103*	*0.0510%*	*6,036*
0.10 to <0.15	*3,112*	*27,103*	-	*28,416*	*0.1400%*	*3,025*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	21,176	41,949	-	65,809	0.4650%	5,334
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	11,843	13,726	-	28,956	1.1080%	2,197
0.75 to <1.75	*11,843*	*13,726*	-	*28,956*	*1.1080%*	*2,197*
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	10,399	6,292	-	21,421	4.3410%	1,743
2.5 to <5	*5,211*	*3,706*	-	*10,896*	*2.5600%*	*932*
5 to <10	*5,189*	*2,585*	-	*10,525*	*6.1840%*	*811*
10.00 to <100.00	4,219	4,784	-	10,637	27.7360%	1,086
10 to <20	*2,527*	*1,301*	-	*4,739*	*14.4010%*	*410*
20 to <30	-	-	-	-	-	-
30.00 to <100.00	*1,692*	*3,483*	-	*5,898*	*38.4500%*	*676*
100,00 (default)	2,307	508	-	3,656	100.0000%	234
TOTAL AS AT 30/06/2024	**54,876**	**145,294**	**-**	**205,997**	**3.9934%**	**19,655**

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 - 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	8.6850%	-	416	0.5505%	6	(17)
0.00 to <0.10	*8.4790%*	-	*167*	*0.3543%*	*2*	*(8)*
0.10 to <0.15	*9.0270%*	-	*249*	*0.8757%*	*4*	*(10)*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	9.7400%	-	1,650	2.5076%	30	(65)
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	10.6620%	-	1,547	5.3425%	34	(59)
0.75 to <1.75	*10.6620%*	-	*1,547*	*5.3425%*	*34*	*(59)*
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	11.1960%	-	3,156	14.7336%	106	(135)
2.5 to <5	*10.8330%*	-	*1,105*	*10.1420%*	*30*	*(47)*
5 to <10	*11.5710%*	-	*2,051*	*19.4874%*	*76*	*(88)*
10.00 to <100.00	12.0950%	-	4,140	38.9217%	340	(153)
10 to <20	*13.6900%*	-	*1,757*	*37.0763%*	*95*	*(98)*
20 to <30	-	-	-	-	-	-
30.00 to <100.00	*10.8140%*	-	*2,383*	*40.4042%*	*245*	*(56)*
100,00 (default)	18.1580%	-	47	1.2751%	661	(1,288)
TOTAL AS AT 30/06/2024	**9.9052%**	**-**	**10,956**	**5.3183%**	**1,176**	**(1,717)**

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 (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	140,405	669,946	8.1170%	240,720	0.1130%	12,371
0.00 to <0.10	*33,355*	*223,684*	*10.8210%*	*72,437*	*0.0800%*	*3,230*
0.10 to <0.15	*107,050*	*446,262*	*6.7630%*	*168,282*	*0.1270%*	*9,141*
0.15 to <0.25	205,131	304,519	9.3590%	276,620	0.1940%	13,623
0.25 to <0.50	170,824	326,959	11.5620%	246,951	0.3120%	5,970
0.50 to <0.75	215,067	331,920	20.6220%	322,248	0.6170%	3,590
0.75 to <2.50	550,634	516,568	18.7400%	781,301	1.4650%	11,838
0.75 to <1.75	*297,919*	*305,935*	*17.3730%*	*425,440*	*1.1210%*	*6,348*
1.75 to <2.5	*252,715*	*210,633*	*20.7250%*	*355,861*	*1.8770%*	*5,490*
2.50 to <10.00	347,886	255,022	22.9170%	480,064	4.5720%	7,711
2.5 to <5	*185,912*	*124,712*	*22.3320%*	*257,387*	*3.2470%*	*4,184*
5 to <10	*161,974*	*130,311*	*23.4760%*	*222,676*	*6.1040%*	*3,527*
10.00 to <100.00	199,976	215,167	18.2760%	292,083	30.4960%	9,610
10 to <20	*66,228*	*40,476*	*25.1640%*	*91,950*	*12.4880%*	*2,439*
20 to <30	*31,439*	*16,377*	*29.3360%*	*43,563*	*21.5690%*	*995*
30.00 to <100.00	*102,310*	*158,314*	*15.3700%*	*156,570*	*43.5550%*	*6,176*
100,00 (default)	178,877	43,172	39.2670%	210,888	100.0000%	3,372
TOTAL AS AT 30/06/2024	**2,008,800**	**2,663,274**	**15.0437%**	**2,850,874**	**11.8183%**	**68,085**

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 SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Retail - Other SME						
0.00 to <0.15	18.0810%	-	11,832	4.9154%	48	(297)
0.00 to <0.10	*19.5100%*	-	*2,881*	*3.9775%*	*11*	*(49)*
0.10 to <0.15	*17.4660%*	-	*8,951*	*5.3191%*	*37*	*(247)*
0.15 to <0.25	16.3690%	-	18,141	6.5581%	87	(644)
0.25 to <0.50	19.4720%	-	27,402	11.0960%	151	(558)
0.50 to <0.75	19.3700%	-	51,909	16.1083%	382	(1,394)
0.75 to <2.50	18.2080%	-	168,800	21.6050%	2,072	(5,895)
0.75 to <1.75	*18.5540%*	-	*87,006*	*20.4508%*	*884*	*(2,973)*
1.75 to <2.5	*17.7940%*	-	*81,794*	*22.9848%*	*1,188*	*(2,922)*
2.50 to <10.00	16.9820%	-	120,028	25.0026%	3,721	(8,635)
2.5 to <5	*16.9780%*	-	*62,222*	*24.1744%*	*1,421*	*(3,465)*
5 to <10	*16.9880%*	-	*57,807*	*25.9599%*	*2,300*	*(5,170)*
10.00 to <100.00	17.1380%	-	117,938	40.3784%	15,791	(9,087)
10 to <20	*15.3760%*	-	*25,543*	*27.7793%*	*1,765*	*(2,964)*
20 to <30	*17.4950%*	-	*17,358*	*39.8454%*	*1,651*	*(2,007)*
30.00 to <100.00	*18.0740%*	-	*75,037*	*47.9259%*	*12,375*	*(4,116)*
100,00 (default)	53.5910%	-	27,365	12.9761%	111,805	(142,615)
TOTAL AS AT 30/06/2024	**20.5610%**	**-**	**543,415**	**19.0613%**	**134,058**	**(169,125)**

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 (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	38,524	58,047	5.4770%	77,132	0.1020%	3,496
0.00 to <0.10	*15,982*	*24,904*	*5.1490%*	*33,657*	*0.0520%*	*2,041*
0.10 to <0.15	*22,542*	*33,143*	*5.7240%*	*43,475*	*0.1400%*	*1,455*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	199,202	157,169	5.8520%	335,249	0.4760%	7,522
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	180,471	138,510	11.4190%	303,269	1.0780%	8,960
0.75 to <1.75	*180,471*	*138,510*	*11.4190%*	*303,269*	*1.0780%*	*8,960*
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	132,834	66,675	11.3250%	200,891	4.1880%	6,372
2.5 to <5	*72,162*	*40,692*	*10.9580%*	*110,092*	*2.5600%*	*3,260*
5 to <10	*60,672*	*25,982*	*11.8990%*	*90,800*	*6.1610%*	*3,112*
10.00 to <100.00	63,006	13,375	24.7450%	108,738	24.2160%	5,138
10 to <20	*51,253*	*9,560*	*23.1750%*	*70,058*	*16.3570%*	*1,735*
20 to <30	-	-	-	-	-	-
30.00 to <100.00	*11,754*	*3,816*	*28.6790%*	*38,680*	*38.4500%*	*3,403*
100,00 (default)	66,995	5,127	5.4530%	77,787	100.0000%	1,247
TOTAL AS AT 30/06/2024	**681,033**	**438,902**	**8.9618%**	**1,103,067**	**10.6500%**	**32,735**

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

Table 71 - Template EU CR6 - IRB Approach: Credit risk exposures by exposure class and PD range - Retail - Other non-SMEs (2 of 2)

PD range	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	h	i	j	k	l	m
Retail - Other non-SME						
0.00 to <0.15	8.1380%	-	1,857	2.4075%	6	(33)
0.00 to <0.10	*8.3520%*	-	*520*	*1.5450%*	*1*	*(8)*
0.10 to <0.15	*7.9720%*	-	*1,337*	*3.0752%*	*5*	*(25)*
0.15 to <0.25	-	-	-	-	-	-
0.25 to <0.50	10.4130%	-	29,861	8.9072%	167	(377)
0.50 to <0.75	-	-	-	-	-	-
0.75 to <2.50	10.9050%	-	42,759	14.0995%	359	(506)
0.75 to <1.75	*10.9050%*	-	*42,759*	*14.0995%*	*359*	*(506)*
1.75 to <2.5	-	-	-	-	-	-
2.50 to <10.00	10.4530%	-	37,157	18.4960%	867	(930)
2.5 to <5	*10.6640%*	-	*19,730*	*17.9212%*	*300*	*(345)*
5 to <10	*10.1980%*	-	*17,427*	*19.1928%*	*567*	*(585)*
10.00 to <100.00	14.5340%	-	43,581	40.0788%	3,807	(2,869)
10 to <20	*14.9510%*	-	*26,293*	*37.5303%*	*1,759*	*(2,519)*
20 to <30	-	-	-	-	-	-
30.00 to <100.00	*13.7780%*	-	*17,288*	*44.6949%*	*2,048*	*(350)*
100,00 (default)	44.6140%	-	1,551	1.9945%	34,661	(45,315)
TOTAL AS AT 30/06/2024	**13.2145%**	**-**	**156,767**	**14.2119%**	**39,867**	**(50,031)**

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

The following template shows the impact of credit derivatives recognised as credit risk mitigation (CRM) techniques on the values at 30 June 2024 of risk-weighted assets (RWA) and credit risk capital requirements calculated by the Group under the "Advanced IRB Approach", broken down by category of relevant exposure at regulatory level.

Table 72 - Template EU CR7 - IRB approach: Effect on the RWEAs of credit derivatives used as CRM techniques

		30/06/2024		31/12/2023	
		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		a	b	a	b
1	**Exposures under FIRB**	**-**	**-**	**-**	**-**
2	Central governments and central banks	-	-	-	-
3	Institutions	-	-	-	-
4	Corporates	-	-	-	-
4,1	*of which - Corporates SMEs*	-	-	-	-
4,2	*of which - Corporates Specialised lending*	-	-	-	-
5	**Exposures under AIRB**	**8,100,226**	**8,100,226**	**7,910,938**	**7,910,938**
6	Central governments and central banks	-	-	-	-
7	Institutions	-	-	-	-
8	of which - Corporates	6,244,149	6,244,149	6,024,827	6,024,827
8,1	*of which - Corporates SMEs*	*2,555,810*	*2,555,810*	*2,559,669*	*2,559,669*
8,2	*of which Corporates - Specialised lending*	-	-	-	-
9	Retail	1,856,076	1,856,076	1,886,111	1,886,111
9,1	*of which Retail - SMEs - Secured by immovable property collateral*	*356,649*	*356,649*	*382,052*	*382,052*
9,2	*of which Retail - non-SMEs - Secured by immovable property collateral*	*788,290*	*788,290*	*763,745*	*763,745*
9,3	*of which Retail - Qualifying revolving*	*10,956*	*10,956*	*13,929*	*13,929*
9,4	*of which Retail - SMEs - Other*	*543,415*	*543,415*	*547,914*	*547,914*
9,5	*of which Retail - Non-SMEs- Other*	*156,767*	*156,767*	*178,471*	*178,471*
10	**TOTAL AS AT 30/06/2024**	**8,100,226**	**8,100,226**	**7,910,938**	**7,910,938**

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

As can be seen from the data represented in the table, as at 30 June 2024, there were no risk hedging transactions through credit derivatives.

The table below shows, for each class of exposures relevant to the calculation of the capital requirement for credit risk under the "Advanced IRB Approach", the portion of the Group's exposures at 30 June 2024 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"[9].

Table 73 - 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 Other eligible collaterals (%)			
			Part of exposures covered by Financial Collaterals (%)		Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)
		a	b	c	d	e	f
1	Central governments and central banks	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-
3	Corporates	15,317,053	2.4767%	19.0780%	18.5550%	-	0.5230%
3,1	*Of which Corporates - SMEs*	*7,311,940*	*4.7113%*	*33.1259%*	*32.2165%*	-	*0.9094%*
3,2	*Of which Corporates - Specialised lending*	-	-	-	-	-	-
3,3	*Of which Corporates - Other*	*8,005,113*	*0.4357%*	*6.2465%*	*6.0765%*	-	*0.1701%*
4	Retail	9,264,518	2.6596%	60.5737%	60.5281%	-	0.0456%
4,1	*Of which Retail - Immovable property SMEs*	*1,346,070*	*0.0024%*	*98.5969%*	*98.5969%*	-	-
4,2	*Of which Retail - Immovable property non-SMEs*	*3,758,511*	*0.0060%*	*97.4975%*	*97.4975%*	-	-
4,3	*Of which Retail - Qualifying revolving*	*205,997*	-	-	-	-	-
4,4	*Of which Retail - Other SMEs*	*2,850,874*	*4.8257%*	*18.0860%*	*17.9379%*	-	*0.1480%*
4,5	*Of which Retail - Other non-SMEs*	*1,103,067*	*9.8417%*	*9.4837%*	*9.4837%*	-	-
5	**TOTAL AS AT 30/06/2024**	**24,581,572**	**2.5456%**	**34.7173%**	**34.3742%**	**-**	**0.3431%**

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

[9] 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 74 - Template EU CR7-A - IRB approach: Disclosure of the extent of the use of CRM techniques (2 of 3)

A-IRB		Credit risk Mitigation techniques					
		Funded credit Protection (FCP)				Unfunded credit Protection (UFCP)	
		Part of exposures covered by Other funded credit protection (%)					
			Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)
		g	h	i	j	k	l
1	Central governments and central banks	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-
3	Corporates	-	-	-	-	10.3679%	-
3,1	*Of which Corporates - SMEs*	-	-	-	-	*15.1702%*	-
3,2	*Of which Corporates - Specialised lending*	-	-	-	-	-	-
3,3	*Of which Corporates - Other*	-	-	-	-	*5.9814%*	-
4	Retail	-	-	-	-	7.6548%	-
4,1	*Of which Retail -Immovable property SMEs*	-	-	-	-	*0.4758%*	-
4,2	*Of which Retail - Immovable property non-SMEs*	-	-	-	-	*0.1645%*	-
4,3	*Of which Retail - Qualifying revolving*	-	-	-	-	-	-
4,4	*Of which Retail - Other SMEs*	-	-	-	-	*22.0272%*	-
4,5	*Of which Retail - Other non-SMEs*	-	-	-	-	*6.2211%*	-
5	**TOTAL AS AT 30/06/2024**	**-**	**-**	**-**	**-**	**9.3453%**	**-**

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

Table 75 - Template EU CR7-A - IRB approach: Disclosure of the extent of the use of CRM techniques (3 of 3)

	A-IRB	Credit risk Mitigation methods in the calculation of RWEAs	
		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
		m	n
1	Central governments and central banks	-	-
2	Institutions	-	-
3	Corporates	6,612,147	6,244,149
3,1	*Of which Corporates - SMEs*	*2,840,991*	*2,555,810*
3,2	*Of which Corporates - Specialised lending*	-	-
3,3	*Of which Corporates - Other*	*3,771,156*	*3,688,339*
4	Retail	1,987,646	1,856,076
4,1	*Of which Retail - Immovable property SMEs*	*353,586*	*356,649*
4,2	*Of which Retail - Immovable property non-SMEs*	*859,342*	*788,290*
4,3	*Of which Retail - Qualifying revolving*	*10,950*	*10,956*
4,4	*Of which Retail - Other SMEs*	*599,262*	*543,415*
4,5	*Of which Retail - Other non-SMEs*	*164,506*	*156,767*
5	**TOTAL AS AT 30/06/2024**	**8,599,793**	**8,100,226**

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

		RWA
		a
1	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE PREVIOUS REPORTING PERIOD**	**8,281,988**
2	Asset size	152,283
3	Asset quality	(343,227)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(2,117)
8	Other	87,243
9	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE REPORTING PERIOD**	**8,176,170**

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

As at 30 June 2024, the value of the aggregate of risk-weighted assets subject to credit risk assessed using the “Advanced IRB” approach showed a net decrease from the value at the beginning of the period, mainly due to the effects of increased riskiness connected to the deterioration of the credit quality of part of the portfolio’s assets.

Positive residual changes relate both to any effects not computed in the preceding items of the table and to the combined effects of items measured by stand-alone analysis.

* * *

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 (art. 449-bis CRR/CRR II)

This section provides the information on environmental, social and governance (ESG) risks, including climate risks (physical risks and risk s), 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 economic activities linked to atmospheric carbon emissions and subject to critical climate change events; b) climate change mitigation and adaptation measures taken by banks to be aligned with the objectives of the EU Taxonomy of sustainable activities defined by Regulation (EU) 2020/852 ("EU Taxonomy") and to support their respective counterparties in the transition towards a carbon emissions-neutral economy.

Quantitative reporting is subject to a phase-in period with particular regard to the reporting of counterparty climate gas emissions data and a specific taxonomic alignment metric, the Banking Book Taxonomy Alignment Ratio (BTAR), designed to measure exposure to sectors of economic activity aligned with the EU Taxonomy, consistently with the targets set by the Paris Climate Agreement and the European Green Deal, the publication of which will become mandatory as of 2025 (with the first reporting date of 31 December 2024). For this disclosure as at 30 June 2024, 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 financed counterparties subject to physical and transition risk.

The new element in this reporting is the introduction of *Template 3 - Indicators of potential climate change transition risk: Alignment metrics*, a statement that presents indicators to measure efforts to align with global greenhouse gas emission reduction targets set by the Paris Agreement on Climate Change, with respect to exposures to non-financial companies operating in specific carbon-related economic sectors.

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 2023, with any updates to reflect the situation as at 30 June 2024. 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"* or *"ESG risks":* the risk of loss resulting from adverse financial effects on the institution due to the impact, present or future, of environmental, social or governance factors on the institution's counterparties or invested assets;

b. *"Environmental risk"* or *"climate and environmental risk"* or *"C&E risks":* the risk of loss 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. This definition includes both physical risk and transition risk.

c. *"Physical risk":* in the context of overall environmental risk, the risk of loss arising from the adverse financial effects on the institution due to the impact, present or future, of the physical effects of environmental factors on the institution's counterparties or invested assets. The term denotes the financial impact of climate change - including both more frequent extreme weather and atmospheric events and gradual climate change - as well as environmental degradation (e.g. air, water and soil pollution, water stress, loss of biodiversity and deforestation). Physical risk is classified as "*acute*" if caused by extreme events such as droughts, landslides, floods and storms, and "*chronic*" if caused by progressive changes such as rising temperatures, rising sea levels, water stress, loss of biodiversity, land-use change, habitat destruction and resource scarcity.

d. *"Transition risk":* in the context of global environmental risk, the risk of loss resulting from the negative financial effects for the institution due to the impact, present or future, of the transition to an environmentally sustainable economy on the institution's counterparties or invested assets; the term denotes the financial loss that an institution may incur, directly or indirectly, as a result of the process of adjustment to a low-carbon and more environmentally sustainable economy; this could be caused, for example, by the sudden adoption of climate and environmental policies, technological progress or changing market confidence and preferences, and may result in reduced profitability of companies and devaluation of assets.

e. *"Social risk":* the risk of loss resulting from the adverse financial effects on the institution due to the impact, present or future, of social factors on the institution's counterparties or invested assets.

f. *"Governance risk":* the risk of loss resulting from adverse financial effects on the institution due to the impact, present or future, of governance factors on the institution's counterparties or invested assets;

g. *"GHG (Green House Gases)":* the emissions of climate-altering gases (or greenhouse gases) attributable to a product, organisation or individual. 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.
n. *"Taxonomy":* EU taxonomy of sustainable activities. It is a common classification of economic activities that can be considered environmentally sustainable, adopted by the European Union with Regulation 2020/852 and the relevant Delegated Acts. It is designed as a tool to guide the choices of investors and companies towards a transition to economic growth without negative impacts on the environment and, in particular, climate. Economic activities considered environmentally sustainable are selected on the basis of their potential to contribute to six environmental objectives identified by the European Commission: (i) climate change mitigation; (ii) adaptation to climate change; (iii) sustainable use and protection of water and marine resources; (iv) transition to a circular economy, including waste reduction and recycling; (v) pollution prevention and control; and (vi) protection of biodiversity and eco-system health.
o. *"GAR":* green asset ratio. A key performance indicator (KPI) of a financial institution represented by the ratio of the value of credit and investment assets used to finance taxonomy-aligned economic activities to the value of total balance sheet assets.
p. *"International Energy Agency (IEA)":* an international intergovernmental organisation founded in 1974 whose objective is to facilitate the coordination of the energy policies of member countries in order to ensure the stability of energy supplies and support economic growth. In recent years, the Agency has also extended its mandate towards sustainable development, dealing with environmental protection and climate change; it has therefore taken on a role in promoting and developing alternative sources of energy, rationalising energy policies and coordinating multinational research into new energy sources.
q. *"Alignment metrics":* indicators of physical emission intensity of companies (level of GHG emissions/unit of production) relevant to the economic sector, as determined by the International Energy Agency (IEA).
r. *"IEA NZ2050 Scenario":* a forward-looking scenario defined by the IEA for achieving the global target of "net zero" greenhouse gas emissions by 2050. The climate scenario is based on the *Net Zero By 2050 - A Roadmap for the Global Energy Sector*, an ambitious global energy plan to achieve the targets for limiting carbon emissions produced and emitted into the atmosphere from energy processes (i.e. from the combustion of fossil fuels for thermal, transport and electricity generation uses) and industrial processes (i.e. from production processes in heavy industries).

Qualitative information on environmental risks

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.

At the end of 2023, the Bank's Board of Directors, as envisaged in the 2022-2025 Business Plan (the "Business Plan"), approved participation in the United Nations Environment Programme Finance Initiative (UNEP FI). This is a partnership between UNEP and the global financial sector to mobilise private sector funding for sustainable development. By participating in this initiative, the Bank also participated in two related initiatives: the Principles for Responsible Banking (PRB) and the Net Zero Banking Alliance ("NZBA"), thus reinforcing the integration of sustainability factors into its corporate strategy, with a particular focus on climate and environmental aspects.

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, updated in 2023 to reflect recent regulatory developments and governance innovations, the Bank describes how it strives to protect the environment and combat climate change by monitoring and containing the direct and indirect impact of its activities on them. 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 direct and indirect environmental impacts, with the aim of minimising any negative effects that might arise. The two policies are adopted by all Group companies.

The Bank, aware of the urgency related to environmental issues and the fight against climate change, in its 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, through its adherence to the NZBA, the Bank has begun the process of setting decarbonisation targets for its portfolios in line with the Paris Agreement on climate (2015), with the European Green Deal (2019) and with European and international best practices, which call for greater private sector commitment to climate change mitigation actions, with the goal of achieving "net zero emissions" by 2050 while identifying intermediate sectoral targets for 2030.

With the publication for the years 2022 and 2023 of the dedicated TCFD Report[10] (statement attached to the NFR), the Bank also followed the recommendations of the Task Force on Climate-Related Financial Disclosures, an international organisation aimed at encouraging companies globally to be more transparent about the financial risks and opportunities associated with climate change, committing - in line with international best practice - to internal reporting on these issues, as well as specific performance targets (KPIs).

The Bank conducts timely analyses of its carbon footprint, which is the calculation of GHG emissions attributable to its own operations and to the different business lines of which the services provided to its customers are composed. It is also engaged in projects to reduce its environmental impacts, particularly those related to its financial and credit asset portfolios (financed greenhouse gas emissions). Further information on the Bank's "GHG Inventory", the actions it has taken to reduce its carbon footprint and the first quantitative targets according to the NZBA methodology can be found in the aforementioned TCFD Report.

In particular, the NFR 2023 and the TCFD Report 2023 contain in-depth information on the preparatory activities for the definition of decarbonisation targets for the corporate loan portfolio, as well as a description of the activities necessary to identify a set of preliminary portfolio targets ("pre-target"), formulated on the basis of the methodology issued by NZBA, in order to support the Governing Bodies in making an informed and consistent commitment to the initiative. During 2024, the pre-targets undergo further elaboration, which include more in-depth analyses, to assess their relevance and refine them, with the aim of obtaining a first set of definitive targets to be submitted to the NZBA, in accordance with its methodology.

Mention should also be made of the following activities implemented so far by the Group to promote the reduction of environmental impacts:

- integration of climatic and environmental risk factors into credit processes;
- integration of climate and environmental 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;
- 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 climate-environmental impact;
  - energy upgrading of buildings;
  - energy production from renewable sources;
  - sustainable mobility projects;

[10] The Task Force on Climate-Related Financial Disclosure (TCFD) recommends the use of scenario analysis to assess climate change risks in order to obtain a clear direction towards the reduction of direct and indirect impacts of climate change. risks related to climate change, so as to obtain a clear direction towards the reduction of direct and indirect impacts. The guidelines developed by the TCFD aim to measure the adequacy of member companies' climate strategy and to support them in communicating climate-relevant aspects to the outside world in a transparent and timely manner climate-relevant aspects. The TCFD Report published by the Bank, covering the year 2023, is presented as an annex to the TCFD and available on the corporate website (https://istituzionale.popso.it/it/sostenibilita/dichiarazione-consolidata-di-carattere-non-finanziario).

- selection of funding opportunities, with reference to companies in "sensitive" sectors, through an assessment of regulatory compliance and environmental standards;
- integration of sustainability assessments into the main investment processes;
- definition of quantitative targets for ESG bonds in the proprietary securities portfolio.

For more information on the "environmental sustainability" content of the Group's Business Plan, see the "Business Plan" section of the NFR 2023 and the "Strategy" section of the TCFD Report 2023, available on the Bank's institutional website.

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

With reference to investment activity, during 2023, in line with the commitments made in the 2022-2025 Business Plan, a new ESG Investment Policy was approved. This policy document made concrete the Bank's commitment and approach to integrating environmental, social and governance factors within its investment processes in financial instruments, both own and managed on behalf of third parties. For further details, please refer to the following paragraphs and the corresponding information section in the NFR 2023.

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

By joining the NZBA, the Bank has set an ambitious course with respect to reducing its environmental and climate impacts.

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 is implementing target-setting processes in line with the requirements of the NZBA methodology 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 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;
- analysing preliminary long-term target assumptions in line with the NZBA framework.

The Bank's strategic planning is constantly being expanded 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 2023 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.

The *ESG Credit Policy* 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.

The Policy, which is currently being updated, identifies a list of ESG-sensitive sectors:

Coal mining	Electricity production from non-renewable source
Manufacturing and trade of arms	Mining (other than coal)
Gambling	Tobacco
Oil & Gas	

Some of the aforementioned sectors are identified as climate and environmentally sensitive due to the centrality of their contribution in the path towards international decarbonisation targets, in line with the Net Zero Banking Alliance (NZBA) and based on proven climate and environmental impact assessments shared by the scientific community. Others, instead, are identified as sensitive from a social and governance perspective because their activities cause or may cause harm to health and human rights.

In the credit-granting phase, the application of evaluation criteria is envisaged for these sectors, which establish intensified controls and escalation decision-making processes (i.e. the activation of higher decision-making Bodies in the event of unfavourable opinions for the structures involved) aimed at assessing the specific features of the individual counterparty - such as, for example, the adoption by the latter of an official transition plan - and the individual transaction - if, for example, it is aimed at ensuring the efficiency of production systems - and thus come up with strategies to support customers in their transition to a more sustainable business, i.e. exit strategies or downsizing of exposure.

In addition to the above-mentioned sectors, attention is also paid to transactions involving: i) counterparties resident in countries with privileged taxation and ii) counterparties resident in countries subject to international embargo/restriction of goods.

In addition, on the basis of “double materiality” principle, BPS has defined a system for classifying the ESG riskiness of debtors by means of a specific Counterparty ESG Score. This tool identifies climate-environmental risk factors (transitional and physical) and estimates their impact on counterparties from a forward-looking perspective, through the use of prospective climate scenarios and taking into consideration the financial size of customer companies.

During 2024, the Bank took steps to strengthen its credit assessment and granting processes through:

- integration of the Counterparty ESG score in the Electronic Credit Line System to support the consideration of sustainability aspects in credit assessments;
- activation of specific due diligence on the sustainability characteristics of counterparties most exposed to ESG factors;
- inclusion of the ESG Score as an additional factor in determining the decision-making body of credit proposals;

- enhancement of the loan pricing procedure by including an additional charge for counterparties with high ESG scores;
- activation, with reference to the lending practices subject to resolution by the Board of Directors, of a dedicated analysis to investigate the sustainability profile of certain counterparties selected on the basis of specific criteria.

More information is available at the following link: https://istituzionale.popso.it/it/credito-esg.

The Group is committed to developing new sustainable strategies and products, in both credit and investment, as well as to recognising the EU Taxonomy and future related regulatory provisions as an indispensable point of reference in defining its sustainability targets, supporting the green and circular economy and ecological transition processes.

Sustainable Products and Services
- “Next”: Sustainable Credit Products
- Sustainability Linked Loans
- Green Bond issue
- ESG factors embedded in financial services of portfolio management and advice
- Placement of sustainable investment products: Arca Fondi SGR and Etica SGR
- Distribution of JP Morgan and Pictet Funds
- Enhancing ESG investments in the proprietary portfolio

In investment activities, in 2023, in line with the commitments on Sustainability undertaken in the current Business Plan, the aforementioned ESG Investment Policy was approved. This policy identifies the strategic lines of integration of sustainability factors in investment processes in financial assets - both own and managed on behalf of third parties - and indicates how they are to be monitored, shared and spread. In order to define as broad and structured a scope as possible, the Policy governs the integration of sustainability dimensions in strategic areas of activity such as investment services (portfolio management and investment advice), management of the proprietary securities portfolio and the approach to the issuance of bonds with ESG connotations.

Also as part of its financial activities, the Bank carried out a thorough investigation that resulted in the selection of a qualified ESG info-provider to ensure appropriate information coverage - in particular on ESG risk exposure, 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 ESG analyses on the basis of information provided by financial applications normally used for offering its services and also examines information received directly from the producers of financial products.

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 May 2024, the Bank issued its third Senior Green Bond for 500 million euro under the EMTN (Euro Medium Term Notes) programme. The purpose of the transaction is to finance or refinance green projects as defined in the Bank's Green Bond Framework and follows a logic similar to the previous issues of July 2021 and September 2023 (https://istituzionale.popso.it/it/sostenibilita/greenbond).

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 sustainability risks and the consideration of major negative effects on sustainability factors into its investment decisions, more closely tailoring its products and services to customers' changing needs. In the securities portfolio management service, the integration of ESG factors has been implemented, especially in the definition of specific management lines that favour sustainable, socially and environmentally conscious growth.

Regarding the internal implementation of the green asset classification defined by the EU Taxonomy, the Bank published the eligibility and alignment disclosure pursuant to Article 8 of Regulation (EU) 2020/852 in its NFR 2023. According to the regulatory changes that become available from time to time, projects are being carried out with the aim of exploiting the information that the Taxonomy requires be collected directly from counterparties by a financial intermediary or by means of external info-providers. The Bank and its Group affiliates understand 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, recognise the green 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

With the aim of increasingly integrating Sustainability into its own business, the Bank has adopted an "ESG Governance" system that involves the interaction of various bodies dedicated to the supervision and management of these issues and their impacts. As envisaged in the Business Plan, in 2023 ESG Governance was further strengthened, thanks above all to the establishment of the Board Sustainability Committee, which, in line with the provisions of supervisory regulations (Circular No. 285 of 17 December 2013, Part One, Title IV, Chapter 1, Section IV), is composed of three Directors, all non-executive, and at least one of whom is independent. The Sustainability Committee performs a support function for the Board of Directors in an investigative, advisory and propositional role in the assessment of social and environmental sustainability factors deemed fundamental to the Bank's medium- to long-term strategy and their translation into its policies;

The distribution of roles and responsibilities as set out in the *Sustainability Policy* of the Group 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 NFR and the main policies within its sphere of competence;
- 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

A collegial body which:

- Examines and assesses the contents of the Group Sustainability Policy and the related strategies drawn up by the structures and the Sustainability Management Committee;
- Reviews and assesses the consistency of the Bank's other policy documents with its sustainability objectives in light of relevant national and international regulations, standards and practices;
- Provides support to the other Board Committees on the reflections of sustainability issues with reference to the specific competences of each, in particular in risk and opportunity analyses, remuneration policies, training and succession plans;
- Assesses, including from a proactive perspective, the integration into the Business Plan 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;
- Examines in advance the reporting and documentation to be submitted to the Board of Directors for decision-making.

Sustainability Management Committee

- 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 materiality. Furthermore, it examines the NFR and the accompanying TCFD Report and makes any comments and suggestions submitted to the Sustainability Committee;
- 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;
- The Chairman (Chief Financial Officer) informs the Sustainability Committee of the work carried out at each meeting, making available minutes and working documents, if requested.

Control and Risk Committee

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

In line with the General Climate and Environmental Risk Regulation:

- 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 Department

Situated within the Planning, Investor Relations and Management Control Service (Chief Financial Officer Governance Area):

- 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");
- Looks after the Bank's relations with Third Sector entities, proposing initiatives particularly aimed at local communities, assessing their social and environmental aspects;

- Supports the Sustainability Management Committee:
  i. in identifying the initiatives to be implemented;
  ii. in the operational management of ESG issues in accordance with the Business Plan;
  iii. 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 BoD, management and staff, aimed at ensuring appropriate dissemination and awareness of ESG issues and related risks, with particular focus on climate and environmental risks.

Operating ESG contacts

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. In 2023 in particular, *ad hoc* training sessions were delivered to the BoD on the subject of:

- European Taxonomy and the role of the Bank;
- Overview of ESG regulations, with focus on the Corporate Sustainability Reporting Directive ("CSRD");
- Target Net Zero: the path of BPS.

During 2024, training meetings are planned that focus on the integration of sustainability in the credit policy framework and on new developments in the ESG Risk Management area.

The Sustainability Policy defines a reporting system according to which the Board Sustainability Committee, supported by the Sustainability Management Committee and the Sustainability Department, handles reporting and related documentation to be submitted to the Management Body for decision-making on ESG issues.

The process of reporting climate- and environment-related issues to the BoD also involves sessions during which the Chief Risk Officer presents members of the Board with reports on ESG risk trends in the Group's operations and business portfolios, with a focus on climate and environmental risk factors.

During the first half of 2024, the Board held several meetings and took resolutions on climate and environmental issues. In particular, the following were submitted to the Management Body:

- the approval of the NFR 2023;
- the approval of the TCFD Report 2023 in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures;
- specific ESG analyses dedicated to the lending practices falling within the decision-making powers of the Board of Directors, in order to investigate the sustainability profile of certain counterparties selected on the basis of specific criteria, through the drafting of a specific report supplementing the ESG Score assigned to the applicant;
- the approval of the results of the ICAAP and ILAAP as at 31 December 2023, supplemented with specific analyses of the potential impacts of climate and environmental risks on the Group's capital and liquidity position;
- periodic alignments and in-depth reviews of the progress of the activities stated in the project plan aimed at ensuring, over a multi-year horizon, the gradual adaptation to the expectations dictated by the ECB in its "Guidance on climate-related and environmental risks";
- the sharing of specific methodological additions aimed at refining the algorithms and processes for attributing the counterparty ESG Score;
- the reports on the exposure to environmental, social and governance risk variables of banking portfolios (lending and financial investments on own account) following a revision of the structure and graphic formats, as well as expansion of the information content, compared to the previous version of the report (e.g. introduction of specific views on ESG drivers capable of impacting operational, legal and reputational risk profiles);
- specific proposals to strengthen the RAF system for monitoring ESG risks, with particular attention paid to climate-related and environmental factors, by evolving and integrating new quantitative indicators assumed in the Group's risk appetite schemes.

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.

The “Strategy” section of the TCFD Report delves into corporate strategic planning is constantly 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 expanding its business, credit and financial planning model with the aim of capturing the specificities linked to the possible occurrence of medium-long term climate-related risks and opportunities (e.g. by complying with the requirements of international initiatives to which the Bank has adhered, particularly with regard to the definition of decarbonisation targets of lending and abatement of financed greenhouse gas emissions), 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 and physical risk on the Bank’s prospective capital and economic situation of the Group. The evolution of the framework is focusing, in the first instance, on climate-related aspects and will include an estimate of the impacts that transition and physical events may generate on the Bank’s future operations, evaluated under different assumptions of 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.

In particular, in order to monitor the progress made towards aligning its lending activities with the targets set by the Paris Agreement on Climate Change, the Bank, as a member of the NZBA, has made a commitment to significantly stepping up its efforts to measure its degree of alignment to the 2050 “net zero emissions” target and supporting a science-aligned energy transition to a low-carbon economy.

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 NFR and 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 *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 development strategy and their translation into its policies. In its activities, it also supports the other Board committees in the integration of the Business Plan and the overall processes of integrating sustainability into the corporate strategy.

The *Sustainability Management Committee*'s main role is to coordinate the organisational structures of the Bank and its subsidiaries with the aim of ensuring compliance with the sustainability guidelines set by the BoD. It coordinates activities aimed at identifying sustainability issues potentially relevant to the company's dynamics; it examines the NFR and TCFD Report, making any comments and suggestions to be forwarded to the Board Sustainability Committee.

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.

For further information, see the section "Governance" (Introduction: ESG Governance) under "Qualitative information on environmental risk".

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 of the company 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 subsidiary's Investment Department, dedicated to studying the issue in all its aspects and particularly focused on product innovation and investment processes. In addition, two specific working groups have been created: the *Credit Working Group*, in charge of regulatory adjustments in the area of credit and mortgage advice (e.g. SBA regulatory impact on mortgages), and the Investment Working Group, in charge of assessing ESG aspects that can be implemented on managed products (e.g. provision of ESG data and assessments).

h. Information on how environmental risks are included in the framework and internal reporting, as well as information on the frequency of internal reporting and information exchange on such risks.

Banca Popolare di Sondrio adopts a system of regular disclosure and reporting on ESG risk issues, with a focus on climate and environmental risks, which involves a dialogue between various competent bodies and functions. In particular:

- *Board Sustainability Committee:* takes care of the reporting and documentation to be submitted to the Board of Directors for decision-making;
- *Sustainability Management Committee:* the Chairman (Chief Financial Officer) informs the Sustainability Committee of the work carried out at each meeting, making available minutes and working documents;
- *Sustainability Department:* supports the Sustainability Management Committee:
  - in identifying the initiatives to be implemented;
  - in the operational management of C&E issues in accordance with the Business Plan;
  - in the periodic monitoring and reporting of initiatives.
- *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 examining the contents of the NFR and the *TCFD Report*, for the purpose of preliminary investigation with respect to the subsequent scrutiny and approval by the BoD.

To support ESG risk monitoring and control processes - with a focus on climate and environmental risks - as well as for a robust and reliable decision-making process, the Bank's CRO Area also prepares specific internal reports aimed at documenting, upon request or with predefined frequency, the risk analyses and measurements performed, reporting the results of its activities to the competent bodies and functions through specific disclosures and reports. For these issues, the CRO Area interfaces, in particular, with the management and board Committees responsible for risk and sustainability. At the top management level, the Board of Directors and the Control and Risk Committee are informed on a quarterly basis of trends in exposure to C&E risks through the production of specific reports (ESG Report) aimed, among other things, at monitoring the types and levels of significance of physical and transitional factors relevant to each of the main traditional banking risk categories potentially impacted.

i. Inclusion of environmental risks in the remuneration policy and related criteria and metrics used to determine the impact of environmental risk considerations on variable remuneration.

The remuneration and incentive mechanisms are 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 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 intent 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 by the Shareholders' Meeting of 27 April 2024 provided for both an evolution and refinement of the set of KPIs considered in determining the variable remuneration, aimed at ensuring the alignment between performance evaluation metrics and the Bank's strategic priorities, and an increase in the weight of ESG metrics, consistently with the Group's commitment to sustainability issues.

In particular, the main changes introduced for 2024 concern the refinement of ESG objectives for short-term remuneration policies, by means of:

- the redefinition of short-term objectives in the light of the medium-term strategy (2025) and the results achieved in 2023;
- the introduction of quantitative targets within the commercial budget, in anticipation of the future inclusion of specific decarbonisation targets compatible with the NZBA methodology;
- increasing the relative weight given to ESG objectives in the calculation of the level of performance achieved, through:
    - the doubling of the weight of ESG targets from 5% to 10%;
    - the consequent reduction in the weight of quantitative economic and financial indicators (with reference to Group metrics);
- the replacement of the "achievement of ESG training hours" parameter with the "completion of the Diversity and Inclusion Operational Plan".

By contrast, the provisions concerning the long-term remuneration mechanism introduced in 2023 remain unchanged. Specifically, the following sustainability variables are taken into account for long-term remuneration policies for top management:

- ESG rating: ensure a strong ranking of the Bank in the Standard Ethics sustainability rating and the CDP (Carbon Disclosure Project) climate rating score;
- ESG Credit and Finance: expand ESG product offerings and volumes;
- ESG issues: intensify ESG funding activity by issuing new green bonds and social bonds;
- CO_2 emissions: reduce the quantity of direct (Scope 1) and indirect (Scope 2 and 3) atmospheric greenhouse gas emissions;
- ESG initiatives: participate in international initiatives related to environmental and social sustainability;
- ESG training: integrate sustainability issues into corporate training programmes in a comprehensive, cross-cutting manner.

In general, the Remuneration Policies currently in place help to encourage conduct that is consistent with the guidelines set out in the Business Plan, strengthening the existing mechanisms of management accountability and transparency towards investors and markets, through

- the strengthening of the link between the sustainable success of the Group, individual management performance measurement and remuneration, through:
    - broadening the scope of the quantitative and objective metrics considered in the determination of variable remuneration of managers (excluding Heads of Control Functions);
    - selection of both short-term and long-term performance metrics (KPI), 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 and specific sustainability goals are considered in determining short-term and long-term variable remuneration.

More in-depth information on the Remuneration Policies applicable to members of the governing bodies and senior executives (managers) of the Group, as well as on the remuneration determination process and the annual total remuneration ratio, can be found on the Bank's institutional website 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 governance, monitoring and management framework, the Bank identifies the following reference time horizons:
- *short term*, from 0 to 3 years;
- *medium term*, from 3 to 6 years (by the year 2030);
- *long term*, from 6 to 30 years (by the year 2050).

Time horizon		Rationale of choice
Short term	*Less than 3 years*	■ Time horizon defined to ensure consistency with RAF and ICAAP/ILAAP analysis forecast interval
Medium term	*More than 3 and less than 6 years*	■ Time horizon defined consistent with the Bank's further climate-environmental initiatives (e.g. short-term NZBA targets, Bank climate planning and strategies) ■ Horizon defined to set the observation point back to 2030, considered an important junction of the climate transition (e.g. EU target of 55% net GHG reduction, verification of target sustainability through EBA "*Fit-for-55*" exercise)
Long term	*More than 6 years, up to 2050*	■ Year 2050 identified as the end point of the long-term horizon for consistency with the global decarbonisation targets of the Paris Agreement and the Net Zero 2050 climate scenario ("orderly transition") ■ Consistency with the time horizons envisaged in the Bank's further climate-environmental initiatives (e.g. future NZBA targets, climate planning and strategies)

These time horizons are used across the board in the forward-looking processes of estimating the materiality metrics of climate and environmental risks, as well as in the analyses of quantifying the impacts of such risk profiles on the current and prospective adequacy of the capital position (ICAAP) and the liquidity situation (ILAAP). For more information on the integration of the short-, medium- and long-term effects of climate-environmental factors and risks into risk management systems and Risk Appetite Frameworks, see points l, n, o and q below in this section "Risk management".

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

The Bank has developed its systems to monitor ESG risks, and in particular climate-related and environmental risks, on the basis of the principles defined by international best practices and the guidelines issued by the competent Supervisory Authorities. In particular, the framework of reference norms, guidelines and standards includes, among others:

- European Parliament Resolution of 29 May 2018 on Sustainable Finance;
- *Action Plan on Sustainable Finance* of the European Banking Authority (EBA) of 6 December 2019;
- Regulation (EU) 2019/2088 (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 (Taxonomy Regulation) of the European Parliament and of the Council of 18 June 2020, with the annexed Delegated Regulations:
  - Delegated Regulation (EU) 2021/2178 on how to calculate KPIs for disclosure under the Taxonomy;
  - Delegated Regulation (EU) 2021/2139 on technical screening criteria for activities under the Climate Change Mitigation and Adaptation objectives;
  - Delegated Regulation (EU) 2022/1214 concerning the integration of Delegated Regulation (EU) 2021/2139 with regard to gas and nuclear activities;
  - Delegated Regulation (EU) 2023/2485 amending the technical screening criteria for the first two climate targets in Delegated Regulation (EU) 2021/2139;
  - Delegated Regulation (EU) 2023/2486 amending Delegated Regulation (EU) 2021/2178, supplementing the technical screening criteria for the four additional environmental objectives;
- 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 (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);
- EBA *Report on the role of environmental risks in the prudential framework* (EBA/REP/2023/34);
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU with regard to corporate sustainability reporting (CSRD);
- Decree No. 434 of 21 December 2023 of the Ministry of the Environment and Energy Security - National Climate Change Adaptation Plan;
- Regulation (EU) 2023/956 of 10 May 2023, which established the Carbon Border Adjustment Mechanism (“CBAM”);
- Regulation (EU) 2024/1991 of 24 June 2024 on nature restoration and amending Regulation (EU) 2022/869;
- UNEP FI *Guidelines for Climate Target Setting for Banks*, guidelines developed by the signatories of the UNEP FI *Principles for Responsible Banking* commitment;

- *Science Based Targets, Financial Sector Science-Based Targets Guidance;*
- Recommendations of the *Task Force on Climate-related Financial Disclosures* (TCFD);
- *Partnership for Carbon Accounting Financials* (PCAF).
- *Green Bond Principles - Voluntary Process Guidelines for Issuing Green Bonds* (2021) of the International Capital Market Association ("ICMA").

In 2024 the Bank participated in the important *Carbon Disclosure Project* (CDP) initiative in continuation of 2022 and 2023, and, following its previous adherence to the recommendations of the *Task Force on Climate-Related Financial Disclosures*, published its second TCFD Report as an appendix to the NFR 2023, providing the public with climate-related risk reporting on the four main thematic areas: governance, strategy, risk management and metrics and targets.

The internal regulatory framework, developed in line with the above-mentioned regulations, is arranged into policies and regulations that provide principles and guidelines, as well as documents of a more operational nature.

- Sustainability Policy: defines the principles, guidelines and relevant sustainability issues that are identified, implemented and monitored in order to take into account the interests of all internal and external stakeholders, with a view to continuous development.
- Environmental Policy: illustrates the Group's approach to managing environmental issues, aimed at gradually reducing the direct and indirect impacts generated on the environment and climate.
- ESG Credit Policy: identifies the Group's general approach and principles in integrating ESG factors into the credit granting and monitoring process.
- Regulation on the definition of credit policies: governs the rules and procedures for defining and applying the credit policy framework, while taking ESG elements into account.
- ESG Investment Policy: identifies the Group's commitment and approach to integrating ESG factors into investment processes.
- General climate and environmental risk regulation: describes and formalises the general principles and essential application lines inherent in the climate and environmental risk management process.
- Guidelines for assessing the materiality of climate and environmental risks: formalises and describes the process, roles and responsibilities, and methodological principles defined for conducting materiality analyses of climate-related and environmental risks.
- Methodological documentation on ESG scoring: describes the rules for the development, management and maintenance of logics and tools for assessing the current and prospective positioning of financed counterparties with respect to ESG aspects, through the attribution of a specific scoring system.

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

The internal regulatory framework just described governs the principles inherent in the systems and controls, subject to continuous refinement, for the management and control of climate and environmental risks, defined in line with the overall internal control framework, so as to have a holistic view of the impact on "traditional" risk profiles. These systems and controls 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;
- the adoption of appropriate systems for the identification and analysis of relevant regulatory developments relating to environmental sustainability factors.

The aspects inherent in each of the phases of the overall systems for the management of climate-related and environmental risk are described in more detail in the following paragraphs.

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 (C&E) change, physical and transitional risks that may directly or indirectly affect the business context and profitability. The materiality of these risks, understood as their capacity to influence the sustainability of current and future company returns and liquidity position, is normally analysed on an annual basis, by adopting data and techniques subject to refinement on the basis of the most advanced practices available and the indications provided by the Supervisory Authorities. To this end, the Bank uses specific tools and metrics as well as specific methodologies for conducting analyses to identify and map its exposures to environmental risk factors.

As a general rule, the Bank considers C&E risk factors as determinants capable of affecting the exposure to existing banking risks and not as additions to the typical scope of risks that can potentially be assumed. The level of materiality is therefore detected, from a financial standpoint, in relation to the possible influence of physical and transitional risks on traditional risk categories, thanks to a structured mapping of the transmission channels by which they could propagate in the event of materialisation.

In identifying the most relevant C&E risk factors, the Bank takes as a reference the expectations contained in the "Guide on climate-related and environmental risks", a document published by the European Central Bank in November 2020, which summarises and defines in detail the drivers and risk factors arising from climate change and deteriorating environmental conditions. All the factors indicated by the ECB are classified by the Bank as potentially relevant to its business model; the elements identified are updated from time to time on the basis of developments in scientific knowledge and the regulatory framework.

In particular, as already mentioned in previous sections, two main risk drivers fall under C&E risks:

- transition risk
- physical risk

The following overview table summarises the C&E risk factors considered relevant in connection with the aforementioned drivers, according to the classification dictated by the Supervisory Authority:

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 C&E risk factor, the diagram below explains the transmission channels through which these factors may manifest themselves within the traditional banking risk categories.

ESG Risk driver	Transmission channels (non-exhaustive)	Banking risk
Environmental	■ Lower profitability	■ Credit risk ■ Market risk ■ Operational and reputational risk ■ Liquidity risk ■ Strategic risk
Physical risks: ■ Acuto ■ 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	

For conducting financial materiality analyses of C&E risks, specific methods are defined to identify the levels of significance of exposure to C&E risk factors according to the traditional risk types potentially impacted. 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 geographical areas, economic sectors and property energy classes);
- 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 suppliers' production activities).

The process of identifying the materiality of climate-environmental risk sources for the Bank's business and operating model consists of the following sub-phases:

a. mapping of C&E risk factors and transmission channels through which physical and transitional drivers can propagate their impacts on exposure to the banking risks analysed;
b. identification of traditional risks potentially impacted by the effects generated by exposure to C&E risk factors;
c. definition of distinct time horizons and different dimensions of C&E analysis.

The Bank identifies four different C&E risk profile assessment clusters (analysis dimensions):

a. clusters of economic sectors;
b. geographical areas;
c. individual significant counterparties (debtors, issuers of securities in the portfolio, suppliers, etc.);
d. energy consumption of own and third-party real estate.

The analysis includes:

- a preliminary materiality assessment of C&E factors, i.e. a holistic pre-examination, based on studies of a scientific nature, of the characteristics of vulnerability to climate-environmental risks of each dimension of analysis in the forecast time horizons considered; if this assessment is positive, the degree of materiality of climate-environmental effects is investigated for each cluster considered and in the defined time horizon;
- selection of C&E analysis metrics and tools useful to capture and assess each individual transmission channel through which C&E risk factors may manifest themselves;
- conducting financial materiality assessments of the potential impact of C&E factors for all traditional risk categories analysed.

In fact, the identification of the most significant transition factors makes it possible to understand and quantify in a financial sense their negative impacts on the business context, in the short, medium and long term, also with a view to orienting strategic choices and ensuring the resilience of the business model pursued.

In the last quarter of 2023 the measurement of the degree of materiality of physical and transitional factors was performed for the following types of traditional banking risks:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk (including litigation and legal liability risks)
- Reputational risk
- Strategic and business risk.

Materiality analyses share the following general elements.

- The impacts of physical and transitional risk factors are investigated prospectively through the application of the Net Zero 2050 climate scenario (so-called "orderly transition"), an ambitious scenario limiting global warming to +1.5°C by 2050 through the immediate and orderly introduction of strict climate-related and innovation policies.
- For the analysis of traditional risks involving business portfolios, the concentration and qualitative composition of the Group's portfolios or business segments over the three defined time horizons are assumed to be constant, in order to investigate the existing riskiness without the influence of possible prospective recomposition effects.

- The materiality levels of C&E risk factors are analysed according to a bottom-up approach, i.e. starting from the highest possible level of detail (e.g. units of analysis represented by individual counterparties, financial instruments, real estate units, etc.) with successive aggregations of riskiness at the level of the clusters and dimensions of analysis considered.
- C&E risk is investigated, except where expressly specified, without considering the effects of any mitigation and active management of vulnerabilities to physical and energy transition risks implemented or planned by the Group and its counterparties.

For each banking risk analysed, the detection of the materiality of the impact of physical and transitional factors is based on various tools and metrics capable of detecting the significance of C&E factors that may manifest themselves in the relevant context, through specific transmission channels.

The estimation of the material scope of C&E risk factors, in accordance with the traditional risk assessment, calls for risk exposure to be classified according to the following categories:

Materiality level
Minimum
Low
Medium
Medium-high
High
Very high

"Material" means climatic and environmental factors characterised by a rating of Medium, Medium-High, High or Very High materiality with respect to the units of analysis considered.

For more information on the processes for identifying relevant climate and environmental (physical and transitional) risks, on the methodological criteria and tools adopted for estimating the materiality of these risk factors in relation to the Banking Group's traditional risk types, and on the outcomes of the latest materiality analyses conducted, see the chapter "Risk management", section "Identification of climate and environmental risks and materiality analysis" of the TCFD Report 2023.

In view of the annual review of the level of materiality of exposure to C&E risks scheduled for the second half of the current year, the Bank is defining precise elements of methodological evolution, as well as envisaging the integration of additional and specific dimensions of analysis, also in order to comply with the emerging provisions on "double materiality" analysis provided for by the Corporate Sustainability Reporting Directive (CSRD), with particular regard to the so-called "financial materiality".

The Bank periodically measures and monitors the evolution of its exposure to C&E risk factors in order to intercept potential changes in the risk profile and to identify critical issues or abnormal trends, in terms of the probability of occurrence, number or intensity of expected impacts. The process is carried out through the analysis and determination of objective and measurable indicators, referring to the different types of traditional risks impacted, which, with different granularity and specificity, make it possible to examine the possible exposure that the Bank must face in the conduct of its business activities. These metrics, associated with specific, progressive risk limits, integrate 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.

In order to report on the results of this monitoring, a special direct reporting system has also been defined in order to represent, on a quarterly basis, to the corporate governance Bodies the dynamics of the riskiness of the Bank's business portfolios and operations from the perspective of the incidence of ESG factors, with particular attention to climatic and environmental 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 internal limits set, 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 and its entities, or in the specific internal regulations on the management of the risk cases impacted.

The overall C&E 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.

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

Any critical issues recognised in the processes of identifying, assessing and measuring climatic and environmental risks, as well as in the periodic monitoring of the degree of exposure, trigger specific mitigation actions. Such situations may occur, in general, as a result of the periodic measurement of the performance of C&E risk indicators (KRIs), where these indicate an excessive exposure to physical or transitional risks in relation to established limits.

In this report, the Bank defines a set of possible management tools and actions to contain and reduce its exposure to C&E risks in the various business lines impacted. Mitigation initiatives are specifically defined according to the traditional types of risk within which climatic and environmental factors tend to manifest themselves.

With particular regard to relevant C&E risks in the context of **credit risk** exposure, the following mitigation actions may be taken, among others:

- activation of centralised deliberative procedures and single-name in-depth analyses as part of the "ESG Due Diligence" process, used to grant loans to assets and/or counterparties with a high exposure to C&E risk factors; this process is carried out by collecting detailed information to make a precise assessment of customers from a C&E perspective by filling out a dedicated internal ESG questionnaire, supplementing the risk classification resulting from the assignment of specific ESG scoring calculated with a statistical model;
- offering specific financing products (e.g. "Next" line of sustainable products and other forms of green lending) aimed at fostering the process of improving the climate-environmental profile of customers (corporate and consumer households), supporting their adaptation to the transition to a low-carbon emissions economy;

- performance of strengthened controls at the preliminary investigation and credit granting stage and application of Positive Screening, Build out or Negative Screening criteria based on the debtor's sector (e.g. sectors particularly exposed to risks deriving from climatic factors) or based on the specific characteristics of the counterparty and/or the transaction;
- introduction of specific climate-environmental performance measurement clauses (e.g. green covenants) in contractual agreements with customers in the presence of new credit lines in favour of counterparties more exposed to C&E risk factors.

In order to add further actions in continuity with those mentioned above, the Bank is strengthening its C&E risk mitigation framework along several lines of action. In particular, it is:

- assessing specific solutions to mitigate the consequences of the manifestation of physical risks that may affect real estate acquired as collateral for loans, such as: i) promoting insurance policies against weather threats to which mortgaged real estate is exposed, and ii) adopting systems to promote the mitigation of physical weather risk on vulnerable real estate (DNSH), in line with the requirements of the EU Taxonomy;
- defining a set of GHG emission reduction targets financed up to 2050, accompanied by a set of intermediate targets up to 2030, for "carbon-related" sectors; the definition of these portfolio targets is a consequence of the Bank's desire to play a role as a promoter in the ecological transition towards low-carbon business models and, further, in view of the commitment made in joining the Net Zero Banking Alliance (NZBA) initiative;
- implementing direct engagement strategies for customers most exposed to C&E risk factors, to raise awareness and establish a productive dialogue with these counterparties.

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 in order 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 C&E 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 C&E risk metrics enhances the Group's ability to respond to the challenges of the transition to a carbon-neutral economy or to individual physical events that may impact the Group's typical operations, counterparties or asset portfolios, and to take mitigating measures on such impacts in a timely manner.

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

The Bank has defined appropriate tools and methodologies to carry out assessments of the C&E risk profile of sectors, geographical areas, counterparties and investment activities.

Below is a synoptic overview of the assessment tools currently used by the Bank to determine the extent of its exposure to C&E (physical and transitional) risks for the main "traditional" risk types impacted.

Credit risk		
Tool	**Description**	**Use**
ESG scores of counterparty and individual components	Risk metric that the Bank has developed internally to identify the level of exposure of its credit customers to ESG risk factors. Additional individual counterparty and/or portfolio climate metrics (e.g. WACI, financed emissions, carbon intensity) are also derived from the elementary data used to determine the score	■ Credit granting process ■ Credit pricing ■ Definition of credit policies (Single Name) ■ RAF ■ Materiality analysis of C&E risks ■ ESG reporting
ESG heat map	A tool developed at sector level to identify the potential risk of ESG factors linked to the Bank portfolio in relation to the 17 Sustainable Development Goals (SDGs) established by the United Nations	■ Credit granting process (in the absence of counterparty ESG scores)
C&E risk quantification metrics	Metrics for measuring impacts on traditional credit risk parameters through C&E risk transmission channels	■ 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).

The first of the two assessment perspectives is the focus of the counterparty ESG scoring system developed by the Bank according to an internal calculation methodology. During the first half of 2024, the Bank evolved its proprietary ESG risk classification model; in particular, the methodological evolution followed three specific directions:

- the enhancement of the quantitative model for analysing the climate and environmental dimension: in the new configuration, the modelling solution, fed by both internal data and external information sources, incorporates into a more complex calculation algorithm the transitional and physical risk factors to which a debtor is exposed and processes them through a metric of potential risk accretion that uses prospective climate scenarios and information on the volumes of pollutant gas emissions associated with each counterparty's activity, as well as on the geo-referencing and energy efficiency of the real estate assets taken as collateral. The model takes into account a "balance-sheet like" projection of the possible impacts of these factors on the trends in the financial size of borrowers;
- the expansion of the coverage level of the statistical valuation model: the scope of application - already previously high - was further extended to all non-financial corporations in the portfolio, as well as to the segment of private individuals with exposures backed by real estate collateral;
- integration of the Social and Governance dimensions of analysis: the classification system was further strengthened by including specific indicators of sensitivity of the financed entities to Social and Governance issues, acquired through the use of specialised external data providers.

As previously mentioned, the elements relating to the climate and environmental component of the new ESG risk classification system are assessed prospectively through the use of forward-looking climate-related scenarios or hypotheses, representative of the possible evolution of the individual counterparty's transition risks over short, medium and long term horizons, with differentiation assessments at geographic and/or sectoral level. In particular, some of the climate-related scenarios developed and proposed by the NGFS[11] on different time intervals of analysis are adopted:

- "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;
- "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.

The quantitative approaches and methodologies applied in defining the ESG scoring system are also instrumental in integrating ESG elements into the IFRS 9 framework for the determination of loan impairments for accounting purposes.

Market risk		
Tool	**Description**	**Use**
Environmental Rating (E Rating)	Useful tool to provide an overall judgement on the issuers of the securities in the portfolio with regard to climate-environmental issues (physical and transition risks)	■ ESG reporting ■ RAF
Quantification of greenhouse gas emissions	Carbon footprint and weighted average carbon intensity (WACI) of the securities portfolio	■ ESG reporting ■ RAF
Analysis of portfolio alignment	A tool to measure the alignment of the securities portfolio with climate targets used to monitor the degree to which the global warming containment goals of the Paris Climate Agreements are being met	■ ESG reporting
Forward-looking climate scenarios (CVaR)	Quantification of the potential prospective financial impact on the securities portfolio, in terms of the change in present value (Present Value delta), that would occur in certain climate scenarios	■ ESG reporting ■ Materiality analysis of C&E risks ■ RAF ■ ICAAP

[11] 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.

The ***Environmental Rating*** is a metric acquired from qualified service providers to provide a rating of the issuers of financial instruments in the portfolio with regard to climate and environmental issues. The rating estimation methodology, differentiated for Corporate and Government issuers, is based on an analysis of specific points of attention (Key Issues) defining the C&E profile of the rated entity, each of which pertains to a particular thematic area (Theme). The following are the relevant themes investigated for the formulation of the environmental rating:

Corporate	Governmental
■ Climate change ■ Use of natural resources ■ Pollution and waste management ■ Environmental opportunities	■ Natural resource management ■ Environmental externalities and vulnerability to external events

The **quantification of greenhouse gas emissions** of financial instrument portfolios exposed to market risk is carried out on the basis of the following metrics recommended by the TCFD and the Partnership for Carbon Accounting Financials (PCAF):

- the *financed emissions* (Carbon footprint), representative of the amount of greenhouse gas emissions attributable to a given portfolio, or its sub-aggregates, through the share of investment in the issuers of the securities held;
- the *Weighted Average Carbon Intensity* (WACI), an indicator measuring the exposure of a given portfolio, or its sub-aggregates, to issuers with high levels of greenhouse gas emissions relative to their volume of assets.

Portfolio alignment analyses are conducted by means of tools made available by external service providers that enable targeted analyses of the Bank's portfolio of financial assets that aim to measure the alignment of a given portfolio, or its sub-aggregates, to global climate targets. These tools for analysis are used to monitor the degree to which the global warming containment targets of the 2015 Paris Climate Agreements inherent in the current composition of the proprietary investment portfolios are being met.

The prospective impacts on securities portfolios arising from climate and environmental risks are investigated through the use of the **Climate VaR (CVaR)** tool (for more details on this methodology, see the chapter "Risk management", section "Identifying climate and environmental risks and materiality analyses" of the TCFD Report 2023). The CVaR model, which is differentiated between Corporate and Government issuers, makes it possible to quantify the potential financial impact, expressed in terms of the change in the current value of securities (Present Value delta), that would occur in a given climate scenario. The provider, on the basis of the transition scenarios published by NGFS, provides multiple assessment scenarios using different Integrated Assessments Models (IAMs). However, the Bank, consistently with other C&E impact analysis frameworks, decided to focus its analysis on the following three NGFS scenarios:

- "Net Zero 2050" scenario
- "Delayed Transition" scenario
- "Current Policies" scenario.

For more details on assessment tools relevant to market risk, see the chapter "Risk management" (section "Measuring and monitoring climate and environmental risks") of the TCFD Report 2023.

Liquidity risk

In general, the Bank monitors its expected liquidity position by conducting differentiated stress tests involving, with effect from 2023, a specific scenario based on climate risk manifestation events.

On the basis of the results of materiality analyses of the C&E factors relevant to liquidity risk, which identified significant impact forecasts in relation to funding liquidity risk, the potential effects of the occurrence of acute physical risk events, on which this analysis focuses, were investigated. Among the many threats considered (e.g. forest fires, landslides, droughts, storms and cyclones, etc.), landslides were of particular relevance to the Banking Group's depositors as a whole and, specifically, to those in the province of Sondrio, the Parent Company's base of operations.

The expansion of the internal stress test framework on liquidity risk profiles with the addition of a simulation scenario dedicated to landslide events and their effects in terms of liquidity outflows was divided into two stress drivers: the run on branches related to retail funding and the unexpected drawing of credit facilities granted to the corporate segment and still available.

For more details on assessment tools relevant to liquidity risk, see the chapter "Risk management" (section "Measuring and monitoring climate and environmental risks") of the TCFD Report 2023.

Operational and reputational risks

<table>
<tr><th colspan="3">TOOLS</th><th></th></tr>
<tr><th colspan="2">Risk category</th><th>Description and scope</th><th>Use</th></tr>
<tr><td rowspan="3">Operational risk</td><td>Litigation risk</td><td rowspan="2">Collection of current and prospective (short-, medium- and long-term) scores of exposure to physical risk threats (acute and chronic):
a. real estate assets of the Group and EIF suppliers* based in the EU: external data provider methodology
b. real estate assets of the Group and EIF suppliers based outside the EU: ThinkHazard! open-source tool methodology</td><td rowspan="2">■ Materiality analysis of C&E risks
■ ICAAP</td></tr>
<tr><td>Other operational risks</td></tr>
<tr><td>Legal liability risk</td><td rowspan="2">Collection of current and prospective (short-, medium- and long-term) scores of exposure to transition risk threats:
c. credit counterparties: scoring methodology developed in-house
d. EIF suppliers: external data provider methodology</td><td rowspan="2">■ Materiality analysis of C&E risks</td></tr>
<tr><td colspan="2">Reputational risk</td></tr>
</table>

* EIF: Essential and Important Functions.

a. Physical risks: real estate assets of the Group and EIF suppliers based in EU territory

The scores representing the levels of physical risk, broken down by reference time horizon (actual/future), are calculated by a leading external data provider on the basis of a proprietary methodology focused on the joint analysis of the local dangerousness of the property and the sectoral vulnerability of the property owner.

b. Physical risks: real estate assets of the Group and EIF suppliers based outside the EU

The public domain scores of the *ThinkHazard!* tool, available with a detailed geographic view (e.g. province / canton) specific to identified physical risk threats, are associated with five risk exposure classes and fed back into the overall rating scale, on the basis of which qualitative materiality levels are defined for individual physical risk threats.

c. Transition risk: credit counterparties

The methodological approach for credit counterparties is based on the evidence on the impacts of climate transition risks provided by the ESG scoring system for counterparties, broken down by short-, medium- and long-term horizon, developed internally by the Bank.

d. Transition risk: EIF suppliers

The assessment methodology for EIF suppliers' exposure to transition risks relies on the counterparty transition score calculated by a qualified external info provider on the basis of the following components: i) transition scenarios; ii) macroeconomic determinants provided by the NGFS; and iii) modelling of the incidence of transition risk for each transmission channel (business revenues, investments and costs).

For more details on assessment tools relevant to operational and reputational risk, see the chapter "Risk management", section "Measuring and monitoring climate and environmental risks" of the TCFD Report 2023.

On the basis of the provisions expressed by the ECB in Expectation 11 of its "Guidance on Climate and Environmental Risks", as well as on the basis of evidence from assessments of the materiality of C&E risks, the Bank has incorporated C&E risk factors into its internal capital adequacy determination processes (ICAAP) through dedicated impact quantifications (on current values of business portfolios and assets, operating volumes and profitability, management and regulatory measures of exposure to existing risks, etc.) based on the application of forward-looking scenarios simulating the climate transition and/or assumptions on the severity of the effects of relevant physical risks.

On the whole, by conducting scenario analyses and stress tests in respect of climate and environmental risks, the Bank aims to understand the potential impacts, including in management and economic-financial sustainability terms, of the propagation of these particular factors to traditional risk measures. Specifically, these analyses are aimed at estimating: i) how the Group might be affected by the effects of the prospective materialisation of physical and transition risks; ii) how climate and environmental risks might evolve under various climate change trend scenarios, considering that, typically, they are not fully reflected in historical data; and iii) to what extent climate-related and environmental risks might materialise over short-, medium- and long-term time horizons, depending on the scenarios considered.

The ECB, in publishing the overall results of its first Thematic Review of climate-related and environmental risk management on 2 November 2022, reiterated its expectation that significant banking institutions would be fully aligned with all supervisory guidelines on the integration of climate-related and environmental risks by the end of 2024 at the latest. Among the key milestones of this alignment process, the ECB expects full incorporation of these risk drivers into intermediaries' ICAAP processes and internal stress testing systems by 2024.

In the ICAAP 2023 cycle, the Bank made significant methodological developments in the direction advocated by the Supervisor in conducting the analysis, assessing the resilience of its capital adequacy profile to physical and transitional risks through simulations of the impact on exposure to traditional Pillar 1 risks such as credit, market and operational risks over different time horizons and using the main available climate scenarios. In particular, the framework has been strengthened to include the potential forward-looking impacts of climate risk transmission channels on traditional risk measures, namely:

a. for credit risk, the potential impacts generated on risk drivers concerning the portfolio of corporate and individual loans and related guarantees received were examined;

b. for market risk, the analysis focused on estimating the financial impacts caused by changes in the current value (Present Value delta) of the securities in the portfolio;

c. for operational risk, the impacts of the occurrence of acute physical risk events entailing potential losses on Group properties were taken into account.

For more details on the methodological approach for quantifying climate and environmental risks adopted for ICAAP stress testing, see the chapter “Risk management”, “Quantifying climate-related and environmental risks” section of the TCFD Report 2023.

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).

ICAAP

As mentioned in the previous point, the Bank developed within the ICAAP exercise, evolving from the analyses conducted in the previous capital analysis cycle, an organic stress testing system aimed at testing vulnerability to possible manifestations of climate-related and environmental risk over the short-term (3 years), medium-term (7 years) and long-term (until 2050) time horizons, simulating the consequences on the Group’s main risk exposure measures.

The main C&E risks were incorporated into the capital adequacy assessment templates by developing scenario/sensitivity analyses to take into account the effects of ecological transition factors and natural physical events that may evolve over long-term time horizons. The analyses are based on scientific climate trend scenarios developed by NGFS.

In line with the Supervisory Authority’s expectations, C&E stress analyses were conducted for the main Pillar I risks.

1. Credit risk

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 and change in the cost of credit associated with the exposures covered by the analyses) of pre-defined NGFS scenarios of adverse developments in C&E risk factors - physical and transitional - to which both the borrowing companies and the real estate securing loans granted to households and businesses are typically exposed.

The analysis concerned the following portfolio segments:

- Non-financial corporations - exposure secured by real estate (NFC secured);
- Non-financial corporations - exposure not secured by real estate (NFC unsecured);
- Households - exposure secured by real estate (HH secured).

2. Market risk

The framework used for the ICAAP exercise as at 31 December 2023 with regard to the C&E risk analyses of the trading and banking book securities portfolio was based on the Climate VaR (CVaR) methodology.

The scope of financial assets subject to valuation included debt securities, equity securities and options on shares and indices held in the Group's portfolios.

The financial impact of the change in the present value (Present Value delta) of the securities in the portfolio is investigated by taking into account the NGFS climate scenarios adopted by management.

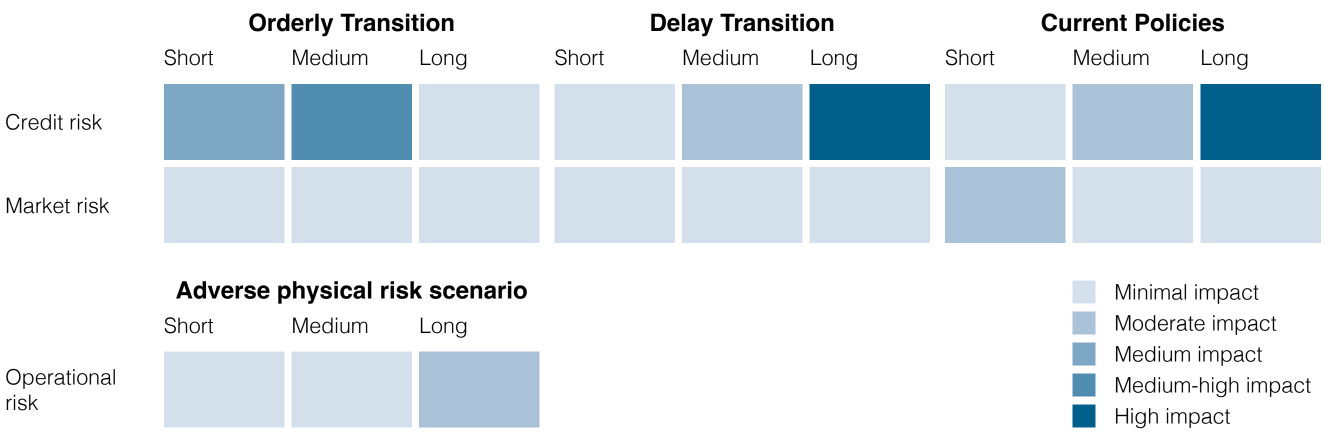
3. Operational risk

For the purpose of a dedicated stress test, the Bank developed an initial analysis approach examining and quantitatively estimating the potential impact on operational risk exposure of the manifestation of C&E risk factors, focused on the case of the occurrence of natural disasters or other external events due to an acute physical risk (flood), with the detection of operational losses resulting from the damage or destruction of property and equipment owned by the Bank.

Specifically, damage is conceived in terms of:

- economic losses related to the costs of restoring/repairing damaged real estate or resulting from the interruption of processes carried out at the affected physical locations (direct impact);
- lost profits/lost revenues from the operations affected by the risk (indirect impact).

The overview diagram below illustrates, for each of the risks described above, the results of the analysis of climate risk scenarios over the short and medium-to-long term horizons, in terms of their impact on the Group's capital adequacy:



For more details on the methodological approach for quantifying climate and environmental risks adopted for ICAAP stress testing, see the chapter “Risk management”, “Quantifying climate-related and environmental risks” section of the TCFD Report 2023.

ILAAP

The Bank supplemented its ILAAP stress testing framework with a scenario focusing on the effects of climate-related and environmental factors on the funding liquidity risk.

The new stress scenario focused on physical risk events. In particular these are landslide episodes affecting both retail depositors, with consequences in terms of potential outflows of on-demand deposits (hypothetical outflows related to initial expenses following the catastrophic environmental event), and the corporate cluster, in terms of the increase in the Bank’s drawdowns of credit lines to support the operations of companies damaged by such events. This stress analysis, carried out monthly or quarterly depending on the frequency of calculation of the liquidity indicator impacted, estimates the effects of the adverse environmental event on the following metrics:

- Operational maturity ladder;
- management indicators: Survival days and Counterbalancing Capacity;
- regulatory indicators: LCR and NSFR.

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.

With the involvement of key business functions, the Bank conducted an extensive mapping of the ESG-like data currently used and useful in the near future, particularly in compliance with the relevant regulations, identifying the data process, its life cycle and its main “owners”. The mapping of ESG information needs therefore highlighted the level of data availability in the Bank’s current governance and data management system and the related integration and improvement measures to be implemented. As a result, it was possible to:

- obtain a clear, comprehensive vision of the scope of ESG data required and identify possible initiatives for their engineering and codified management;
- identify intervention priorities for more effective, conscious use of the ESG data available in the company’s information assets.

The information that makes up the Bank’s ESG assets is mainly derived from qualified external info-providers (who typically provide proxy estimates or point data on the financed counterparties, suppliers and issuers of investment securities), from the collection of information from public sources or directly from the interlocutors themselves.

As is well known, the ESG data needed by banks continue to suffer from certain weaknesses in terms of availability, completeness and accuracy (estimated or 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 fundamentally important element in the overall framework of governance and control of such risks. For this reason, the Bank continues to be relentlessly engaged in the acquisition, systematisation and computerisation of ESG data and its sources.

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

During the first half of 2024, the Bank strengthened its risk appetite frameworks through the integration - on the different levels of the Risk Appetite Framework (RAF) - of new and specific quantitative indicators aimed at increasing the measurability of the ESG risks impacting the degree of exposure to “traditional” risks, accompanied by specific limits and attention thresholds. This development goes hand in hand with the inclusion of qualitative indications and objectives relating to aspects of ESG risk governance and management, which had already taken place in the previous year.

With regard to statements of a qualitative nature, the Bank pursues:

- 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 appetite metrics are considered elements of strategic direction for the Group, especially in the areas of (i) the formulation and implementation of credit strategy, (ii) the offer of financing products to customers and (iii) the definition of lending pricing 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.

With regard to the new quantitative indicators, a primary-ranking indicator was first defined, consistently with the findings of the C&E risk significance analyses, to monitor the overall concentration, within the loan portfolio (corporate segment), in economic sectors that already in the short term feature a high materiality of exposure to climate-related and environmental risks, and in particular to transition risks.

The primary level indicator is combined with secondary indicators intended to warn and pre-alert the Bank sufficiently in advance in the event of a downward trend in ESG risk exposure profiles, thus enabling early action to restore compliance with the strategic objectives of sustainability and control of related risks. In particular, with reference to lending, specific portfolio concentration indicators have been defined that monitor, on a sector-by-sector basis, the maintenance of maximum levels of exposure to economic sectors materially exposed to C&E factors. With regard to securities in the proprietary portfolios, on the other hand, a metric was defined for maximum concentration of investments in financial instruments characterised by a high C&E risk profile, expressed by the environmental rating system promoted by a leading external data provider.

At the lower level of the RAF schemes, more granular sets of KRIs have also been introduced, which aim to ensure “operational” monitoring of trends in exposures to the environmental and social sustainability risk dimensions that characterise both the loan portfolio and investments in proprietary financial instruments. Appropriate metrics were also adopted for operational and reputational risk exposure factors related to ESG profiles.

The monitoring of these indicators makes use of appropriate systems for detecting, reporting and alerting deviations (alert or escalation procedures).

For more detail on the above-mentioned indicators, see the chapter “Risk management”, section “Measuring and monitoring climate and environmental risks” of the TCFD Report 2023.

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” ba, influencing the magnitude or likelihood of materialising impacts: in other words, they represent determining factors for typical risk cases, such as credit, market, operational, reputational, liquidity, strategic and business risks. 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”), C&E 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. physical damage to property and infrastructure, 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 customer'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.** The 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 identifies and manages social risks within its business processes. In particular, in the context of the 2023 Non-Financial Statement, it identifies the social risks related to material issues and how they can be monitored. Specifically, the main credit and counterparty risks linked to the social factor are mainly attributable to:

- limited / inadequate integration of ESG factors in credit management processes and the consequent granting of loans to disadvantaged / weaker segments of the population with questionable creditworthiness profiles in a state of over-indebtedness;
- granting financing to entities operating in countries / sectors that are controversial in terms of compliance with laws and human rights.

The methods put in place by the Group to counter the above-mentioned risks include, in terms of internal regulations, the ESG Credit Policy and, as far as the commercial proposal is concerned, the sale of products with social inclusion purposes, aimed at children, young people, students, the elderly and non-EU citizens.

Further details can be found in NFR 2023.

In its *Sustainability Policy*, the Group affirms its commitment to found its actions on respect for human rights as an essential requirement, protecting and promoting these rights in the course of its business. It identifies promoting diversity and inclusion as a priority commitment and, through its membership of national and international associations, it intends in particular to promote gender equality within the Group and for the benefit of communities.

These values are also reflected in the Business Plan, with which the Group, focused on its distinctive areas, intends to grow while keeping its ambition for social sustainability high.

Acts of psychological violence or attitudes or behaviour that are discriminatory or harmful to individuals or their beliefs, convictions or preferences are not permitted in internal and external labour relations. In the context of ordinary business relations, respect for human rights by partners and suppliers is of particular importance, including through specific contractual clauses.

By adhering to the Principles for Responsible Banking ("PRB"), the Bank has further strengthened its commitment to social issues through its commitment to report on the six principles defined by the international initiative such as:

1. aligning its business strategy to be consistent with and contribute to the goals and needs of society, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and other relevant national and regional frameworks;
2. working to continuously increase positive impacts while reducing negative ones, managing risks for people and the environment from its activities, products and services;
3. working responsibly with customers to support the development of sustainable economic activities capable of creating shared positive effects for present and future generations;
4. proactively and responsibly consulting and involving various Stakeholders to achieve sustainability goals;
5. strengthening its commitment to support the PRB by implementing effective Governance and a culture of banking responsibility;
6. periodically reviewing the implementation of the Principles, thus ensuring transparency and accountability with regard to the positive and negative impacts generated and the contribution to the company's objectives.

Valuing diversity and inclusion (D&I) 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 D&I training programme, consisting of training courses available to all the Bank's permanent staff.

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 operating within the Group the same opportunities for professional growth and salary dynamics. To this end, training programmes for all staff on ESG issues were provided in the last two years.

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.

To reinforce the Bank's safeguards on social issues, the *ESG Investment Policy* applies negative selection processes to exclude from the investment universe investments in companies operating in the non-conventional weapons sector, as well as companies for which clear violations of the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises have been reported.

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 its 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 also 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 *Sustainability Policy* 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.

The Bank’s traditional closeness to the territory saw a major expansion in north-eastern Italy in 2023 with the opening of branches in San Donà di Piave (VE), Thiene (VC) and Udine. The development continues with the opening of branches in Trieste, Conegliano Veneto (TV) and Pordenone in 2024.

ACCESS POINTS IN LOW-POPULATED AREAS

Territorial presence of the BPS GROUP	2023	2022	2021	average
BPS - Access Points	**486**	**484**	**484**	**485**
BPS - Municipalities served	335	333	332	333
BPS (SUISSE) SA - Access Points (*)	**21**	**21**	**20**	**21**
BPS (SUISSE) SA - Municipalities served (*)	9	9	9	9
FACTORIT - Access Points	**6**	**6**	**6**	**6**
FACTORIT - Municipalities served	6	6	6	6
BNT - Access Points	**5**	**7**	**7**	**6**
BNT - Municipalities served	5	7	7	6

(*) The aggregate includes the Monaco branch, located in the principality with the same name. Virtual points and direct banking are excluded.
SOURCE: Access points and territorial presence of subsidiaries in line with what is included in the Financial Reports for the period.

Territorial presence of BPS	2023	2022	2021	average
TOTAL MUNICIPALITIES SERVED BY BPS	**335**	**333**	**332**	**333**
with less than 5000 inhabitants - served by BPS (n.)	134	134	132	133
(%)	40%	40%	40%	40%
with less than 5000 inhabitants - served only by BPS (n.)	67	59	56	58
(%)	20%	18%	17%	17%
TOTAL BPS ACCESS POINTS	**486**	**484**	**484**	**485**
in municipalities with less than 5000 inhabitants - served by BPS (n.)	144	144	141	143
(%)	30%	30%	29%	30%
in municipalities with less than 5000 inhabitants - served only by BPS (n.)	68	60	57	59
(%)	14%	12%	12%	12%

SOURCES (details for each municipality):
BPS access points: internal sources
Bank access points: Bank of Italy return flow - Planus
Number of inhabitants: http://dati.istat.it - “Resident population”
(*) Number of inhabitants as of 1 January 2023; Bank access points as of 31/12/2022.

With reference to the commitment to “Responsible consumption and production” (SDG 12), relations with suppliers are governed by the company’s Code of Ethics. This is a document that includes commitments to transparency and guaranteed relations with third parties. General clauses are also set out in the Outsourcing Policy with regard to eligibility requirements for suppliers of essential or important services to confirm compliance with environmental protection standards and workers’ rights: in general, preference is therefore given to suppliers who adopt high environmental standards and good practices.

In line with what was defined in the Business Plan, in 2023 the Bank launched a project to assess the sustainability performance of its suppliers, starting with the most relevant in terms of turnover and considering companies that provide outsourced services. This project led to the definition of a Methodology for the ESG assessment of suppliers, which was approved in March 2024.

In connection with this, the Bank conducted a first ESG assessment of its suppliers, prioritising the use of public information such as ESG ratings/score assigned to supplying companies, sustainability reports and NFR, directly engaging, where such information is not available, the suppliers in potentially critical categories.

Finally, with regard to supporting companies interested in internationalisation, the Bank promotes multiple initiatives that aim to disseminate clear and up-to-date information on the opportunities offered by foreign markets, but also to support customer companies in opening new business channels in international markets. In 2023, 21 initiatives were organised, with a total of 2,787 participants. Excellent feedback on appreciation of the events was obtained (average score of 4 on a rising scale from 1 to 5.)

c. Description of measures to mitigate risks associated with social factors, including understanding the capacity of counterparties to manage social risks and engaging in dialogue with them to mitigate social risks.

Social risks are defined by the Group as risk profiles deriving from exposures to counterparties that can be negatively influenced by social factors, or as the risks to which it is directly exposed due to its characteristics and operations. These factors typically relate to protection of the rights, welfare and interests of individuals and society and include elements such as (in)equality, personal health, inclusion, labour relations, occupational health and safety, human capital and community relations.

The process of managing and mitigating social risks takes place through a reconciliation to traditional banking risks. This reconciliation process allows for the timely identification and description of risks associated with social factors in order to adopt appropriate control methods specific to each identified category.

For further details see the NFR 2023, available on the Bank's institutional website at the following link:https://istituzionale.popso.it/it/sostenibilita/dichiarazione-consolidata-di-carattere-non-finanziario (ref. section ESG risks - Risks relating to the topic).

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, 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 Chief Risk Officer Area, the Sustainability Management Committee, the Board Sustainability Committee and the Control and Risk Committee.

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

In the course of 2023 and in the first half of 2024, several meetings of the Management Body were held at which specific ESG-related topics were discussed, containing information of relevance to social risk management; namely:

- approval of the NFR 2023;
- approval of the "Home-Work Travel Plan".
- approval of the "ESG Investment Policy";
- approval of participation in international initiatives such as UNEP FI, PRB and NZBA.

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;
- Law No. 185 of 9 July 1990 on: “New provisions on the control of export, import and transit of weapons materials”;
- Law No. 220 of 9 December 2021 on: “Measures to combat the financing of companies producing anti-personnel mines and cluster munitions and submunitions”;
- Instructions of the Bank of Italy, COVIP, IVASS and MEF concerning enhanced controls on the operations of licensed intermediaries to counter the financing of enterprises producing anti-personnel mines, cluster munitions and submunitions, 23 July 2024;
- “OECD Guidelines for Multinational Enterprises”, updated version 8 June 2023, OECD (2023) Guidelines for Multinational Enterprises on Responsible Business Conduct.

During the year 2023, the Banca Popolare di Sondrio Group joined, as an ordinary member, “*Valore D*”, the first Association of large companies created in Italy that is committed to promoting an inclusive corporate culture, without discrimination, capable of bringing out everyone’s talent through the enhancement of diversity. Through this partnership, the Bank may take advantage of numerous services and growth opportunities, including a rich training offer to reinforce an inclusive corporate culture that values all diversities within the Group.

Furthermore, the Bank, as evidence of its growing sensitivity to these issues, has endorsed the Charter “Women in Banking: enhancing gender diversity”, drawn up by the Italian Banking Association (“ABI”), aimed at enhancing equal treatment and opportunities between genders in the banking sector and within corporate organisations.

In relation to the definition of social risks adopted by the Bank, see section “Corporate Strategy and Processes” above, point c).

i, j, k, m. 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 a methodological framework for identifying and categorising environmental, social and governance (ESG) risk profiles based on a stakeholder engagement 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 by the Group 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:

Risks	
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 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.

For the year 2023, the Chief Risk Officer Area promoted the update of the Inventory on the same scope of corporate structures involved in the analysis conducted as in the previous year. This update envisaged, first of all, a new general rationalisation of the risk descriptors surveyed during the previous annual self-assessment activity, followed by a passage with the company contact persons involved for an approval and possible integration of the reported contents.

During the current financial year, the Bank is considering the possibility of evolving the described methodological framework aimed at identifying risks of a social nature by promoting the full alignment of its practices with the requirements of the emerging "double materiality" analysis provisions set forth in the Corporate Sustainability Reporting Directive (CSRD).

On the other hand, as regards the classification and measurement of risks pertaining to the "Social" dimension, in the first half of 2024, the Bank expanded its set of risk metrics of this kind, also in order to address the need to assess its exposure to such risks from a dual inside-out and outside-in perspective.

With regard to the former analysis perspective, 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.

As mentioned, 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.

On the other hand, with regard to the examination of risks attributable to the "Social" dimension according to the "outside-in" perspective of analysis, during 2024 the Bank integrated specific qualitative-quantitative indicators provided by a qualified external provider into the proprietary statistical model for classifying the ESG riskiness of credit counterparties (ESG Score). These indicators, which are based on the aggregation of both specific variables calibrated at a "single-name" level and geo-sectoral averages, give a concise opinion on the positioning of companies with respect to the management of the following "Social" issues:

- *Community and society:* a metric developed by considering the trend of recruitment in socially deprived areas;
- *Employee relations:* a metric developed by taking into account expenditure on the percentage of job insecurity, the presence or absence of ISO 18001 and ISO 45001 certification, state aid for employee training and/or occupational safety and the publication of company patents, as well as days lost due to accidents and the rate of occupational accidents;
- *Customer relations:* a metric that considers the presence or absence of ISO 9001 certification, cyber-security state aid, supplier code of conduct and the publication or absence of the Non-Financial Reporting;
- *Human rights:* a metric that considers the commitment of local businesses to social initiatives aimed at mitigating the violation of human rights and fostering their protection and promotion;
- *Poverty alleviation:* a metric that considers public support obtained for the employment of workers from disadvantaged groups.

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.

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.

With regard to quantitative parameters, during the first half of 2024, the Bank enhanced its ESG risk appetite framework by defining a new complementary level indicator related to credit risk, which monitors the overall portfolio concentration in the above-mentioned “socially sensitive” sectors. Furthermore, the overall structure of the RAF envisages new specific indicators (KRIs) at level three to monitor the “Social” factors that affect exposure to credit, operational and reputational risks, aimed at focusing respectively on: i) the level of concentration of the credit portfolio in each of the three sectors categorised as “socially sensitive”; ii) the number of complaints, legal disputes and out-of-court redress related to cases of failed / apparent adherence to “Social” issues.

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), and in particular factors related to environmental pollution, climate change impacts and the adequacy of mitigation strategies, also investigated in the context of the dedicated “ESG Due Diligence” process for the counterparty and of any direct engagement of the financed entity on sustainability issues.

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 required from the customer (e.g. sector, geographical location);
- counterparty data acquired from public sources (e.g. non-financial statements, corporate sustainability documents);
- specialised info-providers;
- data from international research institutes and organisations (e.g. UNEP FI).

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.

In addition, the Bank and the other members of the 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 “passive cooperation” (aimed at ensuring in-depth knowledge of customers and the preservation of documents relating to transactions carried out) and of “active cooperation” (aimed at identifying and reporting suspicious money laundering transactions).

The Group’s internal set of regulations is made up of the guidelines, policies and organisational and operational provisions that lay down the set of rules of governance and control, regulate the operation of the corporate entities and govern the orderly, safe, uniform, effective and efficient performance of the activities relating to the various work processes. Having a robust regulatory and documentary architecture helps to ensure sound and prudent management conditions for the Group and its components.

Generally speaking, the company’s regulatory sources can be categorised into the following levels:

- General regulations: guidance documents (guidelines, policies, etc.), process regulations, consolidated acts, organisational procedures;
- Operational provisions: manuals and operational/methodological regulations;
- Arrangement and information communications: all other internal regulatory devices (e.g. circulars, notices).

With regard to the Group's assessment of the governance systems of its counterparties, the internal architecture includes mechanisms that consider dimensions such as, for example, the ethics and transparency of a counterparty's corporate governance, the presence of independent figures and diversity policies in the composition of corporate bodies, the existence of sustainability plans and objectives, integrity in compliance with standards. From this point of view, the adoption of strict policy rules on preventing and combating money laundering, the financing of terrorist activities and weapons of mass destruction is an emblematic expression of the commitment of all Group entities to curb these financial crime phenomena in their business relations with their counterparties, so as to contain the risks of direct or indirect involvement

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:

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

Also with regard to the measurement and classification 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.

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

Moreover, in keeping with the provisions for the measurement of risks pertaining to the "Social" dimension, also with regard to the risk drivers relating to the "Governance" aspects of its customers, in the first half of the year the Bank adopted specific qualitative-quantitative indicators supplied by a qualified external provider, which were integrated into the proprietary statistical model for classifying the ESG riskiness of its credit counterparties (ESG Score). These indicators, which are based on the aggregation of both specific variables calibrated at a "*single-name*" level and geo-sectorial averages, give a concise opinion on the management of the following "Governance" aspect of customer companies:

- *Business conduct integrity:* a metric defined on the basis of variables such as the presence of a legality rating, code of ethics, voluntarily certified financial statements and voluntary adoption of a board of statutory auditors, as well as the presence of anti-money laundering violations;
- *Strategy and risk management:* a metric defined by a point variable such as the number of executives and managers per number of employees;
- *Inclusiveness towards women and young people:* a metric defined on the basis of variables related to the gender gap and pay gap areas;
- *ESG transparency on corporate practices:* a metric defined through point variables such as the presence of disclosure on ESG issues on the corporate website.

Lastly, with regard to the Group's quantitative Risk Appetite Statements, the Bank introduced new specific risk indicators (KRIs) at level 3 of its metrics structure for monitoring operational and reputational risks, focusing on the number of complaints, related litigation and out-of-court redress related to non-compliance /apparent non-compliance in the area of governance. The relevant monitoring and reporting system is scheduled to be put in place in 2024.

* * *

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 3:* reports information on the percentage distance of bank exposure portfolios from the sectoral decarbonisation targets envisaged at global level by the NZE 2050 scenario developed by the International Energy Agency (IEA), accompanied by information on any intermediate targets set by the Bank in order to facilitate the achievement of full alignment with these climate-related objectives.
- *Template 4:* reports aggregated and anonymised information on outstanding exposures to counterparties that are among the top 20 most carbon-intensive companies in the world.

B. Indicators of potential physical risk related to climate change

- *Template 5:* reports information on the banking book's exposures to non-financial corporates, loans secured by real estate and real estate collateral recovered, exposed to chronic and acute climate-related physical risks, with a breakdown by sector of economic activity and by geographic location of the counterparty's business or collateral.

C. Climate change-related mitigation actions

- *Template 6:* it provides a summary overview of the key performance indicators (KPIs) on taxonomy-aligned exposures, calculated on the basis of *Template 7* and *Template 8* relevant to the GAR (Green Asset Ratio) metric.
- *Template 7:* it sets out quantitative information on portfolio exposures concerning eligibility and alignment to the taxonomy with regard to the environmental objectives of climate change mitigation (CC Mitigation) and adaptation (CC Adaptation).
- *Template 8:* it sets out information on the total asset stock as at 30 June 2024 and the percentage of new assets that finance economic Taxonomy-aligned assets with respect to the environmental objectives of climate change mitigation (CC Mitigation) and adaptation (CC Adaptation).
- *Template 10:* it sets out quantitative information on possible mitigation actions and exposures to climate change risks to assets that are not aligned with the Taxonomy but that support counterparties in the process of transition to and pursuit of climate change mitigation and adaptation objectives (e.g. information on bonds held and sustainable loans provided to finance "eco-friendly" assets).

In all published quantitative models, financial information refers to the entire Banking Group. In contrast, climate-environmental information is only available for the Group's legal entities established in EU-27 countries.

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 (1 of 3)

	Sector/subsector	a	b	c	d	e
		Gross carrying amount				
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which en-vironmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures
1	**Exposures towards sectors that highly contribute to climate change**	**15,583**	**154**	**-**	**2,807**	**830**
2	A - Agriculture, forestry and fishing	302	-	-	58	18
3	B - Mining and quarrying	92	-	-	79	1
4	*B.05 - Mining of coal and lignite*	*-*	*-*	*-*	*-*	*-*
5	*B.06 - Extraction of crude petroleum and natural gas*	*28*	*-*	*-*	*28*	*-*
6	*B.07 - Mining of metal ores*	*-*	*-*	*-*	*-*	*-*
7	*B.08 - Other mining and quarrying*	*64*	*-*	*-*	*51*	*1*
8	*B.09 - Mining support service activities*	*-*	*-*	*-*	*-*	*-*
9	C - Manufacturing	4,900	56	28	1,262	154
10	*C.10 - Manufacture of food products*	*920*	*-*	*-*	*221*	*22*
11	*C.11 - Manufacture of beverages*	*116*	*-*	*-*	*12*	*-*
12	*C.12 - Manufacture of tobacco products*	*-*	*-*	*-*	*-*	*-*
13	*C.13 - Manufacture of textiles*	*158*	*-*	*-*	*42*	*10*
14	*C.14 - Manufacture of wearing apparel*	*56*	*-*	*-*	*2*	*5*
15	*C.15 - Manufacture of leather and related products*	*18*	*-*	*-*	*1*	*3*
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	*81*	*-*	*-*	*9*	*2*
17	*C.17 - Manufacture of pulp, paper and paperboard*	*108*	*-*	*-*	*20*	*-*
18	*C.18 - Printing and service activities related to printing*	*69*	*-*	*-*	*44*	*23*
19	*C.19 - Manufacture of coke oven products*	*154*	*45*	*1*	*52*	*1*
20	*C.20 - Production of chemicals*	*259*	*-*	*5*	*220*	*2*
21	*C.21 - Manufacture of pharmaceutical preparations*	*91*	*-*	*-*	*28*	*1*
22	*C.22 - Manufacture of rubber products*	*237*	*-*	*-*	*50*	*6*
23	*C.23 - Manufacture of other non-metallic mineral products*	*157*	*1*	*-*	*119*	*6*
24	*C.24 - Manufacture of basic metals*	*447*	*-*	*-*	*68*	*7*
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	*842*	*-*	*-*	*175*	*20*
26	*C.26 - Manufacture of computer, electronic and optical products*	*114*	*-*	*-*	*89*	*15*
27	*C.27 - Manufacture of electrical equipment*	*125*	*7*	*10*	*16*	*10*
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	*475*	*-*	*3*	*58*	*11*

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 (1 of 3)

		a	b	c	d	e
		Gross carrying amount				
	Sector/subsector		**Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation**	**Of which environmentally sustainable (CCM)**	**Of which stage 2 exposures**	**Of which non-performing exposures**
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	*175*	-	-	*19*	-
30	*C.30 - Manufacture of other transport equipment*	*128*	-	*9*	*1*	*2*
31	*C.31 - Manufacture of furniture*	*65*	-	-	*7*	*5*
32	*C.32 - Other manufacturing*	*60*	-	-	*7*	*1*
33	*C.33 - Repair and installation of machinery and equipment*	*50*	*2*	-	*2*	*1*
34	D - Electricity, gas, steam and air conditioning supply	910	66	111	96	8
35	*D35.1 - Electric power generation, transmission and distribution*	*474*	*63*	*95*	*67*	*6*
36	*D35.11 - Production of electricity*	*259*	*63*	*41*	*64*	*3*
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	*406*	*2*	*15*	*15*	*1*
38	*D35.3 - Steam and air conditioning supply*	*29*	*1*	-	*14*	*1*
39	E - Water supply; sewerage, waste management and remediation activities	237	-	-	15	1
40	F - Construction	1,644	7	24	282	200
41	*F.41 - Construction of buildings*	*1,072*	*3*	-	*209*	*157*
42	*F.42 - Civil engineering*	*254*	*3*	*24*	*20*	*11*
43	*F.43 - Specialised construction activities*	*318*	*1*	-	*53*	*32*
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,575	18	-	324	148
45	H - Transportation and storage	490	-	171	52	24
46	*H.49 - Land transport and transport via pipelines*	*289*	-	*123*	*27*	*20*
47	*H.50 - Water transport*	*21*	-	-	-	-
48	*H.51 - Air transport*	*9*	-	-	*1*	-
49	*H.52 - Warehousing and support activities for transportation*	*155*	-	*48*	*24*	*4*
50	*H.53 - Postal and courier activities*	*17*	-	-	-	-
51	I - Accommodation and food service activities	938	-	-	207	70
52	L - Real estate activities	2,495	8	1	430	205
53	**Exposures towards sectors other than those that highly contribute to climate change**	**4,152**	**11**	**-**	**440**	**135**
54	K - Financial and insurance activities	607	-	86	39	20
55	Exposures to other sectors (NACE codes J, M - U)	3,545	11	3	402	115
56	**TOTAL**	**19,735**	**165**	**424**	**3,247**	**965**

Source: FINREP reporting framework: 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 (2 of 3)

	Sector/subsector	f	g	h	i	j
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO_2 equivalent)	
			Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions
1	**Exposures towards sectors that highly contribute to climate change**	**(668)**	**(129)**	**(509)**	**7,237,090**	**6,153,554**
2	A - Agriculture, forestry and fishing	(12)	(4)	(8)	27,190	-
3	B - Mining and quarrying	(3)	(2)	(1)	13,962	4,100
4	*B.05 - Mining of coal and lignite*	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	-	-	-	-	-
6	*B.07 - Mining of metal ores*	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	*(3)*	*(2)*	*(1)*	*13,962*	*4,100*
8	*B.09 - Mining support service activities*	-	-	-	-	-
9	C - Manufacturing	(153)	(45)	(101)	6,533,139	5,790,916
10	*C.10 - Manufacture of food products*	*(30)*	*(13)*	*(16)*	*1,910,560*	*1,829,188*
11	*C.11 - Manufacture of beverages*	*(1)*	*(1)*	-	*10,106*	*6,595*
12	*C.12 - Manufacture of tobacco products*	-	-	-	-	-
13	*C.13 - Manufacture of textiles*	*(6)*	*(1)*	*(5)*	*100,675*	*92,934*
14	*C.14 - Manufacture of wearing apparel*	*(4)*	-	*(3)*	*5,846*	*4,001*
15	*C.15 - Manufacture of leather and related products*	*(2)*	-	*(2)*	*3,588*	*3,272*
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	*(2)*	-	*(2)*	*27,292*	*20,363*
17	*C.17 - Manufacture of pulp, paper and paperboard*	*(1)*	*(1)*	-	*168,620*	*118,553*
18	*C.18 - Printing and service activities related to printing*	*(17)*	*(1)*	*(16)*	*13,738*	*9,650*
19	*C.19 - Manufacture of coke oven products*	*(2)*	*(2)*	*(1)*	*1,096,138*	*876,928*
20	*C.20 - Production of chemicals*	*(5)*	*(3)*	*(2)*	*245,200*	*175,975*
21	*C.21 - Manufacture of pharmaceutical preparations*	*(1)*	*(1)*	*(1)*	*12,303*	*7,663*
22	*C.22 - Manufacture of rubber products*	*(7)*	*(3)*	*(4)*	*159,975*	*144,776*
23	*C.23 - Manufacture of other non-metallic mineral products*	*(8)*	*(3)*	*(5)*	*214,592*	*152,306*
24	*C.24 - Manufacture of basic metals*	*(8)*	*(2)*	*(5)*	*1,236,400*	*1,107,006*
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	*(18)*	*(6)*	*(12)*	*339,989*	*290,158*
26	*C.26 - Manufacture of computer, electronic and optical products*	*(11)*	*(3)*	*(8)*	*19,625*	*17,312*
27	*C.27 - Manufacture of electrical equipment*	*(9)*	-	*(9)*	*158,440*	*155,247*
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	*(12)*	*(4)*	*(7)*	*433,933*	*416,396*

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 (2 of 3)

		f	g	h	i	j
Sector/subsector		**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**			**GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO_2 equivalent)**	
			Of which Stage 2 exposures	**Of which non-performing exposures**		**Of which Scope 3 financed emissions**
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	*(2)*	*(1)*	*-*	*21,458*	*16,863*
30	*C.30 - Manufacture of other transport equipment*	*(2)*	*-*	*(1)*	*263,143*	*260,565*
31	*C.31 - Manufacture of furniture*	*(2)*	*-*	*(2)*	*37,890*	*35,899*
32	*C.32 - Other manufacturing*	*(1)*	*-*	*-*	*26,487*	*24,386*
33	*C.33 - Repair and installation of machinery and equipment*	*(1)*	*-*	*(1)*	*27,141*	*24,881*
34	D - Electricity, gas, steam and air conditioning supply	(12)	(5)	(5)	71,442	-
35	*D35.1 - Electric power generation, transmission and distribution*	*(9)*	*(4)*	*(4)*	*60,162*	*-*
36	*D35.11 - Production of electricity*	*(8)*	*(4)*	*(3)*	*32,672*	*-*
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	*(1)*	*-*	*(1)*	*6,018*	*-*
38	*D35.3 - Steam and air conditioning supply*	*(1)*	*(1)*	*(1)*	*5,262*	*-*
39	E - Water supply; sewerage, waste management and remediation activities	(2)	(1)	(1)	21,006	-
40	F - Construction	(147)	(12)	(131)	353,979	318,088
41	*F.41 - Construction of buildings*	*(117)*	*(10)*	*(104)*	*232,017*	*217,813*
42	*F.42 - Civil engineering*	*(9)*	*-*	*(8)*	*68,685*	*60,082*
43	*F.43 - Specialised construction activities*	*(20)*	*(1)*	*(19)*	*53,278*	*40,193*
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	(114)	(10)	(96)	135,764	-
45	H - Transportation and storage	(14)	(1)	(13)	67,845	40,449
46	*H.49 - Land transport and transport via pipelines*	*(11)*	*(1)*	*(10)*	*43,838*	*29,281*
47	*H.50 - Water transport*	*-*	*-*	*-*	*4,619*	*430*
48	*H.51 - Air transport*	*-*	*-*	*-*	*2,842*	*111*
49	*H.52 - Warehousing and support activities for transportation*	*(3)*	*-*	*(2)*	*16,480*	*10,586*
50	*H.53 - Postal and courier activities*	*-*	*-*	*-*	*65*	*41*
51	I - Accommodation and food service activities	(59)	(20)	(38)	10,364	-
52	L - Real estate activities	(153)	(29)	(116)	2,398	-
53	**Exposures towards sectors other than those that highly contribute to climate change**	**(121)**	**(23)**	**(89)**		
54	K - Financial and insurance activities	(17)	(3)	(13)		
55	Exposures to other sectors (NACE codes J, M - U)	(104)	(20)	(76)		
56	**TOTAL**	**(789)**	**(152)**	**(598)**	**7,237,090**	**6,153,554**

Source: FINREP reporting framework: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01; Internal ESG Database

Table 79 - 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)

		k	l	m	n	o	p
	Sector/subsector	**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**	**8.28%**	**8,036**	**2,655**	**1,906**	**2,986**	**5.22**
2	A - Agriculture, forestry and fishing	0.00%	113	79	79	31	8.20
3	B - Mining and quarrying	0.00%	39	30	-	23	3.22
4	*B.05 - Mining of coal and lignite*	*0.00%*	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	*0.00%*	*19*	-	-	*9*	*0.04*
6	*B.07 - Mining of metal ores*	*0.00%*	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	*0.00%*	*20*	*30*	-	*14*	*3.22*
8	*B.09 - Mining support service activities*	*0.00%*	-	-	-	-	-
9	C - Manufacturing	8.73%	3,224	774	182	721	3.54
10	*C.10 - Manufacture of food products*	*8.51%*	*603*	*161*	*33*	*123*	*3.55*
11	*C.11 - Manufacture of beverages*	*0.00%*	*65*	*29*	*8*	*15*	*5.25*
12	*C.12 - Manufacture of tobacco products*	*0.00%*	-	-	-	-	-
13	*C.13 - Manufacture of textiles*	*3.81%*	*101*	*31*	*2*	*24*	*3.32*
14	*C.14 - Manufacture of wearing apparel*	*0.00%*	*36*	*7*	*2*	*10*	*3.47*
15	*C.15 - Manufacture of leather and related products*	*0.00%*	*13*	*1*	-	*3*	*3.32*
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	*0.00%*	*38*	*13*	*11*	*19*	*4.59*
17	*C.17 - Manufacture of pulp, paper and paperboard*	*4.68%*	*77*	*10*	*5*	*15*	*3.93*
18	*C.18 - Printing and service activities related to printing*	*0.00%*	*53*	*4*	*2*	*9*	*2.80*
19	*C.19 - Manufacture of coke oven products*	*66.19%*	*150*	*1*	-	*2*	*1.52*
20	*C.20 - Production of chemicals*	*20.87%*	*147*	*79*	*4*	*28*	*4.59*
21	*C.21 - Manufacture of pharmaceutical preparations*	*30.17%*	*73*	*4*	-	*14*	*3.15*
22	*C.22 - Manufacture of rubber products*	*0.00%*	*155*	*33*	*12*	*37*	*3.69*
23	*C.23 - Manufacture of other non-metallic mineral products*	*11.97%*	*99*	*28*	*1*	*28*	*3.23*
24	*C.24 - Manufacture of basic metals*	*4.23%*	*296*	*57*	*5*	*89*	*2.79*
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	*4.66%*	*509*	*166*	*26*	*141*	*3.50*
26	*C.26 - Manufacture of computer, electronic and optical products*	*0.00%*	*65*	*26*	*7*	*16*	*3.62*
27	*C.27 - Manufacture of electrical equipment*	*0.00%*	*66*	*21*	*5*	*34*	*3.65*
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	*3.08%*	*343*	*52*	*34*	*45*	*3.91*

Table 79 - Template 1: Banking book - Indicators of potential transition risk related to climate change: Credit quality of exposures by sector, issuance and residual maturity (3 of 3)

	Sector/subsector	k	l	m	n	o	p
		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	*0.00%*	*131*	*13*	*-*	*30*	*2.48*
30	*C.30 - Manufacture of other transport equipment*	*50.32%*	*105*	*6*	*12*	*5*	*3.46*
31	*C.31 - Manufacture of furniture*	*0.00%*	*37*	*11*	*4*	*12*	*4.25*
32	*C.32 - Other manufacturing*	*0.00%*	*32*	*11*	*5*	*11*	*4.15*
33	*C.33 - Repair and installation of machinery and equipment*	*0.00%*	*28*	*7*	*3*	*12*	*4.44*
34	D - Electricity, gas, steam and air conditioning supply	58.57%	608	133	72	97	6.72
35	*D35.1 - Electric power generation, transmission and distribution*	*35.13%*	*213*	*117*	*65*	*79*	*5.81*
36	*D35.11 - Production of electricity*	*19.06%*	*69*	*114*	*65*	*11*	*7.14*
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	*90.18%*	*389*	*1*	*-*	*16*	*3.78*
38	*D35.3 - Steam and air conditioning supply*	*0.00%*	*6*	*15*	*7*	*1*	*7.57*
39	E - Water supply; sewerage, waste management and remediation activities	6.32%	100	59	42	37	6.10
40	F - Construction	7.55%	802	193	172	477	3.76
41	*F.41 - Construction of buildings*	*0.97%*	*437*	*145*	*139*	*350*	*4.04*
42	*F.42 - Civil engineering*	*42.32%*	*205*	*5*	*7*	*37*	*2.31*
43	*F.43 - Specialised construction activities*	*0.00%*	*160*	*43*	*25*	*90*	*3.76*
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3.00%	2,101	497	295	682	4.26
45	H - Transportation and storage	6.89%	240	112	71	67	5.80
46	*H.49 - Land transport and transport via pipelines*	*0.00%*	*130*	*55*	*57*	*48*	*6.24*
47	*H.50 - Water transport*	*0.00%*	*12*	*1*	*-*	*8*	*1.28*
48	*H.51 - Air transport*	*0.00%*	*3*	*3*	*1*	*1*	*5.26*
49	*H.52 - Warehousing and support activities for transportation*	*11.08%*	*78*	*53*	*13*	*10*	*5.65*
50	*H.53 - Postal and courier activities*	*98.94%*	*17*	*-*	*-*	*-*	*2.33*
51	I - Accommodation and food service activities	0.00%	268	219	361	90	8.47
52	L - Real estate activities	0.00%	542	560	632	762	7.50
53	**Exposures towards sectors other than those that highly contribute to climate change**		**2,454**	**487**	**210**	**1,001**	**4.18**
54	K - Financial and insurance activities		437	70	44	56	4.04
55	Exposures to other sectors (NACE codes J, M - U)		2,017	417	166	945	4.14
56	**TOTAL**	**6.63%**	**10,491**	**3,143**	**2,116**	**3,986**	**5.01**

Source: FINREP reporting framework: 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 2024, with a focus on the economic sectors most susceptible to climate transition risks. In particular, evidence is given at the level of the sectoral NACE code of the counterparties:

- of the credit quality of these exposures, including the impaired exposure status, any accounting classification to Stage 2 and related provisioning values on loans, and the maturity categories to which the exposures belong;
- of greenhouse gas (GHG) quantities financed by the Group, determined in line with the Partnership for Carbon Accounting Financials (PCAF) standard, divided into Scope 1 and 2 and Scope 3. 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.

The calculation of financed emissions takes into account the absolute amounts of GHG emissions related to the corporate loans and bonds portfolio (sum of Scope 1, 2 and 3 emissions of the financed entities) weighted by an allocation factor of the customer's GHG emissions. This allocation factor is calculated on the basis of the ratio between the amount financed by the Group (numerator) and the economic value of the financed company (denominator).

The denominator for corporate loans and investments in private companies or for bonds of private companies is understood as the sum of total equity and debt of the company, as shown in the most recent available company balance sheet:

$$\textit{Attribution factor} = \sum_c \frac{\textit{Outstanding amount}_c}{\textit{Total equity+Debt}}$$

For loans to listed companies, however, the denominator of the ratio is EVIC (Enterprise Value Including Cash):

$$\textit{Attribution factor} = \sum_c \frac{\textit{Outstanding amount}_c}{\textit{Enterprise Value Including Cash}_c\ \textit{(EVIC)}}$$

Finally, once the value of the allocation factor has been obtained for each counterparty, the total amount of financed issues of the portfolio considered is calculated according to the following formula:

$$\textit{Financed Emissions} = \sum_c \textit{Attribution factor}_C \times \textit{Company emissions}_C$$

This metric represents the share of greenhouse gas emissions related to a financed counterparty attributable to the lending credit institution.

After the publication of data for the financial year 2023, the Bank determines the Group's Scope 3 financed issues as follows:

- information from consolidated company financial statements in the presence of Scope 1, 2, and 3 GHG emissions reported by counterparties at the corporate group level; alternatively through individual financial statements;
- data on counterparty Scope 1, 2 and 3 GHG emissions volumes obtained as part of the internal ESG Due Diligence process or alternative from estimates of qualified external info-providers;
- the procedure for the breakdown of Scope 1, 2 and 3 GHG emissions reported by customers at the consolidated level and subsequent redistribution to individual investee entities, with a special focus on counterparties that are "holdings of business groups".

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 ("Taxonomy Regulation").

Table 80 - Template 2: Banking book - Indicators of potential climate change-related transition risk: Loans secured by real estate - Energy efficiency of collateral

	Counterparty sector	a	b	c	d	e	f	g
		Total gross carrying amount						
		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**	**7,988**	**688**	**1,627**	**1,880**	**1,036**	**1,205**	**455**
2	Of which Loans collateralised by commercial immovable property	3,959	250	520	892	624	796	226
3	Of which Loans collateralised by residential immovable property	4,021	438	1,107	987	412	410	230
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	8	-	-	-	-	-	-
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	4,838	204	877	1,487	685	1,176	409
6	**Total non-EU area**	**4,159**	**12**	**18**	**17**	**9**	**12**	**5**
7	Of which Loans collateralised by commercial immovable property	100	-	-	-	-	-	-
8	Of which Loans collateralised by residential immovable property	4,058	12	18	17	9	12	5
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	57	9	14	12	5	12	4

Source: FINREP reporting framework: Templates F 18.00 - F 13.03.1; Internal ESG Database.

h	i	j	k	l	m	n	o	p
Total gross carrying amount								
Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
378	**160**	**194**	**278**	**277**	**298**	**471**	**5,933**	**81.54%**
184	78	117	151	107	101	133	3,089	78.94%
194	81	77	126	170	197	338	2,837	84.58%
-	-	-	-	-	-	-	8	0.00%
							4,838	100.00%
3	**1**	**1**	**1**	**2**	**3**	**6**	**4,142**	**1.37%**
-	-	-	-	-	-	-	100	0.02%
3	1	1	1	2	3	6	4,042	1.40%
-	-	-	-	-	-	-	-	0.00%
							57	100.00%

The table above shows the gross book value of exposures secured by real estate (residential and commercial) and real estate collateral recovered as at 30 June 2024, supplemented by information on the energy efficiency level of the collateral measured in terms of energy consumption in kWh/m2, the energy efficiency class attributed by the energy performance certificate (APE or EPC) of the real estate collateralised property as defined in Article 2(12) of Directive 2010/31/EU for Member States, or as defined in any relevant local regulations for exposures located outside the European Union, where equivalent to the Union energy performance class.

The representation of exposure values is divided on the basis of the location of the pledged property or the real estate obtained by acquiring possession of it ("EU area" or "non-EU area"), indicating the extent to which energy efficiency category data are estimated and not based on EPC classes. Specifically, when the energy efficiency category is an estimate data, evidence of this is provided in the dedicated row of the model; in all other cases, the energy performance information has been obtained, by means of an external info-provider, directly from the regional registers that have a queryable telematic structure, giving evidence of this in the dedicated rows of the table.

Table 81 - Template 3: Banking book - Indicators of potential transition risk related to climate change: alignment metrics

	a	b	c	d	e	f	g
	Sector	**NACE Sectors (a minima)**	**Portfolio gross carrying amount (Mn EUR)**	**Alignment metric**	**Year of reference**	**Distance to IEA NZE2050 in % *****	**Target (year of reference + 3 years)**
1	Power	35.10 - 35.11	260	tCO_2 per Mwh	2021-2022	-14.63%	n.d.
2	Fossil fuel combustion	06.10	28	tCO_2 per Gj	2022	123.70%	n.d.
3	Automotive	29.10	45	gCO_2 per vehicle-Km	2021-2022	5.85%	n.d.
4	Aviation	51.10	4	gCO_2 per passenger-Km	2021	-22.42%	n.d.
5	Maritime transport	30.10 - 30.11 50.10 - 50.20 - 50.30	96	gCO_2 per ton-Km	2021-2022	60.46%	n.d.
6	Cement, clinker and lime production	23.51	2	tCO_2 per t output	2021-2022	5.73%	n.d.
7	Iron and steel, coke, and metal ore production	24.10	168	tCO_2 per t output	2021-2022	-37.38%	n.d.
8	Chemicals		-			-	

*** time distance from 2030 data points of the "net zero" scenario by 2050 in % (for each metric)

Source: FINREP reporting framework: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01; Internal ESG Database

NOTE: For the sectors published in the table, targets after 3 years from the reference year are not shown because the Bank will be committed to targets by 2030 and does not plan to set intermediate targets covering a different scope and period.

In line with the disclosure objectives set out in Regulation (EU) No. 2022/2453, the table above shows, for a selected number of sectors, the distance from the 2030 point of the "net zero emissions" by 2050 (NZE2050) scenario developed globally by the International Energy Agency (IEA) and the associated portfolio exposure.

As a result of joining the *Net Zero Banking Alliance* (hereinafter "the Alliance"), the Bank intends to set 2030 and 2050 targets for the abatement of portfolio GHG emissions to be pursued for the sectors that proved to be relevant for the purposes of Target Setting. To this end, the Bank is engaged in scenario analyses and target-setting activities in relation to the requirements for the disclosure to the Alliance that, with reference to the sectors considered as priorities, is scheduled for June 2025 (unless anticipated by the Bank). Therefore, this disclosure will be updated to reflect the results of the Target Setting exercise carried out by the Bank in line with NZBA guidelines and market best practices.

Finally, it should be noted that, on the basis of these analyses following adhesion to the NZBA, the "Chemicals" sector was excluded from the current publication. For exposures in the "Fossil Fuel Combustion" sector, the entire gross book value of the portfolio is attributable to a single counterparty whose alignment metric is declared in its NFR.

Table 82 - Template 4: Banking book - Indicators of potential climate change-related transition risk: Exposures to the top 20 carbon-intensive companies

	a	b	c	d	e
	Gross carrying amount (aggregate)	**Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)***	**Of which environmentally sustainable (CCM)**	**Weighted average maturity**	**Number of top 20 polluting firms included**
1	-	-	-	-	-

* For counterparties among the world's top 20 carbon emitters

The lists used to identify exposures to these companies are as follows:

- *Carbon Majors Database* - Carbon-Majors-Report (https://www.cdp.net/en);
- *Climate Accountability Institute* (https://climateaccountability.org/).

The decision to use a dual data source allows for greater granularity and reliability of the analysis. These above-mentioned lists, containing the GHG emissions data of the counterparties for the years 2017 and 2022, respectively, are combined into one final long list (available in the annexes section of this document). Following this process, the counterparties are appropriately analysed to verify the presence of these more polluting companies, or of the relevant equity investments, within the Group's banking book.

As shown in the table above, as at 30 June 2024 the Banking Group also had no material exposures to the world's top 20 carbon-intensive companies.

Table 83 - Template 5: Banking book - Indicators of potential physical risk related to climate change: Exposures subject to physical risk - All countries

	a	b	c	d	e	f	g
	All countries	Gross carrying amount					
		of which exposures sensitive to impact from climate change physical events					
		Breakdown by maturity bucket					
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	A - Agriculture, forestry and fishing	302	69	67	52	18	7.24
2	B - Mining and quarrying	92	12	29	-	11	3.56
3	C - Manufacturing	4,900	1,263	327	75	313	2.67
4	D - Electricity, gas, steam and air conditioning supply	910	53	52	50	40	5.68
5	E - Water supply; sewerage, waste management and remediation activities	237	32	16	17	8	5.95
6	F - Construction	1,644	197	71	74	123	4.38
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,575	1,003	275	171	371	3.40
8	H - Transportation and storage	490	69	48	65	19	7.35
9	L - Real estate activities	2,495	347	327	421	148	7.69
10	Loans collateralised by residential immovable property	8,079	83	232	772	348	29.84
11	Loans collateralised by commercial immovable property	4,059	221	254	626	78	14.95
12	Repossessed colalterals	8	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	5,090	950	398	389	356	5.12

Source: FINREP reporting framework: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1; Internal ESG Database

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
88	37	79	35	3	(4)	(1)	(2)
-	-	52	46	1	(3)	(2)	-
176	1,040	762	493	47	(53)	(25)	(26)
37	13	145	53	-	(4)	(4)	-
31	33	9	1	-	-	-	-
91	174	200	70	47	(31)	(3)	(27)
65	1,257	498	211	72	(51)	(7)	(40)
9	69	122	22	2	(2)	-	(1)
147	197	900	268	116	(74)	(19)	(50)
8	414	1,014	223	40	(32)	(10)	(20)
10	460	707	271	134	(94)	(22)	(69)
-	-	-	-	-	-	-	-
257	367	1,470	352	91	(83)	(28)	(51)

Table 84 - Template 5: Banking book - Indicators of potential physical risk related to climate change: Exposures subject to physical risk - Italy

	a	b	c	d	e	f	g
	Italy	Gross carrying amount					
		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	301	69	67	52	18	7.24
2	B - Mining and quarrying	60	12	29	-	11	3.56
3	C - Manufacturing	4,814	1,263	327	75	313	2.67
4	D - Electricity, gas, steam and air conditioning supply	909	53	52	50	40	5.68
5	E - Water supply; sewerage, waste management and remediation activities	237	32	16	17	8	5.95
6	F - Construction	1,440	197	71	74	123	4.38
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,914	1,003	275	171	371	3.40
8	H - Transportation and storage	467	69	48	65	19	7.35
9	L - Real estate activities	1,987	347	327	421	148	7.69
10	Loans collateralised by residential immovable property	3,992	81	222	730	345	15.32
11	Loans collateralised by commercial immovable property	3,844	220	245	626	78	9.73
12	Repossessed colalterals	8	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	4,348	950	398	389	356	5.12

Source: FINREP reporting framework: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1; Internal ESG Database

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
88	37	79	35	3	(4)	(1)	(2)
-	-	52	46	1	(3)	(2)	-
176	1,040	762	493	47	(53)	(25)	(26)
37	13	145	53	-	(4)	(4)	-
31	33	9	1	-	-	-	-
91	174	200	70	47	(31)	(3)	(27)
65	1,257	498	211	72	(51)	(7)	(40)
9	69	122	22	2	(2)	-	(1)
147	197	900	268	116	(74)	(19)	(50)
7	403	968	200	37	(30)	(9)	(19)
10	460	699	270	134	(94)	(22)	(69)
-	-	-	-	-	-	-	-
257	367	1,470	352	91	(83)	(28)	(51)

Table 85 - Template 5: Banking book - Indicators of potential physical risk related to climate change: Exposures subject to physical risk - Rest of world

	a	b	c	d	e	f	g
	Rest of the world	Gross carrying amount					
		of which exposures sensitive to impact from climate change physical events					
		Breakdown by maturity bucket					
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	A - Agriculture, forestry and fishing	1	-	-	-	-	-
2	B - Mining and quarrying	32	-	-	-	-	-
3	C - Manufacturing	87	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-
6	F - Construction	204	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	661	-	-	-	-	-
8	H - Transportation and storage	23	-	-	-	-	-
9	L - Real estate activities	508	-	-	-	-	-
10	Loans collateralised by residential immovable property	4,087	3	10	42	3	14.52
11	Loans collateralised by commercial immovable property	215	-	9	-	-	5.22
12	Repossessed colalterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	742	-	-	-	-	-

Source: FINREP reporting framework: Templates F 18.00 - F 4.02 - F 4.03 - F 6.01 - F 13.03.1; Internal ESG Database

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
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1	10	47	23	3	(2)	(1)	(1)
-	-	9	1	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

The table above provides information on the banking book's exposures to non-financial corporations - loans and advances, fixed-yield securities and equity instruments not held for trading and for sale -, loans secured by real estate and real estate collateral recovered, subject to acute and chronic climate-related hazards as at 30 June 2024.

A cross-section is provided both by sector of economic activity (NACE classification) and by geographical location of counterparty activity or collateral, with reference to sectors and geographical areas subject to acute and chronic climate change-related events. The credit quality of the exposures and the related accounting provisions are also disclosed.

For the identification of exposures subject to acute and/or chronic physical hazards, the Bank makes use of dedicated indicators estimated by a qualified external service provider, who assigns the Italian and foreign companies and individual real estate assets physical risk assessments conducted through special calculation engines that take into account the geographical location of headquarters and production sites for companies and buildings for collateral properties. The RCP 4.5 climate change scenario is used in the calculation logic: this scenario predicts that atmospheric greenhouse gas emissions will peak in the year 2040 with a subsequent downward trend, generating global average temperature increases by 2100 of between 2 and 3 degrees Celsius, depending on the estimation model applied to each physical risk analysed.

The types of acute and chronic physical hazards shown in the table below were examined, with high spatial resolution of analysis for the whole of Italy and the EU-27 territory.

Chronic Physical Risk	Acute Physical Risk
Changing temperatures	**Heat waves (*)**
Heat stress	Waves of freezing cold
Changing wind patterns	Fire
Changing patterns and types of precipitation	**Windstorm (*)**
Thawing of permafrost	**Drought (*)**
Sea level rise	Heavy rainfall
Water stress	**Floods (*)**
Soil and coastal erosion	**Landslides and subsidence (*)**
Soil degradation	

(*the physical risks to which the Group's portfolio is most exposed are highlighted)

With reference to the new Templates 6, 7 and 8, in line with the provisions of Delegated Regulation (EU) 2021/2178 and Delegated Regulation (EU) 2023/2486, the Group reports its share of credit and investment assets aligned to the Taxonomy expressed by the Green Asset Ratio (GAR) using the uniform publication templates established by the technical standards implementing the disclosure requirements introduced by Implementing Regulation (EU) 2022/2453 of 30 November 2022. The Regulation states that such Pillar III reporting should only include quantitative information on mitigation actions associated with financed economic activities, in alignment with the climate change mitigation (CC Mitigation) and adaptation (CC Adaptation) objectives set out in the Taxonomy.

Similar taxonomic alignment reporting pursuant to Delegated Regulation (EU) 2021/2178 is provided within the annual Consolidated Non-Financial Report (NFR). In that sustainability disclosure document, GAR is estimated and disclosed in two versions: the first by calculating the measure of alignment to the Taxonomy of Group assets based on the Turnover value of the financed counterparties (non-financial corporations) with respect to exposures whose purpose is not to finance specified assets ("general" financing); the second by calculating the measure of alignment to the Taxonomy based on the capital expenditure (Capex) of the financed counterparties with respect to general financing. In Templates 6, 7 and 8 included in this Pillar 3 Disclosure, the GAR disclosed is calculated solely on the basis of the alignment to the Taxonomy measured against the Turnover share of the counterparty company.

GAR is an indicator designed to concisely represent the percentage of a financial institution's activities that are considered environmentally sustainable according to the European Taxonomy. The denominator of the indicator refers to the total balance sheet assets of a financial institution, excluding exposures to governments, institutions, central banks and supranational issuers and assets held for trading purposes (trading book).

The GAR calculation process classifies the Group's assets into four main sections:

1. Assets included in the numerator for GAR calculation;
2. Assets excluded from the numerator for GAR calculation (included in the denominator);
3. Exclusions from KPI calculation;
4. Off-balance sheet assets.

A summary description of the four different sections is given below.

1. Assets included in the numerator for GAR calculation

An asset is "green" when it represents an investment in assets that are considered aligned with the Taxonomy, whose analysis metrics include the classification of exposures according to counterparty category and type of financing provided, and the identification of eligible and aligned exposures, as depicted below.

a. Exposures to counterparties within the scope of Directive 2014/95/EU (Non Financial Reporting Directive; hereinafter "NFRD counterparties"):

I. Total GAR for financing activities for financial companies for climate change mitigation and adaptation objectives;
II. Total GAR for financing activities for non-financial companies for climate change mitigation and adaptation objectives.

These exposures can be divided into two categories, depending on the use of the proceeds for which the financing was provided:

- in the case of a generic loan, data on Taxonomy eligibility and alignment are retrieved from the NFR of the financed company (in the case of a company subject to EU Non-Financial Reporting Directive or "NFRD" obligations); from this data, the percentages to be applied to the Bank's exposure to the specific company are derived in order to determine the eligibility and alignment share referable to the loan granted to the counterparty[12];
- *in the case of financing for a specific purpose*, the following technical screening criteria set out in Delegated Regulation (EU) 2021/2139 must be met:
  1. substantial contribution criteria;
  2. Do No Significant Harm ("DNSH");
  3. Minimum safeguards.

If the activity underlying the financing fulfils the technical screening criteria, it can be considered aligned within the meaning of Regulation (EU) 2020/852. To avoid double-counting, if an exposure from specialised financing can be considered aligned in relation to two environmental objectives compatible with the Taxonomy, it should be assigned to the most relevant objective.

For the purposes of this report, the existence of outstanding special purpose loans to non-financial corporations subject to NFRD obligations was not recognised, so the analysis preparatory to the quantification of the GAR focused on general loans only, with data on the degree of Taxonomy eligibility and alignment of the activities drawn from the NFRs 2023 of the counterparty companies to which the Bank has exposures.

For this first macro-category of financed entities, the calculation carried out on the basis of the Turnover figure drawn from the last available financial statements showed a total amount of 974 million euro of eligible exposures in the form of general loans, of which 423 million euro Taxonomy-aligned.

b. Exposures to households:

I. GAR for residential real estate exposures, including loans for home renovation, for climate change mitigation, adaptation and climate change adaptation purposes;
II. GAR for retail loans for the purchase of cars for climate change mitigation purposes.

This analyses how many of the loans to households secured by real estate are EU Taxonomy-eligible and/or aligned. Exposures to households are broken down, in accordance with Regulation (EU) 2021/2139, into:

1. Loans secured by residential property;
2. Building renovation loans;
3. Motor vehicle loans.

[12] In the case of groups of companies, the Taxonomy eligibility and alignment percentages calculated for the parent company are also applied when the credit exposure refers to a subsidiary, subject to verification that the subsidiary is actually consolidated in the parent company's financial statements.

It should be noted that minimum safeguards are not taken into account for the reporting period in question, as the methods of their application have yet to be established by the Regulator.

In calculating the alignment proportions, the Bank allocated part of its exposures to households to the following assets described by the EU Taxonomy:

- 6.5 - Transport by motorbikes, cars and light commercial vehicles;
- 7.1 - Construction of new buildings;
- 7.2 - Renovation of existing buildings;
- 7.6 - Installation, maintenance and repair of renewable energy technologies; in this specific case, financing for the purchase of photovoltaic panels falls into this category;
- 7.7 - Purchase and ownership of buildings; new buildings are excluded; for them, the requirements of activity 7.1 must be met.

Based on the information currently available, the Bank was able to very alignment to the Taxonomy only for credit exposures attributed to activity 7.7. Eligible exposures totalling 7,639 million euro were recognised, of which 131 million euro was aligned with the Taxonomy criteria.

c. Exposures to local governments:

I. GAR for revenues used to finance local governments.

This financing, intended to support environmental projects promoted by local governments, is divided into:

1. Public housing finance, which includes in particular loans granted by credit institutions to local governments for the purpose of financing the purchase of a family's place of residence;
2. Other local government financing, which includes loans granted to local governments for the purpose of financing any activity other than the purchase of a family's place of residence.

The Group's exposure to this general category of entities totals 4 million euro, which qualifies as Taxonomy-eligible loans. There is no activity that qualifies for the alignment calculation.

d. Guarantees obtained by taking possession: residential and non-residential properties:

I. GAR for residential and commercial real estate collateral recovered and held for sale for climate change targets.

The coefficient referring to this macro-category represents the ratio of: (i) commercial and residential real estate collateral in respect of which the Bank exercises a right over the mortgaged property, thereby becoming the owner of the property by entry into possession (recovered collateral), and which at the same time meets the technical screening criteria set out in the EU Taxonomy (set out in Annex I, paragraph 7.7 of EU Delegated Regulation 2021/2139); to (ii) the total commercial and residential real estate collateral recovered.

The alignment of this type of collateral to the Taxonomy is verified according to the same process used for "Loans secured by residential property", as compliance with the criteria in Activity 7.7 "Purchase and ownership of buildings" is required.

For this reporting, the Bank recognised 9 million of gross exposures for this type of collateral, which qualifies as Taxonomy non-eligible loans.

2. Assets excluded from the numerator for GAR calculation (included in the denominator)

The following is a list of the types of assets that in the GAR calculation are excluded from the numerator while being included in the denominator.

a. Exposures to non-NFRD counterparties

Exposures to companies not subject to disclosure requirements within the NFRD framework are not included in the numerator of the GAR and are broken down, in accordance with Delegated Regulation (EU) 2021/2178 and Delegated Regulation (EU) 2023/2486, into:

1. financial companies, SMEs and other non-financial companies (other than SMEs) not subject to NFRD disclosure requirements, to which the Group had exposures totalling 22,572 million euro as at 30 June 2024;
2. Third country counterparties not subject to NFRD reporting requirements, to which the Group had exposures totalling 556 million euro as at 30 June 2024.

b. Exposures to other asset classes

Also excluded from the numerator of the GAR are exposures to other asset classes, which, pursuant to Delegated Regulation (EU) 2021/2178 and Delegated Regulation (EU) 2023/2486, are divided into:

1. Derivatives: exposures of 1 million euro as at 30 June 2024;
2. On-demand interbank loans: exposures of 258 million euro as at 30 June 2024;
3. Cash and cash assets: exposures of 149 million euro as at 30 June 2024;
4. Other asset categories (tangible, intangible and other assets): exposures of 896 million euro as at 30 June 2024.

The exposures mentioned, included in the denominator but not in the numerator in the GAR calculation, are not considered eligible, nor consequently aligned, to the EU Taxonomy.

3. Exclusions from GAR calculation

Delegated Regulation (EU) 2021/2178 states that exposures to central governments, central banks and supranational issuers, as well as exposures related to assets held for trading purposes, are to be excluded from the calculation of the numerator and denominator of the environmental key performance indicators (KPIs) under the Taxonomy rules, and thus also from the GAR.

The Group’s exposure to this category was as follows as at 30 June 2023:

1. Exposures to Central Governments and Supranational Entities of 13,756 million euro;
2. Exposures to Central Banks of 2,764 million euro;
3. Exposures related to the Trading Book of 226 million euro.

4. Off-balance sheet assets

A complementary analysis is performed concerning the level of association with Taxonomy-aligned economic activities of off-balance sheet exposures, which may direct, or contribute to directing, capital flows to economic activities whose environmental sustainability can be assessed as conforming to the Taxonomy. The off-balance sheet assets measured include:

1. Financial guarantees, for which the GAR corresponds to the ratio of financial guarantees securing EU Taxonomy-aligned debt instruments financing economic activities and all financial guarantees backing corporate debt instruments;
2. Managed financial assets[13], for which the GAR corresponds to the ratio of managed financial assets (debt and equity instruments) financing EU Taxonomy-aligned economic activities to total managed financial assets (debt and equity instruments).

For this type of exposure, the Bank focused its analysis of eligibility for and alignment with Taxonomy requirements on data obtained from the NFRs of counterparties subject to NFRD obligations. However, the relevant information is not required in the uniform GAR reporting templates (6, 7 and 8) published in this Pillar 3 Disclosure.

Table 86 - Template 6: Summary of key performance indicators (KPIs) on Taxonomy-aligned exposures

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	1.35%	0.00%	1.35%	71.02%
GAR flow	1.55%	0.00%	1.55%	85.86%

* % of assets covered by the KPI out of banks' total assets

Source: FINREP reporting framework: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

The table above presents a set of GAR metrics that provide a summary overview of exposures aligned to the first two environmental objectives defined by the Taxonomy: climate change mitigation and adaptation. The percentages of aligned exposures are represented both as stock volumes measured as at 30 June 2024 and as flow volumes generated during the reporting period within the Group's banking book.

[13] The market value of the portfolio of managed financial assets is shown net of cash and government bonds.

Table 87 - Template 7: Mitigation actions: assets for GAR calculation (1 of 3)

		a	b	c	d	e	f
			Disclosure reference date: 30/06/2024				
			Climate Change Mitigation (CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator						
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**16,600**	**8,616**	**554**	**131**	**13**	**128**
2	**Financial corporations**	**2,230**	**356**	**35**	**-**	**2**	**3**
3	Credit institutions	1,456	297	21	-	2	3
4	Loans and advances	192	41	4	-	-	-
5	Debt securities, including UoP	1,263	256	18	-	2	2
6	Equity instruments	-	-	-		-	-
7	Other financial corporations	775	59	14	-	-	-
8	*of which investment firms*	*664*	*39*	*12*	-	-	-
9	Loans and advances	328	-	-	-	-	-
10	Debt securities, including UoP	336	39	12	-	-	-
11	Equity instruments	-	-	-		-	-
12	*of which management companies*	*81*	*15*	*1*	-	-	-
13	Loans and advances	-	-	-	-	-	-
14	Debt securities, including UoP	43	3	1	-	-	-
15	Equity instruments	39	11	1		-	-
16	*of which insurance undertakings*	*29*	*6*	*1*	-	-	-
17	Loans and advances	-	-	-	-	-	-
18	Debt securities, including UoP	29	6	1	-	-	-
19	Equity instruments	-	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	**2,360**	**618**	**388**	**-**	**11**	**126**
21	Loans and advances	1,826	394	223	-	5	72
22	Debt securities, including UoP	461	209	164	-	5	53
23	Equity instruments	73	15	1		-	-
24	**Households**	**12,005**	**7,639**	**131**	**131**	**-**	**-**
25	*of which loans collateralised by residential immovable property*	*8,458*	*7,437*	*131*	*131*	-	-
26	*of which building renovation loans*	*53*	*53*	-	-	-	-
27	*of which motor vehicle loans*	*47*	*47*	-	-	-	-
28	**Local governments financing**	**4**	**4**	**-**	**-**	**-**	**-**
29	Housing financing	1	1	-	-	-	-
30	Other local governments financing	3	3	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	9	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**16,609**	**8,616**	**554**	**131**	**13**	**128**

Table 87 - Template 7: Mitigation actions: assets for GAR calculation (1 of 3)

		a	b	c	d	e	f
			Disclosure reference date: 30/06/2024				
			Climate Change Mitigation (CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)						
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**22,572**					
34	Loans and advances	20,710					
35	Debt securities	1,134					
36	Equity instruments	727					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**556**					
38	Loans and advances	534					
39	Debt securities	22					
40	Equity instruments	-					
41	Derivatives	1					
42	On demand interbank loans	258					
43	Cash and cash-related assets	149					
44	Other assets (e.g. Goodwill, commodities etc.)	896					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**41,041**	**8,616**	**554**	**131**	**13**	**128**
	Other assets excluded from both the numerator and denominator for GAR calculation						
46	Sovereigns	13,756					
47	Central banks exposure	2,764					
48	Trading book	226					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**16,746**					
50	**TOTAL ASSETS**	**57,786**					

Source: FINREP reporting framework: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

Table 88 - Template 7: Mitigation actions: assets for GAR calculation (2 of 3)

		g	h	i	j	k
		Disclosure reference date: 30/06/2024				
		Climate Change Adaptation (CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator					
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**6**	**-**	**-**	**-**	**-**
2	**Financial corporations**	**3**	**-**	**-**	**-**	**-**
3	Credit institutions	-	-	-	-	-
4	Loans and advances	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-
6	Equity instruments	-	-		-	-
7	Other financial corporations	3	-	-	-	-
8	*of which investment firms*	*3*	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	3	-	-	-	-
11	Equity instruments	-	-		-	-
12	*of which management companies*	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	*of which insurance undertakings*	-	-	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-
19	Equity instruments	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	**3**	**-**	**-**	**-**	**-**
21	Loans and advances	1	-	-	-	-
22	Debt securities, including UoP	2	-	-	-	-
23	Equity instruments	-	-		-	-
24	**Households**					
25	*of which loans collateralised by residential immovable property*					
26	*of which building renovation loans*					
27	*of which motor vehicle loans*					
28	**Local governments financing**	**-**	**-**	**-**	**-**	**-**
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**6**	**-**	**-**	**-**	**-**

Table 88 - Template 7: Mitigation actions: assets for GAR calculation (2 of 3)

		g	h	i	j	k
		Disclosure reference date: 30/06/2024				
		Climate Change Adaptation (CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)		
				Of which specialised lending	Of which adaptation	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)					
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	6	-	-	-	-
	Other assets excluded from both the numerator and denominator for GAR calculation					
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**					
50	**TOTAL ASSETS**					

Source: FINREP reporting framework: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

Table 89 - Template 7: Mitigation actions: assets for GAR calculation (3 of 3)

		l	m	n	o	p
		Disclosure reference date: 30/06/2024				
		TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator					
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**8,622**	**554**	**131**	**13**	**129**
2	**Financial corporations**	**359**	**36**	**-**	**2**	**3**
3	Credit institutions	297	22	-	2	3
4	Loans and advances	41	4	-	-	-
5	Debt securities, including UoP	256	18	-	2	2
6	Equity instruments	-	-		-	-
7	Other financial corporations	62	14	-	-	-
8	*of which investment firms*	*42*	*12*	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	42	12	-	-	-
11	Equity instruments	-	-		-	-
12	*of which management companies*	*15*	*1*	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	3	1	-	-	-
15	Equity instruments	11	1		-	-
16	*of which insurance undertakings*	*6*	*1*	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	6	1	-	-	-
19	Equity instruments	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	**620**	**388**	**-**	**11**	**126**
21	Loans and advances	395	223	-	5	72
22	Debt securities, including UoP	210	164	-	5	53
23	Equity instruments	15	1		-	-
24	**Households**	**7,639**	**131**	**131**	**-**	**-**
25	*of which loans collateralised by residential immovable property*	*7,437*	*131*	*131*	-	-
26	*of which building renovation loans*	*53*	-	-	-	-
27	*of which motor vehicle loans*	*47*	-	-	-	-
28	**Local governments financing**	**4**	**-**	**-**	**-**	**-**
29	Housing financing	1	-	-	-	-
30	Other local governments financing	3	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**8,622**	**554**	**131**	**13**	**129**

Table 89 - Template 7: Mitigation actions: assets for GAR calculation (3 of 3)

		l	m	n	o	p
		Disclosure reference date: 30/06/2024				
		TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)					
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**8,622**	**554**	**131**	**13**	**129**
	Other assets excluded from both the numerator and denominator for GAR calculation					
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**					
50	**TOTAL ASSETS**					

Source: FINREP reporting framework: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

The table above provides information on the gross book value as at 30 June 2024 of loans and advances, debt securities and equity instruments in the banking book - with a breakdown of information by type of counterparty, including financial companies, non-financial companies, households, local governments - as well as real estate loans to households, together with information on eligibility for and alignment to the Taxonomy.

Such exposures may be divided into several categories, depending on the use of the proceeds of the financing activity (e.g. general or special purpose financing). The assets are further detailed as follows:

- *transition activities*, i.e. activities that cannot yet be replaced by low-carbon, technologically and economically accessible alternatives, but that contribute to climate change mitigation and can play an important role in the transition to a climate-neutral economy;
- *enabling activities*, i.e. those that directly enable other activities to make a substantial contribution to an environmental objective of the Taxonomy;
- *adaptation activities*, i.e. those activities that can substantially contribute to climate adaptation solutions, either by reducing the risks of adverse climate effects or by preventing or reducing the risk of such effects on future generations and the environment.

Table 90 - Template 8: GAR (%) (1 of 2)

	% (compared to total covered assets in the denominator)	a	b	c	d	e
		Disclosure reference date 30/06/2024: KPIs on stock				
		Climate Change Mitigation (CCM)				
		Proportion of eligible assets funding taxonomy relevant sectors				
			Of which environmentally sustainable			
				Of which specialised lending	Of which transitional	Of which enabling
1	**GAR**	**20.99%**	**1.35%**	**0.32%**	**0.03%**	**0.31%**
2	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**20.99%**	**1.35%**	**0.32%**	**0.03%**	**0.31%**
3	**Financial corporations**	**0.87%**	**0.09%**	**-**	**0.00%**	**0.01%**
4	Credit institutions	0.72%	0.05%	-	0.00%	0.01%
5	Other financial corporations	0.14%	0.03%	-	0.00%	0.00%
6	*of which investment firms*	*0.09%*	*0.03%*	-	*0.00%*	-
7	*of which management companies*	*0.04%*	*0.00%*	-	*0.00%*	*0.00%*
8	*of which insurance undertakings*	*0.01%*	*0.00%*	-	-	-
9	**Non-financial corporations subject to NFRD disclosure obligations**	**1.51%**	**0.95%**	**-**	**0.03%**	**0.31%**
10	**Households**	**18.61%**	**0.32%**	**0.32%**	**-**	**-**
11	*of which loans collateralised by residential immovable property*	*18.12%*	*0.32%*	*0.32%*	-	-
12	*of which building renovation loans*	*0.13%*	-	-	-	-
13	*of which motor vehicle loans*	*0.12%*	-	-	-	-
14	**Local government financing**	**0.01%**	**-**	**-**	**-**	**-**
15	Housing financing	0.00%	-	-	-	-
16	Other local governments financing	0.01%	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-

Source: FINREP reporting framework: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

f	g	h	i	j	k	l	m	n	o	p
Disclosure reference date 30/06/2024: KPIs on stock										
Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
	Of which environmentally sustainable					Of which environmentally sustainable				
		Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
0.01%	0.00%	0.00%	0.00%	0.00%	21.01%	1.35%	0.32%	0.03%	0.31%	71.02%
0.01%	0.00%	-	-	0.00%	21.01%	1.35%	0.32%	0.03%	0.31%	28.73%
0.01%	0.00%	-	-	-	0.88%	0.09%	-	0.00%	0.01%	3.86%
0.00%	0.00%	-	-	-	0.72%	0.05%	-	0.00%	0.01%	2.52%
0.01%	0.00%	-	-	-	0.15%	0.03%	-	0.00%	0.00%	1.34%
0.01%	*0.00%*	-	-	-	*0.10%*	*0.03%*	-	*0.00%*	-	*1.15%*
0.00%	*0.00%*	-	-	-	*0.04%*	*0.00%*	-	*0.00%*	*0.00%*	*0.14%*
-	-	-	-	-	*0.01%*	*0.00%*	-	-	-	*0.05%*
0.01%	0.00%	-	-	0.00%	1.51%	0.95%	-	0.03%	0.31%	4.08%
					18.61%	0.32%	0.32%	-	-	20.78%
					18.12%	*0.32%*	*0.32%*	-	-	*14.64%*
					0.13%	-	-	-	-	*0.09%*
					0.12%	-	-	-	-	*0.08%*
					0.01%	-	-	-	-	0.01%
					0.00%	-	-	-	-	0.00%
-	-	-	-	-	0.01%	-	-	-	-	0.00%
					-	-	-	-	-	0.02%

Table 91 - Template 8: GAR (%) (2 of 2)

	% (compared to total covered assets in the denominator)	a	b	c	d	e
		Disclosure reference date 30/06/2024: KPIs on flows				
		Climate Change Mitigation (CCM)				
		Proportion of eligible assets funding taxonomy relevant sectors				
			Of which environmentally sustainable			
				Of which specialised lending	Of which transitional	Of which enabling
1	**GAR**	**11.54%**	**1.55%**	**0.02%**	**0.04%**	**0.48%**
2	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**11.54%**	**1.55%**	**0.02%**	**0.04%**	**0.48%**
3	**Financial corporations**	**0.78%**	**0.06%**	**-**	**0.00%**	**0.01%**
4	Credit institutions	0.77%	0.06%	-	0.00%	0.01%
5	Other financial corporations	0.01%	0.00%	-	0.00%	0.00%
6	*of which investment firms*	-	-	-	-	-
7	*of which management companies*	*0.00%*	*0.00%*	-	*0.00%*	*0.00%*
8	*of which insurance undertakings*	*0.01%*	*0.00%*	-	-	-
9	**Non-financial corporations subject to NFRD disclosure obligations**	**1.81%**	**1.47%**	**-**	**0.03%**	**0.47%**
10	**Households**	**8.95%**	**0.02%**	**0.02%**	**-**	**-**
11	*of which loans collateralised by residential immovable property*	*8.61%*	*0.02%*	*0.02%*	-	-
12	*of which building renovation loans*	*0.07%*	-	-	-	-
13	*of which motor vehicle loans*	*0.16%*	-	-	-	-
14	**Local government financing**	**0.00%**	**-**	**-**	**-**	**-**
15	Housing financing	0.00%	-	-	-	-
16	Other local governments financing	-	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-

Source: FINREP reporting framework: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

f	g	h	i	j	k	l	m	n	o	p
Disclosure reference date 30/06/2024: KPIs on flows										
Climate Change Adaptation (CCA)					**TOTAL (CCM + CCA)**					
Proportion of eligible assets funding taxonomy relevant sectors					**Proportion of eligible assets funding taxonomy relevant sectors**					**Proportion of total assets covered**
	Of which environmentally sustainable					**Of which environmentally sustainable**				
		Of which specialised lending	**Of which adaptation**	**Of which enabling**			**Of which specialised lending**	**Of which transitional/ adaptation**	**Of which enabling**	
0.00%	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**11.54%**	**1.55%**	**0.02%**	**0.04%**	**0.48%**	**85.86%**
0.00%	**0.00%**	**-**	**-**	**0.00%**	**11.54%**	**1.55%**	**0.02%**	**0.04%**	**0.48%**	**22.54%**
0.00%	**0.00%**	**-**	**-**	**-**	**0.78%**	**0.06%**	**-**	**0.00%**	**0.01%**	**3.12%**
0.00%	0.00%	-	-	-	0.77%	0.06%	-	0.00%	0.01%	3.08%
-	-	-	-	-	0.01%	0.00%	-	0.00%	0.00%	0.04%
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	*0.00%*	*0.00%*	-	*0.00%*	*0.00%*	*0.01%*
-	-	-	-	-	*0.01%*	*0.00%*	-	-	-	*0.03%*
0.00%	**0.00%**	**-**	**-**	**0.00%**	**1.81%**	**1.47%**	**-**	**0.03%**	**0.47%**	**6.01%**
					8.95%	**0.02%**	**0.02%**	**-**	**-**	**13.41%**
					8.61%	*0.02%*	*0.02%*	-	-	*7.93%*
					0.07%	-	-	-	-	*0.06%*
					0.16%	-	-	-	-	*0.14%*
					0.00%	**-**	**-**	**-**	**-**	**0.00%**
					0.00%	-	-	-	-	0.00%
-	-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-

The table above shows, as a percentage of the total, the portion of assets financed by the Group as at 30 June 2024 that can be considered "environmentally sustainable" in accordance with Articles 3 and 9 of Regulation (EU) 2020/852. In particular, evidence of the following is provided for each macro-category of assets covered by the GAR and for each of the environmental objectives of the Taxonomy (climate change mitigation and adaptation):

- the share of the stock of assets that as at the reference date finance economic activities that comply with the environmental objectives of the Taxonomy ("eligible") in relation to the total assets covered by the GAR;
- the percentage of new assets generated during the reporting period that finance economic activities that comply with the environmental objectives of the Taxonomy ("eligible") in relation to the total assets covered by the GAR.

Table 92 - Template 10: Other climate change-related mitigation actions not covered by Regulation (EU) 2020/852

	a	b	c	d	e	f
	Type of financial instrument	**Type of counterparty**	**Gross carrying amount (million EUR)**	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	497	Climate change transition risk		(*2)
2		Non-financial corporations	150	Climate change transition risk		(*2)
3		*Of which Loans collateralised by commercial immovable property*	-			
4		Households	-			
5		*Of which Loans collateralised by residential immovable property*	-			
6		*Of which building renovation loans*	-			
7		Other counterparties	602	Climate change transition risk		(*2)
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	5			
9		Non-financial corporations	555	Climate change transition risk		(*1)
10		*Of which Loans collateralised by commercial immovable property*	*325*	*Climate change transition risk*		*(*1)*
11		Households	158	Climate change transition risk		(*1)
12		*Of which Loans collateralised by residential immovable property*	*90*	*Climate change transition risk*		*(*1)*
13		*Of which building renovation loans*	*90*			
14		Other counterparties	-			

Source: FINREP reporting framework: Templates - F 1.01 - F 1.02 - F 2.00 - F 4.01 - F 4.02 - F 4.03 - F 4.04 - F 4.05 - F 18.00 - F 6.01; Internal ESG database

The purpose of the disclosures required by *Template 10 - Other climate change-related mitigation actions not covered by Regulation (EU) 2020/852* is to describe climate change-related mitigation actions implemented by institutions and to represent customer exposures that are intended to support counterparties in achieving their climate change mitigation and adaptation objectives but are not aligned with the "Taxonomy" standards set out in Regulation (EU) 2020/852 (and therefore not included in the calculation of the GAR and BTAR metrics to be published in the future).

(*1) Credit products deemed eligible according to the Bank's Green Bond framework as per specific guidelines issued by ICMA (International Capital Market Association) are counted towards the compilation of Template 10. With reference to 30 June 2024, 829 million euro of loans was eligible for recognition for environmental mitigation purposes, of which 112 million euro is aligned in accordance with Regulation (EU) 2020/852 and eliminated from this template. Overall, 718 million euro derives from Non-financial Companies, Financial Companies and Households whose financeable or refinanceable economic activities are covered by the above-mentioned green bond issuance programme and who meet the following eligibility criteria:

- *Green Building:* loans or assets for the purchase, construction and renovation of residential and/or commercial buildings that meet energy efficiency requirements;
- *Renewable Energy:* loans for the acquisition, development and management of infrastructure for the production of energy from renewable sources;
- *Clean Transportation:* loans for low-carbon transport activities and the acquisition, as well as construction and operation of dedicated low-carbon transport infrastructure;
- *Energy Efficiency:* loans for goods that contribute to reducing energy consumption (e.g. energy-saving lighting);
- *Environmentally sustainable management of living natural resources and land use:* loans for activities that contribute to the sustainable management of natural resources and land use (e.g. investments in protected areas such as regional nature parks);
- *Pollution prevention and control:* loans for activities that contribute to the prevention, collection, disposal and recycling of waste;
- *Sustainable Water and Wastewater Management:* loans for activities that improve the quality, efficiency, distribution and conservation of water.

(*2) The amounts for bonds refer to those identified as green, held in the portfolio for a combined total of approximately 1.248 billion euro. In line with the objectives of Template 10, debt instruments deemed to be aligned under Regulation (EU) 2020/852, amounting to approximately 150 million euro, already accounted for in *Template 7 - Mitigating actions: Assets for GAR calculation*, were eliminated.

In addition to the above-mentioned loan and bond volumes, the Bank also has 900 million euro in loans for the 110% SuperBonus, currently not accounted for in this Template.

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 2024 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 93 - Template EU CCR1: Analysis of CCR exposure by approach (1 of 2)

		a	b	c	d
		Replacement cost (RC)	**Potential future exposure (PFE)**	**EEPE**	**Alpha used for computing regulatory exposure value**
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4
EU-2	EU - Simplified SA-CCR (for derivatives)	34,839	32,287		1.4
1	SA-CCR (for derivatives)	14,446	27,577		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 30/06/2024**				

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

Key:

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

Table 94 - 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)	94,007	94,007	94,007	19,601
1	SA-CCR (for derivatives)	58,832	58,218	58,570	25,762
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)	3,331,126	145,013	145,013	29,047
5	VaR for SFTs	-	-	-	-
6	**TOTAL AS AT 30/06/2024**	**3,483,965**	**297,238**	**297,590**	**74,410**

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

		30/06/2024		31/12/2023	
		a	b	a	b
		Exposure value	RWAs	Exposure value	RWAs
1	**TOTAL PORTFOLIOS SUBJECT TO THE ADVANCED METHOD**	**-**	**-**	**-**	**-**
2	(i) VaR component (including the 3× multiplier)		-		-
3	(ii) SVaR component (including the 3× multiplier)		-		-
4	**ALL PORTFOLIOS SUBJECT TO THE STANDARDISED METHOD**	**136,215**	**10,647**	**74,100**	**10,779**
EU-4	Based on the original exposure method	-	-	-	-
5	**TOTAL SUBJECT TO THE CVA CAPITAL CHARGE**	**136,215**	**10,647**	**74,100**	**10,779**

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

Table 96 - 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	-	18,545	-	-	255,720	18,232
7	Corporates	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-
11	**TOTAL AS AT 30/06/2024**	**-**	**18,545**	**-**	**-**	**255,720**	**18,232**
	TOTAL AS AT 31/12/2023	**-**	**21,876**	**-**	**-**	**193,141**	**42,258**

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

Table 97 - 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	-	-	1,373	-	-	293,870
7	Corporates	-	-	539	-	-	539
8	Retail	-	1,437	-	-	-	1,437
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	3,575	-	-	3,575
11	**TOTAL AS AT 30/06/2024**	**-**	**1,437**	**5,487**	**-**	**-**	**299,421**
	TOTAL AS AT 31/12/2023	**-**	**1,203**	**3,764**	**-**	**-**	**262,242**

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

Table 98 - 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 99 - 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 100 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Corporates (1 of 2)			
PD scale	**a**	**b**	**c**
	Exposure value	**Exposure weighted average PD (%)**	**Number of obligors**
0.00 to <0.15	4,054	0.1263%	24
0.15 to <0.25	731	0.1700%	15
0.25 to <0.50	7,106	0.3400%	32
0.50 to <0.75	926	0.5200%	21
0.75 to <2.50	2,888	1.7396%	18
2.50 to <10.00	807	3.4417%	9
10.00 to <100.00	2	13.2100%	1
100.00 (Default)	-	-	-
SUBTOTAL (Exposure classes CORPORATES)	**16,514**	**0.6878%**	**120**

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

Table 101 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Corporates (2 of 2)				
PD scale	**d**	**e**	**f**	**g**
	Exposure weighted average LGD (%)	**Exposure weighted average maturity**	**RWEA**	**Density of risk weighted exposure amount**
0.00 to <0.15	26.5759%	1	774	19.0878%
0.15 to <0.25	27.3432%	2	229	31.3032%
0.25 to <0.50	26.5899%	1	2,844	40.0165%
0.50 to <0.75	27.0076%	2	495	53.4806%
0.75 to <2.50	26.4347%	1	2,391	82.7707%
2.50 to <10.00	27.2005%	1	832	103.1494%
10.00 to <100.00	26.5740%	1	2	100.7864%
100.00 (Default)	-	-	-	-
SUBTOTAL (Exposure classes CORPORATES)	**26.6456%**	**1**	**7,566**	**45.8164%**

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

Table 102 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (1 of 2)

PD scale	a	b	c
	Exposure value	Exposure weighted average PD (%)	Number of obligors
0.00 to <0.15	1	0.1030%	2
0.15 to <0.25	27	0.1910%	3
0.25 to <0.50	140	0.4732%	4
0.50 to <0.75	2	0.6120%	2
0.75 to <2.50	25	1.0640%	3
2.50 to <10.00	0	5.4600%	1
10.00 to <100.00	-	-	-
100.00 (Default)	4	100.0000%	1
SUBTOTAL (Exposure classes RETAIL)	**200**	**2.3961%**	**16**
TOTAL AS AT 30/06/2024	**16,714**	**-**	**136**

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

Table 103 - Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD scale - Retail (2 of 2)

PD scale	d	e	f	g
	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
0.00 to <0.15	26.5740%	-	0	7.0531%
0.15 to <0.25	21.4160%	-	2	8.8687%
0.25 to <0.50	9.4043%	-	10	7.4783%
0.50 to <0.75	26.5740%	-	1	22.0644%
0.75 to <2.50	19.8050%	-	6	23.3588%
2.50 to <10.00	26.5740%	-	0	38.4615%
10.00 to <100.00	-	-	-	-
100.00 (Default)	20.4710%	-	0	1.4780%
SUBTOTAL (Exposure classes RETAIL)	**12.8937%**	**-**	**20**	**9.7549%**
TOTAL AS AT 30/06/2024	**-**	**1**	**7,586**	**45.3840%**

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

Table 104 - 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	-	7,865	60,177	21,278
2	Cash - other currencies	-	15,466	-	-
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 30/06/2024**	**-**	**23,331**	**60,177**	**21,278**

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

Table 105 - 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	-	-	-	2,417
2	Cash - other currencies	-	-	-	-
3	Domestic sovereign debt	-	-	-	917,340
4	Other sovereign debt	-	-	-	-
5	Government agency debt	-	-	-	-
6	Corporate bonds	-	-	-	672,099
7	Equity securities	-	-	-	-
8	Other collateral	-	513,930	-	2,659,026
9	**TOTAL AS AT 30/06/2024**	**-**	**513,930**	**-**	**4,250,883**

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

Table 106 - Template EU CCR6: Credit derivative exposures

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

Table 107 - 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 108 - Template EU CCR8: Exposures to CCPs

		30/06/2024	
		a	b
		Exposure value	RWEA
1	**EXPOSURES TO QCCPS (TOTAL)**		**541**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	18,545	371
3	*(i) OTC derivatives*	-	-
4	*(ii) Exchange-traded derivatives*	-	-
5	*(iii) SFTs*	*18,545*	*371*
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	8,514	170
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 (art. 449 CRR/CRR II)

Own securitisations

Securitisations of non-performing loans

As part of a multi-year strategic programme of measures to contain impaired loans, Banca Popolare di Sondrio completed five securitisation transactions through the bulk sale of non-performing loans in the period 2020-2023.

DIANA SECURITISATION

In the first transaction of June 2020, named "Diana", a portfolio of non-performing loans with a gross value of 999.7 million euro (consisting of 74% secured loans) was sold in a massive manner, with economic effect from 1 April 2019, to the securitisation vehicle named "Diana S.P.V. S.r.l." established pursuant to Law 130/99, which in turn issued three tranches of ABS notes totalling 274 million euro (27.4% of the gross value of the assigned loans):

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

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

LUZZATTI SECURITISATION

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

- a senior tranche, rated BBB by the agencies DBRS Morningstar and Scope Ratings, amounting to 109.78 million euro, corresponding to 29.5% of the gross value of the loans disposed. The tranche in question, kept in the portfolio by Banca Popolare di Sondrio, has structural characteristics that make it eligible for the GACS state guarantee;
- a mezzanine tranche of 11.36 million euro, rated CCC by DBRS Morningstar and CC by Scope Ratings, corresponding to 3.1% of the gross value of the loans disposed;
- a junior tranche of 4.55 million euro, equal to 1.2% of the gross value of the loans disposed.

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

LUZZATTI II SECURITISATION

As a continuation of the de-risking and asset quality improvement strategy pursued, in December 2021, the Bank concluded, together with 11 other participating institutions, an additional securitisation transaction of non-performing loans named "Luzzatti II."

The transaction involved the sale, with economic effect from 1 January 2021, of a portfolio of loans classified as non-performing with a gross value of 420.9 million euro (consisting of 57% secured loans) to the securitisation vehicle named "Luzzatti POP NPLs 2021 S.r.l." established pursuant to Law No. 130/1999, an entity which, in turn, issued three tranches of ABS notes attributable to Banca Popolare di Sondrio for a total of 115.62 million euro (27.47% of the gross value of the loans transferred), of which:

- a senior tranche, which was assigned a rating of BBB by the agencies DBRS Morningstar and ARC Ratings, for an amount of 97.71 million euro, corresponding to 23.21% of the gross value of the loans disposed. The tranche in question, retained by the Bank, has structural features of GACS eligibility;
- a mezzanine tranche of 12.79 million euro, equal to 3.04% of the gross value of the loans disposed;
- a junior tranche of 5.12 million euro, equal to 1.21% of the gross value of the loans disposed.

In order to obtain the deconsolidation of the loans disposed, in accordance with the provisions of the applicable sector regulations, 95%, respectively, of the mezzanine and junior tranches were placed with institutional investors, while the remaining 5% was withheld by the selling Bank. Banca Popolare di Sondrio proceeded with derecognition of the portfolio of non-performing loans disposed. For the senior notes, coverage from the Italian State was requested and obtained through the GACS scheme.

LUZZATTI III SECURITISATION

On 29 December 2022, Banca Popolare di Sondrio, together with 14 other participating banks, concluded a new multi-originator securitisation transaction named "Luzzatti III", involving loans classified as non-performing loans for a total gross book value of 545 million euro, of which 242.5 million euro related to the Bank (portfolio consisting of 57% secured loans). The securitisation vehicle company named "Luzzatti POP NPLs 2022 S.r.l." issued three tranches of ABS notes for a total of 65.71 million euro (equal to 27.09% of the value of the loans disposed), broken down as follows:

- a senior tranche amounting to 56 million euro, corresponding to 23.09% of the gross value of the loans disposed, rated Baa1 and BBB+ by the agencies Moody's and Arc Ratings, respectively; the tranche in question, wholly retained by the Bank, presents structural characteristics of eligibility for the GACS and, should this state guarantee be reintroduced, the participating banks will assess the advisability of availing themselves of it;
- a mezzanine tranche of 8.29 million euro, equal to 3.41% of the gross value of the loans disposed;
- a junior tranche of 1.42 million euro, equal to 0.59% of the gross value of the loans disposed.

In order to obtain the deconsolidation of the loans disposed, according to the provisions of the applicable sector legislation, 95%, respectively, of the mezzanine and junior tranches, were successfully placed with institutional investors. The Bank therefore proceeded with derecognition of the portfolio of non-performing loans disposed.

LUZZATTI IV SECURITISATION

On 28 December 2023 Banca Popolare di Sondrio, together with 11 other participants, completed the multi-originator securitisation of non-performing loans designated “Luzzatti POP NPLs 2023” for a total gross book value of 313 million euro.

The transaction entailed the sale, with economic effect from 1 January 2023, of a portfolio of non-performing loans with a gross value of 173.7 million euro to the securitisation vehicle Luzzatti POP NPLs 2023 S.r.l. The securitisation vehicle in turn issued three tranches of ABS notes for a total of 57.13 million euro (equal to 32.88% of the gross value of the loans disposed), of which:

- a senior tranche of 48 million euro, corresponding to 27.85% of the gross value of the loans disposed, which were rated BBB+ and BBB (high) by the agencies ARC Ratings and Morningstar DBRS, respectively;
- a mezzanine tranche of 6.86 million euro, equal to 3.95% of the gross value of the loans disposed;
- a junior tranche of 1.87 million euro, equal to 1.08% of the gross value of the loans disposed.

In order to obtain the deconsolidation of the loans disposed, according to the provisions of the applicable sector legislation, 95%, respectively, of the mezzanine and junior tranches, were successfully placed with institutional investors. The conditions for the derecognition of the transferred non-performing loan portfolio have therefore been met.

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[14], 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).

[14] 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.

The senior and mezzanine notes are rated by the agencies DBRS Morningstar and Standard & Poor’s. In particular:

- classes A1, A2, A3 and A4 were assigned ratings of A by both agencies;
- class M was assigned a rating of BB by the agency DBRS and a rating of BBB by the agency Standard & Poor’s.

In addition, these securities were admitted to trading on the ExtraMOT PRO professional segment of the ExtraMOT market managed by Borsa Italiana. The junior class is unrated and unlisted.

All the notes were initially subscribed in full by the Bank, which can use them as collateral in its refinancing operations with the Eurosystem, thus configuring a transaction that can be defined as “self-securitisation[15]”. The notes belonging to the senior tranche became ECB-eligible.

The transaction envisages, for a predefined period, the possibility for the originator bank to sell to the vehicle company further portfolios of loans with characteristics similar to the loans of the first portfolio sold up to the total value of the transaction (revolving period), in compliance with specific eligibility conditions and concentration limits, which may be financed through the collections of the loans included in the portfolios purchased, or through further drawdowns of ABS securities against the partly paid notes already issued.

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 2024, the value of the notes subscribed by the Bank, following the sale of additional loans in May 2024, amounted to 1,938 million euro for senior securities, 252 million euro for mezzanine securities and 545 million euro for junior securities.

[15] 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.

Third-party securitisations

The Group holds, as an investor, exposures in ABS securities related to traditional (not synthetic) securitisations, all of the “Senior” type and deriving from third-party transactions. Such investments, held entirely for purposes other than trading, are classified for accounting purposes in “Financial assets mandatorily measured at fair value” and “Financial assets measured at amortised cost”. No guarantees or credit lines are provided on these 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, in almost all cases, the ABS securities held in portfolio do not have an external credit rating (ECAI rating) but given full knowledge of the assets underlying the related investments, the aforementioned SEC-SA methodology is applicable to them, which is largely based on the availability of information on the riskiness of the underlying assets from which the related capital requirement derives. This latter element, together with the presence of other information related to the securitisation (such as, for example, attachment/detachment points), allows the application of the calculation algorithm foreseen by the SEC-SA approach.

* * *

The tables below show the Group’s exposure to securities deriving from its own and third-party securitisations as at 30 June 2024.

Table 109 - 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**	**-**	**-**	**72,394**	**72,394**	**501,188**
2	**Retail (total)**	**-**	**-**	**33,254**	**33,254**	**-**
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	-
5	other retail exposures	-	-	33,254	33,254	-
6	re-securitisation	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**39,140**	**39,140**	**501,188**
8	loans to corporates	-	-	-	-	501,188
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	-	-	-
11	other wholesale	-	-	39,140	39,140	-
12	re-securitisation	-	-	-	-	-

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

Table 110 - 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**	**501,188**	**573,582**	**-**	**-**	**-**
2	**Retail (total)**	**-**	**33,254**	**-**	**-**	**-**
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	-
5	other retail exposures	-	33,254	-	-	-
6	re-securitisation	-	-	-	-	-
7	**Wholesale (total)**	**501,188**	**540,328**	**-**	**-**	**-**
8	loans to corporates	501,188	501,188	-	-	-
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	-	-	-
11	other wholesale	-	39,140	-	-	-
12	re-securitisation	-	-	-	-	-

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

Table 111 - 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			
			Traditional		Synthetic	Sub-total
		Sub-total	STS	Non-STS		
1	**TOTAL EXPOSURES**	**-**	**4,001**	**425,459**	**-**	**429,460**
2	**Retail (total)**	**-**	**4,001**	**14,541**	**-**	**18,541**
3	residential mortgage	-	-	-	-	-
4	credit card	-	-	-	-	-
5	other retail exposures	-	4,001	14,541	-	18,541
6	re-securitisation	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**410,919**	**-**	**410,919**
8	loans to corporates	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-
10	lease and receivables	-	-	410,919	-	410,919
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[16].

Table 112 - 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.

[16] 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 113 - 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**	**501,188**	**-**	**71,288**	**-**	**1,106**
2	**Traditional transactions**	**-**	**-**	**71,288**	**-**	**1,106**
3	Securitisation	-	-	71,288	-	1,106
4	*Retail underlying*	-	-	*32,275*	-	*979*
5	Of which STS	-	-	-	-	-
6	*Wholesale*	-	-	*39,013*	-	*127*
7	Of which STS	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-
9	**Synthetic transactions**	**501,188**	**-**	**-**	**-**	**-**
10	Securitisation	501,188	-	-	-	-
11	*Retail underlying*	-	-	-	-	-
12	*Wholesale*	*501,188*	-	-	-	-
13	Re-securitisation	-	-	-	-	-

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

Table 114 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as promoter (2 of 3)

		f	g	h	i	j	k
		Exposure values (by regulatory approach)				RWEA (by regulatory approach)	
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW /deductions	SEC-IRBA	SEC-ERBA (including IAA)
1	**TOTAL EXPOSURES**	**501,188**	**71,288**	**-**	**1,106**	**75,178**	**64,159**
2	**Traditional transactions**	**-**	**71,288**	**-**	**1,106**	**-**	**64,159**
3	Securitisation	-	71,288	-	1,106	-	64,159
4	*Retail underlying*	-	*32,275*	-	*979*	-	*29,048*
5	Of which STS	-	-	-	-	-	-
6	*Wholesale*	-	*39,013*	-	*127*	-	*35,111*
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	**Synthetic transactions**	**501,188**	**-**	**-**	**-**	**75,178**	**-**
10	Securitisation	501,188	-	-	-	75,178	-
11	*Retail underlying*	-	-	-	-	-	-
12	*Wholesale*	*501,188*	-	-	-	*75,178*	-
13	Re-securitisation	-	-	-	-	-	-

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

Table 115 - Template EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as promoter (3 of 3)

		l	m	n	o	EU-p	EU-q
		RWEA (by regulatory approach)				Capital charge after cap	
		SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**TOTAL EXPOSURES**	**-**	**13,828**	**6,014**	**5,133**	**-**	**1,106**
2	**Traditional transactions**	**-**	**13,828**	**-**	**5,133**	**-**	**1,106**
3	Securitisation	-	13,828	-	5,133	-	1,106
4	*Retail underlying*	-	*12,239*	-	*2,324*	-	*979*
5	Of which STS	-	-	-	-	-	-
6	*Wholesale*	-	*1,590*	-	*2,809*	-	*127*
7	Of which STS	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-
9	**Synthetic transactions**	**-**	**-**	**6,014**	**-**	**-**	**-**
10	Securitisation	-	-	6,014	-	-	-
11	*Retail underlying*	-	-	-	-	-	-
12	*Wholesale*	-	-	*6,014*	-	-	-
13	Re-securitisation	-	-	-	-	-	-

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

Table 116 - 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**	**414,919**	**-**	**-**	**14,541**	**-**	**-**
2	**Traditional transactions**	**414,919**	**-**	**-**	**14,541**	**-**	**-**
3	Securitisation	414,919	-	-	14,541	-	-
4	*Retail underlying*	*4,001*	-	-	*14,541*	-	-
5	Of which STS	4,001	-	-	-	-	-
6	*Wholesale*	*410,919*	-	-	-	-	-
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 117 - 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**	**-**	**429,460**	**-**	**-**	**-**
2	**Traditional transactions**	**-**	**429,460**	**-**	**-**	**-**
3	Securitisation	-	429,460	-	-	-
4	*Retail underlying*	-	*18,541*	-	-	-
5	Of which STS	-	4,001	-	-	-
6	*Wholesale*	-	*410,919*	-	-	-
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 118 - 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**	**201,387**	**-**	**-**	**-**	**5,952**	**-**
2	**Traditional transactions**	**201,387**	**-**	**-**	**-**	**5,952**	**-**
3	Securitisation	201,387	-	-	-	5,952	-
4	*Retail underlying*	*139,749*	-	-	-	*1,021*	-
5	Of which STS	400	-	-	-	32	-
6	*Wholesale*	*61,638*	-	-	-	*4,931*	-
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 119 - Template EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk value adjustments

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		**Total amount of specific credit risk adjustments made during the period**
			Of which exposures in default	
1	**TOTAL EXPOSURES**	**5,355,690**	**2,246,144**	**45,954**
2	**Retail (total)**	**4,586,586**	**1,994,821**	**33,184**
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	4,586,586	1,994,821	33,184
6	re-securitisation	-	-	-
7	**Wholesale (total)**	**769,104**	**251,324**	**12,770**
8	loans to corporates	526,569	8,788	12,770
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 (art. 445 CRR/CRR II)

This section provides quantitative evidence on the components of the market risk capital requirement based on the use of the supervisory "Standardised Approach" to which the Group is subject as at 30 June 2024.

Table 120 - Template EU MR1: Market risk under the standardised approach

		30/06/2024	31/12/2023
		a	b
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	160,363	45,308
2	Equity risk (general and specific)	387,342	436,466
3	Foreign exchange risk	102,727	236,430
4	Commodity risk	3,882	3,132
	Options		
5	Simplified approach	-	-
6	Delta-plus approach	952	1,169
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**TOTAL**	**655,266**	**722,504**

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

The Group does not adopt the "Internal Model Approach" (IMA) for measuring its exposures to market risk for the purposes of determining capital requirements. Therefore, the following Pillar 3 template to which the Group would be subject pursuant to article 438, 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 (art. 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[17] over twelve months and on the value of shareholders' equity[18], obtained with reference to 30 June 2024 compared to 31 December 2023 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 total equity is calculated in the six "Supervisory shocks" listed above as the sum of the changes obtained in each currency identified as material by weighting at 50% any positive contributions.

The change in future net interest income over a 12-month period is calculated on each currency identified as material by weighting any positive contributions at 50% using the Parallel up scenario and the Parallel down scenario.

[17] 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.

[18] "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 methodology adopted for the estimates complies with Regulatory Technical Standards EBA/RTS/2022/10 effective 30 June 2023.

Table 121 - 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 (30/06/2024)	Last period (31/12/2023)	Current period (30/06/2024)	Last period (31/12/2023)
1. Parallel up	58,608	51,935	56,727	50,070
2. Parallel down	(157,355)	(142,825)	(75,631)	(76,480)
3. Steepener	73,345	73,983		
4. Flattener	(19,335)	(62,780)		
5. Short rates up	(5,076)	(23,917)		
6. Short rates down	38,620	48,620		

Source: internal information

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

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

Sondrio, 19 September 2024

Signed Simona Orietti
Manager responsible for preparing
the Company's accounting documents

Annexes

Annex 1: List of Top 20 most polluting companies in the world

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

Top 20 Carbon Majors emissions of CO_2	
1	Coil China
2	Former Soviet Union
3	Sudi Aramco
4	Chevron
5	ExxonMobil
6	GazProm
7	National Iranian Oil Co.
8	BP
9	Shell
10	Coal india
11	Poland
12	Pemex
13	Russian Federation
14	China (Chement)
15	ConocolPhillips
16	British Coal Corporation
17	CNPC (PetroChina)
18	Peabody Coal Group
19	Totalenergies
20	Abu Dhabi National Oil Company

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.

MREL - *Minimum Requirement for Own Funds and Eligible Liabilities*

Minimum requirement for own funds and eligible liabilities designed to ensure that the financial institutions and bodies established in the European Union have sufficient loss absorption and recapitalisation capacity should they fall into a state of crisis.

NSFR - *Net Stable Funding Ratio*

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

OTC - *Over The Counter*

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

PD - *Probability of Default*

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

ECL - *Expected Credit Loss*

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

Subordinated loan

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

Rating

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

RWA - *Risk-Weighted Assets*
RWEA - *Risk-Weighted Exposure Amounts*
TREA - *Total Risk Exposure Amount*

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

SPV

A Special Purpose Vehicle is a company specifically set up by one or more entities to carry out a specific transaction (in particular a securitisation transaction).

SREP - *Supervisory Review and Evaluation Process*

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

Tier 1 Ratio

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

Total Capital Ratio

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