Banca Popolare di Sondrio FONDATA NEL 1871

PILLAR 3 REPORT

PUBLIC DISCLOSURES AS AT 30.09.2023

Banca Popolare di Sondrio Group

Date of publication: 30/11/2023

This document is an English translation of the original Italian document “Terzo Pilastro Informativa al pubblico al 30/09/2023 – Gruppo Banca Popolare di Sondrio”, prepared only for the convenience of the international readers. In the case of discrepancies between the Italian version and the English translation, the Italian document shall prevail.

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Sondrio Companies Register No. 00053810149
Official List of Banks No. 842
Parent Company of the Banca Popolare di Sondrio Banking Group,
Official List of Banking Groups under No. 5696.0
Member of the Interbank Deposit Guarantee Fund
Tax code and VAT number: 00053810149
Share capital: € 1,360,157,331; Reserves: € 1,385,452,113
(Figures approved at the Shareholders’ meeting of 29 April 2023)
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, following publication in the Official Journal of the European Union, the following reform package introducing significant changes to the Union’s regulatory framework was issued:

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

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

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

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

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

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

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

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

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

The measure implemented with the force of law the draft implementing technical standards drawn up by the European Banking Authority (EBA ITS/2020/04) aimed at a comprehensive review of the framework for fulfilling "Pillar 3" obligations, in execution of the amendments to the rules provided for by CRR II. The provisions 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 increasing the level of clarity and standardisation of the disclosures to be published[1]. The new framework has provided an integrated, comprehensive and uniform set of rules, formats and schedules with the objective of ensuring high quality and comparable public disclosures.

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

The regulatory structure of Pillar 3 also includes:

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

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

- Regulation (EU) No 2022/631 of 13 April 2022 amending the Implementing Technical Standards laid down by the Implementing Regulation (EU) No 637/2021 on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with article 448 of CRR II (paragraph 1, points a) and b)).

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

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

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

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

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

* * *

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

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

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

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

The following summary table links the articles of Regulation (EU) No 575/2013 (“CRR”), as amended by Regulation (EU) No 876/2019 (“CRR II”) to the relevant disclosure requirements for Banca Popolare di Sondrio Group, integrated by the respective disclosure frequency and the sections of this document in which qualitative or quantitative information required by the “Pillar 3” regulations are reported with regard to the Group’s situation as at 30 September 2023.

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 September 2023
Art. 431	Disclosure requirements and policies	-	
Art. 432	Non-material, proprietary or confidential information	-	
Art. 433	Frequency and scope of disclosures	-	
Art. 433-bis	Disclosure by large institutions	-	
Art. 433-ter	Disclosure by small and non-complex entities	-	
Art. 433-quater	Disclosure by other institutions	-	
Art. 434	Means of disclosure	-	
Art. 435	Disclosure of risk management objectives and policies	Annual	
Art. 436	Disclosure of the scope of application	Quarterly/ Half-yearly *Scope of consolidation* Annual *Full art. 436*	1 - Scope of application
Art. 437	Disclosure of own funds	Half-yearly *lett. a)* Annual *Full art. 437*	
Art. 437-bis	Disclosure of own funds and eligible liabilities	Annual (Disclosure obligation in force from 01/01/2024)	
Art. 438	Informativa sui requisiti di fondi propri e sugli importi delle esposizioni ponderati per il rischio	Quarterly *lett. d) and h)* Half-yearly *lett. e)* Annual *Full art. 438*	2 - Disclosure of key metrics and overview of risk-weighted exposure amounts 4 - Disclosure of the use of the IRB approach to credit risk

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 September 2023
Art. 439	Disclosure of exposures to counterparty risk	Half-yearly *lett. e) to l)*	
		Annual *Full art. 439*	
Art. 440	Disclosure of countercyclical capital buffers	Half-yearly/Annual	
Art. 442	Disclosure of exposures to credit risk and dilution risk	Half-yearly *points c), e), f) and g)*	
		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)*	
		Annual *Full art. 444*	
Art. 445	Disclosure of exposure to market risk	Half-yearly/Annual	
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)*	
		Annual *Full art. 448*	
Art. 449	Disclosure of exposure to securitisation positions	Half-yearly *lett. j), k) and l)*	
		Annual *Full art. 449*	
Art. 449-bis	Disclosure of environmental, social and governance risks (ESG risks)	Annual in 2022, Half-yearly from 2023	
Art. 450	Disclosure of remuneration policy	Annual	
Art. 451	Disclosure of the leverage ratio	Half-yearly *par. 1, lett. a) and b)*	
		Annual *Full art. 451*	
Art. 451-bis	Disclosure of liquidity requirements	Quarterly *par. 2*	3 - Disclosure of liquidity requirements
		Half-yearly *par. 3*	
		Annual *Full art. 451-bis*	

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 September 2023
Art. 452	Disclosure of the use of the IRB approach to credit risk	Half-yearly *lett. g)*	
		Annual *Full art. 452*	
Art. 453	Disclosure of the use of credit risk mitigation techniques	Half-yearly *lett. f) to j)*	
		Annual *Full art. 453*	
Art. 473-bis	Introduction of IFRS 9	Quarterly/Half-yearly/Annual	2 - Disclosure of key metrics and overview of risk-weighted exposure amounts

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

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

Section 1
Scope of application (article 436 CRR/CRR II)

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

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

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

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

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

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

		a	b
		30/09/2023	**30/06/2023**
	Fondi propri disponibili (importi)		
1	Common Equity Tier 1 (CET1) capital	3,410,749	3,334,280
2	Tier 1 capital	3,410,749	3,334,280
3	Total capital	3,950,672	3,874,474
	Risk-weighted exposure (amounts)		
4	Total risk-weighted exposure amount	20.969.426	21.106.631
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	16.2653 %	15.7973 %
6	Tier 1 ratio (%)	16.2653 %	15.7973 %
7	Total capital ratio (%)	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 %
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.4963 %*	*1.4963 %*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.9950 %*	*1.9950 %*
EU 7d	Total SREP own funds requirements (%)	10.6600 %	10.6600 %
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5000 %	2.5000 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.0224 %	0.0162 %
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.5224 %	2.5162 %
EU 11a	Overall capital requirements (%)	13.1824 %	13.1762 %
12	CET1 available after meeting the total SREP own funds requirements (%)	8.1802 %	7.6967 %

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

		a	b
		30/09/2023	30/06/2023
	Leverage ratio		
13	Leverage ratio total exposure measure	60,049,825	59,273,997
14	Leverage ratio	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 %
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	-	-
EU 14e	Overall leverage ratio requirement (%)	3.0000 %	3.0000 %
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,041,299	11,160,414
EU 16a	Cash outflows - Total weighted value	9,579,907	9,929,395
EU 16b	Cash inflows - Total weighted value	2,955,754	2,890,527
16	Total net cash outflows (adjusted value)	6,624,153	7,038,867
17	Liquidity coverage ratio (%)	167.3417 %	159.0356 %
	Net Stable Funding Ratio		
18	Total available stable funding	35,179,641	37,166,827
19	Total required stable funding	27,402,765	28,858,210
20	NSFR ratio (%)	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

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

		c	d	e
		31/03/2023	31/12/2022	30/09/2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	3,211,457	3,239,887	3,182,253
2	Tier 1 capital	3,211,457	3,239,887	3,182,253
3	Total capital	3,751,453	3,779,302	3,727,758
	Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	21,032,000	21,049,013	20,726,040
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.2694 %	15.3921 %	15.3539 %
6	Tier 1 ratio (%)	15.2694 %	15.3921 %	15.3539 %
7	Total capital ratio (%)	17.8369 %	17.9548 %	17.9859 %
	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 %	2.7700 %	2.7700 %
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.4963 %*	*1.5581 %*	*1.5581 %*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.9950 %*	*2.0775 %*	*2.0775 %*
EU 7d	Total SREP own funds requirements (%)	10.6600 %	10.7700 %	10.7700 %
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5000 %	2.5000 %	2.5000 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.0078 %	0.0045 %	0.0042 %
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.5078 %	2.5045 %	2.5042 %
EU 11a	Overall capital requirements (%)	13.1678 %	13.2745 %	13.2742 %
12	CET1 available after meeting the total SREP own funds requirements (%)	9.2731 %	9.3340 %	9.2958 %
	Leverage ratio			
13	Leverage ratio total exposure measure	62,783,146	62,953,892	61,797,002
14	Leverage ratio	5.1152 %	5.1464 %	5.1495 %
	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
		31/03/2023	31/12/2022	30/09/2022
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,154,516	11,115,038	11,081,710
EU 16a	Cash outflows - Total weighted value	10,087,186	10,099,736	10,289,265
EU 16b	Cash inflows - Total weighted value	2,796,077	2,775,370	3,369,826
16	Total net cash outflows (adjusted value)	7,291,109	7,324,366	6,919,439
17	Liquidity coverage ratio (%)	153.0459 %	151.8126 %	166.3570 %
	Net Stable Funding Ratio			
18	Total available stable funding	36,548,102	37,245,000	39,367,605
19	Total required stable funding	28,542,750	28,984,542	30,661,713
20	NSFR ratio (%)	128.0469 %	128.4995 %	128.3934 %

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

Capital requirements

Banking groups must comply with the following minimum capital requirements:

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

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

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

- *Capital Conservation Buffer:* made up of Common Equity Tier 1 Capital, equivalent to an additional operating requirement equal to 2.5% of weighted assets, intended to safeguard the minimum level of regulatory capital even in times of particularly adverse market.
- *Countercyclical Capital Buffer:* this is also made up of Tier 1 Capital to protect the banking sector at times of excessive lending growth; following measures by the competent Supervisory Bodies, it could be set up during periods of economic expansion to cope with any losses that might arise during the downward phases of the cycle, based on a specific coefficient established at a national level. The countercyclical coefficient for exposures to Italian counterparties, which is reviewed by the Bank of Italy on a quarterly basis, remained unchanged at 0% also in the third and fourth quarter of 2023.
- *Global Systemically Important Institution Buffer – G-SII buffer e Other Systemically Important Institution Buffer – O-SII buffer*: reserves consisting of Common Equity Tier 1 capital; applied to Global Systemically Important Institutions (G-SII) and Other Systemically Important Institutions (O-SII) to account for the increased risks they potentially pose to the stability of the financial system. The buffer for G-SIIs can vary between a minimum of 1% and a maximum of 3.5%, whereas for O-SIIs a non-binding maximum threshold of 2% is foreseen.
- *Systemic Risk Buffer*: additional reserve of an amount equal to at least 1% of the risk exposures, established by each individual EU Member State in order to mitigate long-term non-cyclical macro -prudential risks and, in this way, cope with the negative effects of unexpected systemic crises.

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

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

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

The new supervisory decision on prudential requirements resulting from the Supervisory Review and Evaluation Process (SREP) conducted by the Supervisory Authority during 2022 has been in force since 1 January 2023. The additional Pillar 2 Requirement (“P2R”) imposed on the Group, to be held in the form of Common Equity Tier 1 (CET1) capital at least for 56.25% and Tier 1 (T1) capital for at least 75%, has been set at 2.66% (down from the previous 2.77%) and includes a share of 0.01% as an increase in the Pillar 2 requirement for impaired exposures. Accordingly, the minimum capital levels to be met by the Group[2] for 2023 include:

- a minimum requirement for Common Equity Tier 1 Ratio equal to 8.50%, made up of the sum of the Pillar 1 regulatory requirement (4.50%), the amount of Capital Conservation Buffer (2.50%) and the additional Pillar 2 Requirement - P2R (1.50%);
- a minimum requirement for Tier 1 Ratio of 10.50%, made up of the sum of the Pillar 1 regulatory requirement (6.0%), the amount of Capital Conservation Buffer (2.50%) and the additional Pillar 2 Requirement (2.0%);
- a minimum requirement for Total Capital Ratio of 13.16%, made up of the sum of the Pillar 1 regulatory requirement (8.0%), the amount of Capital Conservation Buffer (2.50%) and the additional Pillar 2 Requirement (2.66%).

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

As at 30 September 2023, the Group’s capital ratios remain at a high level with a wide margin compared to regulatory requirements. In the phased-in version, the CET1 Ratio and Tier 1 Ratio stand at 16.27%, while the Total Capital Ratio stands at 18.84%. In fully loaded version, the ratios stand at 16.16% and 18.74% respectively.

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

Leverage and liquidity requirements

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

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

The Group Leverage Ratio, calculated by applying the temporary criteria in force for the current year (phased-in), stands at a level equal to 5.68%, slightly up compared with the previous quarter's figure (5.63%); there were no changes worthy of note, in either Tier 1 Capital or total exposure amount.

At the same date, both the short-term liquidity indicator (*Liquidity Coverage Ratio*) and the medium long term liquidity indicator (*Net Stable Funding Ratio*) set at values well above the minimum requirements (100%). For any additional information regarding the Liquidity Coverage Ratio please refer to Section 3 of the present document.

* * *

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 September 2023 and in the four previous quarterly periods taking into account the complete fulfilment of the phase-in rules for the gradual introduction of IFRS 9, compared with the homologous quantities calculated in case transitional provisions or applicable temporary treatments are missing/absent.

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

		30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,410,749	3,334,280	3,211,457	3,239,887	3,182,253
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,389,043	3,311,147	3,196,676	3,220,153	3,166,125
3	Tier 1 capital	3,410,749	3,334,280	3,211,457	3,239,887	3,182,253
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,389,043	3,311,147	3,196,676	3,220,153	3,166,125
5	Total capital	3,950,672	3,874,474	3,751,453	3,779,302	3,727,758
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,928,965	3,851,341	3,736,672	3,759,569	3,711,630
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	20,969,426	21,106,631	21,032,000	21,049,013	20,726,040
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,965,952	21,103,182	21,028,958	21,046,458	20,717,686
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.2653 %	15.7973 %	15.2694 %	15.3921 %	15.3539 %
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.1645 %	15.6903 %	15.2013 %	15.3002 %	15.2822 %
11	Tier 1 (as a percentage of risk exposure amount)	16.2653 %	15.7973 %	15.2694 %	15.3921 %	15.3539 %
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.1645 %	15.6903 %	15.2013 %	15.3002 %	15.2822 %
13	Total capital (as a percentage of risk exposure amount)	18.8402 %	18.3567 %	17.8369 %	17.9548 %	17.9859 %
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.7397 %	18.2500 %	17.7692 %	17.8632 %	17.9153 %
	Leverage ratio					
15	Leverage ratio total exposure measure	60,049,825	59,273,997	62,783,146	62,953,892	61,797,002
16	Leverage ratio	5.6799 %	5.6252 %	5.1152 %	5.1464 %	5.1495 %
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.6437 %	5.5862 %	5.0916 %	5.1151 %	5.1234 %

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 September 2023 are calculated in application of the transitional provisions set out in Regulation (EU) 2017/2395 of 12 December 2017, as amended by Regulation (EU) 2020/873 of 24 June 2020 (so-called CRR "Quick-fix")[3], aimed at containing the capital impacts of the adoption, effective 1 January 2018, of the new IFRS 9 accounting standard, appropriately amending and supplementing Regulation (EU) No 575/2013 ("CRR"). The adoption of transitional arrangements by banks was optional and could be either "integral" or "partial" depending on whether it concerned all regulatory provisions or only a portion of them.

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

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

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

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

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

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

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

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

The figures reported in the tables above demonstrate how the impacts on the Group’s capital adequacy in the event of immediate and full recognition of the effects of the accounting standard would remain fully limited also as at 30 September 2023. The differentials between the capital solvency and financial leverage ratios calculated taking into account the compensatory adjustments granted by the IFRS 9 transitional regime and those available to the Group in the event that it had not opted for this possibility remain substantially in line with those observed in the previous quarter..

* * *

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

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

		RWA		Capital requirements
		a	b	a
		30/09/2023	30/06/2023	30/09/2023
1	Credit risk (excluding CCR)	17,957,816	18,158,637	1,436,625
2	*Of which the standardised approach*	*10,189,550*	10,358,879	*815,164*
3	*Of which the foundation IRB (FIRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple riskweighted approach*	-	-	-
5	*Of which the advanced IRB (AIRB) approach*	*7,768,266*	7,799,758	*621,461*
6	Counterparty credit risk - CCR	115,393	140,088	9,231
7	*Of which the standardised approach*	*36,454*	49,381	*2,916*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*764*	611	*61*
EU 8b	*Of which credit valuation adjustment - CVA*	*17,464*	18,876	*1,397*
9	*Of which other CCR*	*60,710*	71,221	*4,857*
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	293,306	250,339	23,464
17	*Of which SEC-IRBA approach*	*95,475*	102,812	*7,638*
18	*Of which SEC-ERBA (including IAA)*	*39,050*	51,329	*3,124*
19	*Of which SEC-SA approach*	*82,852*	83,778	*6,628*
EU 19a	*Of which 1250%*	*75,929*	12,420	*6,074*
20	Position, foreign exchange and commodities risks (Market risk)	819,935	774,590	65,595
21	*Of which the standardised approach*	*819,935*	774,590	*65,595*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,782,976	1,782,976	142,638
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,782,976*	1,782,976	*142,638*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	814,182	813,752	65,135
29	**TOTAL**	**20,969,426**	**21,106,631**	**1,677,554**

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

The total weighted exposures amount of the Group decreased in the last quarter. The capital requirements for credit and counterparty risks contracted following the decline in lending volumes recorded in the third quarter of 2023; exposure to market risks slightly increased since June, remaining mainly concentrated on the asset classes of equities and UCITS. The capital requirements for operational risks, after the update on the end of the last year as per TSA regulatory method, confirm in September the value recorded as at 31/12/2022. Credit valuation adjustment (CVA) risks on OTC derivative transactions remained scarcely material.

The following disclosure template to which the Group would be subject pursuant to art. 438, point h) of CRR is not published due to the absence of counterparty risk exposures treated according to the "Internal Model Method" (IMM):

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

The Group does not adopt the "Internal Model Approach" (IMA) for measuring its exposures subject to market risk for the purposes of determining capital requirements. The disclosure template to which the Group would be subject pursuant to art. 438, point h) of the CRR, is not published:

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

Section 3
Disclosure of liquidity requirements (article 451 bis CRR/CRR II)

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

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

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

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

The Net Stable Funding Ratio (NSFR) represents the net stable medium to long-term funding ratio determined in accordance with Part Six of the "CRR" Regulations, as amended by the "CRR II" Regulations dated 20 May 2019, the application of which started with effect from the reporting date of 30 June 2021. This is the ratio of the available amount of stable funding to the required amount of stable funding. It is intended as an additional mechanism of the LCR index with a view to favorite 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 5 - Template EU LIQ1: Quantitative information of LCR (1 of 2)

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on 30/09/2023	**30/09/2023**	**30/06/2023**	**31/03/2023**	**31/12/2022**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA)**				
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	17,618,072	17,341,697	17,340,390	17,342,465
3	*Stable deposits*	*11,279,156*	11,050,287	10,987,145	10,942,979
4	*Less stable deposits*	*6,177,785*	6,202,399	6,297,223	6,360,518
5	Unsecured wholesale funding	16,955,092	17,809,056	18,044,062	17,990,991
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*3,343,829*	*3,614,996*	*3,710,445*	*3,829,629*
7	*Non-operational deposits (all counterparties)*	*13,578,537*	*14,146,898*	*14,286,698*	*14,098,867*
8	*Unsecured debt*	*32,726*	*47,163*	*46,919*	*62,496*
9	Secured wholesale funding				
10	Additional requirements	828,108	778,330	703,436	660,207
11	*Outflows related to derivative exposures and other collateral requirements*	*14,197*	*17,481*	*17,515*	*19,061*
12	*Outflows related to loss of funding on debt products*	*1,972*	*423*	*319*	*70*
13	*Credit and liquidity facilities*	*811,939*	*760,427*	*685,602*	*641,076*
14	Other contractual funding	9,295	13,021	12,642	8,737
15	Other contingent funding obligations	14,591,792	14,118,661	13,745,977	13,371,513
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	691	691	25,699	50,656
18	Inflows from fully performing exposures	2,479,724	2,411,022	2,333,493	2,372,614
19	Other cash inflows	4,508,471	4,562,569	4,521,524	4,410,415
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU 19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**6,988,886**	**6,974,282**	**6.880.716**	**6.833.685**
EU 20a	*Fully exempt inflows*	-	-	-	-
EU 20b	*Inflows subject to 90% cap*	-	-	-	-
EU 20c	*Inflows subject to 75% cap*	*6,988,886*	*6,974,282*	*6,880,716*	6,833,685
	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 6 - Template EU LIQ1: Quantitative information of LCR (2 of 2)

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on 30/09/2023	**30/09/2023**	**30/06/2023**	**31/03/2023**	**31/12/2022**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA)**	**11,041,299**	**11,160,414**	**11,154,516**	**11,115,038**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,363,128	1,358,492	1,370,042	1,379,015
3	*Stable deposits*	*563,958*	*552,514*	*549,357*	*547,149*
4	*Less stable deposits*	*799,171*	*805,978*	*820,685*	*831,866*
5	Unsecured wholesale funding	7,433,939	7,814,309	7,983,704	8,048,814
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*796,271*	*856,759*	*878,927*	*909,662*
7	*Non-operational deposits (all counterparties)*	*6,604,942*	*6,910,388*	*7,057,858*	*7,076,657*
8	*Unsecured debt*	*32,726*	*47,163*	*46,919*	*62,496*
9	*Secured wholesale funding*	*56,438*	*41,979*	*41,979*	*313*
10	Additional requirements	169,590	160,541	146,294	140,901
11	*Outflows related to derivative exposures and other collateral requirements*	*14,197*	*17,481*	*17,515*	*19,061*
12	*Outflows related to loss of funding on debt products*	*1,972*	*423*	*319*	*70*
13	*Credit and liquidity facilities*	*153,421*	*142,638*	*128,460*	*121,770*
14	Other contractual funding	7,172	10,926	10,577	6,705
15	Other contingent funding obligations	549,640	543,147	534,591	523,989
16	**TOTAL CASH OUTFLOWS**	**9,579,907**	**9,929,395**	**10,087,186**	**10,099,736**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	2,014,950	1,936,941	1,854,256	1,857,833
19	Other cash inflows	940,805	953,586	941,821	917,536
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU 19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	**TOTAL CASH INFLOWS**	**2,955,754**	**2,890,527**	**2,796,077**	**2,775,370**
EU 20a	*Fully exempt inflows*	-	-	-	-
EU 20b	*Inflows subject to 90% cap*	-	-	-	-
EU 20c	*Inflows subject to 75% cap*	*2,955,754*	*2,890,527*	*2,796,077*	*2,775,370*
	TOTAL ADJUSTED VALUE				
EU-21	**LIQUIDITY BUFFER**	**11,041,299**	**11,160,414**	**11,154,516**	**11,115,038**
22	**TOTAL NET CASH OUTFLOWS**	**6,624,153**	**7,038,867**	**7,291,109**	**7,324,366**
23	**LIQUIDITY COVERAGE RATIO (%)**	**167.3417 %**	**159.0356 %**	**153.0459 %**	**151.8126 %**

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

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

From the evidence reported in the previous templates, it is possible to observe an increase in the average levels of the LCR in the last twelve months, which remained positioned at values well above the minimum regulatory requirement (100%) throughout the period.

Contributing to the recent performance of the coefficient was the gradual consolidation of liabilities as a result of the contraction of sight deposits from customers to the benefit of a greater share of term deposits and bonds issued. On the non-retail funding front, one notable element continues to be the repayment of over 4 billion euro of the TLTRO funding raised by the Group, already incorporated into the last June liquidity figures; it has been carried out primarily by drawing on the surplus liquidity deposited with Central bank and, secondly, by carrying out new repo transactions, the positive trend of which was confirmed in the current quarter. The interbank transactions both in the form of deposits and lending are also growing.

On the asset side, an overall contraction in the volumes of loans on demand, advances and factoring transactions has occurred compared to June's levels, although the share of loans with expected repayment within the 30-day range provided by the indicator is on average increasing.

This is all reflected in a progressive decline in average net outflows in the denominator of the ratio, determined by applying the liquidity outflow and inflow adjustment weighting factors envisaged by the prudential provisions to all the demand liabilities and assets or those with maturity within 30 days, so as to incorporate stress effects of both a systemic and idiosyncratic nature in the calculation of the coefficient. Specifically, the change compared to the previous quarter stems from the dual effect of the reduction in cash outflows and the, albeit limited, growth in average liquidity inflows, resulting from the changes in deposits and loans respectively. The level of high-quality liquid assets included in the liquidity buffer in the numerator of the coefficient showed a slight decline compared to June levels, remaining on average above 11 billion euro.

The high-quality liquid assets ("HQLA") are held by the Group mainly in Euro currency, to cover any financial needs in this currency; they remain predominantly made up of instruments issued by eligible sovereign entities classified in the "EHQLA" category (Level 1)[4], recognised as being of extremely high liquidity and credit quality pursuant to Delegated Regulation (EU) 2015/61. These are mainly securities issued by the Italian State, accompanied by investments in bonds issued by other sovereign states (particularly Spain), supranational organisations, credit institutions and financial companies. The subsidiary Banca Popolare di Sondrio (SUISSE), in turn, also holds its own bond portfolio, which is mainly composed of national Central Bank eligible securities, integrated by cash amounts in CHF deposited with it, aimed at coping with the specific liquidity requirements.

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

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

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

Section 4
Disclosure of the use of IRB approach to credit risk (article 438 CRR/CRR II)

The table reported below displays the changes in risk-weighted exposure (RWA) amounts, calculated according to the “Advanced IRB approach”, compared to the previous quarter, giving further details of key factors that contributed significantly to such changes.

Table 7 - Template EU CR8: RWEA flow statements of credit risk exposures under the IRB approach

		RWA
		a
1	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE PREVIOUS REPORTING PERIOD**	**7,902,570**
2	Asset size	(57,841)
3	Asset quality	75,825
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	3,904
8	Other	(60,708)
9	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE REPORTING PERIOD**	**7,863,750**

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

As of 30 September 2023 the aggregate of risk-weighted assets subject to credit risk assessed using the “Advanced IRB” method recorded a slight decrease compared to the level at the end of the previous quarter due to the decreasing trend in lending volumes and a residual change in risk-weighted assets, encompassing both effects not included in the previous flow items and the combined effects of positions assessed with “stand-alone analysis”. The downward effects were not fully balanced by upward movements due to changes in the quality of loans in the portfolio.

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

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

Sondrio, 21 November 2023

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

Glossary

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).

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").

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.

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
Processo interno di valutazione dell'adeguatezza patrimoniale, previsto dalla disciplina del "Secondo Pilastro" della normativa 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 organizational 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.

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.

Rating

Synthetic estimate of a debtor's ability to fulfil its credit commitments issued by specialized agencies (external rating) or by the bank itself (internal rating) based on 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.

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).