

POPSO COVERED BOND S.R.L.

REPORT AND FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

Registered office: Via V. Alfieri no. 1 - 31015 Conegliano (TV)

Quota capital Euro 10,000.00-fully paid-up

Tax code, VAT and Treviso-Belluno Register of Companies no. 04620230260

Member of the Banca Popolare di Sondrio Banking Group –

Register of Banking Groups no. 5696.0

Management and coordination pursuant to Article 2497 and ff. of the Italian Civil Code:
Banca Popolare di Sondrio S.c.p.A.

BANCA POPOLARE DI SONDRIO GROUP

POPSO COVERED BOND S.R.L.

CORPORATE BODIES

BOARD OF DIRECTORS

| | |
|--------------------------------|--------------------|
| CHAIRMAN AND MANAGING DIRECTOR | MACOGGI GIANPIETRO |
| MANAGING DIRECTOR | GABRIELE PAOLO |
| DIRECTOR | TROMBETTA CARLO |

INDEPENDENT AUDITORS

EY S.P.A

QUOTAHOLDERS

| | |
|---|-----|
| BANCA POPOLARE DI SONDRIO S.C.P.A. | 60% |
| SVM SECURITISATION VEHICLES MANAGEMENT S.R.L. | 40% |

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DIRECTORS' REPORT ON OPERATIONS

1. The business

The Company was established under the name "SPV Covered Bond 4 S.r.l." on 11 September 2013 pursuant to Law no. 130 of 30 April 1999 which contains provisions governing the implementation of securitisation transactions in Italy.

On 8 May 2014 the Company's Quotaholders' Meeting resolved to change the company name to "POPSO Covered Bond S.r.l." and to join the Banca Popolare di Sondrio banking group.

The sole purpose of the Company is the acquisition from banks of the assets listed below, for valuable consideration, within one or more issues (including both single issues and issue programmes) of covered bonds (*Obbligazioni Bancarie Garantite*) implemented pursuant to article 7-bis of Law no. 130 of 30 April 1999, as possibly amended and supplemented and related implementing provisions:

- (i) land and mortgage loans, which can also be identified in bulk;
 - (ii) receivables that are claimed from or secured by public authorities, which can also be identified in bulk;
 - (iii) securities issued within securitisation transactions concerning receivables that are of the same type;
 - (iv) additional eligible assets or integration eligible assets that are permitted by the aforesaid regulations;
- through the raising of loans granted or secured also by the assignor banks, as well as the provision of guarantees issued by the same banks or by other banks.

The Company will carry out the abovementioned activities according to such terms and conditions and in such manners as those set out in the regulations applicable to the issues of covered bonds pursuant to article 7-bis of Law no. 130 of 30 April 1999.

In accordance with the aforesaid provisions of law and pursuant to Article 1180 of the Italian Civil Code, the receivables and securities purchased by the Company and the amounts paid out by the related debtors are aimed at satisfying the claims of the holders of the covered bonds referred to in article 7-bis, paragraph 1, of Law no. 130/1999 and issued within the context of the issues in which the Company participates and to the benefit of which the Company has provided guarantees, as well as of the counterparties to the derivative contracts entered into to hedge the risks associated with the receivables and securities purchased and to any other additional contract. They are also aimed at the payment of other transaction costs, on a priority basis with respect to the repayment of loans granted or secured also by the assignor banks pursuant to article 7-bis, paragraph 1, of Law no. 130/1999.

Any receivables and securities purchased by the Company within each issue transaction or programme constitute assets which are separate for all purposes both from the Company's assets and from those relating to other issue transactions or programmes, in relation to which no actions may be taken by any creditors other than the holders of the covered bonds issued and by the additional creditors referred to in the previous paragraph.

Within the limits permitted by Law no. 130 of 30 April 1999 and related implementing provisions, the Company may also carry out additional transactions to be entered into for the provision of guarantees and the successful completion of the issues of covered bonds in which it participates, as well as may carry out, in cases when it is permitted by Law no. 130/1999 and related implementing provisions and according to the procedures and within the limits set out therein, transactions of re-investment in other financial assets of funds deriving from the management of the receivables and securities which are purchased pursuant to these articles of association and which are not immediately used to satisfy the rights of the holders of covered bonds (issued within said issues) and to pay transaction costs.

Within the issue of covered bonds in which the Company participates and in compliance with Law no. 130/1999 and related implementing provisions, the Company may appoint third-party persons for the

collection of any purchased receivables and for the provision of cash and payment services; it may also carry out any other activity permitted by Article 7-bis of Law no. 130/1999.

The Company may carry out its own activity both in Italy and abroad.

The Company has sought and obtained registration under no. 42040 of the General List of Financial Intermediaries (*Elenco Generale degli Intermediari Finanziari*) under article 106, paragraph 1, of Legislative Decree no. 385 of 1 September 1993, as amended (TUB, *Testo Unico Bancario*, Consolidated Act on Banking Laws).

According to Legislative Decree no. 141 of August 2010, as amended by Legislative Decree no. 218 of December 2010, “as regards the assignee persons referred to in article 7-bis, within the limits set out in a regulation enacted by the Minister of Economy and Finance and having heard the Bank of Italy, pursuant to article 17, paragraph 3, of Law no. 400 of 23 August 1988, the provisions laid down for financial intermediaries under Title V of legislative decree no. 385 of 1 September 1993 shall apply.”

Article 7 of subsequent Ministerial Decree no. 53/2015, which came into force on 23 May 2015, provides that: “If the assignee companies for the security of covered bonds belong to a banking group, as defined by Article 60 of the TUB, they are not required to register with the register.”

By virtue of the entry into force of the abovementioned regulations and given the Company’s membership to the Banca Popolare di Sondrio banking group, the Company submitted a request to the Bank of Italy for cancellation from the General List under Article 106 of the TUB; the cancellation became effective on 24 August 2015.

In compliance with the supervision provisions, the issue of Covered Bonds is an instrument reserved only for those banks which are “*provided with high capitalisation in consideration of the specific features of the market of Covered Bonds and of the need to protect creditors other than the Holders of the CBs, whose collateral security is diminished as a result of the transfer of high-quality bank assets.*”

In the context of the above purpose, the Company has been participating, since the 2014 financial year, in a programme of covered bonds of the Banca Popolare di Sondrio Banking Group, through (i) the purchase without recourse (*pro soluto*) by the Company of a portfolio of performing mortgage loans fully originated by Banca Popolare di Sondrio S.c.p.A., pursuant to articles 4 and 7-bis of Law no. 130/1999, on 30 May 2014, and (ii) the concurrent obtainment of a subordinated loan from the assignor bank itself and the signature, *inter alia*, of the contract whereby the purchased assets are pledged as an irrevocable guarantee of the bank bonds.

By virtue of the principle of segregation of each set of assets of covered bonds, the financial and economic position of the programme of covered bonds is reported in part D, section 1, letter L, of the Notes to the Financial Statements, in compliance with the provisions laid down in specific Orders issued by the Bank of Italy.

The Financial Statements at 31 December 2019 recognised a break-even result following the charge-back of net operational costs to the segregated assets in relation to the financial year just ending.

2. Performance of the relevant market in 2019

World trade has begun to expand again and there have been signs of a relaxation of the tariff disputes between the United States and China, but the prospects are uncertain and geopolitical tensions are heightening. Less bleak expectations regarding growth, however, encouraged by central banks’ accommodating approach, have driven stock prices and assisted a moderate recovery of long-term yields.

In Italy, the latest available information suggests that economic activity, which increased slightly in the third quarter of last year, would remain practically stationary in the fourth, continuing to be affected by the weakness of the manufacturing sector above all.

There were massive purchases of Italian government bonds by foreign investors during the year (90 billion from January to November).

The number of persons in employment rose slightly, especially in the services sector; available data also point to an increase during the last months of the year.

Projections assume growth in world trade that is only moderate, although it is gradually recovering; accommodating monetary conditions, in conformity to the stance confirmed by the ECB Governing Council; and orderly trends in Italian financial markets, which mean low borrowing costs for businesses.

Growth, however, is still exposed to substantial risks associated with increasing geopolitical uncertainty, trade conflicts that are only partly subsiding and weak trends in the economic activity of our main European partner countries.

3. Significant events of the financial year

It should be noted that on 1 December 2019 Banca Popolare di Sondrio S.c.p.A. assigned a seventh portfolio for an overall consideration equal to Euro 352,372,528, while on 10 December 2019 it made available a Subordinated Loan to the Company in an amount equal to the overall consideration of the seventh portfolio.

It should be noted that on 5 August 2019 Banca Popolare di Sondrio S.c.p.A. repaid in full the first series of covered bonds for an amount equal to Euro 500,000,000. Furthermore, following the downgrade of Banca Popolare di Sondrio S.c.p.A.'s rating on 5 June 2019 on the part of the Fitch rating agency, it became necessary to appoint a Back-up Servicer in accordance with the contract documentation. Securitisation Services S.p.A. was appointed as Back-up Servicer for the programme on 5 August 2019.

With reference to the payments relating to the subordinated loan, it should be noted that, during the financial year just ending, the Company took steps to duly pay the interest accrued according to the priority order of payments prepared by the Guarantor Computation Agent.

4. Information on the Company's position, performance and operating result

With reference to the corporate assets, it is deemed that, given the business conducted by the Company, there is no additional information with respect to that illustrated in the Notes to the Financial Statements.

Specifically, as regards performance indicators, it is deemed that they are not significant in relation to the corporate assets, while, as regards the performance of the segregated assets, reference is made to Part D, section L, of the Notes to the Financial Statements.

5. Significant events after the end of the Financial Year

It is informed that no corporate events occurred which were such as to have a significant impact on the financial position and results of operations reported herein (IAS 10) during the period from 31 December 2019 to the date of approval of these financial statements.

It is to be borne in mind, however, that as of the reporting date of these financial statements the Company is monitoring the progress of the factors of instability that have arisen recently in relation to the Covid-19 (hereinafter the "Coronavirus") health emergency, which, in the first weeks of 2020, had an impact initially in China and afterwards spread to other countries. At the moment the consequences of this emergency on the economy are difficult to quantify or assess.

These factors have been then considered to be events that do not entail adjustments to the balances in the financial statements, in accordance with IAS 10 § 21, since even if the Coronavirus phenomenon began to develop in China close to the reporting date, it was only at the end of January that the existence of an event constituting an actual international emergency was declared.

However, it should be noted that the evolution of such factors of instability could impact, even to a notable extent, on the prospects of future growth because they would affect the economy in general and the financial markets.

At present, all things considered, it is not possible to predict how this phenomenon could develop in Italy either, nor, therefore, on the impact it could have on the economy and consequently it is not possible to determine the adverse impacts that it may have on the financial position and results of operations, which may affect initially the first quarter of 2020 and possibly the rest of the 2020 financial year; it must be considered that this state of emergency could end in the following months, depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus. In any case, it is considered that at present it is not possible to estimate any adverse impact on the recoverability of the loans included in the Company's segregated assets, even if they cannot be excluded, and that, therefore, they will be recognised in the following financial year as subsequent events that do not change the balances in the financial statements. Finally, it is believed that the present emergency will not have any impact that could affect the Company's ability to continue as a going concern.

6. Outlook

The operations will be aimed at the regular performance of the transaction in place.

7. The Company as a going concern

While preparing the Financial Statements, an assessment has been made as to the satisfaction of the requirements relating to the Company's ability to operate as a going concern within a time span of at least twelve months after the reporting date of the Financial Statements. To express this assessment, account has been taken of all the information available and of the specific business conducted by the Company, whose sole purpose, in compliance with Law no. 130 of 30 April 1999, is the participation in issues of covered bonds in the capacity as assignor and guarantor.

Accordingly, these Financial Statements have been prepared on a going concern basis, as no events have occurred or conditions have been fulfilled which could have raised doubt on the Company's ability to continue to operate as a going concern.

8. Other information

A) Own quotas

The Company does not hold either own interests or shares of the parent company, whether directly or through trust companies.

B) Research and development activities

Given the special nature of the Company, no specific research and development activities were carried out during the Financial Year.

C) Relations with related parties

With reference to the corporate assets, no transactions were effected with related parties, except for what is reported in section 6 of part L, "Other information", of the Notes of Financial Statements to which reference should be made.

With reference to the covered bond transaction, reference is made to paragraph L.3 of these Notes to the Financial Statements, reporting the complete list of the entities involved.

D) Direction and Coordination Activity

The Company is subject to direction and coordination activity on the part of Banca Popolare di Sondrio S.c.p.A. pursuant to Article 2497-*bis* of the Italian Civil Code.

E) Information on risks and the related hedging policies

The information reported below makes reference to the corporate management operations; as regards segregated assets, reference is made to paragraph L, of the Notes to the Financial Statements.

Liquidity risk

The Company believes that it has sufficient liquid assets to meet its own financial commitments.

Interest rate risk

The Company has no financial assets and liabilities which expose it to significant interest rate risks.

Exchange risk

The Company is active at a domestic level only and, accordingly, it is not exposed to exchange risks.

Credit risk

The Company mainly claims receivables from segregated assets as a result of the charge-back of operating costs. Given the collection forecasts on receivables from segregated assets and the priority in which these receipts will be applied to the payment of the abovementioned receivables, it is believed that no risks exist in relation to the possibility of them being recovered.

F) Tax treatment of segregated assets

Pursuant to Circular Letter 8/E of 6 February 2003, any income arising from the management of segregated assets, in the implementation of transactions under Law no. 130/1999, is not comprised in the available assets of the Company, and, accordingly, the Company's tax liability is excluded. This treatment confirms the provisions laid down in the Bank of Italy's Order of 29 March 2000, according to which the Company's income statement is not affected by the income and charges concerning the management of the programme of covered bonds.

The funds (if any) that should become available to the Company once all of the creditors of the segregated assets are satisfied will be taxed only at the end of the transaction under Law no. 130/1999. Furthermore, it should be noted that the separate balance sheet assets include receivables for withholding taxes applied to interest income accrued on current accounts. Pursuant to Resolution no. 222/E of 5 December 2003 and Resolution no. 77/E of 4 August 2010, these withholding taxes may be deducted in the financial year in which the securitisation transaction is concluded.

G) Sub-offices

The Company has no sub-offices.

H) Employees

The Company has no employees.

Conegliano, 13 March 2020

POPSO Covered Bond S.r.l.
The Chairman of the Board of Directors
Gianpietro Macoggi

BALANCE SHEET

ASSETS

| Assets | 31/12/2019 | 31/12/2018 |
|---|---------------|---------------|
| 10. Cash and cash equivalents | | |
| 20. Financial assets measured at fair value through profit or loss | 0 | 0 |
| <i>a) financial assets held for trading</i> | | |
| <i>b) financial assets designated at fair value</i> | | |
| <i>c) other financial assets mandatorily measured at fair value</i> | | |
| 30. Financial assets measured at fair value through comprehensive income | | |
| 40. Financial assets measured at amortised cost | 23,851 | 29,562 |
| <i>a) receivables from banks</i> | 23,851 | 29,562 |
| <i>b) receivables from financial companies</i> | | |
| <i>c) receivables from customers</i> | | |
| 50. Hedging derivatives | | |
| 60. Value adjustment to financial assets subject to macro-hedging (+/-) | | |
| 70. Equity investments | | |
| 80. Property, plant and equipment | | |
| 90. Intangible assets | | |
| <i>of which:</i> | | |
| <i>-goodwill</i> | | |
| 100. Tax assets | 3,639 | 3,764 |
| <i>a) current</i> | 3,639 | 3,764 |
| <i>b) deferred</i> | 0 | 0 |
| 110. Non-current assets held for sale and disposal groups of assets | | |
| 120. Other assets | 7,823 | 7,670 |
| TOTAL ASSETS | 35,313 | 40,996 |

LIABILITIES AND EQUITY

| | Liabilities and equity | 31/12/2019 | 31/12/2018 |
|-------------|--|-------------------|-------------------|
| 10. | Financial liabilities measured at amortised cost | 0 | 0 |
| | <i>a) payables</i> | 0 | 0 |
| | <i>b) outstanding securities</i> | | |
| 20. | Financial liabilities held for trading | | |
| 30. | Financial liabilities designated at fair value | | |
| 40. | Hedging derivatives | | |
| 50. | Value adjustment to financial liabilities subject to macro-hedging (+/-) | | |
| 60. | Tax liabilities | 202 | 125 |
| | <i>a) current</i> | 202 | 125 |
| | <i>b) deferred</i> | | |
| 70. | Liabilities associated with assets held for sale | | |
| 80. | Other liabilities | 22,977 | 28,737 |
| 90. | Employee severance pay | | |
| 100. | Provisions for risks and charges: | | |
| | <i>a) commitments and guarantees issued</i> | | |
| | <i>b) pension fund and similar obligations</i> | | |
| | <i>c) other provisions for risks and charges</i> | | |
| 110. | Quota capital | 10,000 | 10,000 |
| 120. | Own quotas (-) | | |
| 130. | Equity instruments | | |
| 140. | Issue premiums | 2,000 | 2,000 |
| 150. | Reserves | 1,849 | 1,849 |
| 160. | Valuation reserves | | |
| 170. | Profit (loss) for the year | (1,715) | (1,715) |
| | TOTAL LIABILITIES AND EQUITY | 35,313 | 40,996 |

INCOME STATEMENT

| | Items | 31/12/2019 | 31/12/2018 |
|------|---|----------------------------------|----------------------------------|
| 10. | Interest earned and similar income <i>of which: interest income calculated according to the effective interest method</i> | 0 | 0 |
| 20. | Interest expense and similar charges | | |
| 30. | INTEREST MARGIN | 0 | 0 |
| 40. | Commissions earned | | |
| 50. | Commissions expense | (514) | (401) |
| 60. | NET COMMISSIONS | (514) | (401) |
| 70. | Dividends and similar income | | |
| 80. | Net profit (loss) from trading | | |
| 90. | Net profit (loss) from hedging | | |
| 100. | Profit/loss from sale or repurchase of: <i>a) financial assets measured at amortised cost</i> <i>b) financial assets measured at fair value through comprehensive income</i> <i>c) financial liabilities</i> | 0 | 0 |
| 110. | Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss <i>a) financial assets and liabilities designated at fair value</i> <i>b) other financial assets mandatorily measured at fair value</i> | 0 | 0 |
| 120. | OPERATING INCOME | (514) | (401) |
| 130. | Net value adjustments/write-backs for credit risk of: <i>a) financial assets measured at amortised cost</i> <i>b) financial assets measured at fair value through comprehensive income</i> | 0 | 0 |
| 140. | Profits/losses from contract amendments without cancellations | | |
| 150. | NET PROFIT (LOSS) FROM FINANCIAL OPERATIONS | (514) | (401) |
| 160. | Administrative expenses: <i>a) personnel costs</i> <i>b) other administrative expenses</i> | (61,023) (10,615) (50,408) | (56,923) (10,936) (45,987) |
| 170. | Net accruals to provisions for risks and charges <i>a) commitments and guarantees issued</i> <i>b) other net provisions</i> | 0 | 0 |
| 180. | Net value adjustments/write-backs on property, plant and equipment | | |
| 190. | Net value adjustments/write-backs on intangible assets | | |
| 200. | Other operating income and charges | 61,739 | 57,449 |
| 210. | OPERATING COSTS | 716 | 526 |
| 220. | Profits (Losses) from equity investments | | |
| 230. | Net profit (loss) from property, plant and equipment and intangible assets measured at fair value | | |
| 240. | Value adjustments to goodwill | | |
| 250. | Profits (Losses) from disposal of investments | | |
| 260. | PROFIT (LOSS) BEFORE TAX FROM CURRENT OPERATIONS | 202 | 125 |
| 270. | Income tax from current operations for the year | (202) | (125) |
| 280. | PROFIT (LOSS) AFTER TAX FROM CURRENT OPERATIONS | 0 | 0 |
| 290. | Profit (Loss) after tax from discontinued operations | | |
| 300. | PROFIT (LOSS) FOR THE YEAR | 0 | 0 |

STATEMENT OF COMPREHENSIVE INCOME

| | Items | 31/12/2019 | 31/12/2018 |
|-------------|--|------------|------------|
| 10. | Profit (Loss) for the year | 0 | 0 |
| | Other income components, net of tax without transfer to P&L | | |
| 20. | Equity instruments designated at fair value through comprehensive income | | |
| 30. | Financial liabilities designated at fair value through profit or loss (changes in credit rating) | | |
| 40. | Hedging of equity instruments designated at fair value through comprehensive income | | |
| 50. | Property, plant and equipment | | |
| 60. | Intangible assets | | |
| 70. | Defined-benefit plans | | |
| 80. | Non-current assets held for sale and disposal group of assets | | |
| 90. | Portion of valuation reserves of equity-accounted investments | | |
| | Other income components, net of tax with transfer to P&L | | |
| 100. | Hedging of foreign investments | | |
| 110. | Foreign exchange differences | | |
| 120. | Cash flow hedge | | |
| 130. | Hedging instruments (items not designated) | | |
| 140. | Financial assets (other than equity instruments) measured at fair value through comprehensive income | | |
| 150. | Non-current assets held for sale and disposal groups of assets | | |
| 160. | Portion of valuation reserves of equity-accounted investments | | |
| 170. | Total other income components, net of tax | 0 | 0 |
| 180. | Comprehensive income (Item 10+170) | 0 | 0 |

STATEMENT OF CHANGES IN EQUITY

| | Equity at 31/12/2018 | Changes in opening balances | Equity at 1/01/2019 | Allocation of result from previous Financial Year | | Changes for the year | | | | | Comprehensive Income FY 2019 | Equity at 31/12/2019 | |
|----------------------------|----------------------|-----------------------------|---------------------|---|---------------------------------|----------------------|---------------------|------------------------|---------------------------------|------------------------------|------------------------------|----------------------|---------------|
| | | | | Reserves | Dividends and Other Allocations | Changes in Reserves | Equity Transactions | | | | | | |
| | | | | | | | Issue of New Quotas | Purchase of Own Quotas | Distribution of extra-Dividends | Change in Equity Instruments | | | Other changes |
| Quota Capital | 10,000 | | 10,000 | | | | | | | | | 10,000 | |
| Issue premium | 2,000 | | 2,000 | | | | | | | | | 2,000 | |
| Reserves | | | | | | | | | | | | | |
| a) Retained earnings | 134 | | 134 | | | | | | | | | 134 | |
| b) Others | | | | | | | | | | | | | |
| Valuation reserves | | | | | | | | | | | | | |
| Equity instruments | | | | | | | | | | | | | |
| Own Quotas | | | | | | | | | | | | | |
| Profit (Loss) for the year | | | | | | | | | | | - | - | |
| EQUITY | 12,134 | | 12,134 | | | | | | | | - | 12,134 | |

| | Equity at 31/12/2017 | Changes in opening balances | Equity at 1/01/2018 | Allocation of result from previous Financial Year | | Changes for the year | | | | | Comprehensive Income FY 2018 | Equity at 31/12/2018 | |
|----------------------------|----------------------|-----------------------------|---------------------|---|---------------------------------|----------------------|---------------------|------------------------|---------------------------------|------------------------------|------------------------------|----------------------|---------------|
| | | | | Reserves | Dividends and Other Allocations | Changes in Reserves | Equity Transactions | | | | | | |
| | | | | | | | Issue of New Quotas | Purchase of Own Quotas | Distribution of extra-Dividends | Change in Equity Instruments | | | Other changes |
| Quota Capital | 10,000 | | 10,000 | | | | | | | | | 10,000 | |
| Issue premium | 2,000 | | 2,000 | | | | | | | | | 2,000 | |
| Reserves | | | | | | | | | | | | | |
| a) Retained earnings | 134 | | 134 | | | | | | | | | 134 | |
| b) Others | | | | | | | | | | | | | |
| Valuation reserves | | | | | | | | | | | | | |
| Equity instruments | | | | | | | | | | | | | |
| Own Quotas | | | | | | | | | | | | | |
| Profit (Loss) for the year | | | | | | | | | | | | | |
| EQUITY | 12,134 | | 12,134 | | | | | | | | | 12,134 | |

CASH FLOW STATEMENT (INDIRECT METHOD)

| | 31/12/2019 | 31/12/2018 |
|--|----------------|--------------|
| A OPERATING ACTIVITIES | | |
| 1 OPERATIONS | 0 | 0 |
| operating result (+/-) | 0 | 0 |
| capital gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+) | 0 | 0 |
| capital gains/losses on hedging assets (-/+) | 0 | 0 |
| net value adjustments for credit risk (+/-) | 0 | 0 |
| net value adjustments to property, plant and equipment and intangible assets (+/-) | 0 | 0 |
| net provisions for risks and charges and other costs/revenues (+/-) | 0 | 0 |
| unpaid taxes and duties and tax credits (+) | 0 | 0 |
| net value adjustments to discontinued operations, net of tax effect (+/-) | 0 | 0 |
| other adjustments (+/-) | 0 | 0 |
| 2 CASH FLOW GENERATED FROM/USED BY FINANCIAL ASSETS | (28) | 1,183 |
| financial assets held for trading | 0 | 0 |
| financial assets designated at fair value | 0 | 0 |
| other assets mandatorily measured at fair value | 0 | 0 |
| financial assets measured at fair value through comprehensive income | 0 | 0 |
| financial assets measured at amortised cost | 0 | 0 |
| other assets | (28) | 1,183 |
| 3 CASH FLOW GENERATED FROM/USED BY FINANCIAL LIABILITIES | (5,683) | 6,910 |
| financial liabilities measured at amortised cost | 0 | 0 |
| financial liabilities held for trading | 0 | 0 |
| financial liabilities designated at fair value | 0 | 0 |
| other liabilities | (5,683) | 6,910 |
| <i>Net Cash Flow generated from/used by operating activities</i> | (5,711) | 8,093 |
| B INVESTING ACTIVITIES | | |
| 1 CASH FLOW GENERATED FROM: | 0 | 0 |
| sales of equity investments | 0 | 0 |
| dividends collected on equity investments | 0 | 0 |
| sales of property, plant and equipment | 0 | 0 |
| sales of intangible assets | 0 | 0 |
| sales of business units | 0 | 0 |
| 2 CASH FLOW USED BY: | 0 | 0 |
| purchases of equity investments | 0 | 0 |
| purchases of property, plant and equipment | 0 | 0 |
| purchases of intangible assets | 0 | 0 |
| purchases of business units | 0 | 0 |
| <i>Net Cash Flow generated from/used by investing activities</i> | 0 | 0 |
| C BORROWING ACTIVITIES | | |
| issues/purchases of own quotas | 0 | 0 |
| issues/purchases of equity instruments | 0 | 0 |
| distribution of dividends and other purposes | 0 | 0 |

| | | |
|--|----------------|--------------|
| <i>Net Cash Flow generated from/used by borrowing activities</i> | 0 | 0 |
| D NET CASH FLOW GENERATED/USED IN THE YEAR | (5,711) | 8,093 |

“Cash and cash equivalents at the end of the Year” include sight funds available in current bank accounts classified under item 40 “Financial assets measured at amortised cost” of the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2019

PREAMBLE

The sole purpose of the Company, which was established pursuant to Law no. 130/1999, is to participate in issues of covered bonds, in the capacity as the assignor of a portfolio of receivables, which is purchased through loans granted by the assignor bank itself and which is intended to secure the bonds issued by the latter.

Form and content of the Notes to the Financial Statements

These Notes to the Financial Statements are divided into the following four parties:

- Part A - Accounting Policies;
- Part B - Information on the balance sheet;
- Part C - Information on the income statement;
- Part D - Other information.

Each part in the Notes to the Financial Statements is composed of sections illustrating each individual aspect of the business management. The sections contain information of both a qualitative and quantitative nature.

Quantitative information generally includes items and tables.

The tables have been prepared complying with the formats envisaged in the current provisions.

The Financial Statements have been subject to statutory audit by the independent auditors EY S.p.A..

PART A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Statement of compliance with international accounting standards

The Company has adopted the IAS/IFRS international accounting standards in the preparation of the Financial Statements at 31 December 2019.

IAS/IFRS means any and all International Accounting Standards (“IAS”), any and all International Financial Reporting Standards (“IFRS”), any and all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) - previously named Standing Interpretations Committee (“SIC”) - endorsed by the European Commission and transposed by Legislative Decree no. 38/2005 into the Italian legal system. Furthermore, the provisions in the “Framework for the preparation and presentation of Financial Statements” were complied with specifically in relation to the principle concerning the prevalence of substance over form, as well as to the importance and significance of information.

As regards the disclosures required by IFRS 8, “Operating Segments”, it should be noted that any breakdown would not be significant given the nature of the Company; therefore, it is omitted from these notes to the financial statements.

Since the Company is consolidated in the Banca Popolare di Sondrio Banking Group according to IFRS 10, it has adopted, on a voluntary basis, the international accounting standards, as it met the requirements for the option at the time of the exercise pursuant to then Article 2, letter e), of Legislative Decree no. 38/2005.

The Company continues to prepare its financial statements according to international accounting standards. This option complies with Article 4, paragraph 6-bis, of Legislative Decree no. 38/2005 introduced by Legislative Decree no. 230 of 29 December 2011, which also extended the right to prepare financial statements by using IAS/IFRS to those companies for which, after the preparation of the financial statements in accordance with international accounting standards, the conditions are no longer fulfilled for the mandatory application of the same.

The Financial Statements have been prepared by using the formats envisaged by the 6th updated version of the “Instructions for the preparation of the financial statements of the IFRS Intermediaries other than bank intermediaries”, which were issued by the Bank of Italy on 30 November 2018. However, the Order of 9 December 2016 deleted, from its scope of regulation, any reference to securitisation SPVs and assignees for covered bonds belonging to a banking group and not registered on the list, as they are entities that can no longer be described as non-bank financial intermediaries following the Reform of Title V that was completed under Legislative Decree no. 141/2010 and subsequent amending decrees, the accounting effects of which were provided for in Legislative Decree no. 136/2015.

As a result of the fact that IAS 1 does not require strict compliance with the structure of schedules and pending the enactment of new rules aimed at replacing those previously in force and at regulating the preparation of financial statements of securitisation SPVs, these financial statements were drawn up, with regard to corporate management operations, by using the abovementioned schedules; the latter adopt the amendments introduced by the new IFRS9, which became applicable from 1 January 2018. As regards segregated assets, reference was made to the Bank of Italy’s Order of 15 December 2015 (3rd updating), given that the subsequent orders referred to above did not provide any information on the disclosures to be provided for securitisation transactions.

These schedules were regarded as the most suitable option in order to provide information on the Company’s financial position, results of operations and cash flows which is useful for the users in making decisions of an economic nature and which, at the same time, appears to be important, reliable, comparable and comprehensible.

This decision is also based on the compliance with the general principle of continuity in the description

of management events in order to make the financial statements more understandable.

Section 2 – General principles for the preparation of financial statements

These Financial Statements are made up - in accordance with IAS 1 - of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Financial Statements, and are also accompanied by the Directors' Report on Operations, the economic results achieved and equity and financial position of the Company.

In accordance with article 5 of Legislative Decree no. 38/2005, the Financial Statements have been prepared using the Euro as the money of account, without decimal fractions.

The Financial Statements have been prepared with the intent of giving a true and fair representation of the financial position, results of operations and cash flows for the Financial Year.

The Financial Statements have been prepared on a going concern basis (IAS 1 Revised paragraph 25 - reference is made to point 7 of the Report on Operations as to the considerations made by the Company for establishing the existence of the requirements behind the going-concern concept), on an accruals basis (IAS 1 Revised paragraphs 27 and 28) and in compliance with a consistent presentation and classification of the items in the Financial Statements (IAS 1 Revised paragraph 45). The assets and liabilities, income and costs have not been set off against each other save where required or permitted by a standard or an interpretation (IAS 1 Revised paragraph 32).

Below are the accounting standards that will be applicable from 1 January 2019 and that have already been endorsed by the European Commission:

- IFRS 16, which was issued by the IASB in January 2016 and was endorsed by the European Commission under Regulation no. 1986/2017, replaced, with effect from 1 January 2019, IAS 17 "Leases";
- IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease" regulate the requirements to account for lease agreements.

In any case, the adoption did not entail any impact on the Company's financial statements.

Where necessary, the data relating to the Financial Statements of the previous financial year have been subject to consistent reclassifications in order to make them comparable with the data in these Financial Statements.

Each account in the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement, also report the amount relating to the previous financial year for comparative purposes.

Transactions carried out

Based on the information reported in Section 1 of Part A.1 of these Notes to the Financial Statements, the Company continues to apply the Bank of Italy's Instructions dated 15 December 2015 to prepare these Financial Statements with reference to segregated assets, given that the subsequent orders did not report any information on the disclosures to be provided for securitisation transactions.

Consequently, the purchased receivables, the securities issued and any other transaction completed within the scope of the securitisation transaction are represented in a specific statement and are described in a specific section of the Notes to the Financial Statements and do not form part of the Financial Statements schedules.

This approach is also in line with Law no. 130 of 30 April 1999, according to which "the receivables relating to each transaction will constitute assets which are separate for all purposes both from the company's assets and from those relating to any other transaction."

As a consequence, these values concerning the covered bond transaction have not been affected by the application of the IAS/IFRS standards, since in no way do these standards deal with the disclosures relating to segregated assets.

However, it should be specified that, pursuant to article 7-bis, last paragraph, the receivables have been purchased at the accounting entry value, as resulting from the last financial statements approved by the Assignor, which was affected by the application by the latter of the International Financial Reporting Standards. For completeness of information, it should be noted that the matter of the accounting treatment, according to international standards, of financial assets and/or groups of financial assets and financial liabilities arising in the context of securitisation transactions and issues of covered bonds, is still being analysed by the bodies responsible for interpreting the statutory accounting standards.

On 4 September 2015 Legislative Decree no. 139/2015 was published, which became effective for the financial statements of financial years beginning from 1 January 2016 and pursuant to which important amendments were applied to the accounting policies concerning some financial statement items of companies required to comply with the accounting rules laid down in the Italian Civil Code and in the Italian GAAPs.

Specifically, these amendments include the measurement, at amortised cost, of receivables and liabilities that arose during 2016, as well as the fair value measurement of derivatives outstanding as at the date of first-time adoption of the decree.

While pending the enactment of an express regulatory clarification concerning the applicability of these amendments to the segregated assets of securitisation SPVs, the Company has decided to continue to apply, in compliance with the principle of continuity, the same accounting policies concerning the items of the offering circular, which are detailed in the paragraph on “Information relating to the Summary Statement” of Part D – Other Information, to which reference should be made. In this regard, it should be remembered that any and all information must be provided, even if not expressly required, in order to give a full representation of the situation, while any information must be omitted which might decrease, by its nature or the excess content, the clarity and immediacy of the disclosures in the document.

Section 3 - Events after the reporting date

It is informed that no corporate events occurred which were such as to have a significant impact on the financial position and results of operations reported herein (IAS 10) during the period from 31 December 2019 to the date of approval of these financial statements.

It is to be borne in mind, however, that as of the reporting date of these financial statements the Company is monitoring the progress of the factors of instability that have arisen recently in relation to the Covid-19 (hereinafter the “Coronavirus”) health emergency, which, in the first weeks of 2020, had an impact initially in China and afterwards spread to other countries. At the moment the consequences of this emergency on the economy are difficult to quantify or assess.

These factors have been then considered to be events that do not entail adjustments to the balances in the financial statements, in accordance with IAS 10 § 21, since even if the Coronavirus phenomenon began to develop in China close to the reporting date, it was only at the end of January that the existence of an event constituting an actual international emergency was declared.

However, it should be noted that the evolution of such factors of instability could impact, even to a notable extent, on the prospects of future growth because they would affect the economy in general and the financial markets.

At present, all things considered, it is not possible to predict how this phenomenon could develop in Italy either, nor, therefore, on the impact it could have on the economy and consequently it is not possible to determine the adverse impacts that it may have on the financial position and results of operations, which may affect initially the first quarter of 2020 and possibly the rest of the 2020 financial year; it must be considered that this state of emergency could end in the following months, depending on the outcome of the containment measures planned by the governments and central banks of the countries affected by the spread of the virus. In any case, it is considered that at present it is not

possible to estimate any adverse impact on the recoverability of the loans included in the Company's segregated assets, even if they cannot be excluded, and that, therefore, they will be recognised in the following financial year as subsequent events that do not change the balances in the financial statements. Finally, it is believed that the present emergency will not have any impact that could affect the Company's ability to continue as a going concern.

Section 4 – Other aspects

There are no further aspects to report.

A.2 – PART RELATING TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

The accounting standards adopted for the preparation of these Financial Statements are reported below.

The accounting policies adopted are the same as those used in the preparation of the Financial Statements of the previous financial year.

ASSETS

Section 4 – Financial assets measured at amortised cost

Criteria for recognition

A receivable is recognised initially on the date of payment or, in the case of a debt instrument, on the settlement date, or when the company becomes a party to the contractual clauses and, as a consequence, is lawfully entitled to receive cash flows. The initial recognition is made at a fair value equal to the amount paid out, or the subscription price, including transaction costs and fees which are directly attributable and determinable from the beginning of the transaction.

Costs are excluded that have the above characteristics but are repayable by the debtor counterparty or that may be classified under normal internal administrative costs.

Criteria for classification

Receivables, which include short- and medium-to-long term loans to banks and customers, fall within the broadest category of non-derivative financial assets that are not listed on an active market (Levels 2 and 3).

Criteria for measurement and recognition of income components

After initial recognition, receivables are measured at amortised cost, equal to the initial entry value as decreased by repayments of capital, as decreased/increased by value adjustments/write-backs and decreased by amortisation - calculated based on the effective interest rate method - of the difference between the amount paid out and the amount repayable on expiry, typically attributable to the costs/income charged directly to the individual receivable.

The effective interest rate is the rate used to discount future payment flows estimated over the expected term of the loan in order to obtain the exact net accounting value on its initial recognition, including both directly attributable transaction costs and all fees paid or received by the various contracting parties. This method of accounting uses a finance-based logic and allows the distribution of the economic effect of the costs/income throughout the expected residual maturity of the receivable.

The amortised cost method is not applied to short-term receivables since the effect arising from the application of discounting principles is negligible. They are thus valued at their historical cost. An analogous valuation criterion is adopted for receivables without a defined due date or subject to revocation.

Furthermore, an analysis is carried out aimed at identifying doubtful debts showing objective evidence of any possible impairment loss.

Criteria for derecognition

Receivables are derecognised from balance sheet assets when they are considered to be definitely impossible to recover or when they have been assigned in such a way as to result in the substantial transfer of all risks and rewards attached to the receivables themselves.

Section 10 – Tax assets and liabilities

Both current and deferred income taxes are calculated in compliance with current tax legislation. Income taxes are recognised in the income statement, except for those relating to items charged or credited directly to equity.

Provision for income taxes is calculated on the basis of a forecast of current, prepaid and deferred taxes. In particular, deferred tax assets and liabilities are calculated on the basis of temporary differences between an asset or liability's accounting value and its value recognised for tax purposes. Deferred tax assets are recognised in the accounts on the basis of the Company's ability to generate positive taxable income on a continuous basis in the future financial years.

Deferred tax assets and liabilities are accounted for in the balance sheet as pre-closing balances and without any offset, entering the former under "Tax Assets" and the latter under "Tax Liabilities".

Section 12 - Other assets

This item includes receivables which are not attributable to any other items under Balance Sheet Assets.

These items are entered at their nominal value, or if lower, at their realisable value.

LIABILITIES

Section 8 - Other Liabilities

This item includes payables which are not attributable to any other items under Balance Sheet Liabilities: in particular, payables to suppliers and to the segregated assets.

These items are entered at their nominal value, which represents the value of discharge.

INCOME STATEMENT

Recognition of Costs and Revenues

Costs and revenues are accounted for on an accruals basis. In consideration of the exclusive nature of the management activity carried out by the Company, operating charges incurred are charged to the segregated assets, limited to the amount necessary to ensure the Company's economic and financial stability, as also provided for by contract. This amount is classified under other operating income and charges.

A.3 – INFORMATION ON THE TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

In relation to the disclosures required by IFRS 7, it should be noted that no reclassifications of financial assets were made between different portfolios.

A.4 – INFORMATION ON THE FAIR VALUE

Qualitative nature

In May 2011 the International Accounting Standards Board (IASB) published IFRS 13 "Fair Value Measurement" aimed at increasing consistency and comparability in fair value measurements, which was transposed into Regulation (EU) no. 1255 of 11 December 2012, applicable as from 1 January 2013.

IFRS13 provides for fair value measurements of financial instruments to be classified on the basis of a 3-level fair value hierarchy (paragraphs 76-90), which reflects the significance of the inputs used in measurements. The standard envisages the following fair value levels:

- Level 1 of fair value: inputs to measure the instrument are quoted prices in active markets for identical instruments that the entity can access at the measurement date;
- Level 2 of fair value: inputs to measure the instrument are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 of fair value: inputs to measure the instrument are unobservable inputs.

As required by the regulation, the approach hierarchy adopted to measure the fair value of all financial instruments (shares, UCIs, bonds, bond issues and derivatives) gives the highest priority to quoted prices in active markets for assets and liabilities to be measured, and, in their absence, to the measurement of assets and liabilities based on significant quotations, or by making reference to identical assets and liabilities. Finally, the hierarchy gives the lowest priority to measurement techniques based on unobservable inputs, which are therefore more discretionary.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

| Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis | 31.12.2019 | | | | 31.12.2018 | | | |
|--|---------------|----|----|---------------|---------------|----|----|---------------|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Financial assets measured at amortised cost | 23,851 | | | 23,851 | 29,562 | | | 29,562 |
| 2. Property, plant and equipment held for investment | | | | | | | | |
| 3. Non-current assets held for sale and disposal groups of assets | | | | | | | | |
| Total | 23,851 | | | 23,851 | 29,562 | | | 29,562 |
| 1. Financial liabilities measured at amortised cost | | | | | | | | |
| 2. Liabilities associated with assets held for sale | | | | | | | | |
| Total | | | | | | | | |

Financial assets measured at amortised cost relate to the balance of the current bank accounts at 31 December 2019. It is believed that the book value of the abovementioned item corresponds to the fair value in consideration of the fact that the current accounts are at sight and reflect market conditions.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown of receivables from banks by product

| Breakdown | 2019 | | | | | | 2018 | | | | | |
|---|-----------------------|-------------|--|------------|----------|---------------|-----------------------|-------------|--|------------|----------|---------------|
| | Book value | | | Fair value | | | Book value | | | Fair value | | |
| | First or second stage | Third stage | of which: impaired assets acquired or originated | L1 | L2 | L3 | First or second stage | Third stage | of which: impaired assets acquired or originated | L1 | L2 | L3 |
| 1. Deposits and current accounts | 23,851 | | | | | 23,851 | 29,562 | | | | | 29,562 |
| 2. Loans | | | | | | | | | | | | |
| 2.1 Repos | | | | | | | | | | | | |
| 2.2 Finance lease | | | | | | | | | | | | |
| 2.3 Factoring | | | | | | | | | | | | |
| - with recourse | | | | | | | | | | | | |
| - without recourse | | | | | | | | | | | | |
| 2.4 Other loans | | | | | | | | | | | | |
| 3. Debt securities | | | | | | | | | | | | |
| - structured securities | | | | | | | | | | | | |
| - other debt securities | | | | | | | | | | | | |
| 4. Other assets | | | | | | | | | | | | |
| Total | 23,851 | 0 | 0 | 0 | 0 | 23,851 | 29,562 | 0 | 0 | 0 | 0 | 29,562 |

The item is made up of the credit balance of the current bank accounts held with Banca Monte dei Paschi di Siena S.p.A..

It is deemed that the book value of the abovementioned item corresponds to the fair value in consideration of the fact that the current accounts are at sight and reflect market conditions.

Section 10 – Tax assets and Tax liabilities - Item 100 of assets and item 60 of liabilities

10.1 “Tax assets: current and deferred”: breakdown

| Items | 31/12/2019 | 31/12/2018 |
|---------------------|------------|------------|
| Current tax assets | 3,639 | 3,764 |
| Deferred tax assets | 0 | 0 |

10.2 “Tax liabilities: current and deferred”: breakdown

| Items | 31/12/2019 | 31/12/2018 |
|--------------------------|------------|------------|
| Current tax liabilities | 202 | 125 |
| Deferred tax liabilities | 0 | 0 |

Current tax liabilities include accrued IRES tax (*Imposta sul Reddito delle Società*, Corporate Income Tax) calculated by applying a 24% rate, while for accrued IRAP tax (*Imposta Regionale sulle Attività Produttive*, Local Tax on Production Activities) the rate applied is equal to 3.90%.

Section 12 – Other Assets (Item 120)

12.1 Other assets: breakdown

| 120 - OTHER ASSETS | 31/12/2019 | 31/12/2018 |
|---|-------------------|-------------------|
| Accrued income for administrative services | 7,458 | 7,378 |
| Prepaid expenses for services paid in advance | 364 | 292 |
| TOTAL OTHER ASSETS | 7,822 | 7,670 |

As expressly required by the IAS/IFRS accounting standards, this item includes accrued income and prepaid expenses which are not attributable to any other Balance Sheet item.

“Prepaid expenses for services paid in advance” relate to revenues which are common to two Financial Years, as determined on an accruals basis in the application of the matching principle between costs and revenues of the Financial Year.

“Accrued income for administrative services” relates to revenues which are common to two Financial Years, as determined on an accruals basis in the application of the matching principle between costs and revenues of the Financial Year. In particular, it includes the accrual of the corporate servicer fee, the fee received by the corporate management operations on a periodical basis from the segregated assets of securitisation transaction for the administrative and corporate management service of the SPV company accruing at 31 December 2019, pursuant to the Administrative Services Agreement.

“Advances to suppliers” are made up of payments to suppliers for which the Company must receive the related invoices.

LIABILITIES

Section 6 – Tax liabilities – Item 60

This item includes tax liabilities: as to the relevant compilation, reference is made to Section 10 of Assets “Tax assets and tax liabilities”.

Section 8 – Other Liabilities – Item 80

8.1 Other liabilities: breakdown

| 80 - OTHER LIABILITIES | 31/12/2019 | 31/12/2018 |
|---|-------------------|-------------------|
| Advances from securitised operations | 8,746 | 14,372 |
| Payables to suppliers | 197 | 409 |
| Accrued expenses | 7,458 | 7,377 |
| Payables to suppliers for invoices to be received | 6,576 | 6,579 |
| TOTAL OTHER LIABILITIES | 22,977 | 28,737 |

As expressly required by the IAS/IFRS accounting standards, this item includes accrued expenses and deferred income which are not attributable to any other item under Balance Sheet.

“Advances from segregated assets” relate to the funds that the corporate management must pass on for the payment of operating expenses.

“Accrued expenses for administrative services” relate to costs which are common to two Financial Years, as determined on an accruals basis in the application of the principle of matching costs to revenues of the Financial Year. In particular, they include the cost for the administrative and corporate management of the securitisation SPV, as calculated as per contract on an annual basis, accruing at 31 December 2019, for which the supplier will issue the invoice in the next Financial Year.

“Payables to suppliers for invoices to be received” relate to invoices for the provision of services

relating to 2019 but not yet received at the reporting date of the Financial Statements.
“Payables to suppliers”, referred to in the comparative data, relate to invoices not yet paid.

Section 11 - Equity - Items 110, 120, 130, 140, 150, 160 and 170

11.1 Quota Capital: breakdown

| Types | 31/12/2019 | 31/12/2018 |
|--|------------|------------|
| 1. Quota capital | 10,000 | 10,000 |
| 1.1 Ordinary quotas/equity investments | No. 2 | No. 2 |
| 1.2 Other quotas (to be specified) | | |

The fully subscribed and paid-up Quota Capital is made up as follow:

| Quotaholders | Equity Investment Percentage | Equity Investment Face Value |
|---|------------------------------|------------------------------|
| SVM Securitisation Vehicles Management S.r.l. | 40.00% | 4,000 |
| Banca Popolare di Sondrio S.c.p.A. | 60.00% | 6,000 |

For more details on the changes that occurred in Equity, reference is made to the related statement.

11.4 Issue premiums: breakdown

| Types | 31/12/2019 | 31/12/2018 |
|----------------|------------|------------|
| Issue premiums | 2,000 | 2,000 |

11.5 Other information

a) Breakdown and change of item 160 Reserves

| Types / Values | Retained earnings | | | | | Total |
|----------------------------|-------------------|-----------------------|----------------------------------|--------------------|----------------|-------|
| | Legal reserve | Extraordinary reserve | Profits (Losses) carried forward | Other: FTA Reserve | Other Reserves | |
| A. Opening Balance | 134 | 1,715 | (1,715) | 0 | 0 | 134 |
| B. Increases | | | | | | |
| B.1 Allocations of Profits | | | | | | |
| B.2 Other changes | | | | | | |
| C. Decreases | | | | | | |
| C.1 Uses | | | | | | |
| - loss coverage | | | | | | |
| - distribution | | | | | | |
| - transfer of capital | | | | | | |
| C.2 Other changes | | | | | | |
| D. Closing Balance | 134 | 1,715 | (1,715) | 0 | 0 | 134 |

b) Statement of available and distributable Reserves

| Description | Amount | Possible uses | Available share | Summary of uses made in the three previous financial years | |
|----------------------------------|---------------|---------------|-----------------|--|-------------------|
| | | | | for loss coverage | for other reasons |
| Quota Capital | 10,000 | | | | |
| Equity Reserves: | 2,000 | | | | |
| Provision for issue premium | 2,000 | B | 2,000 | | |
| Other Equity Reserves | | | | | |
| Retained earnings: | 134 | | | | |
| Profits (Losses) carried forward | (1,715) | | | | |
| FTA Reserve | | | | | |
| Extraordinary reserve | 1,715 | | | | |
| Legal reserve | 134 | | | | |
| Total | 12,134 | | 2,000 | | |
| Non-distributable share | | | 2,000 | | |
| Distributable share | | | | | |

Key

- A for capital increase
- B for loss coverage
- C for distribution to quotaholders

PART C – INFORMATION ON THE INCOME STATEMENT**Section 2 - Commissions – Items 40 and 50****2.2 Commissions expense: breakdown**

| Breakdown/Sectors | 31/12/2019 | 31/12/2018 |
|--|-------------------|-------------------|
| a) guarantees received | | |
| b) distribution of services from third parties | | |
| c) collection and payment services | 514 | 401 |
| d) other commissions (to be specified) | | |
| Total | 514 | 401 |

Section 10 - Administrative Expenses - Item 160**10.1 Personnel costs: breakdown**

| Type of expense/Values | 31/12/2019 | 31/12/2018 |
|---|-------------------|-------------------|
| 1. Personnel employed | | |
| a) wages and salaries | | |
| b) social security contributions | | |
| c) severance pay | | |
| d) social security costs | | |
| e) provision for employee severance pay | | |
| f) provision for pension fund and similar obligations: | | |
| - defined contribution | | |
| - defined benefits | | |
| g) payments to external supplementary pension funds: | | |
| - defined contribution | | |
| - defined benefits | | |
| h) other employee benefits | | |
| 2. Other personnel in active employment | | |
| 3. Directors and Statutory Auditors | 10,615 | 10,936 |
| 4. Staff on retirement | | |
| 5. Recoveries of expenses for employees seconded to other companies | | |
| 6. Reimbursements of expense for employees seconded to the Company | | |
| Total | 10,615 | 10,936 |

10.3 Other administrative expenses: breakdown

| Type of expense /Values | Total at 31/12/2019 | Total at 31/12/2018 |
|---|----------------------------|----------------------------|
| Auditing costs | 7,710 | 6,405 |
| Notarial fees | 87 | - |
| Other indirect taxes and duties | 120 | 120 |
| Government concession tax | 310 | 310 |
| Revenue stamps | 0 | 32 |
| CONSOB contribution | 580 | 148 |
| Stamp tax | 16 | 16 |
| Corporate management services * | 41,428 | 38,956 |
| Contingent liabilities and rebates payable on administrative expenses | 157 | 0 |
| Total | 50,408 | 45,987 |

* The item "Corporate management services" includes any and all corporate existence costs.

Section 14 – Other operating income and charges - Item 200

14.2 Other operating charges: breakdown

| Items | 31/12/2019 | 31/12/2018 |
|-------------------------|------------|------------|
| Other operating charges | 3 | 7 |

14.2 Other operating income: breakdown

| Items | 31/12/2019 | 31/12/2018 |
|------------------------|------------|------------|
| Other operating income | 61,742 | 57,456 |

Section 19 – Income taxes from current operations for the year - Item 270

19.1 Income taxes from current operations for the year: breakdown

| Items | 31/12/2019 | 31/12/2018 |
|--|------------|------------|
| 1. Current taxes (-) | 202 | 125 |
| 2. . Changes in current taxes of previous financial years (+/-) | 0 | 0 |
| 3. Reduction in current taxes for the year (+) | | |
| 3.bis Reduction in current taxes for the year for tax credits under Law no. 214/2011 (+) | | |
| 4. Change in deferred tax assets (+/-) | | |
| 5. Change in deferred tax liabilities (+/-) | | |
| 6. Taxes accrued in the year (-) (-1+/-2+3+ 3 bis+/-4+/-5) | 202 | 125 |

Taxes include IRES tax (at a statutory rate of 24%) for Euro 83 and IRAP tax (at a rate of 3.90%) for Euro 119 accrued in 2019.

19.2 Reconciliation between theoretical and effective tax burden in the financial statements

| | Taxable income | Tax rate | Tax |
|-------------------------------|----------------|---------------|------------|
| Theoretical IRES tax | 202 | 24.00% | 48 |
| Increases | | | |
| Non-deductible costs | 227 | 24.00% | 54 |
| Decreases | | | |
| Other deductible expenses | (83) | 24.00% | (20) |
| Effective IRES tax | 346 | 24.00% | 83 |
| | Taxable income | Tax Rate | Tax |
| Theoretical IRAP tax | 202 | 3.90% | 8 |
| Increases | | | |
| Personnel and insurance costs | 10,615 | 3.90% | 414 |
| Other non-deductible expenses | 227 | 3.90% | 9 |
| Decreases | | | |
| Lump-sum deduction | (8,000) | 3.90% | (312) |
| Effective IRAP tax | 3,044 | 3.90% | 119 |

PART D – OTHER INFORMATION

Section 1 – SPECIFIC REFERENCES TO OPERATIONS CARRIED OUT

D. GUARANTEES ISSUED AND COMMITMENTS

As at the reporting date of the Financial Statements, the Company had not issued guarantees in favour of third parties and there were no commitments in place, except for those envisaged and expressly regulated by the contracts relating to the covered bond transaction and concerning the related “segregated assets”.

L. COVERED BONDS

In the absence of specific tables of breakdown as required by the Bank of Italy’s Order of 16 December 2009 and by the Bank of Italy’s Order of 13 March 2012 and related updates, it was deemed appropriate to report any disclosure provided in this section by adopting the information structure that is expressly required for part “F. Securitisation of Receivables”.

Below is the breakdown of the initial portfolio and of that subsequently purchased, as well as the funds borrowed for their acquisition in the form of subordinated loans obtained from the assignor bank.

| Assignor | Relevant date | Face Value | Provision for bad debts | IAS adjustments | Price of assignment |
|------------------------------------|--------------------------|----------------------|-------------------------|------------------|----------------------|
| Banca Popolare di Sondrio S.c.p.A. | initial portfolio | 809,619,781 | 6,055,772 | 1,813,395 | 801,750,613 |
| Banca Popolare di Sondrio S.c.p.A. | assignment 15/12/2015 | 204,106,160 | 1,527,926 | 569,935 | 202,308,299 |
| Banca Popolare di Sondrio S.c.p.A. | assignment 11/02/2016 | 582,101,182 | 682,661 | 677,988 | 580,740,533 |
| Banca Popolare di Sondrio S.c.p.A. | assignment 15/11/2016 | 227,485,350 | 325,402 | 730,295 | 226,429,654 |
| Banca Popolare di Sondrio S.c.p.A. | assignment 01/10/2018 | 308,687,848 | 425,976 | 1,025,056 | 307,236,816 |
| Banca Popolare di Sondrio S.c.p.A. | assignment 01/10/2018 | 325,298,369 | 808,995 | 1,156,390 | 323,332,984 |
| Banca Popolare di Sondrio S.c.p.A. | assignment 10/12/2019 | 355,946,528 | 1,968,959 | 1,605,041 | 352,372,528 |
| Total Receivables acquired | | 2,813,245,218 | 11,795,691 | 7,578,100 | 2,794,171,427 |

The subordinated loan disbursed by Banca Popolare di Sondrio S.c.p.A. on 16 June 2014 in an amount equal to the price of assignment, is regulated by interest to be paid out on each payment date, equal to a base interest that can be calculated as 1.0% of the amount disbursed for the period of quarterly accrual and an additional amount, the so-called Premium Interest, corresponding to the difference between the funds available on account of interest of the guarantor and any other amount whose payment is due on a priority basis in accordance with the priority order of payments.

Loans may be repaid on each payment date in accordance with the applicable priority order of payments and within the limits of funds available on account of capital, provided that such payment does not result in a violation of the tests contained in the contracts.

Section L is dedicated to the information relating to the covered bond transaction.

INFORMATION RELATING TO THE SUMMARY STATEMENT

Based on the information reported in the paragraph on Transactions carried out of Part A.1, Section 1 and Section 2, the structure and form of the summary statement are in line with the Instructions that were issued by the Bank of Italy by Order dated 15 December 2015.

It should be noted that, pending official rulings in this regard, these policies are not affected by the measurement changes made by Legislative Decree 139/15, but are consistent with the accounting policies applied in previous years. They are, in fact, the most suitable option to reflect the financial features of the specific nature of the Company's business and to allow the reconciliation of these financial statements and the remaining financial reporting that is required to be submitted by the Company.

The entries connected to the receivables relating to the segregated assets correspond to the values inferred from the accounting and from the IT system of the Servicer, Banca Popolare di Sondrio S.c.p.A..

A. Securitised assets

A.1 Receivables

Receivables have been entered at their assignment value, which, pursuant to article 7-bis of Law no. 130/1999, corresponds to the entry value of the same in the last financial statements approved by the Assignor. These receivables have been valued according to the methods used by the assignor for measuring its receivables. The value of the receivables was possibly decreased in order to adjust it to the presumed realisable value on the basis of the information provided by the Servicer. They include accruals for interest income which accrued on an accruals basis and which are considered to be recoverable.

The write-down on receivables is determined according to IFRS9, which requires financial assets that are not measured at fair value through profit or loss, consisting of debt securities and loans, to be subjected to the new impairment model based on expected loss (ECL – Expected Credit Losses).

According to the information provided by the Servicer, write-downs relate to the impairment of loans classified in Stage 1, Stage 2, Stage 3, depending on the evolution of the debtor's credit rating.

Below are the items for:

Stage 1:

performing financial assets the credit risk of which has not increased significantly compared to the date of initial recognition or the credit risk of which is considered to be low. The impairment is based on the estimated expected credit loss making reference to a period of time of one year;

Stage 2:

performing financial assets the credit risk of which has increased significantly compared to the date of initial recognition. The impairment is commensurate with the estimated expected credit loss making reference to a period of time equal to the entire residual life of the financial asset;

Stage 3:

impaired financial assets (probability of default equal to 100%) The impairment is commensurate with the estimated expected credit loss on the specific financial asset throughout its entire life.

B. Uses of liquidity from management of receivables

B. 3 Cash

The credit balances in current accounts held with banks are entered in the Financial Statements at their nominal value, corresponding to their presumed realisable value and include the interest accrued at the date of these Financial Statements.

B. 4 Investments treated as Liquidity

This item includes the receipts that had already been collected on the receivables as at the reporting

date, but not yet credited to the Company's current accounts.

B.5 Accrued income and prepaid expenses

Accrued income has been calculated on an accruals basis, by applying the principle of matching costs to revenues per financial year.

B.6 Other Receivables

The withholding taxes applied to the Company represent the deductions applied to interest income accrued on current accounts opened in favour of the segregated assets at the date of these Financial Statements.

This receivable is shown at its presumed realisable value.

D. Loans received

The amount is entered at its face value.

E. Other liabilities

Payables are entered at their nominal value.

Accrued expenses have been calculated on an accruals basis, by applying the principle of matching costs to revenues per financial year.

Interest, commissions, income and charges

Costs and revenues referable to securitised assets, interest, commissions, income and charges arising from the covered bond transaction have been accounted for on an accruals basis.

Derivative contracts

The differential on the Interest Rate Swap agreement, which is entered into in order to hedge the risk attached to the exchange rate fluctuations, is recognised under income or charges on an accruals basis, applied to the flows exchanged between the SWAP counterparties during the reporting period.

Settlement of segregated assets

From the Summary Statement, table L1, it can be inferred that a break-even result was recorded in the financial year, through the allocation of the positive margin accrued in the year in full, in the form of a Premium on the subordinated loan.

Therefore, total Assets coincide with total Liabilities of segregated assets.

| | |
|---|---------------|
| TOTAL ASSETS | 2,210,945,145 |
| TOTAL LIABILITIES | 2,210,945,145 |
| FINANCIAL DIFFERENCE | 0 |
| RESULTS FROM PREVIOUS YEARS | 0 |
| RESULT FROM THE TRANSACTION FOR THE CURRENT FINANCIAL YEAR | 0 |

| STATEMENT F.1 | | 31/12/2019 | 31/12/2018 |
|----------------------|---|----------------------|----------------------|
| A. | Securitized assets | 1,713,114,367 | 1,570,792,927 |
| A.1 | Receivables | 1,713,114,367 | 1,570,792,927 |
| B. | Uses of liquidity from management of receivables | 497,830,778 | 290,496,581 |
| B.3 | Cash | 485,521,185 | 276,087,489 |
| B.4 | Investments and investments treated as liquidity | 10,763,126 | 11,275,454 |
| B.5 | Accrued income and prepaid expenses | 1,537,650 | 3,119,194 |
| B.6 | Other receivables | 8,817 | 14,444 |
| D. | Loans received | 2,210,607,447 | 1,860,936,485 |
| E. | Other liabilities | 337,698 | 353,023 |
| E.2 | Accrued expenses and deferred income | 336,251 | 352,857 |
| E.4 | Sundry payables | 1,447 | 166 |
| G. | Transaction commissions and fees | 1,170,115 | 1,196,404 |
| G.1 | For Servicing | 1,056,978 | 1,105,700 |
| G.2 | For other services | 113,137 | 90,704 |
| H. | Other charges | 37,861,306 | 35,382,736 |
| H.1 | Value adjustment on receivables | 1,766,981 | 573,082 |
| H.2 | Interest expense | 36,084,104 | 34,800,349 |
| H.4 | Other charges | 10,221 | 9,305 |
| I. | Interest generated from securitized assets | 31,497,156 | 32,128,160 |
| L. | Other revenues | 7,534,265 | 4,450,980 |
| L.2 | Value write-backs on receivables | 4,226,101 | - |
| L.3 | Swap differential receivable | 3,177,945 | 4,316,991 |
| L.4 | Other revenues | 130,219 | 133,989 |

(*) Items reported according to the matching principle.

For the comments on the notes under the statement above, reference is made to the following pages.

| STATEMENT F.1 – BREAKDOWN OF ITEMS | | 31/12/2019 | 31/12/2018 |
|---|---|----------------------|----------------------|
| A.1 | Receivables | 1,713,114,367 | 1,570,792,927 |
| a. | Amounts falling due – capital quota | 1,720,339,106 | 1,576,600,318 |
| b. | Accrued interest income on loans | 3,336,898 | 3,259,360 |
| c. | Loan instalments fallen due | 643,360 | 940,970 |
| d. | Loan instalments fallen due – interest | 195,647 | 278,189 |
| e. | Receivables from customers for default interest | 2,488 | 2,343 |
| f. | Provision for bad debts for default interest | -11 | -11 |
| g. | Value adjustment to receivables at amortised cost | -4,451,646 | -3,493,141 |
| h. | Provision for the write-down of purchased receivables | -7,788,203 | -9,398,810 |
| i. | Positive measurement of receivables at FV | 836,728 | 2,603,709 |
| B.3 | Cash | 485,521,185 | 276,087,489 |
| a. | Collection account | 484,193,751 | 272,956,021 |
| b. | Reserve account | 1,190,351 | 2,915,268 |
| c. | Payments account | 137,083 | 216,200 |
| B.4 | Investments and investments treated as liquidity | 10,763,126 | 11,275,454 |
| a. | Receivables for amounts to be collected | 10,763,126 | 11,275,454 |
| B.5 | Accrued income and prepaid expenses | 1,537,650 | 3,119,194 |
| a. | Accrued income on swap | 1,537,650 | 3,119,194 |
| B.6 | Other receivables | 8,817 | 14,444 |
| a. | Advances for expenses on recurring operations | 8,746 | 14,372 |
| b. | Withholding tax receivables from the Tax Office on interest income from current account | 72 | 72 |
| D. | Loans received | 2,210,607,447 | 1,860,936,485 |
| a. | Payables for subordinated loan 1 | 2,194,171,428 | 1,841,798,900 |
| b. | Payables for subordinated loan | 12,454,196 | 15,556,309 |
| c. | Interest payable on subordinated loan | 3,981,823 | 3,581,276 |
| E.2 | Accrued expenses and deferred income | 336,251 | 352,857 |
| a. | Accrued expenses for servicing fees | 322,783 | 341,850 |
| b. | Accrued expenses | 13,468 | 11,007 |
| E.4 | Sundry payables | 1,447 | 166 |
| a. | Withholding tax payables to the Tax Office under Article 25-25 <i>bis</i> | 1,447 | 166 |
| G.1 | Servicing commissions | 1,056,978 | 1,105,700 |
| a. | Servicing | 1,056,978 | 1,105,700 |
| G.2 | Commissions for other services | 113,137 | 90,704 |
| | Corporate Expenses | 61,742 | 57,456 |
| | Ongoing Expenses | 51,395 | 33,248 |
| H.1 | Value adjustments to receivables | 1,766,981 | 3,929,601 |
| a. | Interest expense on subordinated loans | 1,766,981 | 3,929,601 |
| H.2 | Interest expense | 36,084,104 | 34,800,349 |
| a. | Interest expense on subordinated loans | 19,074,342 | 17,256,390 |
| b. | Interest expense on variable-rate subordinated loans | 17,009,762 | 17,543,959 |
| H.4 | Other charges | 10,221 | 9,305 |
| a. | Translation costs | 976 | 1,015 |
| b. | Contingent liabilities | 281 | - |
| c. | Bank charges and expenses | 72 | 72 |
| d. | Operating costs | - | 552 |
| e. | Legal and notarial fees | 8.892 | 7,666 |
| I. | Interest generated from securitised assets | 31,497,156 | 32,128,160 |

| | | | |
|------------|---|------------------|------------------|
| a. | Interest income on loans | 31,471,735 | 32,107,208 |
| b. | Default interest income on performing loans | 25,421 | 20,952 |
| L.2 | Value write-backs on receivables | 4,226,101 | 3,356,519 |
| a. | Value write-backs on receivables | 3,579,565 | - |
| b. | Revenues from IAS adjustments | 646,536 | 752,809 |
| c. | Income from fair value measurement of receivables | 0 | 2,603,710 |
| L.3 | Swap differential receivable | 3,177,945 | 4,316,991 |
| a. | Charges/income from swap | 3,177,945 | 4,316,991 |
| L.4 | Other revenues | 130,219 | 133,989 |
| a. | Penalties receivable from third parties for damages | 109,744 | 107,175 |
| b. | Indemnity of receivables | 20,472 | 26,814 |
| c. | Foreign exchange gains | 3 | 0 |

QUALITATIVE INFORMATION

L.2 DESCRIPTION AND PERFORMANCE OF THE TRANSACTION

Date of the transaction

The transaction was completed through the execution of the assignment agreement of receivables on 30 May 2014. This agreement regulates the assignment of the initial portfolio of receivables and the subsequent assignments which will be included in a single issue of covered bonds issued by Banca Popolare di Sondrio S.c.p.A., in the context of which the Company acts in the capacity as Guarantor through the provision of an irrevocable, unconditional and autonomous first-demand guarantee in favour of the holders of covered bonds.

The purchase by the Guarantor of receivables was financed through the Subordinated Loan.

| | |
|---|------------|
| ➤ Date of the agreement of the Initial Assignment (legal effect): | 30/05/2014 |
| ➤ Effective date of the economic effects of the Initial Assignment: | 01/06/2014 |
| ➤ Valuation date of the Initial Portfolio: | 31/05/2014 |
| Date of issue by Banca Popolare di Sondrio S.c.p.A. of the first series of covered bonds: | 05/08/2014 |
| ➤ Date of signature of the guarantee on covered bonds: | 22/07/2014 |
| ➤ Date of disbursement of the First Subordinated Loan: | 16/06/2014 |

Assignor:

| | |
|---------------------------------------|--|
| ➤ Company/Business Name: | Banca Popolare di Sondrio S.c.p.A |
| ➤ Legal status: | Cooperative Company limited by shares (<i>Società Cooperativa per Azioni</i>) |
| ➤ Registered Office: | Piazza Garibaldi No.16, Sondrio 23100 |
| ➤ Tax code and Register of Companies: | 00053810149 |
| ➤ Register of Banks: | 5696.0 |
| ➤ Banking group: | Banca Popolare di Sondrio Banking Group |

Assigned receivables

The Assignor has assigned, through an assignment without recourse (*pro soluto*), pursuant to and for the purposes of the combined provisions of articles 1 and 4 of Law no. 130 of 30 April 1999, a portfolio of monetary receivables and related accessory rights, classified as performing loans pursuant to the Supervision Instructions for Banks, arising from land and/or residential mortgage loan agreements, entered into by the Assignor in favour of individuals and businesses.

| | |
|---|--|
| ➤ Price of assignment of the First Portfolio (including accruing interest): | Euro 801,750,613 |
| ➤ Type of assets: | The portfolio is made up of receivables arising from: residential loans. |
| ➤ Nature of purchased receivables: | The features of the purchased receivables were published, in detail, in the Official Gazette (<i>Gazzetta Ufficiale</i>), part II, no. 67 of 7 June 2014, also in order to notify the assignment to debtors. |

- Quality of purchased receivables: At the time of the assignment, receivables were classified as performing loans on the basis of the criteria applied by the Assignor in compliance with the regulations issued by the Bank of Italy.

The Assignor has assigned, through an assignment without recourse (*pro soluto*), pursuant to and for the purposes of the combined provisions of articles 1 and 4 of Law no. 130 of 30 April 1999, a second portfolio of monetary receivables and related accessory rights, classified as performing loans pursuant to the Supervision Instructions for Banks, arising from land and/or residential mortgage loan agreements, entered into by the Assignor in favour of individuals and businesses.

- Price of assignment of the Second Portfolio (including accruing interest): Euro 202,308,299
- Type of assets: The portfolio is made up of receivables arising from: residential loans.
- Nature of purchased receivables: The features of the purchased receivables were published, in detail, in the Official Gazette (*Gazzetta Ufficiale*), part II, no. 143 of 12 December 2015, also in order to notify the assignment to debtors.
- Quality of purchased receivables: At the time of the assignment, receivables were classified as performing loans on the basis of the criteria applied by the Assignor in compliance with the regulations issued by the Bank of Italy.

The Assignor has assigned, through an assignment without recourse (*pro soluto*), pursuant to and for the purposes of the combined provisions of articles 1 and 4 of Law no. 130 of 30 April 1999, a third portfolio of monetary receivables and related accessory rights, classified as performing loans pursuant to the Supervision Instructions for Banks, arising from land and/or residential mortgage loan agreements, entered into by the Assignor in favour of individuals and businesses.

- Price of assignment of the Third Portfolio (including accruing interest): Euro 580,740,533.41
- Type of assets: The portfolio is made up of receivables arising from: residential loans.
- Nature of purchased receivables: The features of the purchased receivables were published, in detail, in the Official Gazette (*Gazzetta Ufficiale*), part II, no. 15 of 4 February 2016, also in order to notify the assignment to debtors.
- Quality of purchased receivables: At the time of the assignment, receivables were classified as performing loans on the basis of the criteria applied by the Assignor in compliance with the regulations issued by the Bank of Italy.

The Assignor has assigned, through an assignment without recourse (*pro soluto*), pursuant to and for the purposes of the combined provisions of articles 1 and 4 of Law no. 130 of 30 April 1999, a fourth portfolio of monetary receivables and related accessory rights, classified as performing loans pursuant to the Supervision Instructions for Banks, arising from land and/or residential mortgage loan agreements, entered into by the Assignor in favour of individuals and businesses.

- Price of assignment of the Fourth Portfolio (including accruing interest):

- interest): Euro 226,429,653
- Type of assets: The portfolio is made up of receivables arising from: residential loans.
 - Nature of purchased receivables: The features of the purchased receivables were published, in detail, in the Official Gazette (*Gazzetta Ufficiale*), part II, no. 132 of 8 November 2016, also in order to notify the assignment to debtors.
 - Quality of purchased receivables: At the time of the assignment, receivables were classified as performing loans on the basis of the criteria applied by the Assignor in compliance with the regulations issued by the Bank of Italy.

The Assignor has assigned, through an assignment without recourse (*pro soluto*), pursuant to and for the purposes of the combined provisions of articles 1 and 4 of Law no. 130 of 30 April 1999, a fifth portfolio of monetary receivables and related accessory rights, classified as performing loans pursuant to the Supervision Instructions for Banks, arising from land and/or residential mortgage loan agreements, entered into by the Assignor in favour of individuals and businesses.

- Price of assignment of the Fifth Portfolio (including accruing interest): Euro 307,236,816
- Type of assets: The portfolio is made up of receivables arising from: residential loans.
- Nature of purchased receivables: The features of the purchased receivables were published, in detail, in the Official Gazette (*Gazzetta Ufficiale*), part II, no. 118 of 7 October 2017, also in order to notify the assignment to debtors.
- Quality of purchased receivables: At the time of the assignment, receivables were classified as performing loans on the basis of the criteria applied by the Assignor in compliance with the regulations issued by the Bank of Italy.

The Assignor has assigned, through an assignment without recourse (*pro soluto*), pursuant to and for the purposes of the combined provisions of articles 1 and 4 of Law no. 130 of 30 April 1999, a sixth portfolio of monetary receivables and related accessory rights, classified as performing loans pursuant to the Supervision Instructions for Banks, arising from land and/or residential mortgage loan agreements, entered into by the Assignor in favour of individuals and businesses.

- Price of assignment of the Sixth Portfolio (including accruing interest): Euro 323,332,983
- Type of assets: The portfolio is made up of receivables arising from: residential loans.
- Nature of purchased receivables: The features of the purchased receivables were published, in detail, in the Official Gazette (*Gazzetta Ufficiale*), part II, no. 116 of 4 October 2018, also in order to notify the assignment to debtors.
- Quality of purchased receivables: At the time of the assignment, receivables were classified as performing loans on the basis of the criteria applied by the Assignor in compliance with the regulations issued by the Bank of Italy.

The Assignor has assigned, through an assignment without recourse (*pro soluto*), pursuant to and for the purposes of the combined provisions of articles 1 and 4 of Law no. 130 of 30 April 1999, a seventh portfolio of monetary receivables and related accessory rights, classified as performing loans pursuant to the Supervision Instructions for Banks, arising from land and/or residential mortgage loan agreements, entered into by the Assignor in favour of individuals and businesses.

- Price of assignment of the Seventh Portfolio (including accruing interest): Euro 352,372,528
- Type of assets: The portfolio is made up of receivables arising from: residential loans.
- Nature of purchased receivables: The features of the purchased receivables were published, in detail, in the Official Gazette (*Gazzetta Ufficiale*), part II, no. 143 of 5 December 2019, also in order to notify the assignment to debtors.
- Quality of purchased receivables: At the time of the assignment, receivables were classified as performing loans on the basis of the criteria applied by the Assignor in compliance with the regulations issued by the Bank of Italy.

Performance of the transaction

The transaction is being carried out regularly, no irregularities have been reported with respect to the provisions under the contractual documentation.

Specifically, in relation to the payments referable to the subordinated loan, it should be noted that they were made in accordance with the payment priority order prepared by the Guarantor Computation Agent.

Compliance with the ratios indicated below was monitored, on a quarterly basis, by the Asset Monitor of the transaction, which prepares, on a quarterly basis and at the request of the issuer of the CBs, a Report which analyses the following benchmarks:

- Nominal Value Test: the overall nominal value of the assets comprising the segregated assets must be equal at least to the nominal value of the Covered Bonds in place; as long as the Asset Coverage Test is passed, it will not be necessary to also carry out the Nominal Value Test;
- Net Present Value Test: the present value of the assets comprising the segregated assets, net of all transaction costs to be borne by the Guarantor, including expected costs and charges from derivative contracts (if any) entered into to hedge financial risks in relation to the transaction, must be equal at least to the net present value of the Covered Bonds in place;
- Interest Coverage Test: interest and any other income generated from assets comprising the segregated assets, net of costs to be borne by the Guarantor, must be sufficient to cover interest and costs payable by the issuing bank on the Covered Bonds in place, taking account of derivative contracts (if any) entered into to hedge financial risks in relation to the transaction;
- Asset Coverage Test: it verifies, in a dynamic manner, that the assets comprising the segregated assets, which are weighted differently according to the type and quality, are able to ensure the minimum level of overcollateralization required by the rating agency.

It is confirmed that the abovementioned ratios had been complied with until the reporting date.

Other information relating to significant events

No other information relating to significant events are reported.

L.3 INDICATION OF THE PARTIES INVOLVED

| | |
|----------------------|-------------------------------------|
| Guarantor of the CBs | POPSO Covered Bond S.r.l. |
| Issuer of the CBs | Banca Popolare di Sondrio S.c.p.A.. |
| Assignor | Banca Popolare di Sondrio S.c.p.A.. |
| Originator | Banca Popolare di Sondrio S.c.p.A. |

| | |
|-------------------------------------|---|
| Servicer | Banca Popolare di Sondrio S.c.p.A. |
| Guarantor Corporate Servicer | Securitisation Services S.p.A. |
| Guarantor Computation Agent | Securitisation Services S.p.A. |
| Guarantor Paying Agent | Banca Popolare di Sondrio S.c.p.A. |
| Issuer Paying Agent | Banca Popolare di Sondrio S.c.p.A.. |
| Luxembourg Listing Agent | BNP Paribas Securities Services, Luxembourg branch. |
| Representative of the Covered Bonds | Securitisation Services S.p.A. |
| Liability Swap Provider | BNP Paribas |
| Cash Manager | Banca Popolare di Sondrio S.c.p.A. |
| Test Calculation Agent | Banca Popolare di Sondrio S.c.p.A. |
| Asset Monitor | BDO Italia S.p.A. |
| Back-Up Servicer | Securitisation Services S.p.A. |

Obligations of the assignor

At the date of assignment, the Company in its capacity as Guarantor and Banca Popolare di Sondrio S.c.p.A. in its capacity as assignor entered into a guarantee and indemnity agreement pursuant to which the assignor made specific representations and warranties in favour of the Guarantor in relation to the portfolio of receivables assigned and agreed to indemnify the Guarantor in relation to certain costs, expenses and liabilities which the latter should incur in relation to the purchase and ownership of the portfolio.

For the illustration of any other possible obligations of the assignor and of any other party involved in the transaction for any reason whatsoever, reference is made to section L.5 Additional financial transactions.

Contractual relationships between the parties involved

The Guarantor has appointed Banca Popolare di Sondrio S.c.p.A. as Servicer for the management of receipts on the securitised portfolio. Pursuant to Law no. 130/1999, the Servicer is responsible for monitoring the transaction so that it may be carried out in accordance with law and the prospectus.

Any receipts from the receivables are credited to the Italian Collection Account, which is registered in the name of the Guarantor and held with the Account Bank (BNP Paribas Securities Services, Milan Branch).

On the basis of the reports provided by the Servicer in relation to the performance of the transaction and, more specifically, to the receipts on receivables and the other items which contribute to the setting-up of the funds available to the Guarantor, Securitisation Services S.p.A., in its capacity as Guarantor Computation Agent, distributes these funds at each date of payment on account of fees and expenses to the various persons which have been appointed to carry out specific functions for the segregated assets and by way of remuneration of the subordinated loan. Paragraph L.4 considers, more in detail, the funds available to the Guarantor and the priority order that it is required to comply with in order to make payments to the counterparties.

On the contrary, the management of administrative and accounting services is the responsibility of Securitisation Services S.p.A., in the capacity as Guarantor Corporate Servicer.

The role of Representative of the Holders of covered bonds is carried out by Securitisation Services S.p.A..

L.4 CHARACTERISTICS OF THE ISSUES

For information purposes, below is reported the following information relating to the bonds issued by Banca Popolare di Sondrio S.c.p.A., for which the vehicle performs the duties of Guarantor.

| | |
|-------------------|--------------|
| Series and Class | Series 1 |
| ISIN code | IT0005039711 |
| Issue date | 05/08/2014 |
| Maturity date | 05/08/2019 |
| Extended maturity | 05/08/2020 |
| Currency | Euro |

| | |
|----------------|-------------|
| Amount | 500,000,000 |
| Type of rate | Fixed |
| Benchmark | 1.375% |
| Coupon | Annual |
| Applicable law | Italian Law |

The Series 1 was repaid in full on 5 August 2019.

| | |
|-------------------|--------------|
| Series and Class | Series 2 |
| ISIN code | IT0005175242 |
| Issue date | 04/04/2016 |
| Maturity date | 04/04/2023 |
| Extended maturity | 04/04/2024 |
| Currency | Euro |
| Amount | 500,000,000 |
| Type of rate | Fixed |
| Benchmark | 0.750% |
| Coupon | Annual |
| Applicable law | Italian Law |

Allocation of cash flows arising from the portfolio of receivables

The allocation of the cash flows arising from the portfolio of purchased receivables follows the order provided in the Intercreditor Agreement, or Agreement between the creditors.

The funds on account of interest available to the Guarantor are allocated according to the following priority order:

- payment of corporate expenses and reinstatement of the Retention Amount;
- payment to the Company's Agents and the Representative of covered bonds;
- payment to the Swap counterparty;
- payment of the Required Reserve Amount;
- payment to the Swap counterparty in the case of a Swap Trigger Event;
- payment of other amounts arising from the Securitisation Documents;
- payment of interest on the Subordinated Loan;
- payment of additional interest on the Subordinated Loan.

L.5 ADDITIONAL FINANCIAL TRANSACTIONS

Interest rate risk hedging

On 29 July 2014 POPSO Covered Bond S.r.l. entered into an Interest Rate Swap contract in order to hedge interest rate risks arising from the misalignment between interest income flows on the Portfolio and interest expense flows on the first series of covered bonds issued by Banca Popolare di Sondrio S.c.p.A. within the programme that, in a Post Issuer Default scenario, should be paid by the Guarantor. It should be noted that this contract was terminated following the repayment of the Series 1 bonds.

On 24 March 2016 POPSO Covered Bond S.r.l. also entered into an Interest Rate Swap contract in order to hedge interest rate risks arising from the misalignment between interest income flows on the Portfolio and interest expense flows on the second series of covered bonds issued by Banca Popolare di Sondrio S.c.p.A. within the programme that, in a Post Issuer Default scenario, should be paid by the Guarantor.

Required Reserve Amount

Starting from the first date of payment by the guarantor, a cash reserve was set aside, which was equal to the sum of:

- the expenses incurred by the Company, to be paid on the subsequent payment date;
- the senior Agents' fees to be paid on the subsequent payment date;

- for each of the covered bonds not hedged by the Liability Swap, the coupons accruing in the subsequent quarter;
 - for each of the covered bonds that are fully hedged by the Liability Swap, the maximum of the swap amount that the vehicle must pay on the subsequent payment date and the coupon accruing in the subsequent quarter;
 - for each of the covered bonds that are partially hedged by the Liability Swap, the maximum of the swap amount that the vehicle must pay on the subsequent payment date and the coupon accruing in the subsequent quarter for the portion hedged by the Liability Swap and the coupon accruing in the subsequent quarter for the portion not hedged by the Liability Swap.
- Therefore, this reserve ensures, also in the case of the issuer's default, the payment of the senior expenses incurred by the guarantor, as well as the payment of the coupons on the covered bonds issued for the subsequent quarter.

L.6 OPERATIONAL POWERS OF THE ASSIGNEE COMPANY

POPSO Covered Bond S.r.l., as assignee and guarantor, has operational powers limited by its articles of association. Specifically, section 3 provides that:

“The sole purpose of the Company is the acquisition from banks, within the scope of one or more issuance transactions (including both single issuance transactions and issuance programmes) of covered bonds (Obbligazioni Bancarie Garantite) implemented pursuant to article 7-bis of Law no. 130 of 30 April 1999, as possibly amended and supplemented, and related implementing provisions:

- (i) land and mortgage loans, which can also be identified in bulk;
- (ii) receivables that are claimed from or secured by public authorities, which can also be identified in bulk;
- (iii) securities issued within securitisation transactions concerning receivables that are of the same type;
- (iv) additional eligible assets or integration eligible assets that are permitted by the aforesaid Regulations;

through the raising of loans granted or secured also by the assignor banks, as well as the provision of guarantees issued by the same banks or by other banks.

The Company will carry out the abovementioned activities according to such terms and conditions and in such manners as those set out in the regulations applicable to the issues of covered bonds pursuant to article 7-bis of Law no. 130 of 30 April 1999, as possibly amended and supplemented and related implementing provisions.

In accordance with the aforesaid provisions of law, the receivables and securities purchased by the Company and the amounts paid out by the related debtors are aimed at satisfying the claims, also pursuant to article 1180 of the Italian Civil Code, of the holders of the covered bonds referred to in article 7-bis, paragraph 1, of Law no. 130 of 30 April 1999 and issued within the context of the issues in which the Company participates and to the benefit of which the Company has provided guarantees, as well as of the counterparties to the derivative contracts entered into to hedge the risks associated with the receivables and securities purchased and to any other additional contract. They are also aimed at the payment of other transaction costs, on a priority basis with respect to the repayment of loans granted or secured also by the assignor banks pursuant to article 7-bis, paragraph 1, of Law no. 130 of 30 April 1999.

Any receivables and securities purchased by the Company within each issue transaction or programme constitute assets which are separate for all purposes both from the Company's assets and from those relating to other issue transactions or programmes, in relation to which no actions may be taken by any creditors other than the holders of the covered bonds issued and by the additional creditors referred to in the previous paragraph.

Within the limits permitted by Law no. 130 of 30 April 1999, and related implementing provisions, the Company may also carry out additional transactions to be entered into for the provision of guarantees and the successful completion of the issues of covered bonds in which it participates, as well as may carry out, in cases when it is permitted by Law no. 130/1999 and related implementing provisions, and according to the procedures and within the limits set out therein, transactions of re-investment in other financial assets of funds deriving from the management of the receivables and securities which are

purchased pursuant to these articles of association and which are not immediately used to satisfy the rights of the holders of covered bonds (issued within these issues) and to pay transaction costs.

Within the issue of covered bonds in which the Company participates, and in compliance with the provisions laid down under Law no. 130/1999 and related implementing provisions, the Company may appoint third-party persons for the collection of any purchased receivables and for the provision of cash and payment services; it may also carry out any other activity permitted by Article 7-bis of Law no. 130/1999 and related implementing provisions.”

All the main operational activities connected with the management of the transaction have been contracted out to third parties (see point L.3).

QUANTITATIVE INFORMATION

L.7 FLOW DATA RELATING TO RECEIVABLES

| Description | 2019 | from the inception to 31/12/2018 |
|--|----------------------|-------------------------------------|
| Opening Balance of receivables at the beginning of the period | 1,570,792,928 | 0 |
| Receivables purchased | 352,372,528 | 2,441,798,899 |
| Accrued interest | 31,581,479 | 137,230,968 |
| IAS adjustment | 646,536 | 2,479,917 |
| Value write-down/write-back on Receivables | 1,812,584 | 3,036,560 |
| Default interest income | 25,421 | 117,972 |
| Receipts | (244,117,108) | (1,013,871,389) |
| Closing balance of Receivables at the end of the period | 1,713,114,367 | 1,570,792,928 |

I.8 TREND IN OVERDUE RECEIVABLES

| Description | 2019 | 2018 |
|--|------------------|------------------|
| Opening Balance of receivables at the beginning of the period | 1,221,502 | 442,621 |
| Receivables purchased | 0 | 101,898 |
| Accrued instalments | 148,737,962 | 142,652,605 |
| Instalments collected /repurchases | (149,117,969) | (141,975,623) |
| Closing Balance of Receivables at the end of the period | 841,495 | 1,221,502 |

The collection and recovery of overdue receivables are the responsibility of Banca Popolare di Sondrio Sc.p.A. according to the Servicing Agreement.

The receivables in the portfolio as at 31 December 2019 were written back, on the instructions of the Servicer, in order to adjust the book value of the securitised portfolio at its presumed realisable value, which reflects the actual prospects of recovery of the receivables themselves. Specifically, this presumed realisable value has been estimated on the basis of a new specific calculation model, which has allowed a more exact allocation of the credit risk for each position in the securitised portfolio.

During the year the Servicer continued to monitor the receivables and took recovery actions according to the manners set out in the Servicing Agreement.

L.9 CASH FLOWS

| Inflows | 2019 | 2018 |
|---------------------------------------|--------------------|--------------------|
| Opening balance | 276,087,488 | 253,756,357 |
| Receipts on securitised receivables | 244,649,908 | 255,461,299 |
| Proceeds collected on the Swap income | 6,356,191 | 6,387,251 |
| Total Inflows during the Year | 527,093,588 | 515,604,907 |

| Outflows | 2019 | 2018 |
|---|-------------------|--------------------|
| Payment of the Issuer Retention Amount | 27,135 | 34,870 |
| Payment of the Servicing Fees | 1,076,046 | 1,101,207 |
| Payment of the Premium on subordinated loan | 20,111,876 | 19,289,345 |
| Payment of interest on subordinated loan | | 0 |
| Interest paid on subordinated loans | 18,673,794 | 16,968,840 |
| Repayment of subordinated loans | 0 | 200,000,000 |
| Payment of ongoing expenses to counterparties | 86,850 | 72,148 |
| Charges paid on the Swap expense | 1,596,701 | 2,051,009 |
| Total Outflows during the Year | 41,572,402 | 239,517,419 |

The imbalance between inflows and outflows represents the balance of current accounts at 31 December 2019 (items B.3 of the summary statement of securitised assets and loans received).

It should be noted that some financial flows referred to in the tables above took place by offsetting credit and debit flows: specifically, the price of assignment of the second assigned portfolio was paid by offsetting the subscription of the loan.

On the basis of the financial plans provided by the Servicer, it is expected that receipts from receivables will come, during 2020, to about Euro 179 million; this forecast does not take account of any possible delayed payment, classifications to doubtful loans and early redemptions.

L.10 SITUATION OF GUARANTEES AND LIQUIDITY FACILITIES

There are no liquidity facilities.

L.11 BREAKDOWN BY RESIDUAL MATURITY

Assets

▪ Receivables

| Residual Maturity | Balance of Receivables – FY 2019 |
|--|---|
| 01) Until 3 months | 628,832 |
| 02) From 3 months to 1 year | 3,261,537 |
| 03) From 1 year to 5 years | 69,390,062 |
| 04) Beyond 5 years | 1,650,395,573 |
| Indefinite maturity (***) | 841,495 |
| Total receivables at the end of the Year: | 1,724,517,499 |

The balance of receivables is stated by including the collective provision for bad debts, the fair value measurement of assets that can no longer be classified as financial assets measured at amortised cost and the IAS adjustment for Euro 11,403,132.

▪ Other Assets

Other Assets, made up of “Cash” (item B.3 of the summary statement), “Investments and Investments treated as Liquidity” (item B.4 of the summary statement), “Accrued income and prepaid expenses” (item B.5 of the summary statement) and “Other Receivables” (item B.6 of the summary statement) have a maturity of within 3 months, except for the Receivable from the Tax Office for the deductions applied to interest income from current accounts (item B.6a of the summary statement), which has an indefinite term maturity.

Liabilities

▪ **Other Liabilities**

The items “Suppliers for services rendered to securitisation”, “Accrued expenses and deferred income”, “Payables to the Originator” and “Sundry Payables” (items E.1, E.2., E.3. and E.4 of the summary statement) have a maturity of less than 3 months.

The loans received have a residual maturity equal to the redemption of the last series of bonds issued.

L.12 BREAKDOWN BY GEOGRAPHICAL AREA

As at 31 December 2019 all receivables were denominated in Euros.

| Geographical Area | Balance of Receivables – FY 2019 |
|--|---|
| Italy | 1,724,517,499 |
| Total receivables at the end of the Year: | 1,724,517,499 |

The balance of receivables is stated by including the collective provision for bad debts, the fair value measurement of assets that can no longer be classified as financial assets measured at amortised cost and the IAS adjustment for Euro 11,403,132.

I.13 RISK CONCENTRATION

| Classes of amount (Euro) | Number of Customers | Balance of Receivables – FY 2019 |
|--|----------------------------|---|
| 01) 0 – 25,000 | 8,074 | 24,952,764 |
| 02) 25,001 – 75,000 | 6,959 | 354,589,967 |
| 03) 75,001 – 250,000 | 8,552 | 1,072,181,979 |
| 04) Beyond 250,000 | 713 | 272,792,790 |
| Total receivables at the end of the Year: | 24,298 | 1,724,517,499 |

The balance of receivables is stated by including the collective provision for bad debts, the fair value measurement of assets that can no longer be classified as financial assets measured at amortised cost and the IAS adjustment for Euro 11,403,132.

At 31 December 2019 there were no receivables whose capital due was more than 2% of the total receivables in portfolio.

Section 2 – SECURITISATION TRANSACTIONS, DISCLOSURE ON STRUCTURED ENTITIES NOT CONSOLIDATED IN THE ACCOUNTS (OTHER THAN SECURITISATION SPVs) AND TRANSFERS OF ASSETS

This Section is not applicable since the Company is not an originator intermediary in securitisation transactions.

Section 3 - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

3.1 Credit risk

QUALITATIVE INFORMATION

With reference to the corporate assets, the Company mainly claims receivables from segregated assets as a result of the charge-back of operating costs. Given the collection forecasts on receivables from segregated assets and the priority in which these receipts will be applied to the payment of the abovementioned receivables, it is believed that no risks exist in relation to the possibility of them being recovered.

QUANTITATIVE INFORMATION

The quantitative information can be exhaustively inferred from what is reported in part B of the Notes to the Financial Statements.

3.2 Market risk

QUALITATIVE INFORMATION

The Company has no financial assets and liabilities which expose it to significant interest rate and price risks. Furthermore, the Company is active at a domestic level only and, accordingly, it is not exposed to exchange risks.

QUANTITATIVE INFORMATION

The quantitative information can be exhaustively inferred from what is reported in part B of the Notes to the Financial Statements.

As a result of the principle of segregation of securitised assets as required by Law no. 130/1999, the Company does not assume credit or market risks (if any) on the receivables regarding the implementation of the covered bond transaction that are instead transferred to the Subordinated Loan Provider.

3.3 Operating risks

QUALITATIVE INFORMATION

As regards operating risks, it is recalled that the Company has no employees and the performance of its functions, together with the connected operating risk, was delegated to entities contractually appointed for the purpose.

QUANTITATIVE INFORMATION

Given the Company's scope of operations, this request for information is not considered to be applicable.

3.4 Liquidity risk

QUALITATIVE INFORMATION

With reference to the corporate management, the Company believes that it has sufficient cash and cash equivalents to meet its financial commitments.

QUANTITATIVE INFORMATION

As a result of the principle of segregation of securitised assets as required by Law no. 130/1999, the Company does not assume liquidity risks regarding the implementation of the covered bond transaction, given the limited recourse of all the obligations undertaken, that are instead transferred to the Subordinated Loan Provider.

As regards the liquidity risk, it should be pointed out that the transaction's structure, as regulated by the related contracts, provides for the Company to use, on an exclusive basis as at the date of payment of interest, any receipts from segregated assets.

In any case, the transaction's structure provides for the Company to make recourse to the instruments specified under paragraph I.5 of the Notes to the Financial Statements in the event that any receipts arising from securitised assets are not temporarily sufficient to meet the obligations undertaken by the Company.

Section 4 – INFORMATION ON EQUITY

4.1 The Company's equity

4.1.1 Qualitative information

In accordance with the provisions under article 7-*bis* of Law no. 130/1999, the Company has been established as a limited liability company and has a quota capital equal to Euro 10,000.00 fully paid-up.

Given the sole purpose of the Company, it pursues the objective of preserving its equity over time, while obtaining the coverage of its operating expenses from the segregated assets.

4.1.2 Quantitative information

4.1.2.1 The Company's equity: breakdown

| Items/values | Amount at 31/12/2019 | Amount at 31/12/2018 |
|--|-------------------------|-------------------------|
| 1. Quota Capital | 10,000 | 10,000 |
| 2. Issue premiums | 2,000 | 2,000 |
| 3. Reserves | | |
| - retained earnings | | |
| a) legal reserve | 134 | 134 |
| b) reserve required by the articles of association | | |
| c) own quotas | | |
| d) others | | |
| - other | 0 | 0) |
| 4. (Own quotas) | | |
| 5. Valuation reserves | | |
| - Equity instruments designated at fair value through comprehensive income | | |
| - Hedging of equity instruments designated at fair value through comprehensive income | | |
| - Financial assets (other than equity instruments) measured at fair value through comprehensive income | | |
| - Intangible assets | | |
| - Hedging of foreign investments | | |
| - Cash flow hedge | | |
| - Hedging instruments (items not designated) | | |
| - Foreign exchange differences | | |
| - Non-current assets held for sale and disposal groups of assets | | |
| - Financial liabilities designated at fair value through profit or loss (changes in credit rating) | | |

| | | |
|--|--------|--------|
| - Special revaluation laws | | |
| - Actuarial gains/losses relating to defined-benefit plans | | |
| - Portion of valuation reserves relating to equity-accounted investments | | |
| 6. Equity instruments | | |
| 7. Profit (loss) for the year | 0 | 0 |
| Total | 12,134 | 12,134 |

4.2 The regulatory capital and ratios

Given the scope of the Company's operations and the provisions reported in Section 4.1, this Section is deemed not applicable.

Section 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

According to what is reported in the Statement of Comprehensive Income, the Company's Profit/Loss coincides with its comprehensive income.

Section 6 – TRANSACTIONS WITH RELATED PARTIES

6.1 Information on the fees due to key executives

The Company has no employees, nor a board of statutory auditors.

An amount of fees of Euro 10,000.00 has been resolved in favour of the Board member Paolo Gabriele for the 2019 financial year.

6.2 Loans and guarantees issued to the benefit of directors and statutory auditors

Neither loans have been granted, nor have guarantees been issued, to the benefit of the members of the Board of Directors.

6.3 Information on transactions with related parties

With reference to the covered bond transaction, reference is made to paragraph L.3 of the Notes to the Financial Statements, which reports the complete list of the parties involved.

Pursuant to article 2497-*bis* of the Italian Civil Code, the statement attached hereto reports the essential data of the last approved financial statements of the company which carries out the direction and coordination activities, i.e. Banca Popolare di Sondrio S.c.p.A., which is registered in the Register of Banking Groups (*Albo dei Gruppi Bancari*) under no. 5696.0. The controlling company also prepares the Consolidated Financial Statements of the Group.

The essential data of the financial statements of Banca Popolare di Sondrio S.c.p.A. reported below have been taken from the related annual accounts at 31 December 2018. For an adequate and complete understanding of the financial position and cash flows of Banca Popolare di Sondrio S.c.p.A. at 31 December 2018, as well as of the result of operations achieved by the company in the financial year ended at that date, reference is made to the financial statements which, accompanied by the independent auditors' report, are available in the forms prescribed by law.

HIGHLIGHTS (in €/mil.)

| Balance Sheet data | 31/12/2018 | 01/01/2018* | % Change |
|--|-------------------|--------------------|-----------------|
| Loans to customers | 21,484 | 21,752 | -1.23 |
| Receivables from customers measured at amortised cost | 21,243 | 21,626 | -1.77 |
| Receivables from customers measured at fair value through profit or loss | 241 | 126 | 91.06 |
| Loans to banks | 2,217 | 2,815 | -21.25 |
| Financial assets other than loans | 11,109 | 11,875 | -6.45 |
| Equity investments | 562 | 507 | 10.94 |
| Total assets | 37,167 | 37,977 | -2.13 |
| Direct deposits from customers | 28,290 | 29,029 | -2.55 |
| Indirect deposits from customers | 28,619 | 28,550 | 0.24 |
| Insurance deposits | 1,410 | 1,336 | 5.59 |
| Customers' assets under management | 58,320 | 58,915 | -1.01 |
| Other direct and indirect deposits | 9,838 | 9,595 | 2.53 |
| Equity | 2,367 | 2,378 | -0.46 |
| Income Statement data | 31/12/2018 | 31/12/2017* | % Change |
| Interest margin | 437 | 426 | 2.73 |
| Operating income | 754 | 844 | -10.67 |
| Profit (loss) from current operations | 109 | 175 | -37.81 |
| Profit for the year | 84 | 118 | -29.37 |
| Balance sheet ratios % | | | |
| Cost/income | 55.73 | 47.51 | |
| Interest margin / Total assets | 1.18 | 1.12 | |
| Net profit (loss) from financial operations / Total assets | 1.42 | 1.52 | |
| Interest margin / Operating income | 57.97 | 50.41 | |
| Administrative expenses / Operating income | 58.18 | 51.94 | |
| Profit for the period / Total assets | 0.22 | 0.31 | |
| Non-performing loans / Loans to customers | 3.54 | 3.43 | |
| Loans to customers / Direct deposits from customers | 75.94 | 74.93 | |
| Capital ratios | | | |
| CET1 Capital ratio | 12.64% | 11.92% | |
| Total Capital ratio | 14.40% | 14.22% | |
| Capital surplus | 1,182 | 1,227 | |
| Other information on the banking group | | | |
| Number of employees | 2,740 | 2,702 | |
| Number of branches | 343 | 343 | |

* Comparative data have been reported as follows: balance sheet data are stated at 1 January 2018 after the first-time adoption of IFRS 9; income statement data at 31 December 2017 have been stated in accordance with IAS 39 as have the related ratios and accordingly they are not comparable in full

BALANCE SHEET

| IFRS 9 | IAS 39 | | 31/12/2018 | 31/12/2017 |
|---------------------|--------|--|-----------------------|-----------------------|
| 10. | 10. | Cash and cash equivalent | 969,358,505 | 112,049,023 |
| 20. | | Financial assets measured at fair value through profit or loss | 902,816,282 | |
| 20 a) | 20. | Financial assets held for trading | 263,767,542 | 327,458,084 |
| 20 b) | 30. | Financial assets designated at fair value | - | |
| 20 c) | | Other financial assets mandatorily measured at fair value | 639,048,740 | |
| | 20. | Financial assets held for trading | | 24,104,531 |
| | 30. | Financial assets measured at fair value | | 351,053,774 |
| | 40. | Financial assets available for sale | | 40,599,496 |
| | 50. | Financial assets held to maturity | | 6,005,196 |
| | 70. | b) Receivables from customers | | 132,532,389 |
| 30. | | Financial assets measured at fair value through comprehensive income | 4,423,027,149 | |
| | 20. | Financial assets held for trading | | 256,357,703 |
| | 40. | Financial assets available for sale | | 6,630,084,374 |
| 40. | | Financial assets measured at amortised cost | 29,409,225,554 | |
| 40 a) | 60. | a) Receivables from banks | 2,217,280,673 | 2,815,465,621 |
| | 50. | Financial assets held to maturity | | 6,855,926 |
| 40 b) | 70. | b) Receivables from customers | 27,191,944,881 | 21,686,496,069 |
| | 40. | Financial assets available for sale | | 116,824,176 |
| | 50. | Financial assets held to maturity | | 4,119,710,562 |
| 50. | 80. | Hedging derivatives | - | - |
| 60. | 90. | Value adjustment to financial assets subject to macro-hedging (+/-) | - | - |
| 70. | 100. | Equity investments | 562,154,499 | 506,727,965 |
| 80. | 110. | Property, plant and equipment | 186,740,161 | 184,145,045 |
| 90. | 120. | Intangible assets | 14,762,412 | 14,396,056 |
| | | of which: | | |
| | | - goodwill | | |
| 100. | 130. | Tax assets | 414,827,084 | 385,613,399 |
| 100 a) | 130 a) | current | 26,977,883 | 41,717,531 |
| 100 b) | 130 b) | deferred | 387,849,201 | 343,895,868 |
| 120. | 150. | Other assets | 283,741,717 | 305,819,797 |
| Total assets | | | 37,166,653,363 | 38,022,299,186 |

continued: BALANCE SHEET

| IFRS 9 | IAS 39 | Liabilities and equity | 31/12/2018 | 31/12/2017 |
|-------------------------------------|---------------|--|-----------------------|-----------------------|
| 10. | | Financial liabilities measured at amortised cost | 33,770,793,630 | |
| 10 a) | 10. | Payables to banks | 5,480,393,123 | 5,635,658,170 |
| 10 b) | 20. | Payables to customers | 25,877,854,869 | 26,244,477,812 |
| 10 c) | 30. | Outstanding securities | 2,412,545,638 | 2,784,807,929 |
| 20. | 40. | Financial liabilities held for trading | 42,532,267 | 51,079,682 |
| 30. | 50. | Financial liabilities designated at fair value | - | - |
| 40. | 60. | Hedging derivatives | - | - |
| 50. | 70. | Value adjustment to financial liabilities subject to macro-hedging (+/-) | - | - |
| 60. | 80. | Tax liabilities | 15,058,256 | 27,779,910 |
| 60 a) | 80 a) | current | | |
| 60 b) | 80 b) | deferred | 15,058,256 | 27,779,910 |
| 70. | 90. | Liabilities associated to assets held for sale | | - |
| 80. | 100. | Other liabilities | 710,725,874 | 599,522,297 |
| 90. | 110. | Severance pay | 40,637,713 | 42,848,291 |
| 100. | | Provisions for risks and charges | 220,085,911 | |
| 100 a) | | Commitments and guarantees issued | 45,018,292 | |
| | 100. | Other liabilities | | 29,699,468 |
| | 120. | Provisions for risks and charges | | 179,477,008 |
| 100 b) | 120 a) | Pension fund and similar obligations | 139,028,680 | 141,658,773 |
| 100 c) | 120 b) | other provisions for risks and charges | 36,038,939 | 37,818,235 |
| 110. | 130. | Valuation reserves | (16,195,773) | 38,642,710 |
| 140. | 160. | Reserves | 885,551,458 | 856,064,897 |
| 150. | 170. | Share premium reserves | 79,005,128 | 79,005,128 |
| 160. | 180. | Share Capital | 1,360,157,331 | 1,360,157,331 |
| 170. | 190. | Own shares (-) | (25,321,549) | (25,321,549) |
| 180. | 200. | Profit (Loss) for the Year (+/-) | 83,623,117 | 118,400,102 |
| Total liabilities and equity | | | 37,166,653,363 | 38,022,299,186 |

INCOME STATEMENT

| IFRS 9 | IAS 39 | | 31/12/2018 | 31/12/2017 |
|-------------|-------------|---|----------------------|----------------------|
| 10. | 10. | Interest earned and similar income | 534,125,726 | 547,390,208 |
| | | of which: interest income calculated according to the effective interest method | 528,340,168 | 543,315,563 |
| 20. | 20. | Interest expense and similar income | (96,813,061) | (121,713,804) |
| 30. | 30. | Interest margin | 437,312,665 | 425,676,404 |
| 40. | 40. | Commissions earned | 291,056,086 | 277,187,608 |
| 50. | 50. | Commissions expense | (15,223,850) | (14,453,872) |
| 60. | 60. | Net commissions | 275,832,236 | 262,733,736 |
| 70. | 70. | Dividends and similar income | 45,365,465 | 18,623,815 |
| 80. | 80. | Net profit (loss) from trading | 2,430,035 | 37,930,083 |
| 90. | 90. | Net profit (loss) from hedging | | |
| 100. | 100. | Profits (losses) from disposal or repurchase of: | 5,486,518 | 95,243,843 |
| | | a) financial assets measured at amortised cost | 2,122,269 | |
| | | a) receivables | | (102) |
| | | b) financial assets measured at fair value through comprehensive income | 3,381,111 | |
| | | b) financial assets available for sale | | 94,795,083 |
| | | c) financial liabilities | (16,862) | |
| | | d) financial liabilities | | 448,862 |
| 110. | 110. | Net result of financial assets or liabilities measured at fair value through profit or loss | (12,097,686) | 4,247,438 |
| | | a) financial assets or liabilities designated at fair value | - | 4,247,438 |
| | | b) other financial assets mandatorily measured at fair value | (12,097,686) | - |
| 120. | 120. | Operating income | 754,329,233 | 844,455,319 |
| 130. | 130. | Net value adjustments/write-backs for credit risk of: | (222,795,628) | (267,784,980) |
| | | a) financial assets measured at amortised cost | (226,766,003) | (231,983,535) |
| | | b) financial assets measured at fair value through comprehensive income | 3,970,375 | (35,801,445) |
| 140. | | Profits/losses from contract amendments without cancellations | (2,838,879) | |
| 150. | 140. | Net result from financial operations | 528,694,726 | 576,670,339 |
| 160. | 150. | Administrative expenses | (438,884,829) | (438,614,938) |
| | | a) personnel costs | (184,445,102) | (189,379,026) |
| | | b) other administrative expenses | (254,439,727) | (249,235,912) |
| 170. | 160. | Net provisions for risks and charges | (8,964,783) | (2,217,925) |
| | | a) commitments for guarantees issued | (10,811,263) | (7,164,234) |
| | | b) other net accruals | 1,846,480 | 4,946,309 |
| 180. | 170. | Net value adjustments/write-backs on property, plant and equipment | (13,982,158) | (14,362,189) |
| 190. | 180. | Net value adjustments/write-backs on intangible assets | (14,680,285) | (14,118,928) |
| 200. | 190. | Other operating income/charges | 56,159,483 | 68,152,303 |
| 210. | 200. | Operating costs | (420,352,572) | (401,161,677) |
| 220. | 210. | Profits (losses) from equity investments | 402,849 | (622,325) |
| 250. | 240. | Profits (losses) from disposal of equity investments | 21,212 | 12,354 |
| 260. | 250. | Profit (Loss) before tax from current operations | 108,766,215 | 174,898,691 |
| 270. | 260. | Income taxes for the year from current operations | (25,143,098) | (56,498,589) |

| | | | | |
|-------------|-------------|--|-------------------|--------------------|
| 280. | 270. | Profit (Loss) after tax from current operations | 83,623,117 | 118,400,102 |
| 300. | 290. | Profit (Loss) for the year | 83,623,117 | 118,400,102 |

Section 7 - OTHER INFORMATION DETAILS

The Company has no employees, relying on external service providers for its functioning.

Statement of the fees accrued in the financial year for the services provided by the Independent Auditors EY S.p.A.

The fees reported in the table are those agreed as per contract (net of VAT, refunds of expenses, Consob [Italian Securities and Exchange Commission] contribution and ISTAT [Italian Institute of Statistics] index adjustments)

| Description of the service | Fees (net of VAT and expenses) | Total |
|--|-----------------------------------|--------------|
| Audit of Financial Statements and audit of the report on operations' compliance with annual financial statements | 3,500 | 3,500 |
| Bookkeeping audits | 1,000 | 1,000 |
| Tax returns | 500 | 500 |
| Total | 5,000 | 5,000 |

Allocation of profits

Dear Quotaholders,
the Financial Statements show a break-even result; therefore, there is no allocation of profits to be made.

Conegliano, 13 March 2020

POPSO Covered Bond S.r.l.
The Chairman of the Board of Directors
Gianpietro Macoggi