



**Banca Popolare
di Sondrio**  **150**
1871
2021

Green Bond Framework and Inaugural Green Bond Issuance – INVESTOR PRESENTATION July 2021

- 1 BPS AT A GLANCE
- 2 BANCA POPOLARE DI SONDRIO'S COMMITMENT TOWARDS SUSTAINABILITY
- 3 BANCA POPOLARE DI SONDRIO'S GREEN BOND FRAMEWORK
- 4 INTENDED INAUGURAL GREEN BOND TRANSACTION AND PORTFOLIO OVERVIEW

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KEY MILESTONES IN BPS HISTORY



1871: BANCA POPOLARE DI SONDRIO ESTABLISHED IN SONDRIO



1978: OPENING OF THE FIRST BRANCH IN MILAN



1990: OPENING OF THE MAIN BRANCH IN ROME



1991: LISTING ON THE “RISTRETTO” MARKET IN MILAN



1995: BANCA POPOLARE DI SONDRIO (SUISSE) SA ESTABLISHED IN LUGANO



1995: “BANCA POPOLARE DI SONDRIO BANKING GROUP” ESTABLISHED



2010: ACQUISITION OF THE CONTROLLING STAKE OF FACTORIT



2017: FULL ACQUISITION OF BANCA DELLA NUOVA TERRA



2017: RENEWAL OF BANCASSURANCE PARTNERSHIP WITH ARCA VITA



2018: FULL ACQUISITION OF PRESTINUOVA



2019: ACQUISITION OF A FURTHER 15.7% OF ARCA HOLDING

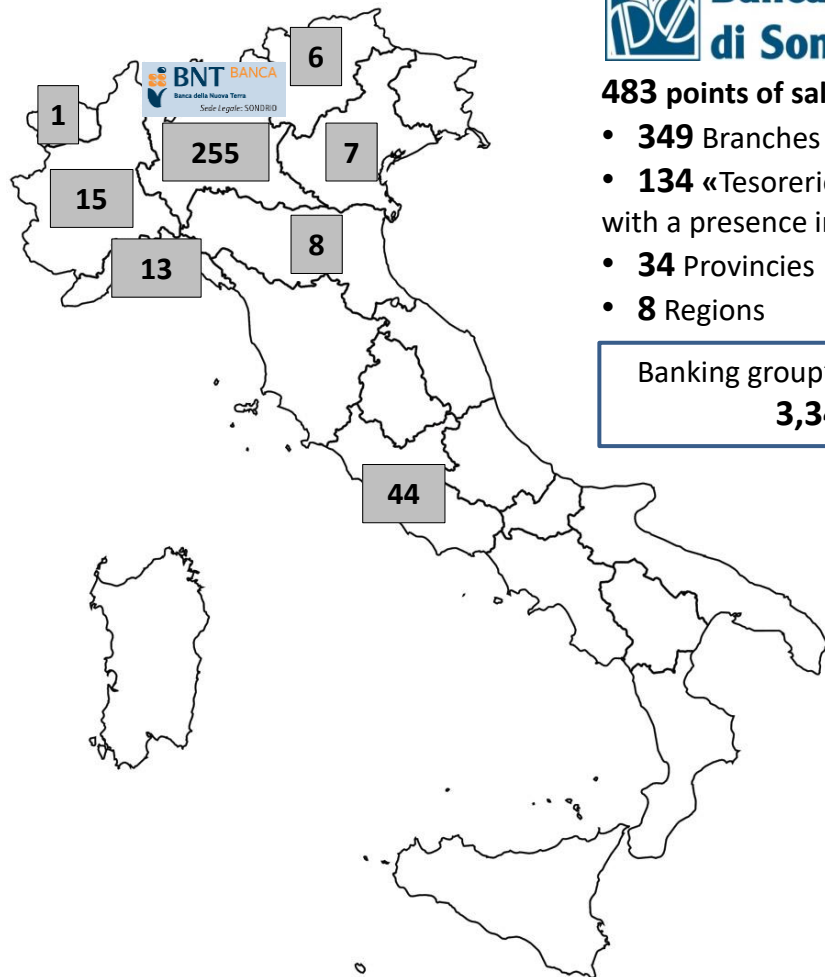
GEOGRAPHICAL DISTRIBUTION



483 points of sales:

- 349 Branches
- 134 «Tesorerie» (Light branches) with a presence in:
- 34 Provinces
- 8 Regions

Banking group's employees:
3,343



Number of branches in the region.

SOURCE:
Company's data as of 31/03/2021.



20 branches in 8 cantons:

Lugano, Basilea, Bellinzona, Berna, Biasca, Castasegna, Celerina, Chiasso, Coira, Locarno, Martigny, Neuchâtel, Pontresina, Poschiavo, St. Moritz, Verbier, Vevey, Zurigo.

Principato di Monaco: Monaco



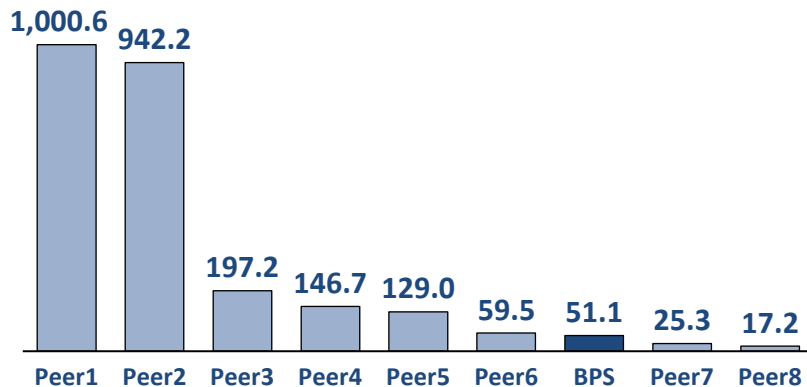
5 branches in:

- MILANO
 - TORINO
 - PADOVA
 - ROMA
 - BOLOGNA
- and over 400 correspondents in the main international markets.

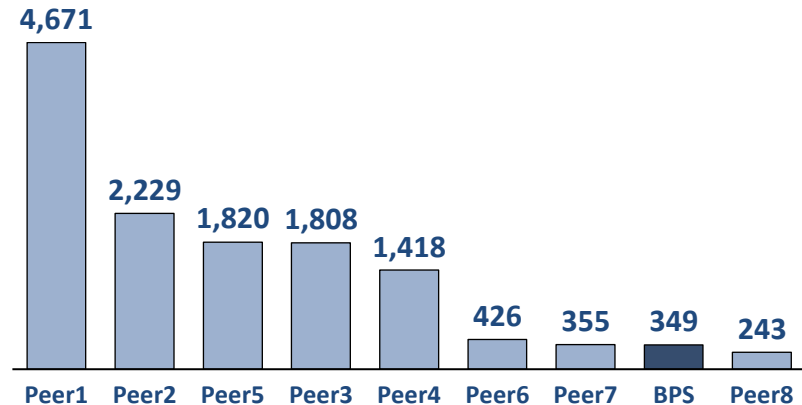


COMPETITIVE POSITIONING AND FINANCIAL RATINGS

TOTAL ASSETS¹ [€ bio.]



BRANCHES IN ITALY¹



FINANCIAL RATINGS

FitchRatings

Rating updated on
25 September 2020

Long term: **BB+**

Short term: **B**

OUTLOOK: **NEGATIVE**



Rating updated on
16 November 2020

Long term: **BBB (low)**

Short term: **R-2 (middle)**

OUTLOOK: **NEGATIVE**



Rating updated on
31 March 2021

Long term: **BBB-**

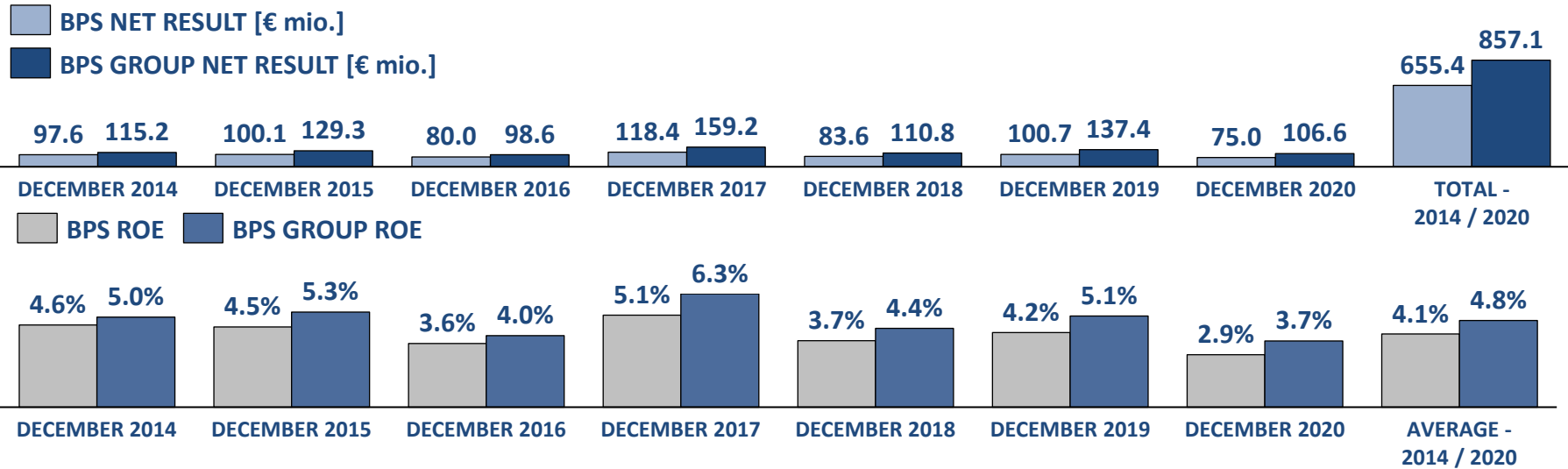
OUTLOOK: **STABLE**

NOTES:

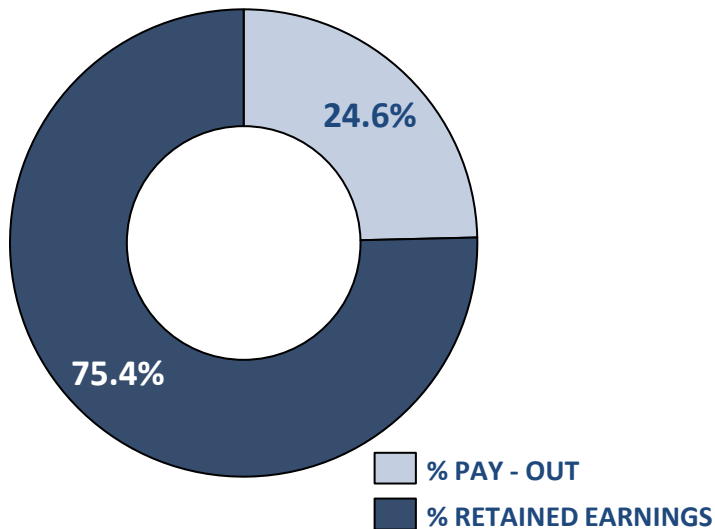
[1] Info from corporate documents as at 31/03/2021.

Peers: BancoBPM, Bper, Credem, Creval, Desio, Intesa Sanpaolo, Monte dei Paschi Siena, Unicredit.

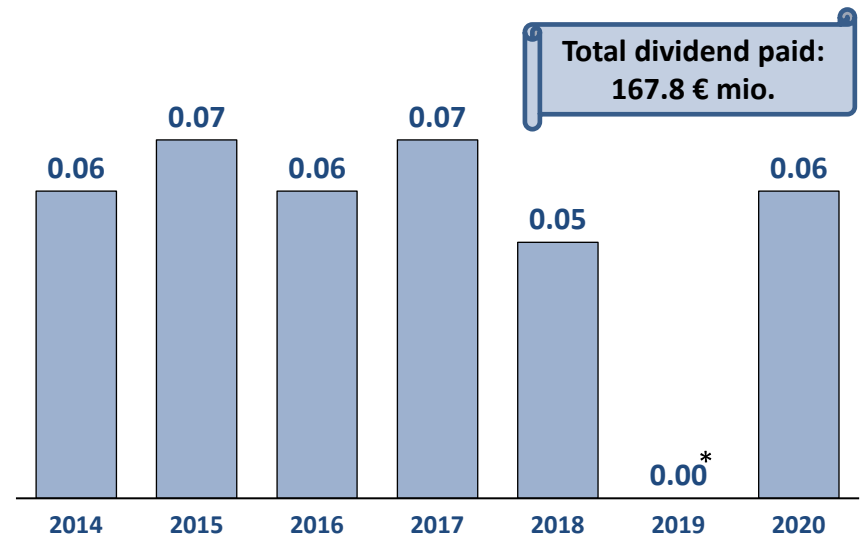
MEDIUM AND LONG-TERM PROFITABILITY



PAYOUT VS RETAINED EARNINGS [Volumes' average 2014-2020]



DIVIDEND PER SHARE [€]



NOTE: [*] Dividend not paid in accordance with ECB recommendation

FINANCIAL INDICATORS

Profitability and Efficiency	31 MARCH 2021
ROE ¹	> 5%
COST-INCOME RATIO	56.6%
COST OF RISK	0.39%

Credit quality	31 MARCH 2021
GROSS NPL RATIO	7.37%
INCIDENCE NET BAD LOANS ⁴	1.16%
COVERAGE NPL	53.0%
TEXAS RATIO ⁵	35.6%

Structure	31 MARCH 2021
LOANS TO CUSTOMERS/TOTAL ASSETS	57.9%
DIRECT FUNDING/TOTAL LIABILITIES	69.5%
LOANS TO DEPOSIT ²	90.7%
FINANCIAL LEVERAGE ³	16.93

Capital Adequacy	31 MARCH 2021
CET 1 RATIO [Phased-in]	16.57%
CET 1 RATIO [Fully-Phased]	16.41%
TOTAL CAPITAL RATIO	18.70%
LEVERAGE RATIO	6.0%
LCR	293%
NSFR	>100%

NOTES:

[1] Net equity – Net result for the period. In coherence with the YE target reported in the **Press release** of 10 May 2021.

[2] Net loans to customers/Due to customers

[3] Total assets/(Net equity – Intangible assets)

[4] Net bad loans/net loans to customers

[5] Net NPLs/(Net equity – Intangible assets)

FINANCIAL HIGHLIGHTS

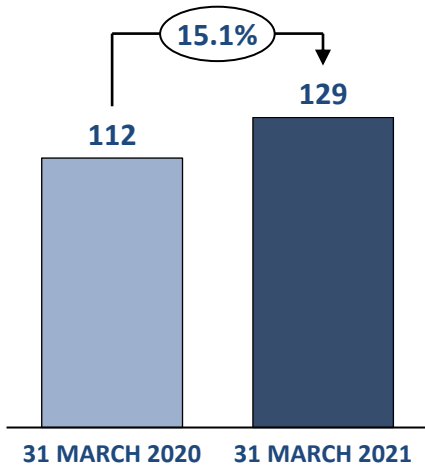
€ mio.	31 MARCH 2021	31 MARCH 2020	Difference %
Net interest income	129,1	112,2	15,1%
Net fee and commission income	84,8	78,9	7,4%
Results of financial activities *	32,1	-59,1	-
Total income	246,9	132,7	86,0%
Net adjustments to loans and financial assets	-28,9	-65,3	-55,8%
Operating costs	139,6	138,1	1,1%
Gross result	86,8	-64,5	-
Net result	59,3	-46,5	-

€ mio.	31 MARCH 2021	31 DECEMBER 2020	Difference %
Direct funding from customers	35.521	35.559	-0,1%
Indirect funding from customers	36.223	34.797	4,1%
o/w Asset under Management	6.229	5.965	4,4%
Direct funding from insurance premiums	1.760	1.717	2,5%
Customer assets under administration	73.503	72.074	2,0%
Loans and receivables with customers	29.600	29.380	0,8%

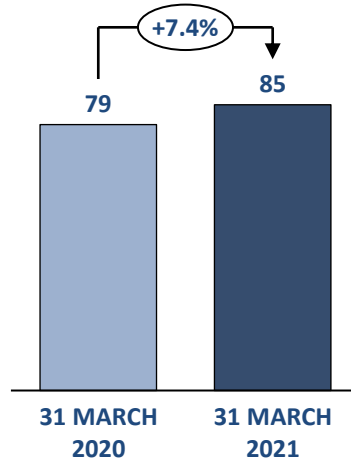
NOTE: [*] Without dividends

FOCUS ON CORE BANKING ACTIVITIES

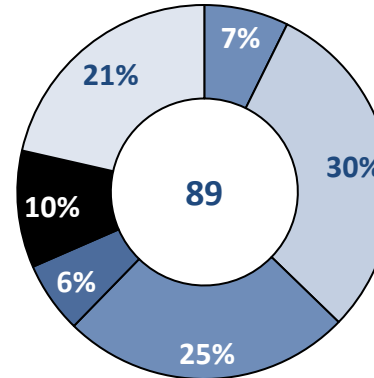
INTEREST INCOME [€ mio.]



NET COMMISSIONS [€ mio.]

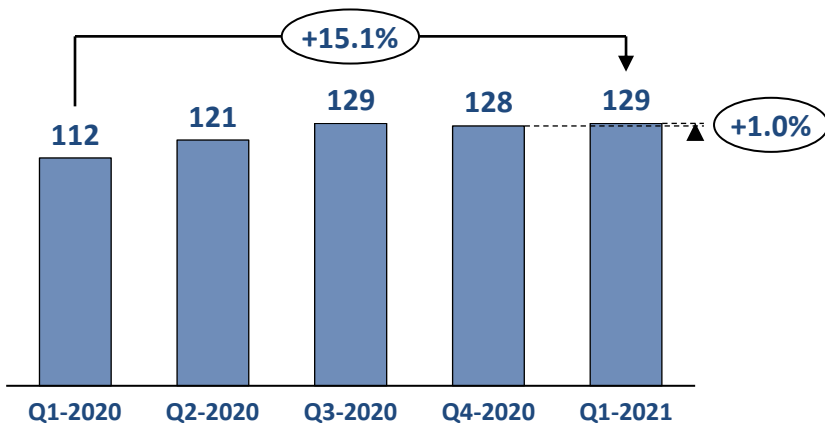


31 MARCH 2021

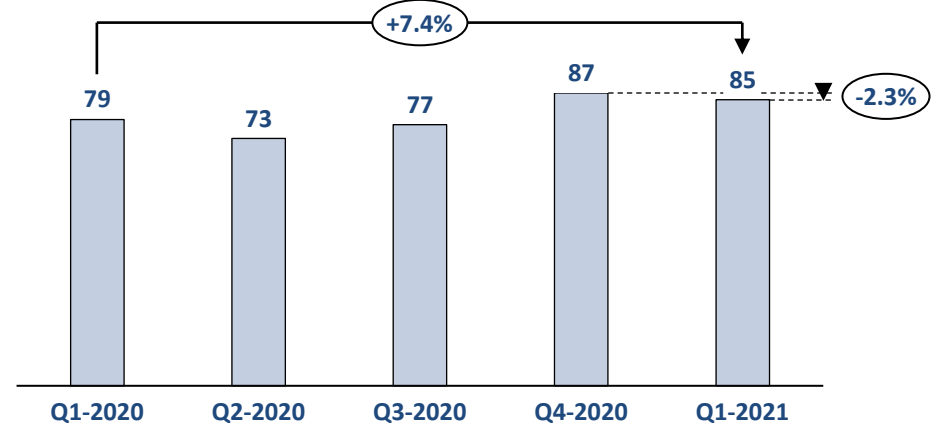


- Guarantees given
- Management and intermediation services
- Collection and payment services
- Services for factoring transactions
- Management of current accounts
- Other services

QUARTERLY TREND [€ mio.]



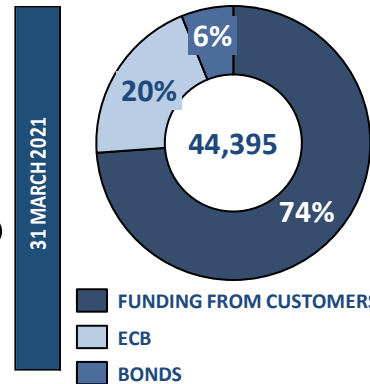
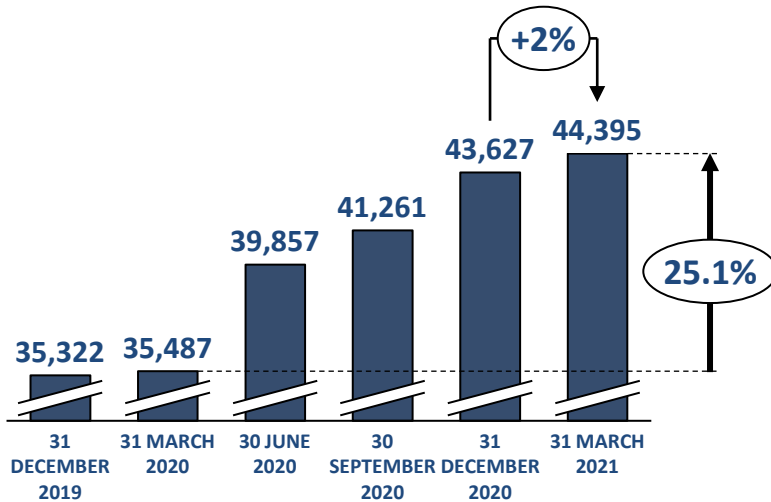
■ Interest income



■ Net commissions

FOCUS ON FUNDING AND LOANS

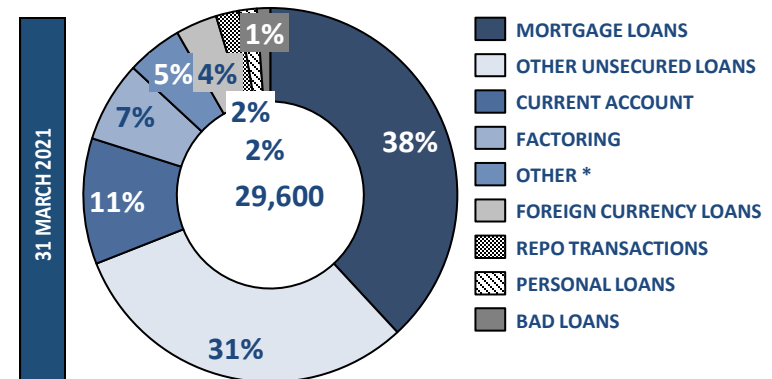
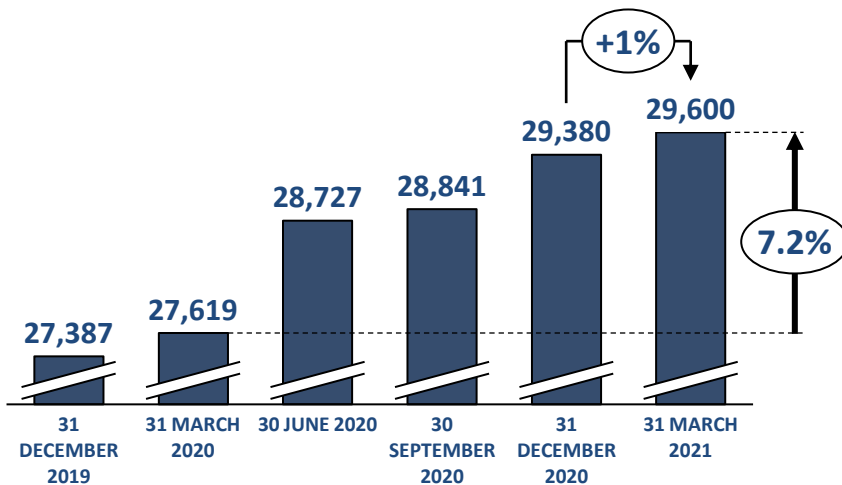
TOTAL FUNDING [€ mio.]



TLTRO III FUNDING

1,600 € mio.	Exp. 21/12/2022
2,100 € mio.	Exp. 29/03/2023
4,368 € mio.	Exp. 28/06/2023
806 € mio.	Exp. 27/03/2024
8,874 € mio.	Total exposure

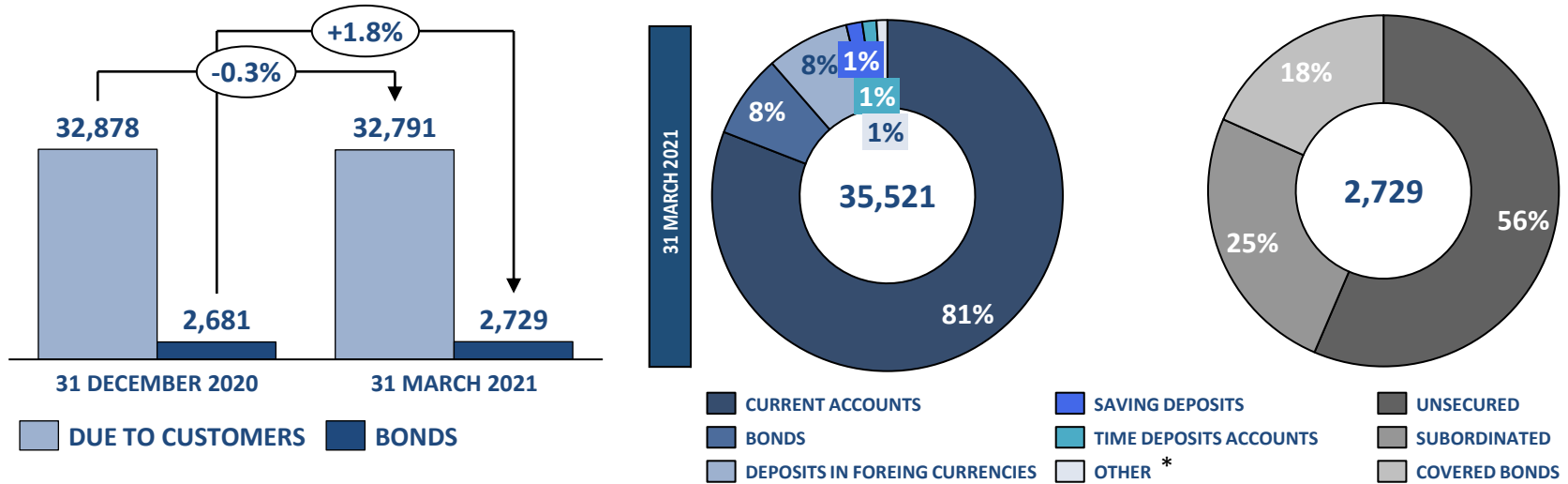
NET LOANS TO CUSTOMERS [€ mio.]



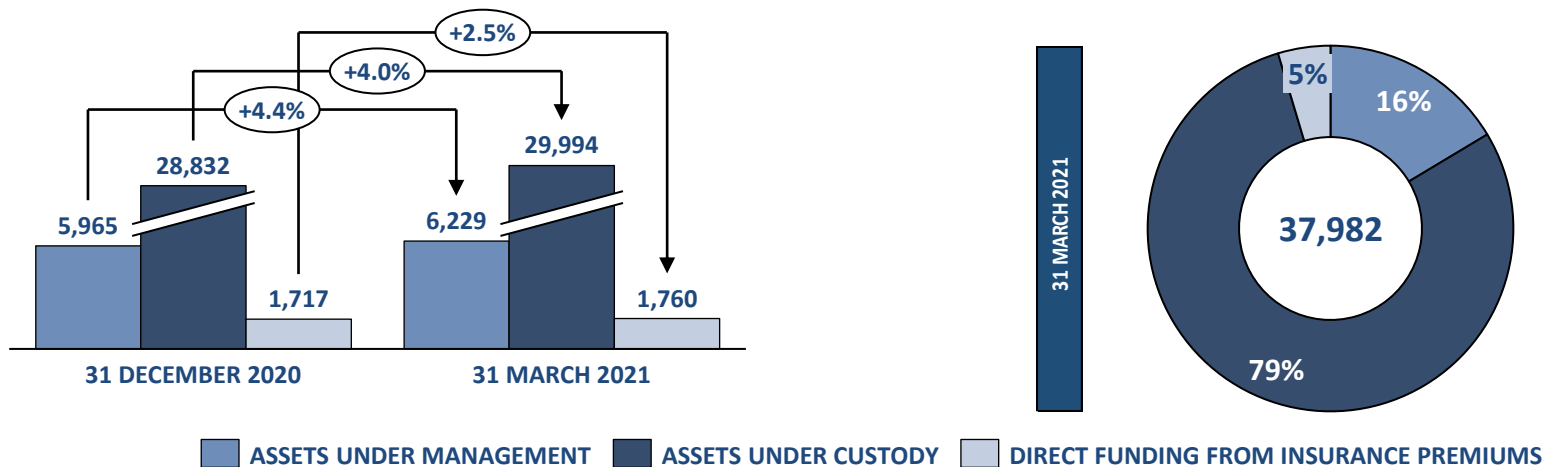
NOTE: [*] Advances, STC advances, discounted portfolio, loans and mortgages to artisans , agricultural loans , debt notes

FOCUS ON DIRECT & INDIRECT FUNDING

DIRECT FUNDING FROM CUSTOMERS [€ mio.]



INDIRECT FUNDING FROM CUSTOMERS [€ mio.]



NOTE: [*] Repo, certificates of deposit, leasing liabilities, cashier checks and other

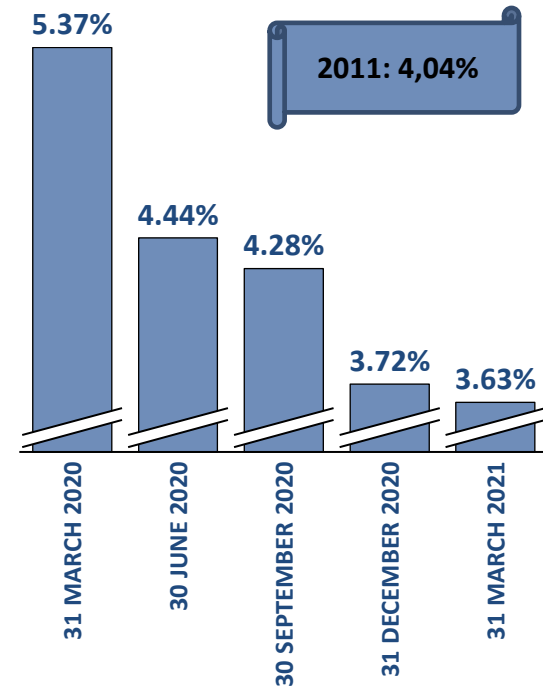
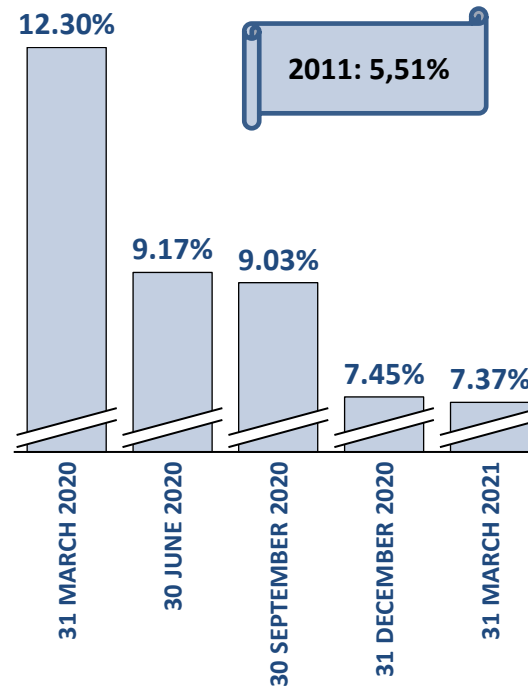
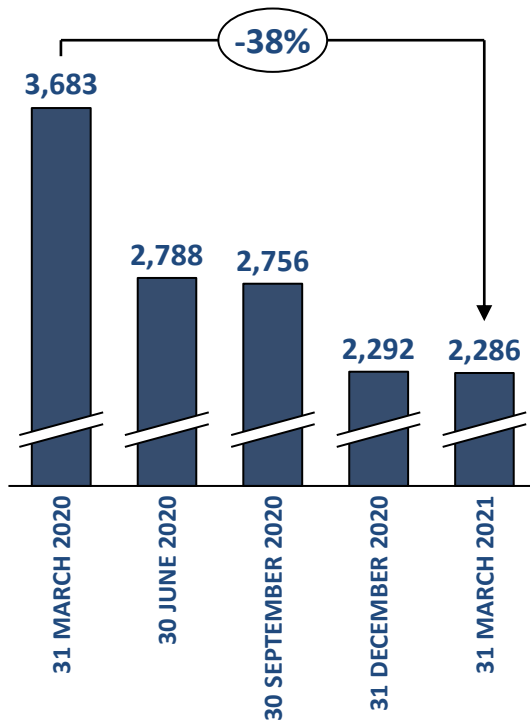
FOCUS ON ASSET QUALITY

31 MARCH 2021	VOLUMES (€ mio.)		WEIGHT (%)		RATIOS (%)		COVERAGE
	GROSS	NET	GROSS	NET	GROSS	NET	%
TOTAL NPLs	2,286	1,074	100%	100%	7.37%	3.63%	53.03%
o/w PAST DUE	73	64	3.21%	6.00%	0.24%	0.22%	12.13%
o/w UNLIKELY TO PAY	1,131	666	49.47%	62.07%	3.65%	2.25%	41.06%
o/w BAD LOANS	1,082	343	47.33%	31.92%	3.49%	1.16%	68.32%
PERFORMING LOANS	28,724	28,527	-	-	92.63%	96.37%	0.69%
TOTAL LOANS	31,010	29,600	-	-	100.00%	100.00%	4.54%

TOTAL GROSS NPLs [€ mio.]

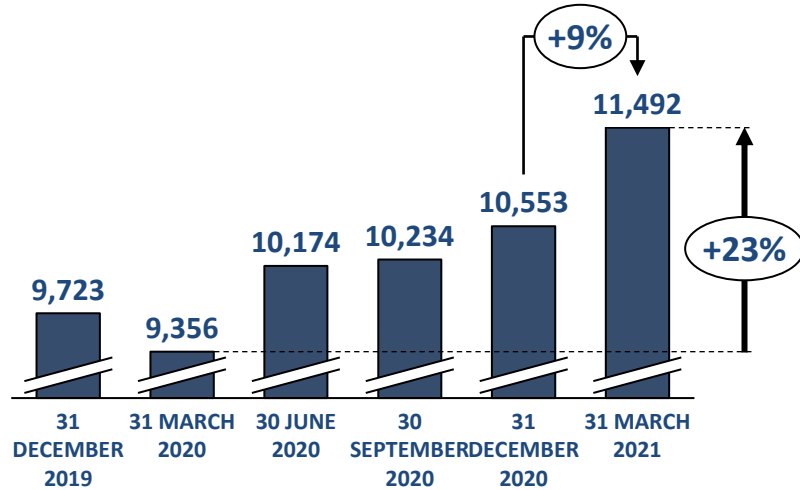
GROSS NPL RATIO

NET NPL RATIO

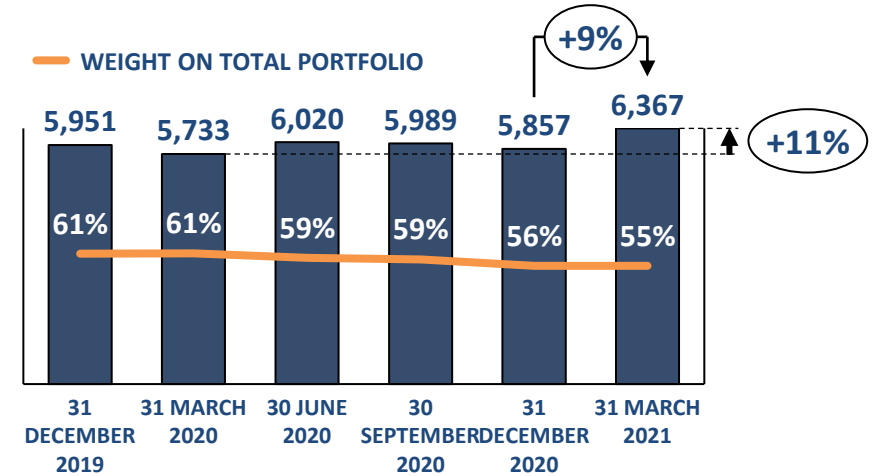


FOCUS ON PROPRIETARY PORTFOLIO AND RETURN ON FINANCIAL ASSETS

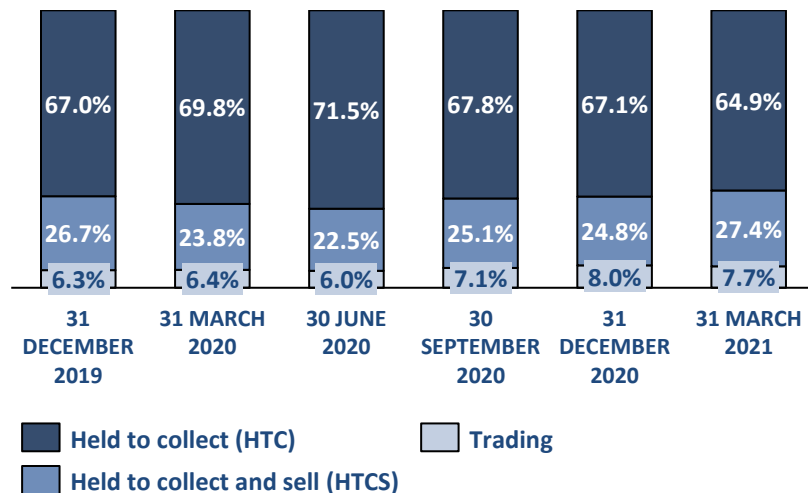
SECURITIES PORTFOLIO [€ mio.]



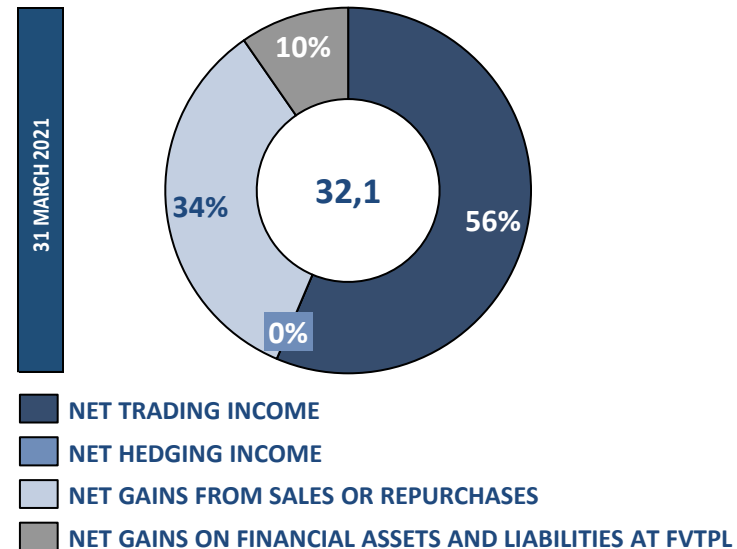
ITALIAN GOVIES PORTFOLIO [€ mio.]



BREAKDOWN BY PORTFOLIO [%]

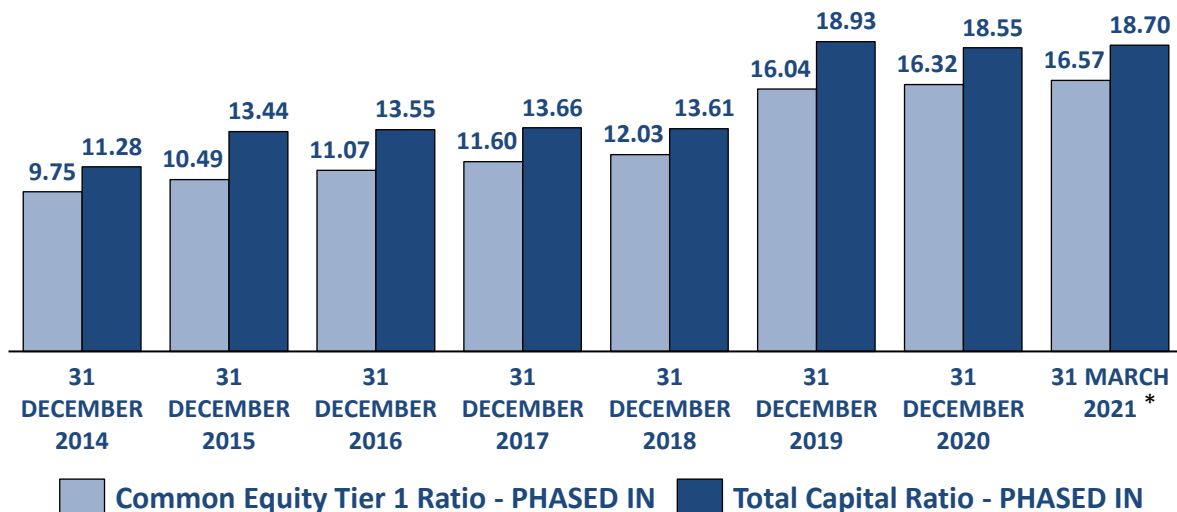


RETURN ON FINANCIAL ASSETS [€ mio.]



FOCUS ON CAPITAL AND LIQUIDITY POSITION

CAPITAL POSITION



SREP REQUIREMENTS

CET1 RATIO
8.69%

TOTAL CAPITAL RATIO
13.50%

[*] AT 31/03/2021
CET1 RATIO FULLY PHASED: 16.41%
TOTAL CAPITAL FULLY PHASED: 18.54%

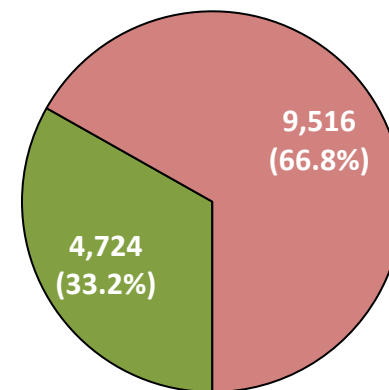
LIQUIDITY POSITION & ELIGIBLE ASSETS

31/03/2021

LCR RATIO
293%

NSFR RATIO
> 100%

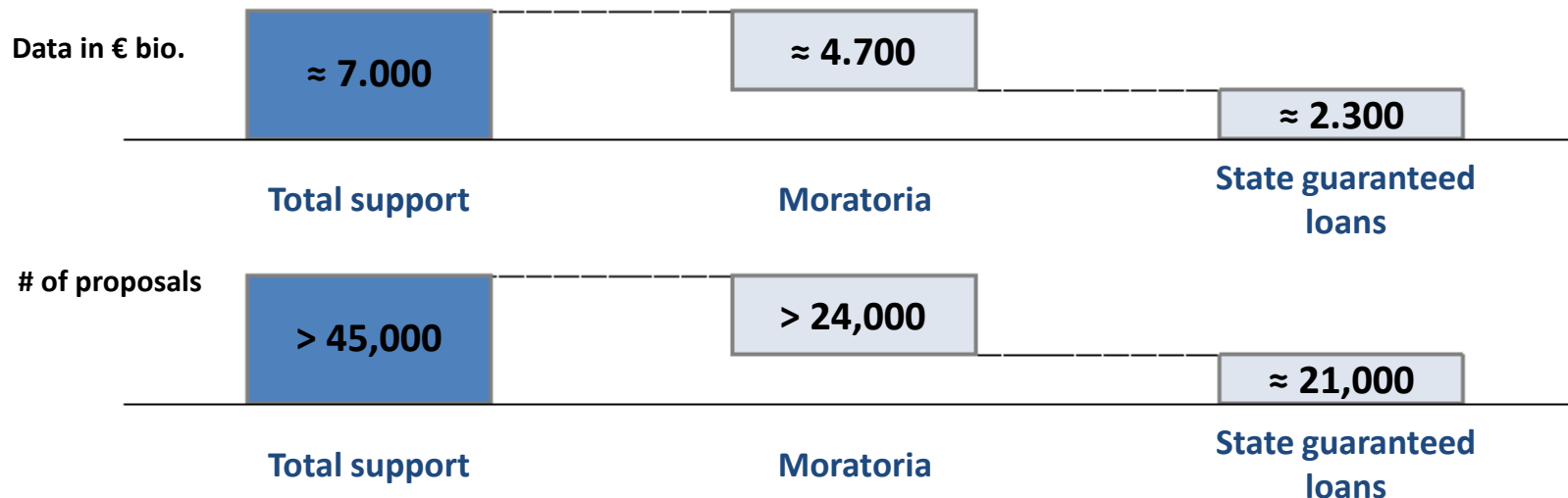
31 MARCH 2021



UNENCUMBERED ELIGIBLE ASSETS
ENCUMBERED ELIGIBLE ASSETS

BPS PLAYED AN ACTIVE ROLE IN SUPPORTING HOUSEHOLDS AND BUSINESSES BY:

1. **Guaranteeing operational continuity** both through the branch network and the online banking solutions developed over the years and further strengthened during the crisis.
2. **Granting loans** (new disbursements as of 31/03/2021 from 31/03/2020 of around 2.3 € bio. of state guaranteed loans; around 21,000 approved proposals).
3. **Granting moratoria** (around € 4.7 bio. residual debt, over 24,000 finalized proposals, around 16% of the loan book o/w 59% PMI and 17% households).



As of 31/03/2021 still in place **moratoria** for around 2.6 € of residual debt. On the moratoria already expired, the first management data relating to the punctuality of payments are comforting.

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Since its foundation in 1871, the Bank has directed its action to the satisfaction of the different stakeholders' interests, associating the traditional objective of pursuing profits with the identity one of achieving a shared benefit.

In this perspective, the Group acts consistently to the **UN Agenda 2030** e to the **UN Sustainable Development Goals (SDGs)**.



Mutuality

Ethics

Reciprocity



Relevant
SDGs to
the
business

1 NO POVERTY



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION




5 GENDER EQUALITY



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Role and Responsibilities



Board level

The **Board of Directors**:

- Defines ESG guidelines, strategy and targets at Group level;
- Oversight appropriately the ESG activities.

C-level

The **Sustainability Committee** at top management level, which:

- Coordinates sustainability-related activities;
- Supports and gives proposals to the Board of Directors.

Operational level

The **Sustainability Organizational Unit**, led by the **Responsible of Sustainability**, which:

- Monitors the regulations update;
- Manages the ESG initiatives;
- Give support to the different banking areas involved in sustainability activities.

Code of Ethics

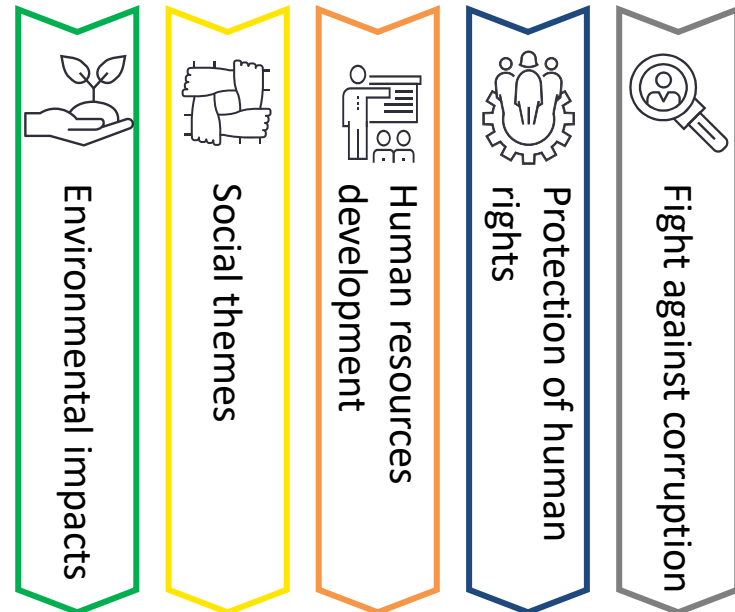
It outlines the values and principles of conduct, policies and regulations governing the Bank's activities and applies to each person operating or representing the Bank directly or indirectly, contributing to the implementation of corporate social responsibility.



Sustainability Policy

It defines the principles, guidelines and relevant sustainability themes that are identified, implemented and monitored in order to consider the interests of all the stakeholders, in the perspective of continuous evolution.

BPS most relevant sustainability themes

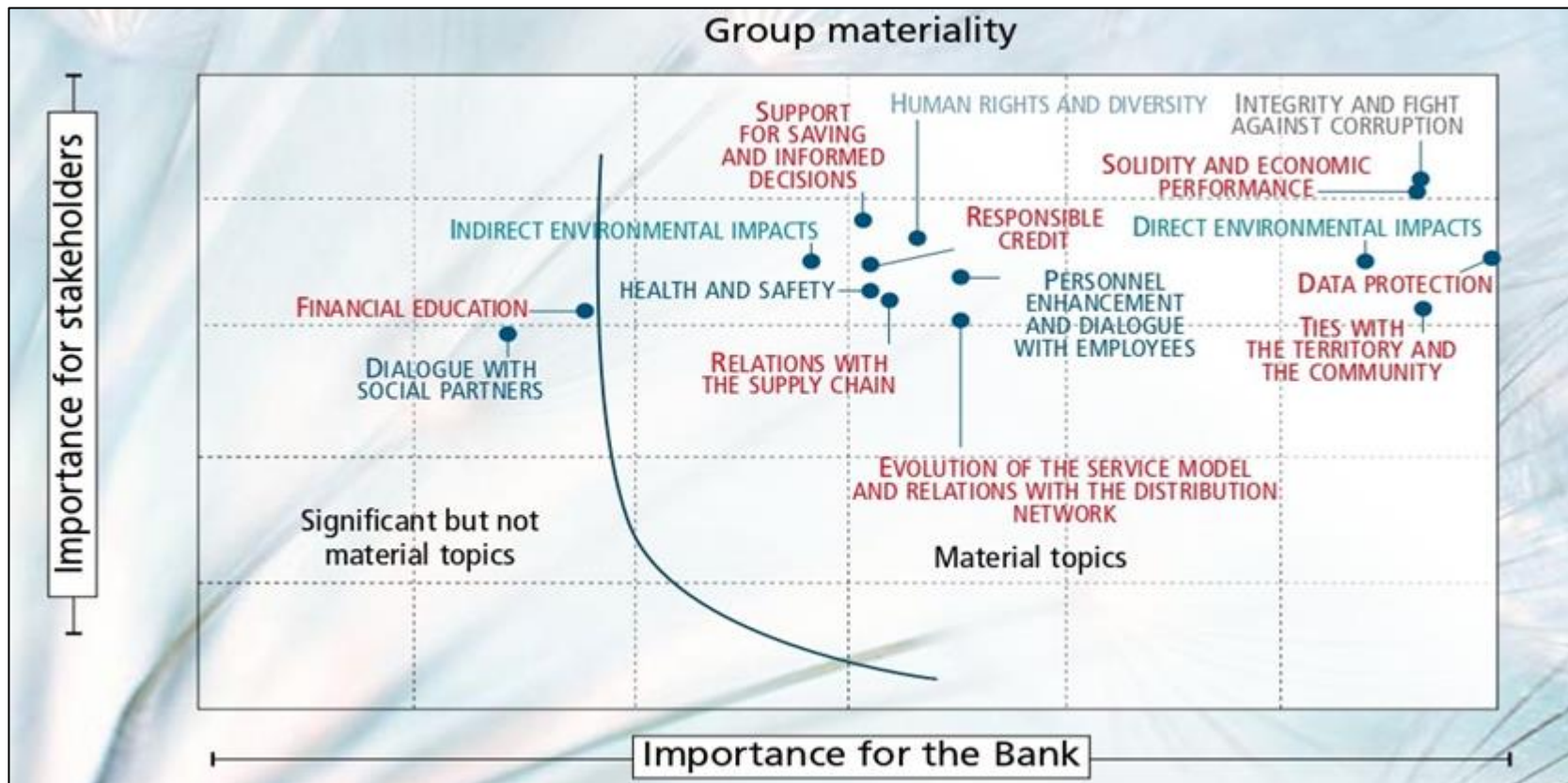


NON-FINANCIAL REPORTING and MATERIALITY MATRIX

BP Sondrio Group keeps a constant and solid interaction with all stakeholders in order to build further consensus and trust and to express its responsibility towards the social environment in which it operates.

Mapping stakeholders and defining the most effective channels for them, constantly monitoring their expectations, needs and opinions are paramount to efficiently engage them.

In order to better identify and track stakeholder interests, a **materiality matrix** is constantly updated. The latest version identifies 13 material topics:



BPS' COMMITMENT



Banca Popolare di Sondrio has been **participating in UN Global Compact since 2004**, thus accepting the invitation of the United Nations to synergistically involve the world of business and non-governmental organizations in the great challenges of humanity. Furthermore, **in 2018**, the Bank renewed its support for the Global Compact by joining, as a **founding member**, the Italian network (**Global Compact Network Italia - GCNI**).

The Principles of the Global Compact have always been part of Banca Popolare di Sondrio's strategy and corporate culture, as well as of the banking and financial activities it carries out on a daily basis. Therefore, as every year, the Bank confirmed its support to the initiative and reiterated its commitment in the field of corporate sustainability by publishing its Communication on Progress (COP).



HUMAN RIGHTS



LABOUR



ENVIRONMENT



ANTI-CORRUPTION

BPS' SUSTAINABILITY RATING



On **March 9, 2021**, Banca Popolare di Sondrio was assigned a **first time solicited rating of EE**, attesting to the strong level of compliance achieved.

The agency states that Banca Popolare di Sondrio - at the head of the eponymous banking group - over the years has constantly aligned itself with international indications on sustainability, showing a regular progression that has concerned both corporate governance and environmental issues, as well as social ones.

EEE	EEE-	EE+	EE	EE-	E+	E	E-	F
Full	Excellent	Very strong	Strong	Adequate	Non-compliant	Low	Very Low	Lowest level
Investment Grade				Lower Investment Grade		Non-investment Grade		

ESG HIGHLIGHTS

A **Sustainability Working Group** was established in 2020 in order to coordinate internal analysis and self-assessment activities on the impacts of the Bank with regard to (i) **environment and climate change**, (ii) **social issues** and (iii) **governance structure**.



Participation in the **Carbon Disclosure Project (CDP)** initiative for the first time in 2020 through the completion of its Questionnaire on Climate Change (minimum version), demonstrating transparency and accountability.



Participation to the Italian Banking Association (ABI) **working tables on Banking, Environment and Climate Change and Sustainability**.



The Bank purchased the “**ESGeo**” software to collect and manage non-financial data in order to optimize the Non Financial Reporting process.



In March 2021, the Bank launched its **new institutional website**: all the most relevant initiatives concerning sustainability are included in a dedicated section.



ISTITUZIONALE

In 2020 BPS:

- has started implementing a **comprehensive framework to identify, manage, control and monitor ESG-related risks** (especially operating and reputational ones) **and their potential impact** from an economic/financial point of view; coherently with this the bank decided to expand its risk management system to include ESG risks starting from:
 - (i) the best practices promoted at international level;
 - (ii) ECB and EBA guidelines;
 - (iii) the Recommendations published by the Task Force on Climate-related financial Disclosure (TCFD).
- has started to **identify and classify ESG opportunities** (i.e. those components of ESG factors with a positive impact on its business activities).

RISKS

A specific “**ESG risks’ inventory**” has been developed with a focus on:

- Environmental direct and indirect impacts;
- Human rights and equality;
- Social impact and connection with the local territory and community;
- Responsible lending policies.

OPPORTUNITIES

The **identified opportunities** have been linked to Environmental (with sub-categories: Resources’ Efficiency, Sources of Energy, Products and Services, Markets, Resilience), Social and Governance aspects and they refer to operating, commercial and business activities.

These ESG opportunities are and will continue to drive the ESG commitment of the Bank, aiming to benefit all relevant stakeholders.

- **Commitment to reduce the direct effects on the environment** generated by the consumption of resources (e.g. 98% of renewable electricity is used), the generation of waste and all other activities considered to have **direct environmental impact**



- **Climate change is considered the main current challenge**
 - Identifying, monitoring and evaluation of performance indicators in the context of the business
 - aiming to adopt one or more specific climate-related targets (especially for reduction of greenhouse gas emissions) and to report on the progress made in achieving these targets



- **The Bank intends to reduce its indirect environmental impact by supporting its customers in the transition to sustainability**
 - Encouraging customers to manage their activities in a sustainable manner through its offer of banking products and services
 - **Providing loans for the purchase of high energy class buildings, for the energy refurbishment of buildings/plants and for the installation of systems for the production of energy from renewable sources** (photovoltaic, wind, hydroelectric plants).



SUPPORTING LOCAL COMMUNITIES DURING COVID- 19 EMERGENCY

In order to mitigate the negative impacts of the pandemic, BP Sondrio Group has activated a number of measures to support the economy and local communities. Among the others:

- Suspension of installment payments for reasons related to the emergency (**moratoria**) and **State-guaranteed loans**;
- Approval, on a voluntary basis, of **others grants** to specific target categories.

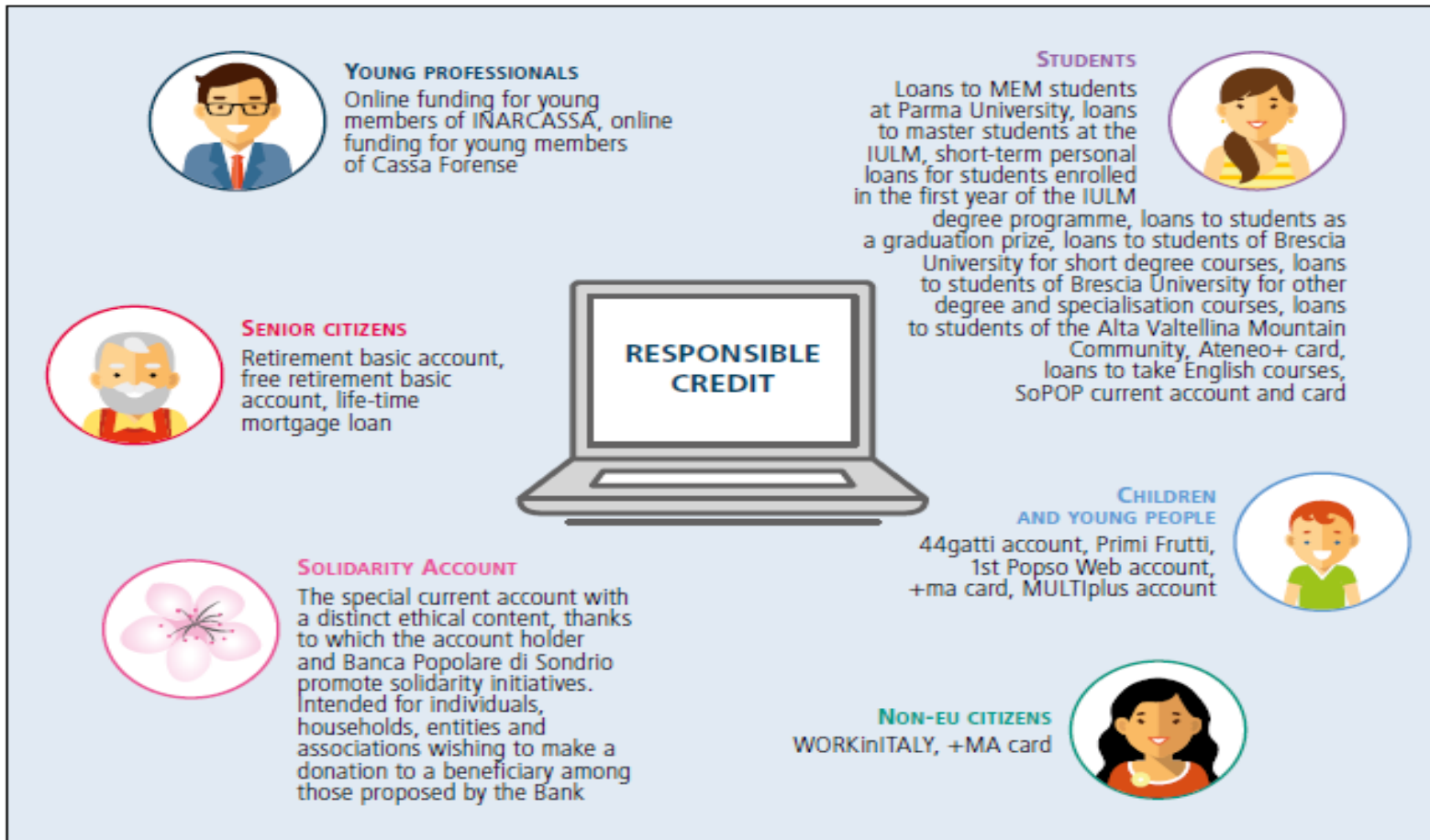
Most of the requests for payments moratoria came from families or, in business activities, especially from hospitality, restaurants, travel agencies, fashion, transport, storage and retailing.

OTHER ACTIVITIES TO SUPPORT LOCAL COMMUNITIES

The Group has always been committed to support the economic and social development of the territories in which it operates. Among the others:

- **Fondo di sostegno alla natalità** - implemented in 2019 to support families with one or more children;
- **Agorà** - online platform providing specific contents (for example for companies operating out of Italy);
- **Business School** - online platform offering webinars with a focus on internationalization.

The Bank is focused on the financing of socially disadvantaged groups, offering them **ad-hoc products**.



BPS cooperates with **Etica Sgr** and is a placement agent of its funds in Italy. Etica Sgr is the only Italian asset manager to have set up and to manage exclusively socially responsible funds.

For many years, the bank has also leveraged the expertise of **Arca sgr** (of which it is placement agent) which, within its offer, proposes various ESG funds.



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BPS is releasing its **Green Bond Framework** (“**BPS Green Bond Framework**”) to further underline its commitment towards ESG. The Framework is aligned with the ICMA Green Bond Principles 2021.

1

USE OF PROCEEDS

- An amount equivalent to the net proceeds of Banca Popolare di Sondrio’s Green Bonds will be allocated exclusively to finance or refinance new or existing Eligible Green Projects that meet BPS Green Bond Framework Eligibility Criteria.
- The Green Eligible Categories are: Green Buildings, Renewable Energy, Clean Transportation, Energy Efficiency, Environmentally sustainable management of living natural resources and land use, Pollution prevention and control and Sustainable Water and Wastewater Management.

2

PROCESS FOR PROJECT EVALUATION AND SELECTION

- Banca Popolare di Sondrio established a Sustainability Committee composed by top management (including the CEO) that will be responsible, among other tasks, to review, monitor and approve Eligible Green Projects according to BPS Green Bond Framework.
- Green Projects will be mainly composed by corporate loans, mortgages for residential or commercial energy-efficient buildings, assets related to the financing of the renovation of existing building or individual renovation measures.

3






MANAGEMENT OF PROCEEDS




- The net proceeds can be attributed to Eligible Green Projects originated or refinanced up to 36 months before the issuance year of the Green Bond.
- The Bank undertakes to do everything in its power to allocate the proceeds to Eligible Green Projects within a maximum of 36 months.
- The net proceeds will be deposited in the general account and earmarked for allocation to the Eligible Green Projects Portfolio.





4



REPORTING AND THIRD PARTIES REVIEW

- BPS is committing to report on an annual basis the use of proceeds and impact reporting of the identified portfolio.
- BPS has obtained a Second Party Opinion from Sustainalytics.
- On an annual basis, an external auditor will carry out an independent review of:
 - . use of proceeds associated with the selected Eligible Categories;
 - . conformance with the Framework of the selected Eligible Green Projects;
 - . allocation Reporting metrics.

ELIGIBLE CATEGORIES	EXAMPLES <i>(for all the details please refer to the Framework)</i>	EU ENVIRONMENTAL OBJECTIVES / ENVIRONMENTAL BENEFITS	SDGS
Green Buildings	<ul style="list-style-type: none"> Construction or acquisition of buildings belonging to the top 15% of the most energy efficient buildings (in Italy, an EPC class A, B and C as expanded in the Annex) or buildings that have obtained LEED certification of at least Gold, BREEAM certification of at least Excellent or Minergie certification. Renovation of existing buildings or individual renovation measures that comply with one of the following criteria: renovation leads to a reduction of primary energy demand (PED) of at least 30% or at least two steps of improvement in EPC label. 	Climate Change Mitigation --- Energy Savings	 
Renewable Energy	<ul style="list-style-type: none"> Offshore and Onshore Wind. Concentrated Solar Power (“CSP”) / Solar Photovoltaic (“Solar PV”). Small scale Hydropower (<25MW). Geothermal facilities operating at life cycle emissions lower than 100gCO₂e/kWh. Waste biomass with feedstock not derived from sources that compete with food sources nor deplete carbon pool. 	Climate Change Mitigation --- GHG emissions reduction	  

ELIGIBLE CATEGORIES	EXAMPLES <i>(for all the details please refer to the Framework)</i>	EU ENVIRONMENTAL OBJECTIVES / ENVIRONMENTAL BENEFITS	SDGS
Clean Transportation	<ul style="list-style-type: none"> Private Transport (passenger cars and light commercial vehicles): Electric vehicles / Hybrid vehicles with CO2 emission lower than 50g CO2/km. Urban, suburban and road passenger transport (motor bus, tramway, streetcar, trolley bus, underground and elevated railways): The direct (tailpipe) CO2 emissions of the vehicles are zero. Rail Transport (Passenger or Freight): zero direct (tailpipe) CO2 emissions trains and passenger coaches. Infrastructure for personal mobility: The infrastructure that is constructed and operated is dedicated to personal mobility: pavements, bike lanes and pedestrian zones, electrical charging stations. 	Climate Change Mitigation --- GHG emissions reduction	  

ELIGIBLE CATEGORIES	EXAMPLES <i>(for all the details please refer to the Framework)</i>	EU ENVIRONMENTAL OBJECTIVES / ENVIRONMENTAL BENEFITS	SDGS
Energy Efficiency	<ul style="list-style-type: none"> • Energy Storage Systems. • Energy Efficient Lighting (LED lighting). • District Heating and Cooling. • Energy Efficient smart grid / smart meters. 	Climate Change Mitigation --- GHG emissions reduction	  
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Environmentally sustainable agriculture certified by recognized third-party certifications such as EU Organic. • Investments in protected area (regional natural parks). 	Climate Change Mitigation	

ELIGIBLE CATEGORIES	EXAMPLES <i>(for all the details please refer to the Framework)</i>	EU ENVIRONMENTAL OBJECTIVES / ENVIRONMENTAL BENEFITS	SDGS
Pollution prevention and control	<ul style="list-style-type: none"> • Development, operation and upgrade of recycling (metals, plastic and paper) plants. • Facilities, systems and equipment that are used to divert waste from landfills. 	Climate Change Mitigation	
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Water treatment infrastructure, including wastewater treatment systems and sewer systems. • Water distribution systems with improved efficiency. • Water capture and storage infrastructure, including storm water management systems, water distribution systems and aquifer storage. • Water storage facilities. 	Climate Change Mitigation	

**SUSTAINABILITY
COMMITTEE**


Composed by the CEO, General Manager, CFO, Chief Commercial Officer, Chief Lending Officer, Chief Risk Officer, Chief Information Officer, Head of Logistic and Operational support department, Head of Personnel and Organizational models department, Head of Planning, Investor Relations and directional controls department and the Head of Sustainability Office.

On top of approving and validating the pool of eligible and monitoring its evolution over time, it has to maintain and update the Green Bond Framework and approve reporting.

The Committee meetings take place at least quarterly.

**SELECTION
ACTIVITY**


Process for project evaluation is the following:

- . The relevant departments within the Group perform a pre-selection of potential Green Projects;
- . They are then submitted to the Sustainability Committee, which verifies whether they are aligned with the Eligibility Criteria;
- . If yes, the Green Projects are identified within the Bank internal information system.

Green Projects will comprise mainly, but not exhaustively:

- . Corporate loans and projects' financing currently originated by Banca Popolare di Sondrio and that in the future may also be originated by any other entity in the Group;
- . Retail residential mortgages currently originated by Banca Popolare di Sondrio and that may in the future also be originated by any other entity in the Group;
- . Ecobonus 50%-65% / Superbonus 110% financing granted by Banca Popolare di Sondrio linked to the renovation of existing building or individual renovation measures under the Italian fiscal system.

**EXCLUSIONARY
CRITERIA**


Fossil Fuel; weapons; tobacco; gambling; adult entertainment; predatory lending; nuclear; energy production from oil, black coal, lignite and oil sands (including energy-efficient technologies that are inherently carbon-intensive and/or primarily driven/powered by oil and/or black coal); sourcing of palm oil from sources not certified by organizations such as the Roundtable on Sustainable Palm Oil (RSPO).

ALLOCATION
REPORTING

The allocation report will provide information such as: total allocations of Eligible Green Projects, share of financing versus refinancing, amount of unallocated proceeds at reporting end-period (if any), breakdown of total amount of Eligible Green Projects per category and geographical breakdown of Eligible Green Projects.

IMPACT
REPORTING

Eligible Categories	Potential Quantitative Performance Measures
Renewable Energy	✓ CO ₂ emission avoided (tCO ₂ e)
	✓ Total installed capacity (MW)
Energy Efficiency	✓ CO ₂ emission avoided (tCO ₂ e)
	✓ Expected Energy savings per year (MWh)
Clean Transportation	✓ CO ₂ emission avoided (tCO ₂ e)
	✓ New clean transportation infrastructure built (km)
Green Buildings	✓ CO ₂ emission avoided (tCO ₂ e)
	✓ Floor space of green real estate (m ²)
	✓ Expected Energy savings per year (MWh)
	✓ Number of residential buildings belonging to the top 15% of the most carbon efficient buildings
Environmentally sustainable management of living natural resources and land use	✓ Total surface financed (hectares)
	✓ Number of agricultural business financed
	✓ Volume of farming input avoided (t/year)
Pollution prevention and control	✓ CO ₂ emission avoided (tCO ₂ e)
	✓ Waste diverted from landfill (tonnes)
Sustainable Water and Wastewater Management	✓ Volume of water saved/reduced/treated (m ³)
	✓ Total Population served by the system

**EXTERNAL
REVIEW**


Second Party Opinion: Banca Popolare di Sondrio has obtained a Second-Party Opinion from Sustainalytics on this Green Bond Framework.

Post-Issuance External Verification: on an annual basis, an external auditor will carry out an independent review of

- . use of proceeds associated with the selected Eligible Categories;
- . conformance with the Framework of the selected Eligible Green Projects;
- . allocation Reporting metrics.

Second-Party Opinion Banca Popolare di Sondrio Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Banca Popolare di Sondrio Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021.

Evaluation Date	July 2, 2021
Issuer Location	Sondrio, Italy

- 1 BPS AT A GLANCE
- 2 BANCA POPOLARE DI SONDRIO'S COMMITMENT TOWARDS SUSTAINABILITY
- 3 BANCA POPOLARE DI SONDRIO'S GREEN BOND FRAMEWORK
- 4 INTENDED INAUGURAL GREEN BOND TRANSACTION AND PORTFOLIO OVERVIEW

INDICATIVE TERMSHEET OF BPS INAUGURAL GREEN BOND

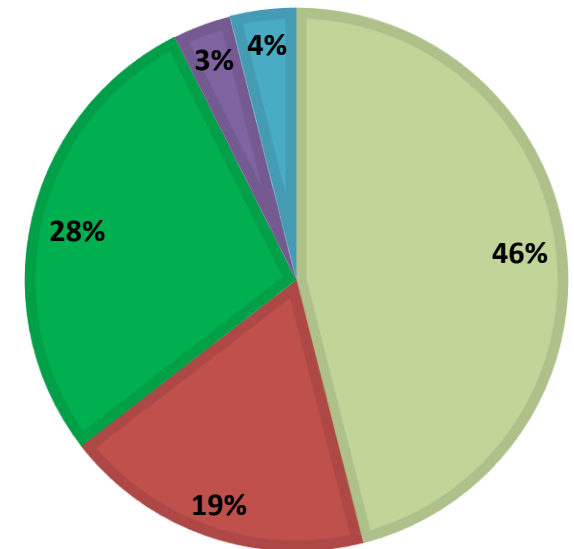
ISSUER:	Banca Popolare di Sondrio S.C.p.A.
FORMAT:	Senior Preferred Unsecured, Green
EXPECTED ISSUE RATINGS (FITCH/DBRS):	BB+ / BBBL
MATURITY:	6NC5 Y
SIZE:	EUR 500mln (WNG)
USE OF PROCEEDS:	To finance/refinance Eligible Green Projects according to the BPS Green Bond Framework
SECOND PARTY OPINION:	Sustainalytics
GREEN STRUCTURING ADVISORS:	BNP Paribas and Mediobanca
JOINT BOOKRUNNERS:	Banca Popolare di Sondrio S.C.p.A, BNP Paribas, J.P. Morgan, Mediobanca, Raiffeisen Bank International and Societe Generale
DOCUMENTATION:	Issued off the Issuer's Euro 5 billion Euro Medium Term Note Programme dated 31 st July 2020 as supplemented
GOVERNING LAW / LISTING:	Italian / Luxembourg Stock Exchange

OVERVIEW OF SELECTED ELIGIBLE PROJECTS

The inaugural issue off the BPS Green Bond Framework will **refinance existing asset amounting to an 81,2%** of the targeted new issue size of the intended transaction. **The remaining 18,8% will be allocated to new assets/financings (eligible under the Framework) that the issuer is committed to originate in the following 3 years**

- For the **assets already identified** (EUR 406 mln) apply the following **parameters and characteristic**:
 - 3-years lookback period applied: starting in 2018
 - 3-years [look forward period]
 - >12 years maturity
 - 100% assets located in Italy
 - Evaluation Date: 31 May, 2021

Type of category	Aggregated Amount Financed (mln €)	Number of Loans	Average Ticket size (mln €)	Average Tenor (years)
Green Building (Mortgages)	187	1026	0,183	18,5
Green Building (Super/Eco Bonus)	75	1906 (# tickets)	0,108	6,2
Renewable Energy	114	38	3,093	7,5
Pollution prevention and control	14	4	3.643	8,4
Sustainable Water and Wastewater Management	16	3	5,364	6,9



RENEWABLE ENERGY

SUPER/ECOBONUS

GREEN BUILDINGS

SUSTAINABLE WATER AND WASTEWATER MANGEMENT

POLLUTION PREVENTION AND CONTROL

FRAMEWORK APPENDIX ON ITALIAN GREEN RESIDENTIAL AND COMMERCIAL REAL ESTATE

Rational

Banca Popolare di Sondrio engaged CRIF S.p.A. (an independent real estate expert) to identify the eligible Green Buildings in the framework of loans or mortgages related to the acquisition, construction and renovation of residential and/or commercial energy-efficient properties for a Green Bond issuance, in line with EU environmental objective of climate change mitigation and energy savings.

The CBI Taxonomy defines a Screening Indicator for Commercial and Residential buildings as the emissions footprint in the top 15% of emissions performance in the local market.

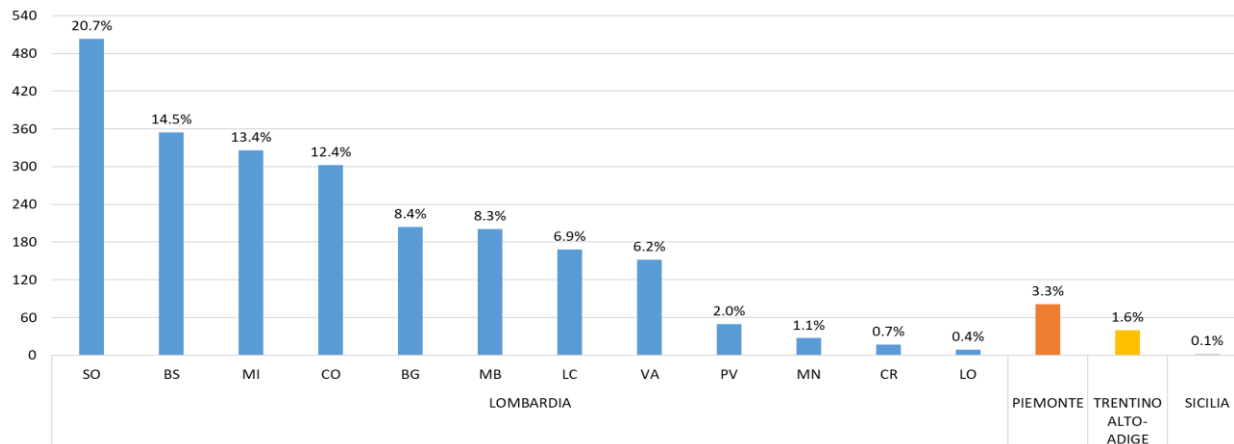
Therefore, Banca Popolare di Sondrio analysed its portfolio in light of the following two criteria:

- EPC Label (considering only those building presenting an EPC equal or better to the C class)
- Year of construction (considering only those building constructed after the year 2016)



Banca Popolare di Sondrio Portfolio

Following these criteria 1,026 eligible loans and 1,795 buildings have been identified in the Banca Popolare di Sondrio portfolio, corresponding to € 187,438,483 according to the current balance.



Distribution of eligible buildings according to the province and the region

MAIN FEATURES

- In May 2020 the Italian Government launched a new **110% tax deduction known as “Superbonus”** under the Law Decree No. 34 of 19th May 2020 (“**Decreto Rilancio**”), thus providing families and businesses the opportunity to carry out specific interventions taking advantage of a 110% tax allowance for all qualifying expenses incurred between the 1st July 2020 and the 30th June 2022 to be divided into 5 equal annual quotas and – only for the expenses incurred in 2022 – into 4 equal annual quotas.
- **The Superbonus takes into account two main scopes of intervention: through the Ecobonus it addresses energy efficiency works, whereas with the Sismabonus it refers to anti-seismic structural improvements.**

SUPER ECOBONUS

- Under the **Super Ecobonus** there are two main types of **eligible works: (i) Leading works (“Interventi principali o trainanti”)** and **(ii) Linked secondary works (“Interventi aggiuntivi o trainati”)**.
- Leading works include for instance insulation to existing building envelope and replacement of heating / air conditioning equipment of residential buildings, whereas linked secondary works, as the name suggests, are carried out at a later stage once at least one leading work has already been completed. Amongst them one may find charging stations for electric cars, as well as installation of photovoltaic systems.
- Among other strict parameters, in order for these expenses to be considered as qualifying under the fiscal facility, it is **fundamental that the works carried out (both leading / linked secondary) lead to at least two steps of improvement in the EPC label of the residential building. The EPC (in Italy APE) improvement is demonstrated by a pre-post report released by a qualified expert.**

SUPER SISMABONUS

- Under the **Super Sismabonus the 110% tax allowance is granted for any seismic structural improvements to any kind of building**, without any limits in terms of number of residential units subject to the intervention, **as long as the unit is located in seismic zones classified either 1, 2 or 3.**

MAIN FEATURES

- Even before the Superbonus, the **Italian Government introduced another tax credit called Ecobonus 50/65%** under the Law Decree No. 63 of 4th June 2013, to which modifications have been applied over time until the last 2021 Budget Law. Similarly to the Superbonus, also the Ecobonus grants some tax credits allowing in this case 50/65% of tax deduction for expenses incurred **to bring some sort of energy efficiency improvements to already existing buildings (i.e. it does not apply to new construction)** to be divided into 10 equal annual quotas. Amongst the qualifying expenses one may find for instance interventions leading to overall upgrading of the building, as for example insulation to existing building envelope, as well as the substitution of existing heating systems with new Class A or higher condensing boilers.
- The Law may require either **a qualified expert or the system manufacturer certifying the energy efficiency improvements brought as per the Ecobonus principles**. Last but not least, **most of the times the EPC certificate is also required**. To be noted that if the interventions carried out under the Ecobonus are combined with linked secondary works as defined in the Superbonus, then the expenses incurred may be considered as qualifying for Superbonus 110%.

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- ❑ *Notwithstanding the foregoing, Maurizio Bertoletti, in his capacity as manager in charge of financial reporting declares that the accounting information contained in this Presentation reflects the group's documented results, financial accounts and accounting records.*

IL GRUPPO BANCARIO AL CENTRO DELLE ALPI



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