

PAYMENT MORATORIA RELATED TO THE COVID-19 PANDEMIC

With reference to the classification of the positions involved in payment moratoria related to the COVID-19 pandemic, in line with indications of the various regulators who have discussed this item, it is specified that until 30 September 2020 the positions already classified as performing and affected by these measures (both the ex lege moratoria and the moratoria decided autonomously by the Group) were dealt with as follows:

- they are not, as a rule, subject to stage 2 classification (nor are they identified as forborne according to prudential regulations). When moratoria are decided by the Bank, specific assessments are carried out to verify whether or not to consider renegotiation as a forbearance measure, with consequent transfer to stage 2 only for positions in respect of companies with higher risks.
- they are not subject to classification as NPLs (stage 3). Specifically, performing loans involved in moratoria are not classified in the past-due loan risk class due to this circumstance, as the payment suspension intervenes on the past-due loans affected by the measure. Furthermore, application to the moratoria does not indicate an automatic trigger of unlikely-to-pay loan classification.

The moratoria granted to customer loans already classified as non-performing are subject to specific assessment and considered as forbearance measures.

Since 1 October 2020, following the "phase-out" of the EBA Guidelines (Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis), the Group has assessed on a case-by-case basis whether or not the granting of a new moratorium on performing loans is a forbearance measure.

Following the COVID second wave, which has been affecting Europe since mid-October, the EBA reconsidered the item and with its communication of 2 December 2020

- extended the deadline for the application of moratoria in accordance with the pre-existing guidelines until 31 March 2021;
- introduced a constraint according to which new moratoria or extended existing moratoria should not exceed an overall length of nine months. This constraint also applies to non-consecutive periods of payment suspensions (in this case the lengths of the different periods are summed). Moratoria granted until 30 September 2020 are not subject to the constrained overall length of nine months.

In December 2020, the Group applied the amendment introduced by the EBA on 2 December 2020, reactivating the above framework in place until 30 September 2020 while introducing a case-by-case assessment as regards the classification as forborne of the moratoria exceeding the nine-month cap, as established by the EBA.