



# Banca Popolare di Sondrio



## CONSOLIDATED HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2022





**Banca Popolare  
di Sondrio**

CONSOLIDATED  
HALF-YEAR  
FINANCIAL  
REPORT  
AS AT 30 JUNE 2022



**the banking  
group  
in the heart  
of the alps**



**Banca Popolare  
di Sondrio**

Fondata nel 1871

## **CONSOLIDATED HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2022**

Joint-stock company

Head Office and General Management: I - 23100 Sondrio SO - Piazza Garibaldi 16

Tel. 0342 528.111 - Fax 0342 528.204

Websites: <http://www.popso.it> - <https://istituzionale.popso.it>

E-mail [info@popso.it](mailto:info@popso.it) - Certified e-mail (PEC): [postacertificata@pec.popso.it](mailto:postacertificata@pec.popso.it)

Sondrio Companies Register No. 00053810149 - Official List of Banks No. 842

Parent Company of the Banca Popolare di Sondrio Banking Group,

Official List of Banking Groups No. 5696.0 - Member of the Interbank Deposits Protection Fund

Tax code and VAT number: 00053810149

Share capital: 1,360,157,331 euro - Reserves: 1,380,852,212 euro

(Figures approved by the Shareholders' Meeting of 30 April 2022)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio on 27 July 2022:
  - Long-term Issuer Default Rating (IDR): BB+
  - Short-term Issuer Default Rating (IDR): B
  - Viability Rating: bb+
  - Government Support Rating: ns
  - Long-term Deposit Rating: BBB-
  - Short-term Deposit Rating: F3
  - Senior Preferred Debt: BB+
  - Subordinated Tier 2 Debt: BB-
  - Outlook: Stable.
  
- Rating given by DBRS Morningstar to Banca Popolare di Sondrio on 15 November 2021:
  - Long-Term Issuer Rating: BBB (low)
  - Short-Term Issuer Rating: R-2 (middle)
  - Intrinsic Assessment: BBB (low)
  - Support Assessment: SA3
  - Trend: Stable
  - Long-Term Deposit Rating: BBB
  - Short-Term Deposit Rating: R-2 (high)
  - Long-term Senior Debt: BBB (low)
  - Short-term Debt: R-2 (middle)
  - Subordinated Debt: BB
  
- Rating given by Scope Ratings to Banca Popolare di Sondrio on 23 March 2022:
  - Issuer rating: BBB-
  - Outlook: Positive



## **BOARD OF DIRECTORS**

Chair	FRANCESCO VENOSTA
Deputy Chair	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	PAOLO BIGLIOLI ALESSANDRO CARRETTA NICOLA CORDONE CECILIA CORRADINI LORETTA CREDARO* DONATELLA DEPPERU ANNA DORO FEDERICO FALCK PIERLUIGI MOLLA ANNALISA RAINOLDI* SERENELLA ROSSI

## **BOARD OF STATUTORY AUDITORS**

Chair	SERENELLA ROSSANO
Standing Auditors	MASSIMO DE BUGLIO LAURA VITALI
Alternate Auditors	ALESSANDRO MELLARINI PAOLO VIDO

## **GENERAL MANAGEMENT**

General Manager	MARIO ALBERTO PEDRANZINI
Deputy General Managers	GIOVANNI RUFFINI MARIO ERBA MILO GUSMEROLI CESARE POLETTI

## **Manager responsible for preparing the Company's accounting documents**

MAURIZIO BERTOLETTI

\* Members of the Executive Committee

\*\* Member of the Executive Committee and Secretary of the Board of Directors





**CERNUSCO SUL NAVIGLIO** viale Assunta 47/49  
**CINISELLO BALSAMO** via Giuseppe Garibaldi 86  
**COGNOLIO MONZESE** viale Emilia 56  
**LEGNANO** via Alcide De Gasperi 10  
**MELEGNANO** piazza Giuseppe Garibaldi 1

**MILANO**  
 Head Office, via Santa Maria Fulcorina 1  
 Branch no. 1, Porpora, via Nicola Antonio Porpora 104  
 Branch no. 2, Barona, viale Faenza 22  
 Branch no. 3, a2a, corso di Porta Vittoria 4  
 Branch no. 4, Regione Lombardia, piazza C. della Lombardia 1 - Nucleo 1  
 Branch no. 5, Bovisa, via degli Ibrimiani 54  
 Branch no. 6, Corvetto, via Marco D'Agreste 11  
 Branch no. 7, Caneva, via Cenisio 50  
 Branch no. 8, Quarto Oggiaro, via M. Lessona - ang. via F. De Roberto  
 Branch no. 9, A.L.E.R., viale Romagna 24  
 Branch no. 10, Solari, via Andrea Solari 15  
 Branch no. 11, Università Bocconi, via Ferdinando Bocconi 8  
 Branch no. 12, Baggio, via delle Forze Armate 260  
 Branch no. 13, Repubblica, viale Monte Santo 8  
 Branch no. 14, Palazzo di Giustizia, via Colonnata 5 - ang. via C. Battisti  
 Branch no. 15, Murat, via Gioacchino Murat 76  
 Branch no. 16, Ortometo, via Cesare Lombroso 54  
 Branch no. 17, Monumentale, piazzale Cimitero Monumentale 23  
 Branch no. 18, Fiera, viale Ezio Belisario 1  
 Branch no. 19, Giambellino, via Giambellino 39  
 Branch no. 20, Sempione, via Antonio Canova 39 - ang. corso Sempione  
 Branch no. 21, Politecnico, via Edoardo Bonardi 4  
 Branch no. 22, Sforza, via F. Sforza 48 - ang. corso di Porta Romana  
 Branch no. 23, Certosa, viale Certosa 62  
 Branch no. 24, Prave, viale Piave 1 - ang. via Pindemonte  
 Branch no. 25, Zara, viale Zara 13  
 Branch no. 26, Lodi, corso Lodi - ang. via S. Gerolamo Emiliani 1  
 Branch no. 27, Don Gnocchi, via Alfonso Capecepolo 66  
 Branch no. 28, Corsica, via privata Sanremo - ang. via Corsica 81  
 Branch no. 29, Bicocca, piazza della Trivulziana 6  
 Branch no. 30, De Angeli, piazza Ernesto De Angeli 9  
 Branch no. 31, Isola, via Carlo Farini 47 - ang. via Dina Galli  
 Branch no. 32, Venezia, viale Luigi Majno 42 - viale Piave 43  
 Branch no. 33, Porta Romana, corso di Porta Romana 120  
 Branch no. 34, San Babila, via Cino del Duca 12  
 Branch no. 35, Loreto, piazzale Loreto 1 - ang. viale Brianza  
 Branch no. 36, Monti, via Vincenzo Monti 41  
 Branch no. 37, Vercelli, corso Vercelli 38  
 Branch no. 38, Università Cattolica del Sacro Cuore, largo A. Gemelli 1  
 Branch no. 39, Gruppo AZIMUT - Sportello Interno - corso Venezia 48  
 Branch no. 40, Politecnico - Bovisa, via Raffaele Lambroschini 4

MILANO - Istituto Nazionale Tumori - via Giacomo Venezian 1 ①  
 MILANO - ASP Golgi Redaelli - via Bartolomeo D'Alviano 78 ①  
 MILANO - Bicocca - piazza dell'Ateneo Nuovo 1 - Edificio U 6 ①  
 MILANO - Istituto Neurologico - via Giovanni Celoria 11 ①  
 MILANO - I.U.L.M. - via Carlo Bo 1 ①  
 MILANO - Pio Albergo Trivulzio - via Antonio Tolomeo Trivulzio 15 ①  
 MILANO - Pirelli - via Fabio Filzi 22 ①

**PERO** via Mario Greppi 13  
**SEGRATE** via Roma 96  
 SEGRATE via Fratelli Cervi 13 - Residenza Botteghe ①

**SESTO SAN GIOVANNI**  
 Branch no. 1, piazza IV Novembre 12  
 Branch no. 2, piazza della Resistenza 52  
**TREZZO SULL'ADDA** via Antonio Gramsci 10  
 TURBIGO via Alleanza Comunale 17 ①  
 VIZZOLE PREDABISSI - A.S.S.T. Melegnano e della Martesana  
 via Pandina 1 ①

## PROVINCE OF MONZA E BRIANZA

**ALBIATE** via Trento 35  
**BELLUSCO** via Bergamo 5 ①  
**BERNAREGGIO** via Michelangelo Buonarroti 6  
**BRIOSCO** piazza della Chiesa 6 ①  
**BOVIO MASCIAGO** via Guglielmo Marconi 7/A  
**CARATE BRIANZA** via Francesco Cusani 10  
**DESIO** via Porticetto - ang. via Pio XI  
**GIUSSANO** via Cavour 19

**LISSENE**  
 Head Office, via Dante Alighieri 43  
 Branch no. 1, via Trieste 33  
**MACHERIO** via Roma 17 ①  
**MEDA** via Yuri Gagarin - ang. corso della Resistenza  
**MONZA**  
 Head Office, via Felice Cavallotti 5  
 Branch no. 1, via Felice Cavallotti 5  
**NOVA MILANESE** via Antonio Locatelli  
**SEREGNO**  
 Head Office, via Cavour 84  
 Branch no. 1, via Cesare Formentini 5  
**SEVESO** via San Martino 20  
**VAREDO** corso Vittorio Emanuele II 53  
**VILLASANTA - fraz. San Fiorano** - via Amatore Antonio Sciesa 7/9  
**VIMERCATE** piazza Papa Giovanni Paolo II 9 - ang. via Giuseppe Mazzini

**PROVINCE OF NAPOLI**  
**NAPOLI** Gruppo AZIMUT - Sportello Interno - via Gaetano Filangieri 36 - Palazzo Mannajolo

**PROVINCE OF NOVARA**  
**ARONA** via Antonio Gramsci 19  
**NOVARA** via Andrea Costa 7

**PROVINCE OF PADOVA**  
**PADOVA** via Ponte Molino 4  
**PROVINCIA DI PARMA**  
**FIDENZA** piazza Giuseppe Garibaldi 24  
**PARMA**  
 Branch no. 1, via Emilia Est 3/A  
 Branch no. 2, via Antonio Gramsci 28/A

**PROVINCE OF PAVIA**  
**BELGIOIOSO** piazza Vittorio Veneto 23 ①  
**BRONI** via Giuseppe Mazzini 1  
**CANNETO PAVESE** via Roma 15 ①  
**CASTEGGIO** piazza Cavour 4

**CILAVEGNA** via Giuseppe Mazzini 4 ①  
**MEDE** corso Italia 2 ①  
**MORTARA** via Roma 23

**PAVIA**  
 Head Office, piazzale Ponte Coperto Ticino 11  
 Branch no. 1, corso Strada Nuova 75  
 PAVIA - DEA - via Privata Campeggi 40 ①  
 PAVIA - Policlinico San Matteo - viale Camillo Golgi 19 ①  
**RIVANAZZANO TERME** piazza Cornaggia 41 ①  
**ROBBIO** piazza della Libertà 33 ①  
**STRADELLA** via XXVI Aprile 56 ①  
**VIGEVANO** piazza IV Novembre 8  
**VOGHERA** via Emilia 49

**PROVINCE OF PIACENZA**  
**CASTEL SAN GIOVANNI** corso Giacomo Matteotti 27  
**PIACENZA**  
 Head Office, via Raimondo Palmerio 11  
 Branch no. 1, via Cristoforo Colombo 18  
 Branch no. 2, piazzale Torino 16

**PROVINCE OF ROMA**  
**CIAMPINO** viale del Lavoro 56  
**FRASCATI** via Cairoli 1  
**GENZANO DI ROMA** viale Giacomo Matteotti 14  
**GROTTAFERRATA** via XXV Luglio  
**MONTE COMPATRI** piazza Marco Mastrofini 11 ①

**ROMA**  
 Head Office, Eur, viale Cesare Pavese 336  
 Branch no. 1, Monte Sacro, via Val Santerno 27  
 Branch no. 2, Ponte Marconi, via Silvestro Gherardi 45  
 Branch no. 3, Prati Trianfone, via Trionfale 22  
 Branch no. 4, Bravetta, piazza Biagio Pace 1  
 Branch no. 5, Portonaccio, piazza S. Maria Consolatrice 16/B  
 Branch no. 6, Appio Latino, via Cesare Baronio 12  
 Branch no. 7, Aurelia, via Baldo degli Ubaldi 267  
 Branch no. 8, Africano Vescovio, viale Somalia 255  
 Branch no. 9, Casal Palocco, piazzale Filippo il Macedone 70/75  
 Branch no. 10, Laurentina, via Laurentina 617/619  
 Branch no. 11, Esquilino, via Carlo Alberto 6/A  
 Branch no. 12, Boccea, circoscrizionale Cornelia 295  
 Branch no. 13, Tuscolano, via Foligno 51/A  
 Branch no. 14, Garbatella, largo delle Sette Chiese 6  
 Branch no. 15, Farnesina, via della Farnesina 154  
 Branch no. 16, Monte Sacro Alto/Talenti, via Nomentana 925/A  
 Branch no. 17, San Lorenzo, piazza dei Sanetti 10/11  
 Branch no. 18, Infernetto, via Ermanno Wolf Ferrari 348  
 Branch no. 19, Nuovo Salaria, piazza Filattiera 24  
 Branch no. 20, Tuscolano/Appio Claudio, via Caio Canuleio 29  
 Branch no. 21, Nomentano, via Fiamino Nardini 25  
 Branch no. 22, WPF - Sportello Interno - via Cesare Giulio Viola 68/70  
 Branch no. 23, Ostia, via Carlo Del Greco 1  
 Branch no. 24, San Clemente/Colosseo, via di S. Giovanni in Laterano 51/A  
 Branch no. 25, Parioli, viale dei Prati 39/B  
 Branch no. 26, Tritone, via del Tritone 207  
 Branch no. 27, Prati, piazza Cavour 7  
 Branch no. 28, Prenestino/Torignattara, piazza della Marranella 9  
 Branch no. 29, FAO - Sportello Interno - viale delle Terme di Caracalla 1  
 Branch no. 30, IFAD - Sportello Interno - via Paolo Di Dono 44  
 Branch no. 31, Campus Bio-Medico di Roma - Policlinico, via del Portillo 200  
 Branch no. 32, Monteverde Vecchia, via Anton Giulio Barrili 50/H  
 Branch no. 33, Trastevere, piazza Sidney Sonnino 40  
 Branch no. 34, Gregorio VII, via Gregorio VII 348 - ang. piazza Pio XI 40  
 Branch no. 35, Parione, corso Vittorio Emanuele II 139  
 Branch no. 36, CONSOB - Sportello Interno - via G. B. Martini 3  
 Branch no. 37, Trieste/Salaria, via Tagliamento 37  
 Branch no. 38, Gruppo AZIMUT - Sportello Interno - via Flaminia 133  
 Branch no. 39, Policlinico Universitario Fondazione Agostino Gemelli IRLCS, largo Agostino Gemelli 8  
 ROMA - Biblioteca Nazionale Centrale - viale Castro Pretorio 105 ①  
 ROMA - Università Foro Italico - piazza Lauro De Bosis 15 ①

**PROVINCE OF SAVONA**  
**ALASSIO** via Giuseppe Mazzini 55  
**ALBISSOLA MARINA** via dei Ceramisti 29 ①  
**SAVONA** via Antonio Gramsci 54  
**VARAZZE** via Goffredo Mameli 19

**PROVINCE OF TORINO**  
**CANDIOLIO** via Torino 3/A ①  
**TORINO**  
 Head Office, via XX Settembre 37  
 Branch no. 1, via Luigi Cibrario 17/A bis

**PROVINCE OF TRENTO**  
**ARCO** via Santa Caterina 8/C ①  
**CLES** piazza Navarino 5  
**RIVA DEL GARDA** viale Dante Alighieri 11  
**ROVERETO** corso Antonio Rosmini 68 - ang. via Fontana  
**TRENTO** piazza di Centa 14

**PROVINCE OF TREVISO**  
**TREVISO** corso del Popolo 50 - angolo via Giuseppe Toniolo

**PROVINCE OF VARESE**  
**AEROPORTO DI MALPENSA 2000** Terminal 1 - FERNO

**BESNATE** via Libertà 2 ①  
**BISUSCHIO** via Giuseppe Mazzini 80  
**BRUSIMPIANO** piazza Battaglia 1/A ①  
**BUSTO ARSIZIO** piazza Trento e Trieste 10  
**CARNAGO** via Guglielmo Marconi 2  
**CASTELLANZA** corso Giacomo Matteotti 2  
**CUGLIATE FABIASCIO** via Pagnolico 25 ①  
**GALLARATE** via Torino 15  
**GAVIRATE** via Guglielmo Marconi 13/A  
**LAVENNA PONTE TRESA** via Luigi Colombo 19  
**LONATE POZZOLO** via Vittorio Veneto 27  
**LUINO** via XXV Aprile 31  
**MARCHIROLO** via Cavalier Emilio Busetti 7/A  
**PORTO CERESIO** via Giacomo Matteotti 12 ①  
**SARONNO** via San Giuseppe 59  
**SESTO CALENDE** piazza Giuseppe Mazzini 10  
**SOLBIATE OLONA** via Vittorio Veneto 5

**SOMMA LOMBARDO** via Milano 13  
**VARESE**  
 Head Office, viale Belforte 151  
 Branch no. 1, piazza Monte Grappa 6  
 Branch no. 2, via San Giusto - ang. via Malta  
**VEDANO OLONA** via Giacomo Matteotti - ang. via Cavour 12 ①  
**VIGGIU** via Salliro 2 ①

## PROVINCE OF VENEZIA

**VENEZIA** Sestiere Santa Croce, Fondamenta Santa Chiara 520/A  
**PROVINCE OF VERBANO-CUSIO- OSSOLA**  
**CANNOBIO** viale Vittorio Veneto 2/bis  
**DOMODOSSOLA** piazza Repubblica dell'Ossola 4  
**GRAVELLONA TOCE** corso Guglielmo Marconi 95  
**VERBANIA - Intra**, piazza Daniele Ranconi 27  
**VERBANIA - Pallanza**, largo Vittorio Tonolli 34

**PROVINCE OF VERCELLI**  
**VERCELLI** piazza Baldo Mazzucchelli 12

**PROVINCE OF VERONA**  
**BARDOLINO** via Mirabello 15  
**PESCHIERA DEL GARDA** via Venezia 40/A  
**VERONA** corso Cavour 45  
**VILLAFRANCA DI VERONA** corso Vittorio Emanuele II 194

**PROVINCE OF VICENZA**  
**VICENZA** corso Santi Felice e Fortunato 88

## TEMPORARY BRANCHES

**MILANOCITY FIERA** - piazzale Carlo Magno - pad. 3 piano quota +7.1  
**NUOVO POLO FIERISTICO** - corso Italia Est  
 Strada Statale del Sempione 38 - Rho/Però - tel. 02 45402082

**MOBILE BRANCH** Autobanca

## DESKS ABROAD C/O EXTERNAL PARTNERS

ARGENTINA (Buenos Aires e Mendoza) - AUSTRALIA (Perth and Sydney) - BELGIUM (Brussels) - BRAZIL (Belo Horizonte and Sao Paulo) - BULGARIA (Sofia) - CANADA (Toronto and Vancouver) - CHILE (Santiago) - CHINA (Hong Kong and Shanghai) - CZECH REPUBLIC (Prague) - DENMARK (Aarhus) - DOMINICAN REPUBLIC (Santo Domingo) - EGYPT (Cairo) - GERMANY (Frankfurt) - GREECE (Athens) - GUATEMALA (Guatemala City) - HUNGARY (Budapest) - INDIA (Mumbai) - ISRAEL (Tel Aviv) - JAPAN (Tokyo) - LUXEMBOURG (Luxembourg) - MALTA (Valletta) - MEXICO (Mexico City) - MONGOLIA (Ulaanbaatar) - NETHERLANDS (Amsterdam) - PERU (Lima) - POLAND (Warsaw) - PORTUGAL (Lisbon) - REPUBLIC OF MOLDOVA (Chisinau) - ROMANIA (Bucharest) - RUSSIA (Moscow) - SERBIA (Belgrade) - SINGAPORE (Singapore) - SOUTH AFRICA (Johannesburg) - SOUTH KOREA (Seoul) - SPAIN (Madrid) - SWEDEN (Stockholm) - THAILAND (Bangkok) - TUNISIA (Tunis) - TURKEY (Istanbul) - UNITED ARAB EMIRATES (Dubai) - UNITED KINGDOM (London) - UNITED STATES OF AMERICA (Chicago, Los Angeles and Miami) - UZBEKISTAN (Tashkent) - VIETNAM (Ho Chi Minh City)

## BANCA POPOLARE DI SONDRIO (SUISSE)

OPERATING IN THE SWISS TERRITORY IT HAS 20 OFFICES IN 8 CANTONS, AS WELL AS THE REPRESENTATIVE OFFICE IN VERBIER, THE DIRECT BANKING VIRTUAL BRANCH IN LUGANO AND THE MONACO BRANCH OUTSIDE SWITZERLAND IN THE PRINCIPALITY OF THE SAME NAME.  
 General Management: Lugano, via Giacomo Livini 2a tel. +41 58 855 30 00 - fax +41 58 855 30 15  
 Head Office: Lugano, via Maggio 1 - tel. +41 58 855 31 00  
 www.bps-suisse.ch - contact@bps-suisse.ch

## FACTORIT

**Factoring - working capital solutions, credit risk protection and accounts receivable book-keeping**  
 Branch offices in: Milano, Torino, Padova, Bologna, Roma, Palermo and a network of foreign correspondents in over 90 countries. Operating at Banca Popolare di Sondrio's branches and at its partner banks' counters.  
 Headquarter: Milano, via Cino del Duca 12 tel. +39 02 58150.1 - fax +39 02 58150.205  
 www.factorit.it - info@factorit.it

## BNT Banca

**Personal loans collateralized by the assignment of up to one-fifth of salary or pension**  
 Offices in Milano, Palermo, Catania, Caltanissetta, Napoli, Prato and Lamezia Terme (CZ). Operating at Banca Popolare di Sondrio's branches and at its partner banks' counters.  
 Headquarter: Roma, via Baldo degli Ubaldi 267  
 Toll-free number 800-77 00 33 - www.bntbanca.it - infobanca@bntbanca.it

## PrestiNuova

**Agency in Financial Activities of BNT Banca**  
 Headquarter: Roma, via Baldo degli Ubaldi 267  
 Toll-free number 800-73 58 00 - www.prestinuova.it - info@prestinuova.it

## PIROVANO STELVIO SPA - The Ski University

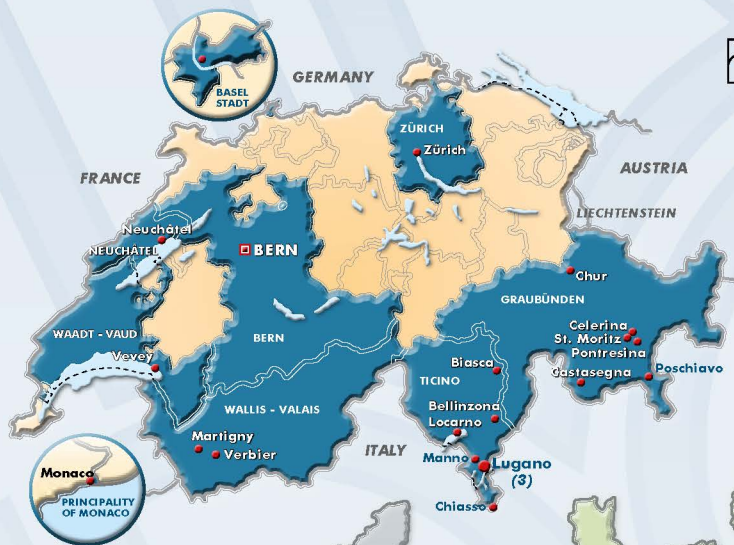
*Quarto Pirovano Hotel*: Stelvio Pass (m. 2.760-3.450) - Bormio (SO)  
*Holiday Apartments*: Bormio (SO) • "Pirovano" Apartments • "Chalet Felse" Apartments (CIR. 014009-REC.0001718)  
*Holiday Apartments*: Isolaccia Valdidentro (SO) • "Pirovano - Valdidentro" Apartments (CIR. 014031-CIM.0005354)  
*Registered and Administrative Office - Information and Booking Office*: via Delle Prese 8 - Sondrio - tel. +39 0342 210 040  
 www.pirovano.it - info@pirovano.it

## "LUIGI CREDARO" LIBRARY

Sondrio, lungo Mallero Armando Diaz 18 - tel. +39 0342 562 270  
 www.pops.bibliotecareदारo.it - info@pops.bibliotecareदारo.it



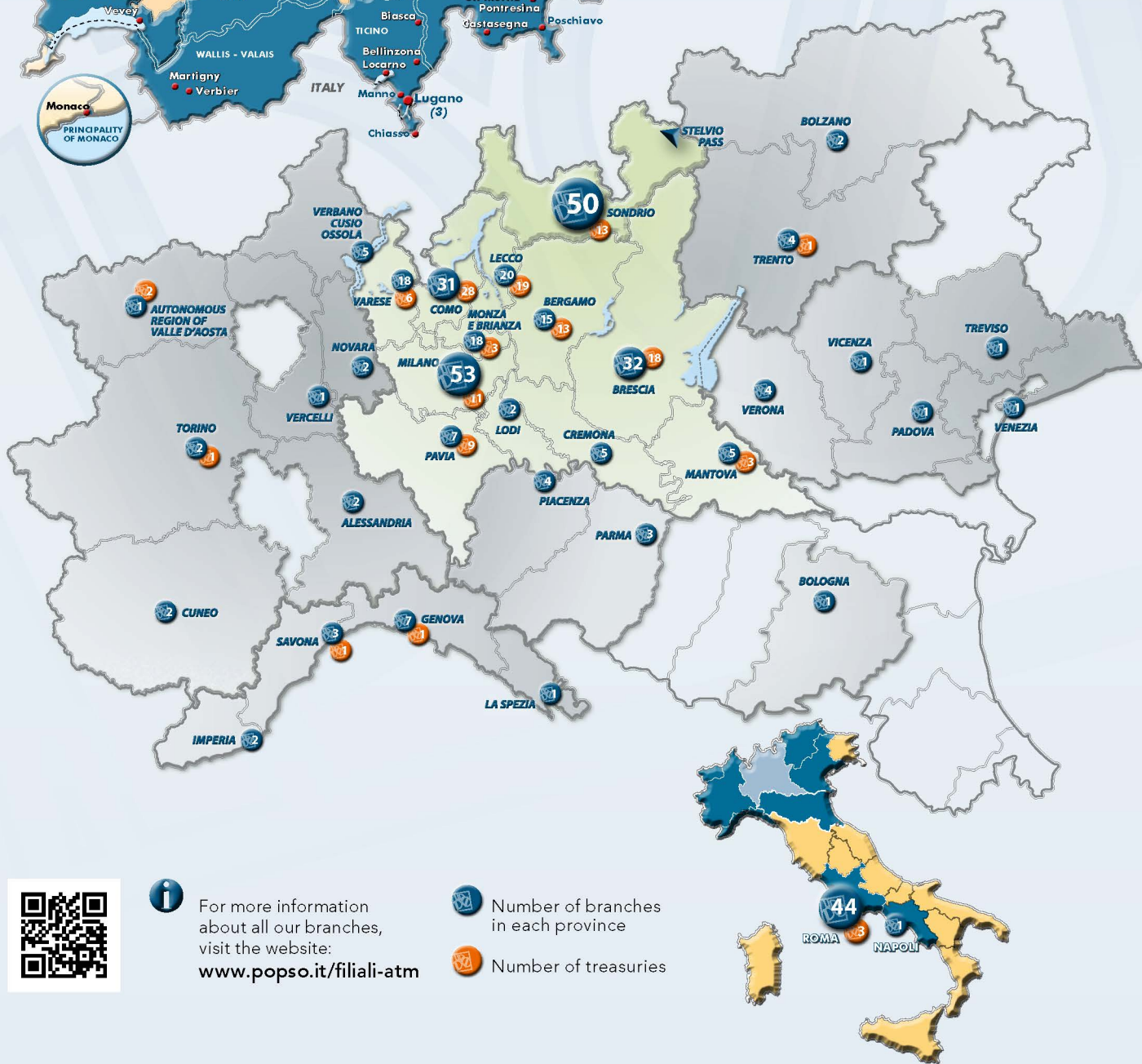
# THE BANKING GROUP IN



## BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

OPERATING IN THE SWISS TERRITORY IT HAS 20 OFFICES IN 8 CANTONS, AS WELL AS THE REPRESENTATIVE OFFICE IN VERBIER, THE DIRECT BANKING VIRTUAL BRANCH IN LUGANO AND THE MONACO BRANCH OUTSIDE SWITZERLAND IN THE PRINCIPALITY OF THE SAME NAME.



**i** For more information about all our branches, visit the website: [www.popso.it/filiali-atm](http://www.popso.it/filiali-atm)

**50** Number of branches in each province  
**10** Number of treasuries

# IL GRUPPO BANCARIO



# THE HEART OF THE ALPS



**Banca Popolare  
di Sondrio**

FONDATA NEL 1871

## BRANCHES by province:

- 50 SONDRIO and 13 Treasuries
- 2 ALESSANDRIA
- 15 BERGAMO and 13 Treasuries
- 2 BOLZANO
- 32 BRESCIA and 18 Treasuries
- 31 COMO and 28 Treasuries
- 5 CREMONA
- 2 CUNEO
- 7 GENOVA and 1 Treasury
- 2 IMPERIA
- 20 LECCO and 19 Treasuries
- 2 LODI
- 5 MANTOVA and 3 Treasuries
- 53 MILANO and 11 Treasuries
- 18 MONZA E BRIANZA and 3 Treasuries
- 2 NOVARA
- 3 PARMA
- 7 PAVIA and 9 Treasuries
- 4 PIACENZA
- 44 ROMA and 3 Treasuries
- 3 SAVONA and 1 Treasury
- 2 TORINO and 1 Treasury
- 4 TRENTO and 1 Treasury
- 18 VARESE and 6 Treasury
- 5 VERBANO CUSIO OSSOLA
- 4 VERONA
- 1 in BOLOGNA, LA SPEZIA, NAPOLI, PADOVA, TREVISO, VENEZIA, VERCELLI and VICENZA
- 1 in the Autonomous Region of Valle d'Aosta and 2 Treasuries

## DESKS ABROAD C/O EXTERNAL PARTNERS:

- ARGENTINA (Buenos Aires and Mendoza) • AUSTRALIA (Perth and Sydney) • BELGIUM (Brussels) • BRAZIL (Belo Horizonte and Sao Paulo) • BULGARIA (Sofia) • CANADA (Toronto and Vancouver) • CHILE (Santiago) • CHINA (Hong Kong and Shanghai) • CZECH REPUBLIC (Prague) • DENMARK (Aarhus) • DOMINICAN REPUBLIC (Santo Domingo) • EGYPT (Cairo) • GERMANY (Frankfurt) • GREECE (Athens) • GUATEMALA (Guatemala City) • HUNGARY (Budapest) • INDIA (Mumbai) • ISRAEL (Tel Aviv) • JAPAN (Tokyo) • LUXEMBOURG (Luxembourg) • MALTA (Valletta) • MEXICO (Mexico City) • MONGOLIA (Ulaanbaatar) • NETHERLANDS (Amsterdam) • PERU (Lima) • POLAND (Warsaw) • PORTUGAL (Lisbon) • REPUBLIC OF MOLDOVA (Chisinau) • ROMANIA (Bucharest) • RUSSIA (Moscow) • SERBIA (Belgrade) • SINGAPORE (Singapore) • SOUTH AFRICA (Johannesburg) • SOUTH KOREA (Seoul) • SPAIN (Madrid) • SWEDEN (Stockholm) • THAILAND (Bangkok) • TUNISIA (Tunis) • TURKEY (Istanbul) • UNITED ARAB EMIRATES (Dubai) • UNITED KINGDOM (London) • UNITED STATES OF AMERICA (Chicago, Los Angeles and Miami) • UZBEKISTAN (Tashkent) • VIETNAM (Ho Chi Minh City)



Factoring – working capital solutions,  
credit risk protection and accounts  
receivable book-keeping

### Branch offices in:

- MILANO • TORINO • PADOVA
- BOLOGNA • ROMA • PALERMO

and a network of foreign correspondents  
in over 90 countries. Operating at Banca  
Popolare di Sondrio's branches and at its  
partner banks' counters.

### Headquarter:

Milano, via Cino del Duca 12

[www.factorit.it](http://www.factorit.it)  
[info@factorit.it](mailto:info@factorit.it)



Personal loans collateralized  
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Agency in Financial Activities  
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Headquarter: Roma, via Baldo degli Ubaldi 267  
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Bormio - SO

Holiday Apartments  
Bormio - SO

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- "Chalet Felse" Apartments  
(CIR: 014009-REC-00018)

Isolaccia Valdidentro - SO  
• "Pirovano - Valdidentro" Apartments  
(CIR: 014071-CIM-00053/54)

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# INFORMATION ON OPERATIONS

***Note.** The amounts contained in this interim report on operations are represented using the euro as the accounting currency; comparisons in percentage terms refer for the balance sheet part to the homogenous data at the end of 2021 and for the income statement part to the homogenous data at 30 June 2021; any exceptions are explained.*

*Because most of the figures in the text and tables are rounded to the nearest million or thousand euro, the percentages may differ marginally from those that would result from a comparison of the same amounts expressed in different units.*



# INTERIM REPORT ON OPERATIONS AS AT 30 JUNE 2022

## INTRODUCTION

The consolidated half-year financial report for the six months ended 30 June 2022 was prepared in compliance with article 154-ter, paragraphs 2, 3 and 4, of Legislative Decree No. 58 of 24 February 1998, in accordance with the recognition and measurement criteria set forth in the IAS/IFRS adopted by the European Community and in force today, as specified in the notes.

The condensed half-year consolidated financial statements have been prepared in accordance with IAS 34.

In implementation of the aforementioned discipline, the half-year report gives priority to information at the consolidated level. Given the importance of Banca Popolare di Sondrio s.p.a. within the Group, extensive references to its activities have been maintained.

In the reporting period, the accounting principles adopted remained unchanged from the previous year, except for the adoption of the amendments that came into force during the period.

## THE BANCA POPOLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

*Parent Company:*

Banca Popolare di Sondrio s.p.a. - Sondrio

*Group Companies:*

Banca Popolare di Sondrio (SUISSE) SA - Lugano CH.

The Parent Company holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, 180,000,000 CHF, which is fully paid-up.

Factorit spa - Milan.

The Parent Company holds the entire capital of Factorit spa, 85,000,002 euro.

Sinergia Seconda srl - Milan.

The Parent Company holds all the capital of Sinergia Seconda srl, 60,000,000 euro.

Banca della Nuova Terra spa - Sondrio

The Parent Company holds all the capital of Banca della Nuova Terra spa, 31,315,321 euro.

PrestiNuova srl - Agenzia in Attività Finanziaria - Rome.

Banca della Nuova Terra spa holds all the capital of PrestiNuova srl - Agenzia in Attività Finanziaria, 100,000 euro.

Popso Covered Bond srl - Conegliano (Tv).

The Parent Company holds 60% of the capital of Popso Covered Bond srl, 10,000 euro.



## CONSOLIDATED EQUITY INVESTMENTS:

Company Name	Head office	Share capital (in thousands)	Held %
Banca Popolare di Sondrio (Suisse) SA	Lugano	(CHF) 180,000	100
Factorit spa	Milan	85,000	100
Sinergia Seconda srl	Milan	60,000	100
Banca della Nuova Terra spa	Sondrio	31,315	100
Pirovano Stelvio spa*	Sondrio	2,064	100
Servizi Internazionali e Strutture Integrate 2000 srl*	Milan	75	100
Immobiliare San Paolo srl*	Tirano	10**	100
Immobiliare Borgo Palazzo srl*	Tirano	10**	100
PrestiNuova srl	Rome	100***	100
Rent2Go srl*	Bolzano	12,050	100
Popso Covered Bond srl	Conegliano V.	10	60

\* equity investments not included in the banking group

\*\* held by Sinergia Seconda srl

\*\*\* held by Banca della Nuova Terra spa

Pursuant to IFRS 10, the Centro delle Alpi Real Estate fund is also fully consolidated.

## EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD:

Company Name	Head office	Share capital (in thousands)	Held %
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Arca Holding spa	Milan	50,000	34.715
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Sgrpa	Milan	5,200	19.600
Sofipo SA *	Lugano	(CHF) 2,000	30.000
Rajna Immobiliare srl	Sondrio	20	50.000

\* held by Banca Popolare di Sondrio (Suisse) SA

For more details on how equity investments are presented in the financial statements, please refer to the notes under «Scope and methods of consolidation».



## SUMMARY OF RESULTS

(in millions of euro)

<b>Balance sheet figures</b>	<b>30/06/2022</b>	<b>31/12/2021</b>	<b>Var. %</b>
Loans to customers	33,271	31,059	7.12
Loans and receivables with customers measured at amortised cost	32,870	30,625	7.33
Loans and receivables with customers measured at fair value through profit or loss	401	434	-7.50
Loans and receivables with banks	3,398	3,276	3.71
Financial assets that do not constitute loans	13,276	13,704	-3.12
Equity investments	339	339	0.14
Total assets	54,661	55,016	-0.65
Direct funding from customers	38,215	39,304	-2.77
Indirect funding from customers	37,398	40,982	-8.75
Direct funding from insurance premiums	1,946	1,909	1.90
Customer assets under administration	77,558	82,195	-5.64
Other direct and indirect funding	19,274	19,760	-2.46
Equity	3,294	3,270	0.71
<b>Income statement figures*</b>	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>Var. %</b>
Net interest income	320	264	21.31
Total income	484	505	-4.17
Profit from continuing operations	154	193	-20.23
Profit (Loss) for the period	105	137	-23.14
<b>Capital ratios</b>	<b>30/06/2022</b>	<b>31/12/2021</b>	
CET1 Capital ratio	15.18%	15.78%	
Total Capital ratio	17.85%	18.88%	
Free capital	2,054	2,181	
<b>Other information on the banking group</b>	<b>30/06/2022</b>	<b>31/12/2021</b>	
Number of employees	3,408	3,392	
Number of branches	370	370	

\* The ratios indicated were calculated using the figures shown in the table commenting on the income statement.

## ALTERNATIVE PERFORMANCE INDICATORS (CONSOLIDATED)

<b>Key ratios</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
Equity/Direct funding from customers	8.62%	8.32%
Equity/Loans to customers	9.90%	10.53%
Equity/Financial assets	24.81%	23.87%
Equity/Total assets	6.03%	5.94%
<b>Profitability indicators</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
Cost/Income ratio*	52.90%	48.35%
Net interest income/Total income	66.14%	52.25%
Administrative expenses/Total income	53.97%	49.25%
Net interest income/Total assets	0.59%	0.50%
Net financial income/Total assets	0.81%	0.86%
Profit for the year/Total assets	0.19%	0.26%
<b>Asset quality indicators</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
NPL ratio	5.24%	5.82%
Texas ratio	23.37%	25.83%
Net bad loans/Equity	5.77%	5.88%
Net bad loans/Loans to customers	0.57%	0.62%
Loans to customers/Direct funding from customers	87.06%	79.02%
Cost of credit	0.26%	0.43%

The ratios were calculated using the figures shown in the summary reclassified income statement.  
Cost/Income ratio: the ratio between operating costs and total income.

Texas ratio: the ratio between non-performing loans and the equity net of intangible assets.

Cost of credit: ratio of net adjustments/reversals of impairment losses on loans in the income statement to total loans and advances to customers.

\* The cost/income before stabilisation charges for the banking system was 61.22% compared to 55.22%

## INTERNATIONAL ASPECTS

Since the first quarter of the year, there has been a significant slowdown in the growth of the global economy, albeit with differentiated dynamics in the various areas. Among the factors that have weighed most heavily are the worsening epidemiological situation and Russia's invasion of Ukraine, with effects here too differentiated between the different countries, also depending on the degree of interdependence of their economies on those of the belligerents. In the meantime, inflation continued to rise, driven in particular by the relentless increases in energy prices, gas in the lead, whose flows to Europe were progressively affected by the events of the war and the sanctions imposed on Russia.

International trade deteriorated, with momentum in the first three months of the year falling to 1.2% compared to 2.8 in the last quarter of 2021.

In the US, the change in GDP as of 31 March was down 1.6%, with a gradual slowdown in momentum. This was accompanied by an inflationary flare-up, which exceeded 9% as at 30 June.

China advanced by 4.8% in the first quarter of the year, but then had to deal with some negative factors, including the resurgence of Covid and the consequences of the severe restrictive measures put in place to contain the pandemic.

The euro area recorded an increase in GDP of 0.6% in the first three months of the year. The events of the war soon made their effects felt, dampening growth. Rising commodity prices, dragged up by energy prices, led to new inflation peaks, which reached 8.6% in June, a level unimaginable only a short time ago. Concerns about the actual availability in the coming months of the energy sources – gas in the lead – on which the production system relies have grown in tandem with the diminishing reasonable hope of a short-term end to the conflict that has erupted in the heart of Europe. Most at risk are those economies heavily based on manufacturing and largely dependent on gas from Russia.

As far as monetary policies are concerned, while the Federal Reserve raised official rates on three occasions (+25 bp in March, +50 bp in May and +75 bp in June) bringing Fed Funds into the 1.50-1.75% corridor, the ECB, at its meeting on 9 June 2022, decided to leave interest rates unchanged, but announced a gradual upward path and set 1 July as the end of net purchases under the financial asset purchase programme.

## **THE REFERENCE SCENARIO FOR OUR GROUP**

### **Italy**

After posting only fractionally positive growth in the first quarter of the year (0.1%), Italy, despite rising energy costs and difficulties for many sectors in finding adequate supplies, achieved a GDP expansion of 1% in the second quarter. This was due, in particular, to the sustained dynamic of the services sector, which benefited from the gradual disappearance of measures to combat the spread of the epidemic. In particular, the tourism and transport sectors recovered strongly.

Household consumption, after a contraction in the first months of the year, returned to growth, but the propensity to save remained high.

In the second quarter of the year, industrial production grew by around 1.5%, although with signs of a slowdown in the latter period. The investment dynamic also seems to have lost momentum, due, above all, to the difficulties so far caused by the war in Ukraine and the continuing serious uncertainty about future developments in the conflict.

As is well known, inflation (+8.5% at the end of the first half of the year) reached new and worrying highs, driven by very significant increases in energy goods, which were then passed on to food and service prices. The so-called energy-intensive companies and poorer households in particular have been penalised, in whose favour government measures have come to mitigate the burden of energy price increases.

### **The Swiss Confederation**

The year 2022 got off to a positive start for the Swiss economy, with GDP growth of 0.5% in the first quarter. Progress was also recorded in the

following months, albeit less dynamically than expected. International events, in particular the consequences of the conflict in Ukraine, weighed heavily. Increased uncertainties, supply difficulties and price trends, especially for raw materials, have in fact led to a certain slowdown.

The development of the Swiss economy between now and the end of the year will be strongly influenced by the general dynamics of the country's main trading partners. A possible recession in Europe, possibly caused by serious problems in energy supplies, could also have significant consequences in Switzerland.

## THE ITALIAN BANKING MARKET

Although rekindled inflation is absolutely bad news for the economy, all the more so when exacerbated by a war conflict such as the current one, it nevertheless promises, for the banks, some benefit to a net interest income depressed, over long years, by the immobility, sometimes even negative values, of market rates.

In order to counter the rise in prices, following its US counterpart, the ECB, after the end of the half-year, raised its benchmark interest rate for the first time since 2011, by 50 basis points instead of the pre-set 25. On these expectations, the yield on interest-bearing assets of Italian institutions had already risen to 1.91% in June from 1.78% in the same month of 2021. The cost of funding from households and non-financial corporations remained substantially stable – 0.44% from the previous 0.46 –; the spread thus increased from 1.32% to 1.47%.

Less favourable, however, was the evolution of volumes, in measures adjusted, as usual, to take account of technical phenomena such as securitisation.

The aforementioned funding, which was growing at around 7% last year, has now slowed down to 2.4%: a less severe drop in bonds (from -6.8 to -5.2%) was countered by a significant slowdown in deposits (from +9% to +3.3).

Lending – again to households and non-financial companies – fared better, growing by 3.3%, not much less than twelve months earlier (+3.9%).

While waiting to record the impact, especially on the productive sector, of the recent simultaneous slowdown in economic activity and soaring energy costs (so-called «stagflation»), the limited effect of the protracted pandemic crisis in terms of deterioration of credit disbursed is confirmed. Net of disposals and write-downs made, the incidence of bad loans fell further, from 1.04% in May 2021 to 0.93 in the same month this year.

The reassuring trend, favoured by the new government aid linked to the Ukrainian conflict, is confirmed by the ABI updated estimates of the general NPL ratio, which, net of adjustments, would see its expected peak in 2023, at 2.2%, much lower than the 2.9% forecast a year ago for 2022, which should instead close one point lower, at 1.9%.

As mentioned above, the income statement for the year will benefit from a recovery in net interest income, which will once again outweigh the expected asphyxiation of other revenues. The operating result will then

further benefit from the continued decline in operating costs, with the effects of staff reductions prevailing over those of additional investments: no longer only in the area of technology, but increasingly also in the area of sustainability.

In spite of the expected increase in loan adjustments, which, however, have been partly postponed, as mentioned, to 2023, net profit could therefore replicate, by exceeding 10 billion euro, the result that, even stripping out extraordinary items from the official figure of 22 billion euro, made 2021 an exceptional year in the recent past of our banks.

A result, however, which, reflected in a ROE in the region of 5%, and now conditioned by the many uncertainties of domestic, as well as international, politics, cannot in any case declare the arduous path of recovery of domestic banking profitability to be complete.

## FUNDING

The positive trend in bank deposits continued in the first half of the year under review, albeit at lower levels than in the recent past. Once again supporting the positive trend were the deposits of households and businesses. The medium- to long-term component of bonds declined.

The cost of funding is still at low levels, helped by the ECB continued accommodative monetary policy, which is gradually proceeding with the process of monetary normalisation during the period.

As for our Group, as at 30 June 2022, direct customer deposits, comprising balance sheet liability items 10b «due to customers» and 10c «securities issued», totalled 38,215 million euro, -2.77% compared to the end of 2021 and +3.40% over twelve months; the average year-on-year figure, however, shows a fair increase. The high liquidity resulting from the stock of deposits always forces large daily deposits with the ECB at negative rates.

Indirect customer deposits amounted to 37,398 million euro, down 8.75% from end-2021. Direct funding from insurance premiums increased to 1,946 million, +1.90%.

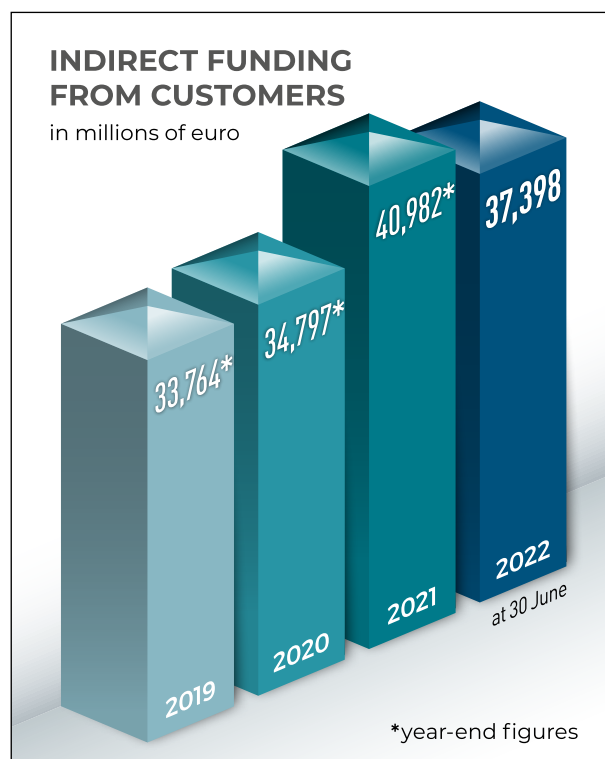
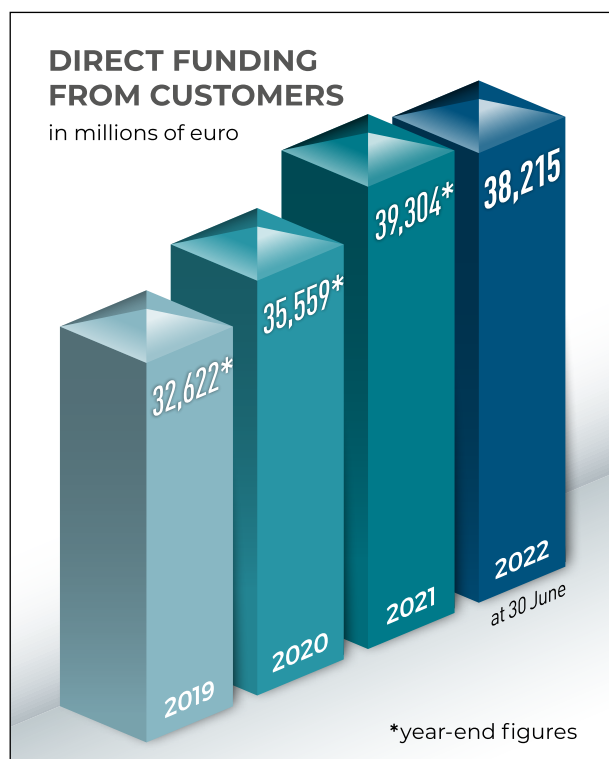
Total funding from customers therefore amounted to 77,558 million, -5.64%.

Amounts due to banks were 10,710 million euro, -1.51%. The aggregate includes outstanding refinancing operations with the European Central Bank in the amount of 8,874 million euro. This is discussed in the chapter on securities and treasury activities.

Indirect funding from banks amounted to 8,563 million euro, -3.62%.

Total funding from customers and banks amounted to 96,832 million, -5.02%.

The table «Consolidated direct funding from customers» shows the various components in detail. Current accounts in euro and foreign currency amounted to 33,490 million, -3%, and make up 87.63% of all direct funding. Bonds decreased by 6.36%, to 3,346 million. Savings deposits added up to 558 million, +2.86%. Time accounts accounted for 42 million, -88.17%. Repos, which were not present as at 31 December 2021, amounted to 412 million



## CONSOLIDATED DIRECT FUNDING FROM CUSTOMERS

(thousands of euro)	30/06/2022	Compos. %	31/12/2021	Compos. %	Change %
Savings deposits	557,510	1.46	542,024	1.38	2.86
Bonds	3,346,176	8.76	3,573,400	9.09	-6.36
Repo transactions	412,108	1.08	-	-	-
Bank drafts and similar	190,150	0.50	126,901	0.32	49.84
Current accounts	30,077,441	78.70	31,553,224	80.28	-4.68
Time deposit accounts	41,668	0.11	352,260	0.90	-88.17
Current accounts in foreign currency	3,413,021	8.93	2,972,806	7.56	14.81
Lease liabilities	176,990	0.46	183,170	0.47	-3.37
<b>Total</b>	<b>38,215,064</b>	<b>100.00</b>	<b>39,303,785</b>	<b>100.00</b>	<b>-2.77</b>

## CONSOLIDATED TOTAL FUNDING

(thousands of euro)	30/06/2022	Compos. %	31/12/2021	Compos. %	Change %
Direct funding from customers	38,215,064	39.47	39,303,786	38.55	-2.77
Indirect funding from customers	37,397,543	38.62	40,981,667	40.20	-8.75
Direct funding from insurance premiums	1,945,688	2.01	1,909,353	1.87	1.90
<b>Total</b>	<b>77,558,295</b>	<b>80.10</b>	<b>82,194,806</b>	<b>80.62</b>	<b>-5.64</b>
Due to banks	10,710,309	11.06	10,874,856	10.67	-1.51
Indirect funding from banks	8,563,289	8.84	8,884,756	8.71	-3.62
<b>Grand total</b>	<b>96,831,893</b>	<b>100.00</b>	<b>101,954,418</b>	<b>100.00</b>	<b>-5.02</b>

euro. Bank drafts added up to 190 million, +49.84%. Lease liabilities, recognised in accordance with IFRS 16, amounted to 177 million euro, -3.37%.

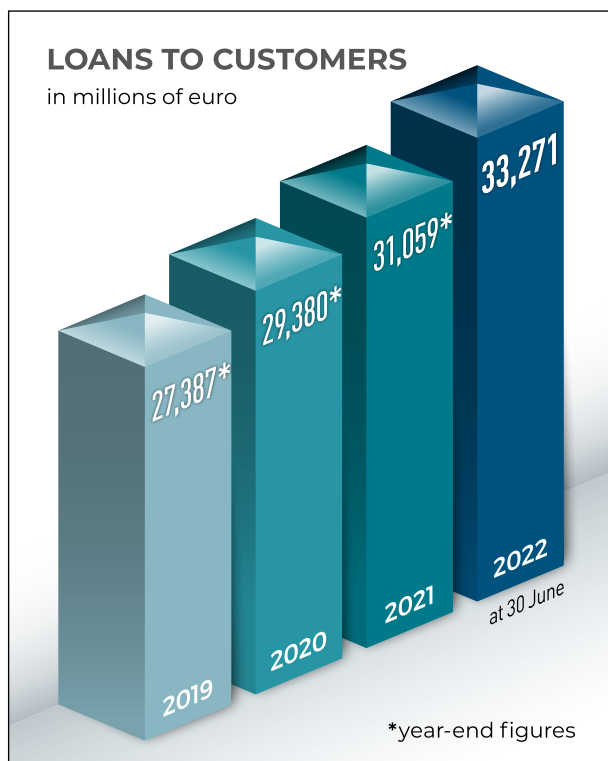
As regards asset management, please see the chapter on treasury and trading activities.

## LOANS TO CUSTOMERS

In the first half of the year, the moderately positive trend in corporate lending continued. The growth in loans to households mainly concerned mortgages for house purchases. Consumer credit also regained momentum. Supply conditions remained favourable, also in connection with the continued expansionary monetary policy. The flow of new non-performing loans in relation to total loans was also stable.

On the subject of loans to customers, we reiterate the significant support provided to households and businesses in the contingent economic-financial crisis situation that began with the Covid-19 pandemic and continued with geopolitical tensions in Ukraine and the concomitant inflationary spiral. The Parent Company promptly activated, from March 2020, a series of interventions for the benefit of the customers and territories that we serve. This was both in compliance with the government measures introduced mainly by the «Cura Italia» Decree and the Liquidity Decree, and the ABI initiatives promoted at banking system level, as well as on a voluntary basis for certain categories of customer and types of contract that, in most cases, did not qualify for the other forms of assistance mentioned above. The main initiatives include the granting of moratoria/suspensions on loans granted for the benefit of households and businesses: as of March 2020, there have been over 24 thousand cases of forbearance for a residual debt in terms of principle of approximately 4,750 million, mostly attributable to the Cura Italia Decree in support of SMEs (58% of residual debt) and to households (18% of residual debt). These cases of forbearance have expired and customers have substantially resumed regular payment of their instalments. Also worth noting in the initial stages of the emergency, the immediate activation of measures to buffer liquidity needs resulting from the limits on business operations imposed by the Authorities. This involved short-term personal loans and temporary cash lines to replace unused self-liquidating credit lines, as well as loans and rescheduling payments of sector contributions for professionals enrolled in pension funds that have special agreements with the Parent Company. There was then our adhesion to the agreement to regulate the granting of advances of the sums due by INPS to workers in the Redundancy Fund as a result of the health emergency. Subsequently, with the introduction in April 2020 of the Liquidity Decree, all types of financing were activated for the benefit of the companies envisaged in art. 13 (Central Guarantee Fund for SMEs) and art. 1 (SACE). Particular emphasis is placed on the substantial numbers relating to the loans referred to in art. 13: overall, at 30 June 2022, there were nearly 23 thousand proposals approved for a total of 2,776 million, including loans fully guaranteed by the State for an amount up to 30,000 euro (more





than 16,000 cases for around 330 million), also put in place through Confidi, mainly in the province of Sondrio, and ISMEA. In addition, various surveys were carried out to identify the economic sectors worst hit by the crisis, with in-depth analyses at the level of the loan portfolio of individual geographical areas, and assessments were performed on the quality of the Parent Company's portfolio and the ability of customers to meet their financial commitments in a context of uncertainty such as the current one. Moreover, ordinary lending to cover the financial needs of businesses and households has continued, confirming the focused attention paid to serving our local community.

Also worthy of mention is the recent agreement that the Parent Company signed with the EIB-European Investment Bank Group concerning a synthetic securitisation operation on a portfolio of loans granted to companies, aimed at achieving one of the European Institute

objectives, i.e. facilitating access to credit by companies, especially small ones.

For our Group, loans totalled 33,271 million euro, an increase of 7.12% compared to 31 December 2021 and 7.17% compared to 30 June 2021. The ratio of loans to customers/direct customer deposits stood at 87.06%, compared to 79.02% in the previous year. The different technical forms contributed to the dynamics of lending to varying degrees and with contrasting trends. Said items are equal to the sum of the loans included in item «40. financial assets measured at amortised cost – b) loans and receivables with customers» and item «20. financial assets measured at fair value through profit or loss – c) other financial assets mandatorily measured at fair value». Mortgage loans rose discreetly, +4%, to 12,529 million euro, and with 37.65% of the total constituted the largest component of loans to customers. They also include assets sold but not derecognised in connection with the issue of covered bonds, which were not derecognised as they did not meet the requirements of IFRS 9 for derecognition. This is followed by other transactions and unsecured loans of 10,532 million, +5.80%, corresponding to 31.66% of loans. Factoring operations performed well, +14.72% to 3,141 million. Current accounts, up 16.79% to 3,553 million euro, advances, up 30.55% to 590 million euro, and advances subject to collection, up 13.98% to 259 million euro, performed well. Personal loans also increased, +5.67% to 481 million euro, and foreign currency loans, +7.25% to 1,274 million euro. Fixed-yield securities amounted to 710 million, -5.29%, and relate to customer loan securitisations carried out by the investee companies Banca della Nuova Terra spa and Alba Leasing spa, also including the securities issued, as part of the sale of NPLs, by SPV Diana, POP NPLS 2020 and POP NPLS 2021.



## LOANS TO CUSTOMERS

(thousands of euro)	30/06/2022	Compos. %	31/12/2021	Compos. %	Change %
Current accounts	3,553,447	10.68	3,042,574	9.80	16.79
Foreign currency loans	1,273,983	3.83	1,187,859	3.82	7.25
Advances	589,812	1.77	451,802	1.45	30.55
Advances subject to collection	259,121	0.78	227,339	0.73	13.98
Discounted portfolio	2,125	0.01	2,225	0.01	-4.49
Agricultural loans	9,847	0.03	11,239	0.04	-12.39
Personal loans	481,069	1.45	455,266	1.47	5.67
Other unsecured loans	10,532,265	31.66	9,954,436	32.05	5.80
Mortgage loans	12,529,127	37.65	12,047,330	38.79	4.00
Bad loans	190,111	0.57	192,290	0.62	-1.13
Factoring	3,140,649	9.44	2,737,778	8.81	14.72
Fixed-yield securities	709,551	2.13	749,180	2.41	-5.29
<b>Total</b>	<b>33,271,107</b>	<b>100.00</b>	<b>31,059,318</b>	<b>100.00</b>	<b>7.12</b>

Gross non-performing loans decreased by 3.88%, from 1,876 million euro to EUR 1,803 million euro, or 5.24% of total gross loans compared to 5.82% at the end of 2021 (NPL ratio). Net non-performing loans decreased to 761 million euro, -9.09%, compared to 837 million euro as at 31 December 2021; in the previous year, a reduction of 23.38% was recorded. The aggregate is 2.29% (2.69% at 31 December 2021) of loans to customers. The contraction is partly due to the policy of strengthening the structures in charge of granting, managing and monitoring credit. The total adjustments recorded for non-performing loans total 1,042 million, +0.30%, representing 57.81% of the gross amount compared with 55.39% last year.

The adjustments for the period were lower than in the comparison period. Net bad loans, adjusted for write-downs, amounted to 190 million euro, practically stable, -1.13% (-44.39% in December 2021), corresponding to 0.57% of total loans to customers, compared to 0.62% at 31 December 2021. Net bad loans stood at lower percentages than those of the system. As is now customary, adjustments made in application of prudential valuation criteria, especially on positions backed by collaterals consisting of real estate, were still substantial, albeit decreasing. The adjustments to cover estimated losses on bad loans went from 544 million to 578 million, +6.14%, representing 75.24% of the gross amount of such loans compared with 73.90% in the previous year. The coverage percentage is in line with the highest nationwide. Considering the amounts written off in prior years against bad loans that are still tracked by the Bank, in view of possible future recoveries, the coverage of such loans amounts to 90.41%.

Probable defaults, consisting of credit exposures other than bad loans and for which it is judged unlikely that the debtor, without recourse to protective actions such as the enforcement of guarantees, will fulfil its obligations in full, decreased, net of write-downs, to 512 million, -13.17%, corresponding to 1.54% of total loans to customers, compared to 1.90% in the previous year. The related adjustments, with the current coverage ratio of 47.21%, amounted to 458 million, -5.78% on the comparative period, when they amounted to 486 million; the coverage ratio was 45.18% last year. The

decrease in the number of probable defaults is attributable both to the reallocation of the most risky positions to bad loans and to higher collections.

Non-performing past due exposures that, at the reference date, are past due and/or overdrawn for more than 90 days and exceed a pre-determined materiality threshold amounted to 59 million euro, +6.77%, with a coverage ratio of 10.59%, corresponding to 0.18% of total loans to customers as in the previous year.

Performing loans amounted to 32,510 million euro, +7.57%, and the related provisions amounted to 116 million euro compared to 118 million euro, or 0.36%, compared to 0.39% in the previous year. Adjustments totalled 1,159 million overall, +0.12%.

Even though from a technical point of view they do not fall under customer loans, but according to the Bank of Italy's instructions are classified as other assets, it should not be overlooked to emphasise the intense activity that has been carried out in the area of acquiring customer tax credits linked to the various concessions introduced to support the recovery. As at 30 June, tax credits of this nature amounting to 1,026 million were in the financial statements.

## NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		30/06/2022	31/12/2021	Absolute changes	Changes %
<b>Non-performing loans</b>	Gross exposure	1,803,110	1,875,969	-72,859	-3.88
	Loan loss adjustments	1,042,329	1,039,163	3,166	0.30
	<b>Net exposure</b>	<b>760,781</b>	<b>836,806</b>	<b>-76,025</b>	<b>-9.09</b>
Bad loans	Gross exposure	767,904	736,657	31,247	4.24
	Loan loss adjustments	577,793	544,367	33,426	6.14
	<b>Net exposure</b>	<b>190,111</b>	<b>192,290</b>	<b>-2,179</b>	<b>-1.13</b>
Unlikely-to-pay loans	Gross exposure	969,108	1,074,758	-105,650	-9.83
	Loan loss adjustments	457,540	485,596	-28,056	-5.78
	<b>Net exposure</b>	<b>511,568</b>	<b>589,162</b>	<b>-77,594</b>	<b>-13.17</b>
Non-performing past due exposures	Gross exposure	66,098	64,554	1,544	2.39
	Loan loss adjustments	6,997	9,200	-2,203	-23.95
	<b>Net exposure</b>	<b>59,101</b>	<b>55,354</b>	<b>3,747</b>	<b>6.77</b>
<b>Performing loans</b>	Gross exposure	32,626,802	30,340,809	2,285,993	7.53
	Loan loss adjustments	116,476	118,297	-1,821	-1.54
	<b>Net exposure</b>	<b>32,510,326</b>	<b>30,222,512</b>	<b>2,287,814</b>	<b>7.57</b>
<b>Total loans and receivables with customers</b>	Gross exposure	34,429,912	32,216,778	2,213,134	6.87
	Loan loss adjustments	1,158,805	1,157,460	1,345	0.12
	<b>Net exposure</b>	<b>33,271,107</b>	<b>31,059,318</b>	<b>2,211,789</b>	<b>7.12</b>

## TREASURY AND TRADING OPERATIONS

In the second quarter of 2022, international financial markets were characterised by a particularly negative trend, in a context where the trends of the first months of the year strengthened. This drove both stock and bond markets to one of the worst half-years in decades. The dynamics that have most affected activity are to be found in the persistent threat of the pandemic, the continuation

of the Russia-Ukraine war, and the resurgence of inflation, which is close to double digits and thus at its highest level in 40 years in the major world regions.

In the US, the framework outlined above severely impacted corporate earnings growth prospects and resulted in a further deterioration of investor sentiment, which led to a marked decline in equity markets (-16% in the quarter) and extended losses since the beginning of the year (-21%). Volatility has consistently remained at historically high levels, albeit far from peaks.

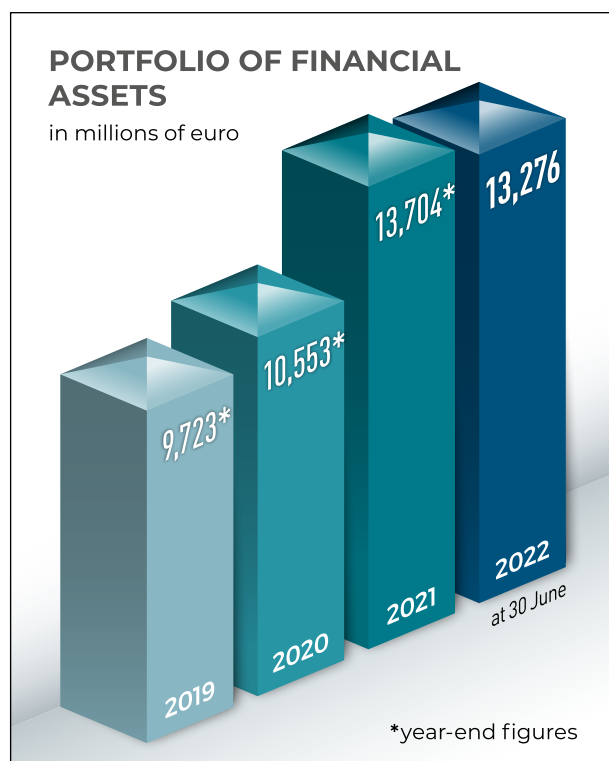
In Europe, the effect on the stock markets was also extremely significant, with a quarterly drop in the order of 11% (-20% since the beginning of the year). Evidently, geographic and economic proximity to the conflict countries also played a role, with the heavy uncertainty of energy dependence on Moscow.

In Japan, the stock exchange often moved against the trend and outperformed other international markets (-5% in the quarter and -8% in 2022), helped by the weakness of the yen (at its lowest level since 1998 against the dollar) which favoured export-oriented companies.

The first half of the year ended with a very negative performance of the money and bond markets, among the heaviest in history, against a backdrop of extraordinary tensions, due to the very determined responses of the central banks in combating the inflationary flare-up. This led to a veritable sell-off in the markets, which pushed government yields to multi-year highs: the US ten-year at 3.50% (highest since 2011), Germany 1.90% (2013) and Italy 4.20% (2013). In the latter part of the half-year, rates fell sharply, reflecting the market's greater concern about the risk of recession rather than inflation, with 10-year yields ending June in the 3% area in the US, 1.30% in Germany and 3.30% in Italy.

At 30 June 2022, the Parent Company had three T-LTRO loans outstanding with the ECB for a total of 8,874 million. The first transaction was entered into for 4,368 million on 24 June 2020, with a maturity date of 28 June 2023 and an early repayment option from 29 September 2021. The second, for the amount of 806 million, is effective from 24 March 2021, with maturity on 27 March 2024 and early repayment option from 30 March 2022. The third was granted on 29 September 2021 (at the same time as the early repayment of two tranches of, respectively, 1,600 million, maturing in December 2022, and 2,100 million, maturing in March 2023) for 3,700 million, maturing on 25 September 2024 and with the option of early repayment from 29 June 2022. All transactions had a financing rate indexed to the Deposit Facility of -0.50%. That is, until 21 July 2022, when the ECB raised it to 0 (for the period from 24/6/2020 to 23/6/2022 the rate is instead fixed at -1%).

Liquidity, although declining, remained abundant throughout the period under review. The exposure to this risk is monitored both in the short term, taking a 3-month view every day, and over the long term with a monthly check. The ratios required by Basel 3, being the short-term Liquidity Coverage Ratio and the structural Net Stable Funding Ratio, are also calculated. Both are higher than the established minimums. The stock of high quality financial assets eligible for refinancing with the ECB, net of haircuts, amounted to 15,885 million at 30 June, of which 5,906 million free and 9,979 million committed.



Treasury operations still favoured, albeit to a lesser extent than in the first six months of the previous year due to the progressive decrease in deposits, recourse to the Deposit Facility with the ECB, remunerated at -0.50%; conversely, on the electronic repurchase agreement market with institutional counterparties (MMF Money Market Facility), through the Cassa di Compensazione e Garanzia, activity picked up with a marked increase in volumes compared to the same period last year.

At 30 June 2022, the portfolio of financial assets comprising financial instruments other than securitisations totalled 13,276 million, following a decrease of 3.12% compared to 31 December 2021. The following table summarises the various amounts involved and the percentage changes.

### FINANCIAL ASSETS (FIXED-YIELD SECURITIES, EQUITY SECURITIES, MUTUAL FUNDS AND DERIVATIVES) BY PORTFOLIO

(thousands of euro)	30/06/2022	31/12/2021	Change %
Financial assets held for trading	209,742	204,294	2.67
<i>of which, derivatives</i>	68,706	29,280	134.65
Other financial assets mandatorily measured at fair value	730,232	794,286	-8.06
Financial assets measured at fair value through other comprehensive income	2,629,791	3,102,150	-15.23
Financial assets measured at amortised cost	9,705,966	9,602,860	1.07
<b>Total</b>	<b>13,275,731</b>	<b>13,703,590</b>	<b>-3.12</b>

The portfolio as a whole decreased by 3.12% compared to the end of 2021, mainly due to sales of financial assets measured at fair value through other comprehensive income (-15.23%) and of part of the securities held for trading. By contrast, financial assets measured at amortised cost increased slightly (+1.07%).

Operations focused on the component at floating-rate of Italian government securities and, to a lesser extent, on foreign government securities and corporate bonds, mainly ESG (Environmental, Social, Governance).

The total amount of floating-rate and inflation-indexed government bonds was around 6.5 billion euro, up from around 5.7 billion euro at the end of 2021 and down slightly from last quarter.

The financial duration of the government bond portfolio increased compared to 31 December 2021 and stood at 4 years and 10 months, while the modified duration, decreasing due to the high floating-rate component,

stood at 1.77%, substantially in line with the previous quarter. Overall, including bonds (net of securitisation), the modified duration is 2.09%.

### Financial assets held for trading

The trading portfolio, which represents an insignificant part of the total securities portfolio, amounted to 210 million, slightly up +2.67% from 204 million at the end of 2021.

Operations mainly focused on equities and mutual funds (ETF), as well as Italian and US dollar government bonds with a view to currency diversification. As at 30 June 2022, the exposure to fixed-rate and floating-rate Italian government bonds is negligible, while the exposure to foreign currency securities is zero and the derivatives component has more than doubled.

(thousands of euro)	30/06/2022	31/12/2021	Change %
Floating-rate Italian government securities	4,872	-	-
Fixed-rate Italian government securities	4,002	24,255	-83.50
Equity securities	62,793	65,378	-3.95
Mutual funds	69,369	85,381	-18.75
Net book value of derivative contracts	68,706	29,280	134.65
<b>Total</b>	<b>209,742</b>	<b>204,294</b>	<b>2.67</b>

### Other financial assets mandatorily measured at fair value

The financial assets mandatorily measured at fair value amounted to 730 million, down 8.06% from 794 million at the end of 2021.

The portfolio remains mainly concentrated on mutual funds in euro and, to a lesser extent, in foreign currencies. Units in bond ETF are predominant; there are also units in equity, real estate, balanced and flexible ETF.

(thousands of euro)	30/06/2022	31/12/2021	Change %
Bank bonds	15,429	6,433	139.84
Other bonds	33,696	34,681	-2.84
Mutual funds in euro	652,957	719,286	-9.22
Mutual funds in foreign currency (USD)	28,150	33,886	-16.93
<b>Total</b>	<b>730,232</b>	<b>794,286</b>	<b>-8.06</b>

### Financial assets measured at fair value through other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income has decreased significantly overall since the end of 2021, to 2,630 million (-15.23%).

During the period, the exposure to floating rate Italian government bonds was privileged which, although down compared to 31 December 2021 (-17.10%), stood at 1,486 million and represents 56.49% of the sector. The fixed-rate component, especially in Italian government bonds, also declined.

The overall weight of Italian government bonds on the segment stands at 64.47%.

Bank bonds, other bonds and equities show no particularly significant changes in absolute terms.

(thousands of euro)	30/06/2022	31/12/2021	Change %
Floating-rate Italian government securities	1,485,594	1,792,012	-17.10
Fixed-rate Italian government securities	209,746	341,230	-38.53
Foreign government securities	352,307	372,902	-5.52
Bank bonds	334,276	334,020	0.08
Other bonds	147,625	161,284	-8.47
Equity securities	100,243	100,702	-0.46
<b>Total</b>	<b>2,629,791</b>	<b>3,102,150</b>	<b>-15.23</b>

### Financial assets measured at amortised cost

The securities measured at amortised cost, that are classified among the financial assets measured at amortised cost, amounted to 9,706 million, following a rise of 1.07% from 9,603 million at December 2021.

With regard to the composition of the portfolio, we highlight, compared to 31 December 2021, the further net increase in floating-rate Italian government bonds (+53.20%), the decrease in fixed-rate Italian government bonds, especially inflation-linked (-46.43%) and the substantial maintenance of exposures to other sectors. Operations carried out during the period favoured the floating-rate government bond component with the aim of limiting the effects deriving from generalised increases in the yield curve; in addition, investments in bonds that meet the so-called ESG (Environmental, Social and Governance) criteria were still preferred: green bonds, social bonds and sustainability bonds.

(thousands of euro)	30/06/2022	31/12/2021	Change %
<b>LOANS AND RECEIVABLES WITH BANKS</b>	<b>794,889</b>	<b>787,249</b>	<b>0.97</b>
Italian bank bonds	584,835	572,117	2.22
Foreign bank bonds	210,054	215,132	-2.36
<b>LOANS AND RECEIVABLES WITH CUSTOMERS</b>	<b>8,911,077</b>	<b>8,815,611</b>	<b>1.08</b>
Floating-rate Italian government securities	4,592,847	2,997,900	53.20
Fixed-rate Italian government securities	1,635,355	3,052,782	-46.43
Foreign government securities	1,796,910	1,867,113	-3.76
Other public administration bonds	296,606	144,227	105.65
Other bonds	589,359	753,589	-21.79
<b>Total</b>	<b>9,705,966</b>	<b>9,602,860</b>	<b>1.07</b>

### Asset management

In the six months under review, the negative performance of the financial markets was also reflected in the business in the managed segment. After a promising start, the uncertainties related to the macroeconomic and political scenario increased, fuelling an attitude of growing uncertainty among investors, which resulted in a trend showing a major repositioning of portfolios between



the two main asset classes: equities and bonds. Investor preferences shifted mainly towards equity and money market funds, while the bond segment recorded substantial outflows. While overall inflows were positive, albeit declining in the second quarter, the stock declined as a result of market volatility.

For our Group, total assets under management in their various forms amounted to 6,365 million euro as at 30 June 2022, a decrease of 6.35% from 31 December 2021 when they amounted to 6,796 million euro. For 4,595 million euro, -6.99%, they are related to mutual funds, including Popso (SUISSE) Investment Fund Sicav, and for 1,770 million euro, -4.65%, to Group asset management.

## EQUITY INVESTMENTS

At 30 June 2022, investments totalled 339 million, essentially stable.

## TRANSACTIONS WITH ASSOCIATED COMPANIES

(thousands of euro)	Associated companies of the Parent Company		Associated companies of subsidiaries	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
ASSETS	875,385	941,788	72,954	73,237
LIABILITIES	106,862	164,218	18,535	19,384
GUARANTEES AND COMMITMENTS	126,391	230,963	1,365	31,783
Guarantees given	20,435	42,168	711	29,996
Commitments	105,956	188,795	654	1,787

## Related-party transactions

Transactions with related parties are governed by the «Regulation for transactions with related parties» adopted with Consob resolution No. 17221 dated 12 March 2010 and subsequent amendments, pursuant to which the required information is provided below, and by circular letter No. 285/2013 of the Bank of Italy.

Related-party transactions, as identified in accordance with IAS 24 and the Consob Regulation, form part of the Banking Group's ordinary operations and are settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred.

With reference to the disclosure obligations referred to in article 5 of the Consob Regulation, it should be noted that, in the period 1 January-30 June 2022, the following transactions of greater importance with related parties were approved by the competent bodies of the Parent Company:

- Factorit spa, subsidiary company; financial advances 600,000,000 euro revocable; resolution of 28/06/2022;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary company; unsecured loan in non-resident currency of 900,000,000 euro, maturing on 27/05/2023; renewal of credit lines for a total of 2,220,922,000 euro upon revocation; resolutions of 28/06/2022.

In the period 1 January-30 June 2022, no transactions were completed with related parties, neither of greater nor lesser significance, which had a significant impact on the financial position or economic results of the Banking Group. Furthermore, there are no changes and/or developments in the transactions with related parties completed in 2021 – none, however, atypical, unusual or at non-market conditions – that had significant effects on the financial position or results of the Banking Group in the first half of 2022.

It should be noted that transactions or positions with related parties, as classified by the aforementioned IAS 24 and Consob Regulation, have a limited impact on the equity and financial situation, on the economic result and on the cash flows of the Banking Group. In the notes, in the paragraph «Related-party transactions», there is a summary table relating to transactions with related parties.

During H1 2022 and in the current year, no positions or transactions deriving from atypical and/or unusual operations have arisen. According to Consob Circular DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are those – not arising in the ordinary course of business – that may raise doubts about the completeness of the disclosures in the financial statements, conflicts of interests, the protection of the corporate assets or the safeguarding of the shareholders, by virtue of their magnitude, the nature of the counterparties, the methods for determining the transfer price or the timing of the transaction.

## **PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS**

Property, equipment and investment property and intangible assets amounted to 677 million compared to 610 million at the end of 2021. The former added up to a total of 639 million euro compared to 579 million euro, +10.35%, and the latter amounted to 38 million euro compared to 31 million euro, +21.36%. Intangible assets include 18.001 million euro related to goodwill, which increased by 5.369 million euro following the initial recognition of goodwill related to Rent2Go Srl (pending the finalisation of the Purchase Price Allocation process), of which the Parent Company acquired the entire share capital on 1 April 2022. For further details in this regard, please refer to the relevant section of the notes. For the goodwill already recognised in the financial statements at 31 December 2021, it was decided not to repeat the impairment tests performed at that date, as no indicators of impairment emerged.

## **OTHER PROVISIONS**

These consist of the severance indemnity (TFR), which decreased from 40 million euro to 34 million euro, and the provisions for liabilities and charges, which added up to 270 million euro, -6.56% from the end of 2021. In particular, there was a sharp increase in the provision for commitments and guarantees given, which rose from 43 million to 55 million, and a marked reduction in the provision for pensions and similar obligations, from 192 million to 164 million, as well as in other provisions for liabilities and charges, which fell from 54 million to 51 million.



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## RISK MANAGEMENT

On 29 June, Banca Popolare di Sondrio proudly presented to the financial community its new Business Plan for the four-year period 2022-2025, the first after the historic transformation of its corporate form at the end of 2021. A plan that, as its accompanying slogan Next Step significantly expresses, builds a bridge to the future, recounting the prospects and renewed ambitions for the development of our more than one hundred-year-old institution, with innovative proposals, but always respectful of a traditional identity made up of sobriety, closeness to the territories, availability to customers, loyalty to its history and distinctive values.

Already in the elaboration of the business strategies, the risk dynamics were carefully weighed to ensure that the targets, although ambitious, were compatible with the bank's maximum risk-taking capacity. The same rigour will be observed in ensuring that the implementation phase keeps our Popolare in the tracks of sound and prudent management, verifying time by time the impacts that the changing environment may cause on business developments.

Speaking of contextual effects, one cannot fail to mention the geo-political event that most marked this first part of the exercise: Russia's invasion of Ukraine. The aggression triggered a serious humanitarian crisis and re-emerged tensions between different areas of the world that had seemed to have been, if not entirely overcome, durably reduced over the past 30 years. The conflict also suddenly worsened the growth prospects of the Italian and world economies, at a time when the damage inflicted by the pandemic cannot yet be said to have been repaired.

Since the start of the crisis, there have been numerous investigations, measurements, and simulations to ascertain the extent of possible internal and operational repercussions for the Group. The reviews will continue in a methodical manner, keeping pace with developments in the war conflict, in order to anticipate the possible consequences on management results and assess the conditions for a revision of the strategic orientations set out in the new Plan.

The Russian-Ukrainian tensions and the related global repercussions have not, however, halted the continuous work of perfecting the organisational, procedural, methodological and instrumental aspects supporting the internal activities of detecting, as reliably and as close to reality as possible, the risks that the bank may incur at an overall level as well as at the level of individual counterparties.

The following is an overview of the salient events that occurred during the six months under review, broken down by each main area of risk.

### **Credit and counterparty risk**

Russia's decision to launch a large-scale military invasion of Ukraine and the reactions of many countries in the world in terms of economic and financial sanctions are leading to a situation of profound uncertainty at the macroeconomic level, affecting exchange rates, energy and commodity costs, trade, inflationary expectations, and the cost of debt. In order to detect potential risk profiles arising from the aforementioned situation and identify concrete mitigation actions, the Group initiated a holistic monitoring activity involving various areas.

From the point of view of credit risk, direct exposures to residents of

Russia, Belarus and Ukraine were found to be very small. As for indirect exposures, i.e. relative to counterparty companies characterised by significant commercial relations with the States involved in the conflict or operating in economic sectors considered more vulnerable to the war event, in-depth studies were conducted that allowed for the identification of a subset of positions – prudentially defined as high risk Ukraine – subject to monitoring and analytical review by the structures in charge of credit management and, subsequently, to the appropriate assessments in terms of classification and staging allocation.

In addition to the financial support provided to businesses and households on an ongoing basis, the tools for identifying the financial difficulties of counterparties and monitoring the risk trends of individual borrowers as well as the entire loan portfolio were expanded and strengthened. For the purpose of analysing, also in a prospective perspective, the risk profile of customers, from this first half of the year, the use of new qualitative indicators, so-called early warning indicators, was introduced, aimed at increasing effectiveness and efficiency in identifying early signs of deterioration linked to the crisis context.

In view of the uncertain aspects that still characterise the reference framework, the Parent Company has also kept a close eye on the trends of prospective macroeconomic scenarios, continuing to analyse the forecast data gradually made available by independent suppliers and renewing these projections on an almost monthly basis.

With regard to the processes for calculating value adjustments on a collective basis, in light of the volatility inherent in the forecasts of future economic-financial dynamics, a series of significant developments were completed that affected all the main aspects of the complex methodological framework for applying the IFRS 9 accounting standard. A number of prudential adjustments (so-called overlays) were also made to the statistical estimates of impairment, in order to ensure a more adequate monitoring of the final results of the models and to introduce greater responsiveness to the context in the quantification of loan impairments. Of particular note is the estimation of a specific prudential add-on related to the Russian-Ukrainian conflict and the Stage 2 accounting classification of potentially high-risk exposures associated with it.

The risk parameters calculated by the rating models were subjected to in-depth and stringent supervisory controls aimed at ascertaining the correct implementation of specific European Banking Authority (EBA) guidelines – which came into force at the beginning of the year – as well as verifying the adequate adoption of the corrective measures envisaged to address observations raised by the Supervisor during previous inspections. These extraordinary activities were then flanked by those, of a more physiological nature, of ordinary maintenance and updating of the AIRB system.

In the first six months of the financial year, in line with the general strategies of derisking and improving the quality of credit assets that have been pursued for some time, we also updated the programme of medium-term interventions on non-performing loans on the balance sheet, envisaging ambitious but weighted objectives for the four years to come, which have been included in the new Next Step Business Plan. These are objectives that, although particularly challenging, are considered within reach, given the

demanding work done to date to overhaul the organisational and operational procedures for the management of problem loans and to strengthen the company structures dedicated to this, both in terms of size and quality.

## **Market risk**

Methods, on a daily basis, for monitoring exposure to market risks. As is customary, given the different characteristics of the portfolio investments, separate analyses are conducted for the set of instruments held for trading purposes (trading portfolio) and for the remaining types of financial assets, not intended to be bought or sold for speculative purposes, falling within the so-called banking portfolio, which are in turn categorised according to the accounting valuation criterion (fair value or amortised cost).

The more volatile context observed compared to last year, resulting from the economic repercussions of the turmoil generated by the Russian-Ukrainian conflict and the related sanctions regimes, as well as expectations of a reversal in monetary policies, led to an increase in risk measurements on securities held at fair value, represented by daily statistical estimates of Value-at-Risk (VaR). Also affected by the nervous situation in the markets, although overall remaining positive, were the periodic income statement results and the amount of the valuation reserves.

In the first part of 2022, financial markets were affected by the heightened uncertainty surrounding the invasion of Ukraine and the resulting increase in risk aversion. Share prices, especially those in the banking sector, fell in connection with the start of the war. The conflict only temporarily interrupted the rise in yields on long-dated government bonds since the beginning of the year; this rise largely continues to reflect the monetary policy decisions of the major central banks and expectations regarding these decisions. Sovereign spreads and financing costs for companies and banks are also on the rise.

Despite the increase in the overall risk profile of the financial instruments in the portfolio, the same always remained within the maximum levels of risk appetite established; some tensions in the system of early warning indicators were, however, recorded especially from the second half of June, following the materialisation of the ECB's decision to initiate a policy of raising rates, the first after several years of stability.

Finally, fulfilled in the past months were the periodic reporting obligations to the Supervisory Authority of the new alternative capital requirement for market risks according to the Alternative Standardised Approach (MKR-ASA) envisaged by the European Capital Requirements Regulation (CRR 2), a more prudential and risk-sensitive capital absorption measure than the one currently in force.

## **Interest-rate risk**

In a context of gradual growth, especially for medium- and long-term interest rates, the careful monitoring of the risk attributable to potential fluctuations in market rate levels continued in the first half of the year, by means of monthly sensitivity analyses of the company's economic value to unexpected changes in

market rates and sensitivity analyses of the earnings and interest income generated by the volumes of assets and liabilities in the financial statements (Interactive Simulation), supplemented by targeted impact studies where necessary.

Internal activities related to the main behavioural models in use for determining risk exposure continued during the half-year. The statistical parameters on which the so-called behavioural models of «sight items» are based – models that quantify the persistence of asset and liability inventories with no maturity and their elasticity of adaptation to the movements of the market curves – will be recalibrated in the following half-year, providing for the inclusion of more extensive samples of historical data. The statistical parameters relating to the pre-payment model, which is designed to represent the repayment profile of medium- to long-term loans taking into account the phenomena of early closure of credit relationships, partial pre-payment and changes in contractual conditions (nominal rate, spread on base rate, optionality), will also be updated. The appropriateness of all behavioural models in the interest rate risk measurement systems («sight» and «pre-payment» models) is verified through the usual process of backtesting the effectiveness of the statistical models. Dedicated indicators are quantified to signal the need for parameter re-estimates for reasons other than a mere time criterion of model obsolescence or the failure of backtesting.

Finally, further improvements in risk control concerned the extension of the range of reports produced by the monitoring offices, in particular to senior bodies.

## **Liquidity risk**

The large available liquidity buffers, which have remained at significant levels despite the shocks caused by the pandemic, the conflict between Russia and Ukraine and the European Central Bank's recent curb on previous expansionary monetary policy, limit risk exposure. The reserve potential represented by the holdings of securities – especially sovereign – remains substantial, as they are readily marketable or can be provided as collateral in central refinancing operations, if necessary.

As usual, the short-term liquidity situation (so-called «operational») was monitored by means of daily measurements of the cash dynamics typical of treasury operations, as well as of the reserve holdings constituted by the funds deposited with central banks and the income potentially obtainable from the disposal of eligible assets. On a monthly basis, also recorded was the state of medium- to long-term liquidity (so-called «structural»), aimed at verifying the balance between funding and lending items broken down by maturity bands through the quantification of metrics to measure the structural balance of the financial statements and the concentration profile of funding. The development of intraday liquidity was also kept under constant observation, with special summary parameters defined by the Basel Committee on Banking Supervision being recorded at the end of each month, as well as intra-group funding trends.

The regulatory liquidity ratios, both short- and long-term – the Liquidity

Coverage Ratio (LCR), quantified monthly, and the Net Stable Funding Ratio (NSFR), measured quarterly – did not show any significant signs of tension in the first six months of 2022, and on the contrary, were positioned at absolutely calm values, above the minimum levels. The impact of various stress hypotheses on the liquidity situation (operational, intraday and regulatory parameters) is also determined each month, as recorded in the final balance; these scenarios are periodically reviewed to verify the effectiveness and robustness of the simulations and update them, where appropriate. Finally, the additional obligations towards the Supervisory Authority were fulfilled, represented by the provision, through dedicated monthly forms, of an extensive set of data and liquidity indicators (so-called «Additional Liquidity Monitoring Metrics») and the production of the annual summary report of the Internal Liquidity Adequacy Assessment Process (ILAAP).

## **Operational and IT risk**

The serious global crisis triggered by the invasion of Ukraine induced a series of repercussions in the so-called cyberspace, with actions of hacking and sabotage of systems and information, both by Russian organisations towards Ukrainian entities, and by more or less organised spontaneous hacker collectives to the detriment of the nations that promoted the financial sanctions imposed as a deterrent to the continuation of the conflict. These events led the most important international cyber security monitoring communities and institutions to raise the state of alert to the highest levels, and prompted the Italian Government to define precautionary measures against ICT security services and products produced by third parties outside the Eurozone – especially of Russian origin – that could potentially turn into harmful tools for services, data and communications on critical systems.

Faced with digital threats of this magnitude, the bank and the other components of the Group promptly raised their internal watchdog levels with the aim of preventing the greatest risks of cyber attacks and cyber fraud, involving all the main suppliers of critical ICT systems and services components in order to ensure an overall reinforcement of the protection measures adopted. In compliance with recommendations received at government level, a plan was also drawn up for the diversification and gradual replacement of in-house technology solutions falling into the above categories.

Among the other important initiatives in the area of operational risk management carried out during the first half of the year, we can mention the performance of a dedicated activity to review existing insurance contracts relating to the various types of risks (including a new specific policy taken out against cyber risks), at the end of which an operational process was defined to support the analysis of the effectiveness of the underwritten coverage with respect to the risks already insured, and to encourage the identification of new risks that could potentially be insured. This will make it possible to increase information synergies to support the management of the insurance portfolio within the Group, benefiting when necessary from the actual and prospective evidence derived from the second-level operational risk control processes.



## Reputational and money laundering risk

Also in light of the importance it has assumed in directing the investment choices of the financial community and shareholders, especially by virtue of the increased contestability of corporate control following the bank's transformation into a joint-stock company, the perception of the corporate image has been even more the subject of constant monitoring by the competent offices of the risk management area, with the aim of intercepting any possible anticipatory signals of reputational problems.

Particular attention was paid to examining the number of and reasons behind complaints and out-of-court appeals made by customers, corroborated by systematic web and social media scanning activities, according to automated methods and logics that were refined during the last six months, with the aim of detecting news or references with a negative connotation that might involve the Group or its representatives.

New information tools are also being defined to support the analysis of reputational risk profiles related to requests for significant loans to counterparties with potentially controversial ESG aspects. In the wake now being traced of a pervasive integration of environmental, social and governance sustainability elements in credit granting processes, the reputational assessment tools that are being developed will gradually take on increasing operational significance.

With regard to anti-money laundering and counter-terrorist financing activities, the dedicated corporate structure continued, despite the persistence of the emergency situation caused by the Covid-19 pandemic, to rigorously and competently oversee proper compliance with regulatory requirements and the management of risks that may arise from the repercussions, including reputational ones, of such criminal activities.

Following the armed aggression of Ukraine by the Russian Federation, the European Union, in conjunction with the major Western bloc countries, launched sanctions packages of an unprecedented scope and severity, adding to the restrictive measures already imposed on Russia since 2014 following the annexation of Crimea.

In this context, in March, the Bank of Italy, CONSOB, IVASS and the FIU issued a joint communiqué drawing the attention of supervised entities to the need for full compliance with the measures decided at EU level. In line with this recommendation, our Anti-Money Laundering Department has notified the FIU of the names of clients subject to international fund freezing measures, as well as the lists of deposits of significant amounts held by Russian or Belarus nationals, by natural persons resident in the Russian Federation or Belarus, or by legal persons, entities or bodies established in the aforementioned countries, pursuant to the provisions of Regulations (EU) 328/2022 and 398/2022.

It is also worth highlighting the promotion and, in some cases, the complete implementation of a series of IT interventions or the acquisition of services from external providers with the aim of facilitating the fulfilment of customer due diligence obligations, which have become increasingly stringent, also in view of the above, with particular regard to the determination of the correct chain of ownership of foreign legal persons, the streamlining of the process of assessing

the offices held by Politically Exposed Persons (PEPs) and, finally, the verification of Sanction Lists and negative press reports (Adverse Media).

## **Compliance risk**

The role played by the Compliance Function in relation to the need to promote the growth and enhancement of a corporate culture based on the basic principles of honesty, fairness and respect for the rules within a complex and constantly evolving regulatory framework was also central in this half-year.

The Function has intensified its commitment to analysing the possible operational, organisational and business impacts related to the need to ensure full compliance with hetero- and self-regulatory standards. This, above all, in proportion to the Group's increased size, nature and type of business, and greater complexity and operational specificity. The Function strengthened its control action by focusing mainly on major issues such as the provision of investment services, transparency in the execution of transactions and in the provision of banking and financial services in general, the processing of personal data, usury, payment services and the consumer code.

Significant progress, in both quantitative and qualitative terms, was made by the advisory activities conducted ex ante, mainly relating to the adoption of procedures related to the correct transposition of regulatory innovations or to define in the best possible way certain organisational and operational profiles inherent to the regulatory perimeter under the supervision of the Compliance Function. This also takes the form of conducting prior conformity analyses of new projects (including the operation of new products or services), as well as participating in the review and validation processes of internal regulations and new company forms and contracts.

The overall compliance activity relied on refined analysis methodologies and the support of digital technologies to make certain procedures for managing the risks of non-compliance with regulations more efficient, optimising and automating the various stages of monitoring and control (e.g., the recording of activities carried out and the mapping of mitigation actions for possible weaknesses in organisational and operational procedures). On this point, in relation to the need to increase performance, an evolutionary path of digital transformation has been undertaken in recent months, exploiting technological innovation to strengthen and improve the effectiveness of risk control.

## **ESG risks (Environmental, Social & Governance)**

We are learning day by day how a sustainable growth model cannot do without the full integration of environmental, social and governance (ESG) assessments. With this in mind, banking operators are called upon to play an essential role as facilitators in reallocating the flows of financial resources needed to support the transition to more sustainable economic systems. Intermediaries that can most quickly and effectively incorporate ESG factors into their investment processes, lending decisions and dialogue with customers will be able to gain a competitive advantage in reaping the benefits of the digital and energy transition



in terms of growth in high-quality lending and expansion of customer services.

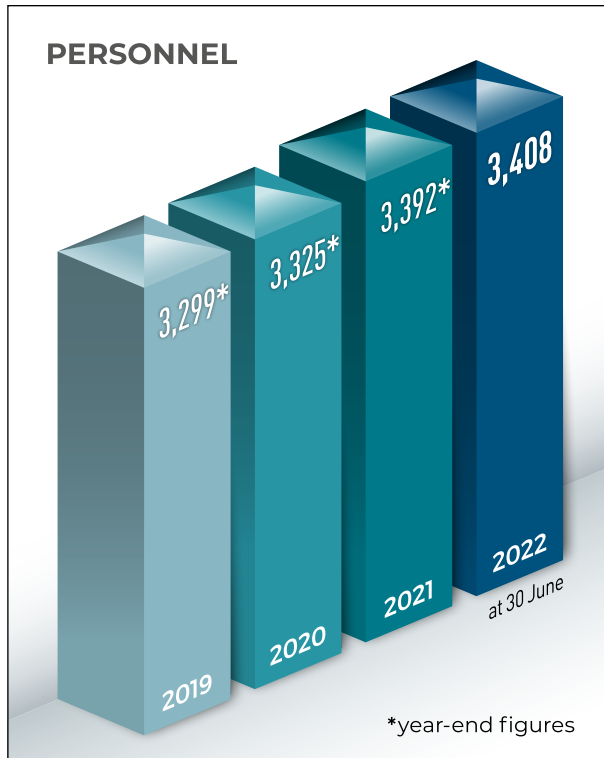
The ongoing transformation presents new opportunities, but also exposes the sector to new forms of risk. Under increasing pressure from regulatory and supervisory authorities and from customers themselves, our institution too is preparing new procedural safeguards and developing innovative practices and methodologies to identify, measure and mitigate these sources of risk, with the aim of assisting companies engaged in the long and tortuous process of green transition by providing new finance and proposing appropriate financial and advisory services, selecting the most worthy projects and the most virtuous counterparties on the basis of risk.

Among the ESG components, particular attention is paid at this juncture to environmental factors, especially related to the global issue of climate change. The Supervisory Authorities have issued their own guidelines and expectations with regard to the assimilation of these factors into bank risk governance and control strategies and systems; they must therefore be measured against them to ensure gradual alignment through the implementation of specific action plans.

Under the auspices of the supervisory authority, the integration of ESG elements must pervade all phases of risk taking and management. As far as credit risk is concerned, a bank must be able to make an assessment of a customer's creditworthiness and financed investments taking into account the main risk factors, including ESG factors identified as relevant. An important first step towards this goal was the development of a first quantitative ESG scoring system, recently included in the electronic lending procedures, capable of classifying corporate customers at the sector level, thus laying the groundwork for orienting risk-taking choices in the various business sectors according to a greater or lesser exposure to ESG aspects. Starting from this sector mapping, methodologies and processes are being developed to assign an ESG evaluation score calibrated at the level of the individual debtor, aimed at measuring the «soundness» of a company with respect to the various areas of the «ESG paradigm», thanks to the retrieval of information acquired from external databases supplemented, when necessary, by direct contact with the customer. To this end, collaborations were set up with qualified ESG data providers for the provision of the data assets necessary for the calculation of the internal score, as well as to meet, more generally, information needs related to ESG issues provided for at the regulatory level.

During the half-year, a first supervisory stress exercise on climate risk, called by the ECB for purely cognitive purposes, i.e. aimed at assessing on a large scale the degree of preparedness of the European Union's most significant banks to deal with the possible economic and financial effects of climate change, was also held, with BPS among the participating institutions. The test proved to be a useful tool to increase the availability and quality of the data needed to manage climate-related risks, also with a view to supporting the transition, and provided some initial evidence that shed light on the banking system's actual and prospective level of exposure to the risks in question. It was also an opportunity to initiate internal projects to strengthen simulation tools and forecast investigation of the potential short- and long-term impacts of the «green transition» of our counterparties.

Lastly, it is worth noting the start of the preparation of a dedicated reporting set aimed at regularly informing the Board of Directors on aggregate



ESG risk trends that characterise the Parent Company's exposures and counterparties, by measuring metrics and conducting quantitative analyses of the incidence of these peculiar risk factors, with particular attention to the materiality of climate and environmental risks, both physical and transitional.

## HUMAN RESOURCES

At the end of the first half of the year, the banking Group had 3,408 employees, of which 2,878 were employed by the Parent Company, 352 by Banca Popolare di Sondrio (SUISSE) SA, 156 by Factorit spa and 22 by BNT spa. Compared to 30 June 2021, the increase was 38 employees, +1.13%. Significant data in light of the industry dynamics in the opposite direction.

As at 30 June 2022, 68% of the banking Group's personnel worked in the distribution network and the remainder were employed in

the central services of the respective companies. The average age of the employees was 42 years and 10 months, with an average length of service of 16 years and 9 months.

In addition to the personnel of the banking Group, there are also those of the subsidiary Pirovano Stelvio spa, 23 resources as at 30 June 2022, 20 of which are employed on a seasonal basis, and of the subsidiary Rent2Go srl, 14 resources as at 30 June 2022.

## PROMOTIONAL AND CULTURAL ACTIVITIES

The cultural activities that traditionally characterise our banking Group continued during the period under review. The commitment of Banca Popolare di Sondrio, in addition to the edition of the *Notiziario*, a magazine with prestigious authors and quality articles, involved a number of interesting meetings, starting with the one held on 28 February, in our Fabio Besta hall in Sondrio, with the renowned economist Professor Carlo Cottarelli, on a topic related to social and economic revival. The event was organised by the Sondrio Territorial School Office with the collaboration of the parent company and its affiliate Arca SGR.

On 5 March, with the collaboration of Bormio's Culture Department, the presentation of Gabriel Garcia Marquez's *One Hundred Years of Solitude* was promoted in the Magnifica Terra.

On 1 April was the inauguration of the exhibition «Paolo Punzo.

Mountains of Lombardy» set up in Lecco. The artist, who lived in the last century, knew the mountains and their habitat very well, having lived for a long time in Alta Valtellina, skilfully painting its landscapes and picturesque corners. This Popolare, which owns 20 paintings by the painter from Bergamo, 5 of which were lent and placed in the Lecco exhibition, participated in the event as main partner.

As every year, the subsidiary Banca Popolare di Sondrio (SUISSE) SA in Lugano reserved a space for culture in its annual report for the financial year 2021. The monograph in the accounting document concerned Dimitri, a well-known Swiss clown who died in his 80s in 2016, a travelling showman. He knew how to convey joy, a desire to communicate, to be together in harmony.

La Milanese, a travelling cultural creature created by Elisabetta Sgarbi in Milan in 2000, aims to disseminate knowledge and the arts in their various forms. In July, for the sixth year in a row, the event was brought to Bormio, and then, for the first time, to Livigno (25-27 of the same month). On this occasion, a lively painting exhibition, fresh with poetry and colours, by singer-songwriter Francesco Tricarico, called «Tricarico vs Tricarico», was inaugurated and will be on display at the Parent Company's agency No. 1 in Bormio from 21 July to 15 September 2022.

## EQUITY

Shareholders' equity at 30 June 2022, inclusive of valuation reserves and the profit for the year, amounts to 3,293.556 million. Compared with the total at 31 December 2021 of 3,270.494 million, an increase of 23.062 million (+0.71%). The change is positively due to the profit for the period and the effects of the total acquisition of Factorit spa, and negatively due to the decrease in valuation reserves and the distribution of part of the profit for the year 2021.

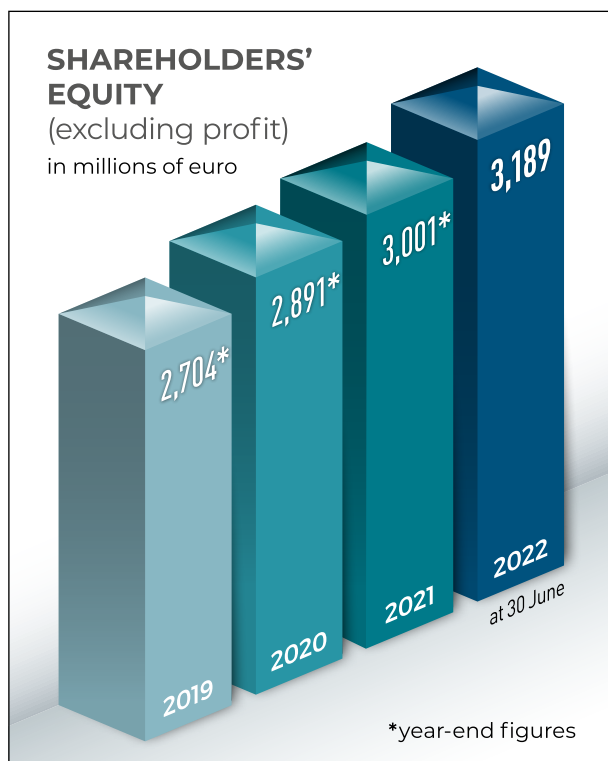
The Shareholders' Meeting of the Parent Company held on 30 April 2022, called to approve the financial statements for the year 2021 and the allocation of profit, resolved to distribute a dividend paid from 25 May 2022 of 0.20 euro for each of the 453,385,777 shares outstanding as of 31 December 2021.

The Parent Company's share capital, which consists of 453,385,777 ordinary shares without nominal value, amounts to 1,360.157 million, unchanged with respect to the comparative period.

There was a slight change in issue premiums, amounting to 78.978 million, -27 thousand euro, due to negative differences between the discharge price and the corresponding book value of the shares sold.

Equity reserves rose to 1,791.778 million, +15.17%; this increase of 236.060 million reflects allocation of part of the profit for 2021 and the recognition of capital gains/losses on the sale of equity securities that were previously classified to the valuation reserves. The total acquisition of Factorit spa also had a positive effect on reserves.

The item valuation reserves, mainly represented by the balance between capital gains and losses recognised on financial assets measured at fair value



through other comprehensive income (FVOCI) and between actuarial gains and losses on defined benefit plans for employees, presented a negative balance of 17.034 million, a sharp decrease compared to the end of 2021, when it was positive for 32.437 million, due to the volatility recorded on the financial markets which led to the recognition of substantial capital losses, in particular on government bonds, as well as the reversal to the income statement of capital gains from sales of fixed-yield securities. Treasury shares in portfolio amounting to 25.384 million euro remained substantially stable.

With regard to capital adequacy, the harmonised legislation for banks and investment firms – contained in Regulation (EU) No. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) – defines the general limits on capital ratios, which are equal to 7% for the CET 1 Ratio, 8.50% for the Tier 1 Capital Ratio and 10.50% for the Total Capital

Ratio. The European Central Bank, which by virtue of its powers, on the basis of the evidence gathered within the framework of the prudential review and evaluation process, has the authority to set customised capital and/or liquidity ratios for each intermediary subject to Community supervision, with a communication dated 3 February 2022, at the conclusion of the annual SREP (Supervisory Review and Evaluation Process) conducted in 2021, transmitted to the Parent Company the Supervisory Board's decision regarding the new minimum ratios to be applied, effective 1 March, for the financial year 2022.

The minimum capital levels required of our banking Group are:

- a minimum requirement of Common Equity Tier 1 Ratio of 8.56%, calculated as the sum of the Pillar 1 regulatory minimum requirement (4.50%), the Capital Conservation Buffer (2.50%), and an additional Pillar 2 requirement (1.56%);
- Tier 1 Capital ratio of 10.58%, being the sum of the Pillar 1 regulatory minimum (6%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.08%);
- a minimum requirement of Total Capital Ratio of 13.27%, calculated as the sum of the Pillar 1 regulatory minimum requirement (8%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.77%).

While the first two additions are specified by the prudential regulations and are identical for all banks in a given country, the third is determined by the ECB based on the actual degree of risk faced by the individual bank.

In addition to the two ratios, from 2017, a «Pillar 2 Guidance», which is intended to represent a guide for the prospective evolution of the Group's

capital. This parameter is confidential, by contrast with the two minimum requirements, and – based on guidelines issued by the ECB – is not deemed relevant for the determination of distributable dividends.

Consolidated own funds for supervisory reporting purposes, which include part of the profit for the period, amounted to 3,722 million (phased-in) and 3,709 million (fully phased), while risk-weighted assets (RWA) amounted to 20,849 million.

In the interests of full disclosure, the Group decided to take advantage of EU Regulation 2017/2395, which granted supervised intermediaries the possibility to include, temporarily, in the calculation of their Tier 1 capital an additional amount aimed at «neutralising» the effects the higher accounting provisions caused by adoption of IFRS 9, which came into force on 1 January 2018. With Regulation (EU) 2020/873 of 24 June 2020, changes were made to these transitional provisions, both with regard to the time frame and the computability percentages. The additional adjustments related to the entry into force of IFRS 9 will continue to be calculated on the basis of the percentages already provided (i.e. percentages of computability decreasing over time, from 95% in 2018 to 25% in 2022, up to its total zeroing in 2023), while for those related to the Covid-19 emergency, they will be applied to the value of CET 1 assets taking into account a percentage of declining computability over time, from 100% in 2020 and 2021, to 75% in 2022, 50% in 2023, 25% in 2024, until it reaches zero in 2025.

The following are the requirements referring to the Group as at 30 June 2022 (phased-in) and (fully phased):

Group's capital ratios	(phased-in)	(fully phased)
CET1 Ratio	15.18%	15.12%
Tier 1 Capital Ratio	15.18%	15.12%
Total Capital Ratio	17.85%	17.79%

The consolidated Leverage Ratio was 5.29% applying the transitional arrangements (phased-in) and 5.27% according to the criteria to be applied at the end of the transition (fully phased).

The following ratios of capital (and reserves, including profit for the period) to the principal balance sheet aggregates are shown with comparative figures at 31 December 2021:

- *capital/direct funding from customers*  
8.62% v. 8.32%
- *capital/customer loans*  
9.90% v. 10.53%
- *capital/financial assets*  
24.81% v. 23.87%
- *capital/total assets*  
6.03% v. 5.94%
- *net bad loans/capital*  
5.77% v. 5.88%



## BANCA POPOLARE DI SONDRIO STOCK

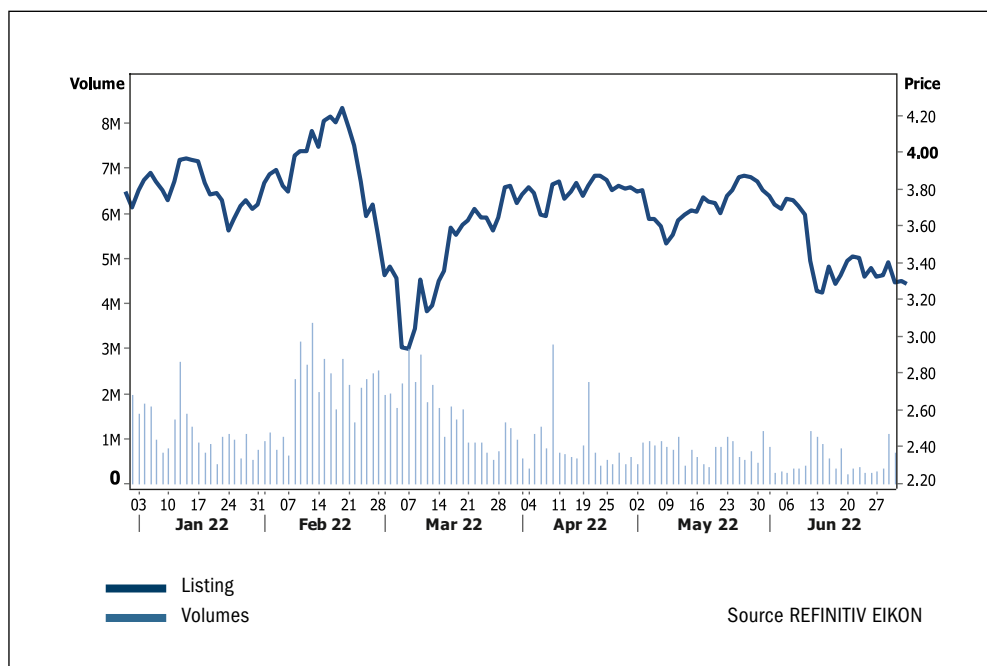
The Banca Popolare di Sondrio share, traded on the Euronext Milan market of Borsa Italiana, part of the FTSE Italia All-Share index, closed H1 2022 with a negative performance of -11.14%, marking a reference price on 30 June 2022 of 3.286 euro, compared to 3.698 euro at the end of 2021. During the half-year, the share marked an intraday low and high of 2.668 euro on 7 March and 4.338 euro on 18 February, respectively. The general index Ftse Italia All-Share in the same period recorded a decrease equal to -22.15%, while the sectoral index Ftse Italia All-Share Banks had a contraction of 24.60%.

The average daily volume of securities traded on Borsa Italiana's Euronext Milan market in the first six months of the year was 1.15 million, down from 1.97 million in the same period of 2021.

The shareholder structure as at 30 June 2022 consisted of 161,438 shareholders.

With regard to treasury shares, whose operations are carried out in compliance with the specific shareholders' resolution, it should be noted that as of 30 June 2022, the Parent Company held 3,641,718 shares in its portfolio, a decrease of 8,282 shares compared to the end of 2021 as a result of the activities carried out to implement the remuneration policies of the Banca Popolare di Sondrio Banking Group for the year 2021. In addition are the 36,098 shares held by Banca Popolare di Sondrio (SUISSE) SA, as part of the share-based compensation plan provided for in the Group's Remuneration Policies. The book value is 25.384 million, of which 25.264 million constitutes utilisation of the parent company's treasury share purchase provision of 30 million.

### BANCA POPOLARE DI SONDRIO stock - Euronext Milan Market of Borsa Italiana





## RATINGS

The solvency of the Banca Popolare di Sondrio Banking Group, detailed in the table below, has been assessed by the rating agencies Fitch Ratings, DBRS Morningstar and Scope Ratings.

The ratings shown here refer to Fitch Ratings' decision of 1 September 2021, as well as the assessments expressed by DBRS Morningstar and Scope Ratings on 15 November 2021 and 23 March 2022, respectively.

### FITCH RATINGS - released on 1 September 2021

	RATING
<b>LONG-TERM</b>	
It is a measure of the probability of default and expresses the bank's ability to repay medium to long-term financial obligations. It is expressed on a scale from AAA to D, for a total of 11 levels.	<b>BB+</b>
<b>SHORT-TERM</b>	
It measures the ability of the organisation to which the rating is assigned to meet payments due in the short term, i.e. within 13 months. The measurement scale includes seven levels (F1, F2, F3, B, C, RD and D).	<b>B</b>
<b>VIABILITY RATING</b>	
It evaluates what the bank's situation would be if it were completely independent and could not rely on external support. It is expressed on a scale from AAA to D, for a total of 11 levels.	<b>bb+</b>
<b>SUPPORT</b>	
It expresses Fitch's assessment of the likelihood that an external entity will offer support to the bank if the latter needs it. The measurement scale includes five levels from 1 (highest) to 5 (lowest).	<b>5</b>
<b>SUPPORT RATING FLOOR</b>	
This expresses Fitch's assessment of the minimum level below which it will not lower the issuer's long-term rating in the event of it being in financial difficulty, in consideration of the propensity of potential backers (State or institutional owner) to help the bank in such circumstances. The scale of values associated with it reflects that of the long-term ratings. A further possible score, represented by the No Floor (NF) indicates that according to Fitch it is unlikely that help will come from outside (probability of a support intervention less than 40%).	<b>No Floor</b>
<b>LONG-TERM DEPOSIT RATING</b>	
It is a measure that expresses the vulnerability to default of uninsured deposits. It is expressed on a scale similar to that used for the long-term rating (from AAA to D).	<b>BBB-</b>
<b>SHORT-TERM DEPOSIT RATING</b>	
It is a measure that expresses the vulnerability to default of uninsured deposits maturing in the short term. It is expressed on a scale similar to that used for the short-term rating (F1, F2, F3, B, C, RD and D).	<b>F3</b>
<b>SENIOR PREFERRED DEBT</b>	
It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	<b>BB+</b>
<b>SUBORDINATED DEBT</b>	
It is a measure of the probability of default of subordinated bonds that is expressed using a scale from AAA to D.	<b>BB-</b>
<b>OUTLOOK</b>	
It is a prospective assessment of the possible evolution of the issuer's ratings over a period of 1 to 2 years.	<b>Stable</b>



## DBRS Morningstar – issued on 15 November 2021

	RATING
<b>LONG-TERM</b>	
It is a measure of the probability of default and expresses the bank's ability to repay medium to long-term financial obligations. It is expressed on a scale from AAA to D.	<b>BBB (low)</b>
<b>SHORT-TERM</b>	
It measures the ability of the organization to which the rating is assigned to meet payments due in the short term. The measurement scale includes six levels (R-1; R-2; R-3; R-4; R-5 and D).	<b>R-2 (middle)</b>
<b>INTRINSIC ASSESSMENT</b>	
It reflects the opinion of DBRS on the intrinsic fundamentals of the bank assessed on the basis of quantitative and qualitative elements. It is expressed on a scale from AAA to CCC.	<b>BBB (low)</b>
<b>SUPPORT ASSESSMENT</b>	
It reflects DBRS's view on the likelihood and predictability of timely external support for the bank in case of need. The measurement scale includes four levels from SA1 (best) to SA4 (worst).	<b>SA3</b>
<b>LONG-TERM DEPOSIT RATING</b>	
It is a measure that expresses the vulnerability to default of medium/long-term uninsured deposits. It is expressed on a scale similar to that used for the long-term rating (from AAA to D).	<b>BBB</b>
<b>SHORT-TERM DEPOSIT RATING</b>	
It is a measure that expresses the vulnerability to default of short-term uninsured deposits. It is expressed on a scale similar to that used for the short-term rating (R-1; R-2; R-3; R-4; R-5 and D).	<b>R-2 (high)</b>
<b>LONG-TERM SENIOR DEBT</b>	
It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	<b>BBB (low)</b>
<b>SHORT-TERM DEBT</b>	
It is a measure of the probability of default of short-dated bonds that is expressed using a scale from R-1 to D.	<b>R-2 (middle)</b>
<b>SUBORDINATED DEBT</b>	
It is a measure of the probability of default of subordinated bonds that is expressed using a scale from AAA to D.	<b>BB</b>
<b>TREND (outlook)</b>	
It is a prospective assessment of the possible evolution of the long-term rating assigned over a period of 1-2 years.	<b>Stable</b>

## Scope Ratings – issued on 23 March 2022

	RATING
<b>ISSUER RATING</b>	
It is a rating on the bank's ability to meet its contractual financial commitments in a timely and complete manner. It is expressed on a scale from AAA to D.	<b>BBB-</b>
<b>OUTLOOK</b>	
It is a prospective assessment of the possible evolution of the issuer rating assigned over a period of 12-18 months.	<b>Positive</b>

## RECONCILIATION OF THE EQUITY AND PROFIT FOR THE YEAR REPORTED BY THE PARENT COMPANY WITH THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles profit for the period and equity as shown in the Parent Company's financial statements and the equivalent figures in the consolidated financial statements.

(thousands of euro)	Equity	of which: Profit for the period
Equity of the Parent Company at 30.06.2022	2,791,811	104,340
Consolidation adjustments	-32,819	-32,819
Difference with respect to the carrying amounts of equity investments in:		
- companies consolidated on a line-by-line basis	408,836	22,381
- companies valued using the equity method	125,728	11,159
<b>Balance at 30.06.2022, as reported in the consolidated financial statements</b>	<b>3,293,556</b>	<b>105,061</b>

## INCOME STATEMENT

The first half of 2022 ended on an uncertain note, with the macroeconomic situation worsening due to the war in Ukraine, the epidemiological framework related to the Omicron variant of Covid-19, the resurgence of supply-side bottlenecks, and rising inflation driven by marked increases in commodities and energy prices. Financial markets experienced a half-year of high volatility, reflecting on the one hand the gradual normalisation of monetary policies by central banks aimed at containing inflationary pressures and on the other hand geopolitical tensions.

In this context, our Group was able to achieve a good result, albeit lower than the comparative period. Profit for the period amounted to 105.061 million euro, compared to 136.689 million euro for the first six months of 2021. Result related to the good performance of the core business, net interest income and commissions, and to the reduction of loan adjustments, even though there was a decline in the result from securities operations.

The comments below refer to the data shown in the «Consolidated summary income statement», which constitutes a reclassification of the schemes provided for by the Bank of Italy provision No. 262/2005. The notes to the table show the reclassifications. A table showing quarterly changes in the reclassified consolidated income statement is also provided, highlighting changes in the income statement during the half-year.

The increase in inflationary pressures, as mentioned above, prompted the ECB to end purchases under the Asset Purchase Programme (APP) and to make an initial increase in official interest rates by 50 basis points in July and to announce a further increase in September. This affected government bond yields, which continued to rise. Rates charged on loans to businesses did not increase significantly, while those to households rose. On the other hand, the high competitive pressure between credit institutions continued.

The Group's net interest income showed a positive trend (+21.31%) in the half-year, slightly higher than in the first three months alone (+20.83%), and amounted to 320.309 million euro, compared to 264.037 million euro. The increase, against a moderate improvement in the customer component, was mainly due to the increase in coupon flows due to the rise in interest rates and in particular inflation-indexed government bonds, even though the securities portfolio contracted only slightly. Approximately 44 million euro of interest from the negative rates applied to the longer-term refinancing operations outstanding with the ECB was recognised. This was possible because the targets set by the ECB were practically reached. Income from acquired tax credits was also significant, amounting to more than 14 million euro, and interest on negative rates applied to customer deposits increased.

Net fee and commission income showed a good trend, amounting to 184.519 million, +7.92%. The performance of commissions related to the placement of securities products, loans and current accounts, collections and payments, guarantees issued, and order collection was positive. Those related to the placement of insurance and intervention and/or service products decreased.

Dividends totalling 5.686 million were collected, compared with 4.206 million.

The overall result of the securities, foreign exchange and derivatives business (which is the sum of items 80, 90, 100 of the income statement reclassified as shown in the table on the margin) was a positive 41.353 million euro, compared to a positive result of 53.753 million euro, -23.07%.

The net result from trading activities, item 80, was a positive 2.726 million euro, whereas it had amounted to 31.299 million euro in the comparative half-year. During the period, it recorded a negative balance between revaluations and write-downs of securities, compared to a positive balance in the comparative year. The result from foreign exchange and currency business increased.

Gains on disposal or repurchase, item 100, amounted to 38.761 million euro, +73.23%. The result for the comparison period was a positive 22.375 million euro. This includes profits of 27.746 million euro from financial assets measured at amortised cost and 11.013 million euro from assets measured at fair value through other comprehensive income and 2,000 euro from financial liabilities. The result of the hedging activity was negative for 0.134 million.

The result from other financial assets mandatorily valued at fair value, item 110b), was a negative 67.585 million euro, of which 17.244 million euro related to loans to customers, compared to a positive 12.372 million euro.

The total income therefore fell to 484.282 million, compared to 505.349 million, -4.17%.

In its composition, the contribution of net interest income was 66.14%, compared to 52.25%.

Signs of a slowdown in the global economic cycle, which has been affected by the Russian-Ukrainian conflict and whose repercussions for the economy, particularly the Italian economy, remain highly uncertain

for the coming months. Our Group's non-performing loans are decelerating and the default rate is decreasing, but this does not lead us to indulge in easy optimism or to relax our guard. Exposure to customers continued to be assessed on the basis of the strict policies in force, while trying to meet the needs of businesses and households in these difficult times. The complex of activities and processes activated in the area of monitoring and controlling loans to customers in the various stages of disbursement and management led to a strengthening of the structure designated for this purpose, which contributes to the containment of NPL loans, while derisking activities continue. In this regard, it should be noted that last year, the Group had completed a massive sale of NPL loans (the Luzzatti Sale). Coinciding with the approval of the 2022-2025 Business Plan was an update of the NPL strategy, which provides for the combined use of ordinary and extraordinary initiatives, including disposals and settlement agreements. Credit for which a sale or settlement is contemplated are valued on the basis of the quantified recoverable value, taking into account recent transactions concluded by the Group, as well as the particularities of the market and the type of asset. With specific reference to the credit subject to potential disposal, in the absence of internal transactions concluded by the Group on portfolios with similar characteristics, the recoverable value is estimated considering the main transactions concluded on the market by comparable intermediaries, while a further massive disposal transaction is currently being structured. Credit assumed to be sold are valued accordingly, and the associated adjustments are recognised in the income statement. For the positions falling within this perimeter, a valuation is made on the basis of models capable of estimating the potential recovery value of said credit and, therefore, of formulating a transfer price, also taking into account the particularities of the market in which these assets should be sold.

Net adjustments on loans and financial assets totalled 43.398 million euro, compared to 49.473 million euro, -12.28%.

Of the total adjustments mentioned above, item 130 of the income statement, which relates to exposure to customers and banks in the form of both loans and securities, is the largest and amounted to 31.018 million euro, compared to 64.847 million euro. The reduction is partly due to the release of prudential provisions set aside in the previous year in connection with the economic effects of the pandemic, while including extraordinary provisions related to the Russia-Ukraine conflict. This item consisted of 31.444 million euro in adjustments relating to financial assets measured at amortised cost, compared to 65.513 million euro in the comparative year, while net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income recorded reversals of 0.426 million euro on fixed-yield securities, compared to reversals of 0.666 million euro in the comparative year. The estimate of expected losses on performing loans is determined in accordance with the requirements of IFRS 9, using modelling that adopts different macro-scenarios for calculation purposes. The aggregate also includes item 140,

which records the profits/losses from contractual changes without cancellations deriving from the changes made to the contractual cash flows, and which in the reference period was negative for 0.760 million, compared to 2.987 million. Finally, provisions for commitments and guarantees issued showed an allocation of 11.620 million euro, compared to a release of provisions of 18.361 million euro in the comparative period. The ratio of net adjustments on loans to customers/loans to customers, which is also referred to as the cost of credit, showed an improvement, passing to 0.26% from 0.43% at 31 December 2021.

This resulted in a net result from financial operations of 440.884 million euro, compared to 455.876 million euro, -3.29%.

Operating costs, to which the utmost attention is paid, rose from 244.316 million euro to 256.200 million euro, +4.86%. They were also affected by the now customary strong regulatory pressures, which have major impacts in terms of adjusting operational structures, competencies and staffing levels.

The ratio of operating expenses, excluding system stabilisation charges, to net interest and other banking income, the so-called «cost income ratio», rose from 48.35% to 52.90%; before system stabilisation charges, it was 61.17% compared to 55.22%. The annualised operating expenses/total assets ratio stood at 0.94% from 0.89%.

Analysing the individual components, administrative expenses totalled 261.380 million euro, +5.02%, of which personnel expenses amounted to 130.724 million euro, compared to 125.042 million euro, +4.54%, while other administrative expenses rose from 123.833 million euro to 130.656 million euro, +5.51%. Of note are the increases in expenses for software rental and maintenance, for records and information, data registration with third parties, security and valuables transport, insurance and IT costs. Legal expenses, costs for the use of interbank networks, electricity and heating costs, and deferred charges decreased. The item net provisions for risks and charges showed an allocation for provisions of 6.248 million euro, compared to a release of provisions for 31 thousand euro. There was still a strong incidence of charges for contributions incurred or planned for the Resolution Funds and FITD, which rose from 34.731 million euro to 40.040 million euro, +15.29%.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 27.522 million, +6.99%. Other income, net of other operating expenses, amounted to 38.950 million euro, +28.75%.

The aggregate profits/losses on equity and other investments shows a positive balance of 9.238 million, compared with 16.078 million, -42.54%. The overall result before taxes therefore marked a reduction from 192.907 to 153.882 million. Finally, after deducting income taxes of 48.821 million, compared to 53.527 million, the net profit for the period was 105.061 million, compared to 136.689 million.

The effective tax rate, i.e. the ratio between income taxes and the gross result of current operations, is 31.73% compared with 27.75% in the previous year.



## SUMMARY CONSOLIDATED INCOME STATEMENT

(thousands of euro)	30/06/2022	30/06/2021	Absolute changes	Changes %
Net interest income	320,309	264,037	56,272	21.31
Dividends	5,686	4,206	1,480	35.19
Net fee and commission income	184,519	170,981	13,538	7.92
Result of financial activities	41,353	53,753	-12,400	-23.07
Result of other financial assets and liabilities measured at FVTPL	-67,585	12,372	-79,957	n.d.
of which LOANS	-17,244	-327	-16,917	n.d.
of which OTHER	-50,341	12,699	-63,040	n.d.
<b>Total income</b>	<b>484,282</b>	<b>505,349</b>	<b>-21,067</b>	<b>-4.17</b>
Net impairment losses [a]	-43,398	-49,473	6,075	-12.28
<b>Net financial income</b>	<b>440,884</b>	<b>455,876</b>	<b>-14,992</b>	<b>-3.29</b>
Personnel expenses [b]	-130,724	-125,042	-5,682	4.54
Other administrative expenses [c]	-130,656	-123,833	-6,823	5.51
Other operating income/expense [b]	38,950	30,253	8,697	28.75
Net accruals to provisions for risks and charges [a]	-6,248	31	-6,279	n.d.
Adjustments to property, equipment and investment property and intangible assets	-27,522	-25,725	-1,797	6.99
<b>Operating costs</b>	<b>-256,200</b>	<b>-244,316</b>	<b>-11,884</b>	<b>4.86</b>
<b>Operating profit (loss)</b>	<b>184,684</b>	<b>211,560</b>	<b>-26,876</b>	<b>-12.70</b>
Charges for stabilising the banking system [c]	-40,040	-34,731	-5,309	15.29
Net gains (losses) on equity investments and other investments	9,238	16,078	-6,840	-42.54
<b>Profit (loss) before tax</b>	<b>153,882</b>	<b>192,907</b>	<b>-39,025</b>	<b>-20.23</b>
Income taxes	-48,821	-53,527	4,706	-8.79
<b>Profit (loss)</b>	<b>105,061</b>	<b>139,380</b>	<b>-34,319</b>	<b>-24.62</b>
(Profit) loss attributable to non-controlling interests	0	-2,691	2,691	n.d.
<b>Profit (loss) attributable to the Parent Company</b>	<b>105,061</b>	<b>136,689</b>	<b>-31,628</b>	<b>-23.14</b>

**Note:** The result of financial activities is made up of the sum of items 80-90-100 in the income statement.

The result of other financial assets measured at FVTPL is comprised in item 110 of the income statement.

Net adjustments consist of the sum of items 130 and 140 of the income statement.

The results at 30/06/2022 have been subjected to the following reclassifications:

[a] reclassified net credit risk provisions for commitments and guarantees given for 11.620 million euro (releases for 18.361 million euro at 30/06/2021) initially included in net provisions for risks and charges [a] commitments and guarantees given], showing them under net adjustments;

[b] personnel expenses and other operating income have been reclassified, stating them net of the income generated by the post-employment fund of 0.496 million euro (6.551 million euro at 30/06/2021);

[c] charges for the stabilisation of the banking system were separated from other administrative expenses.

The results as at 30/06/2021 have been made consistent.



## RECLASSIFIED CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

(thousands of euro)	2022		2021			
	II Quarter	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	164,119	156,190	138,565	126,322	134,776	129,261
Dividends	5,448	238	550	452	3,412	794
Net fee and commission income	93,057	91,462	98,770	87,903	86,193	84,788
Result of financial activities	24,260	17,093	37,621	21,837	24,721	29,032
Result of other financial assets and liabilities measured at FVTPL	-33,999	-33,586	1,628	12,726	9,274	3,098
of which LOANS	-4,279	-12,965	-2,804	7,329	3,637	-3,964
of which OTHER	-29,720	-20,621	4,432	5,397	5,637	7,062
<b>Total income</b>	<b>252,885</b>	<b>231,397</b>	<b>277,134</b>	<b>249,240</b>	<b>258,376</b>	<b>246,973</b>
Net impairment losses [a]	-16,096	-27,302	-43,136	-41,763	-20,582	-28,891
<b>Net financial income</b>	<b>236,789</b>	<b>204,095</b>	<b>233,998</b>	<b>207,477</b>	<b>237,794</b>	<b>218,082</b>
Personnel expenses [b]	-64,247	-66,477	-67,123	-66,535	-61,399	-63,643
Other administrative expenses [c]	-68,154	-62,502	-67,158	-57,021	-64,373	-59,460
Other operating income/expense [b]	22,053	16,897	16,348	15,009	15,089	15,164
Net accruals to provisions for risks and charges [a]	-6,653	405	-14,469	-1,534	-687	718
Adjustments to property, equipment and investment property and intangible assets	-15,547	-11,975	-14,714	-13,595	-13,194	-12,531
<b>Operating costs</b>	<b>-132,548</b>	<b>-123,652</b>	<b>-147,116</b>	<b>-123,676</b>	<b>-124,564</b>	<b>-119,752</b>
<b>Operating profit (loss)</b>	<b>104,241</b>	<b>80,443</b>	<b>86,882</b>	<b>83,801</b>	<b>113,230</b>	<b>98,330</b>
Charges for stabilising the banking system [c]	-10,040	-30,000	-8,361	-8	-14,731	-20,000
Net gains (losses) on equity investments and other investments	2,578	6,660	9,821	9,504	7,596	8,482
<b>Profit (loss) before tax</b>	<b>96,779</b>	<b>57,103</b>	<b>88,342</b>	<b>93,297</b>	<b>106,095</b>	<b>86,812</b>
Income taxes	-32,018	-16,803	-19,442	-26,556	-27,194	-26,333
<b>Profit (loss)</b>	<b>64,761</b>	<b>40,300</b>	<b>68,900</b>	<b>66,741</b>	<b>78,901</b>	<b>60,479</b>
(Profit) loss attributable to non-controlling interests	0	0	-1,737	-1,958	-1,471	-1,220
<b>Profit (loss) attributable to the Parent Company</b>	<b>64,761</b>	<b>40,300</b>	<b>67,163</b>	<b>64,783</b>	<b>77,430</b>	<b>59,259</b>

**Note:** It should be noted that the same reclassifications have been made in the table as in the «Summary consolidated income statement» table, to which reference should be made for details.

## SIGNIFICANT EVENTS AFTER 30 JUNE 2022

On 27 July 2022, the rating agency Fitch Ratings, at the end of its annual credit rating review process, confirmed the ratings assigned to Banca Popolare di Sondrio. It should be noted that, following the updating of the methodology concerning the bank rating criteria, the Support Rating of 5 and the Support Rating Floor of No Floor were withdrawn, as they were no longer relevant, and the new Government Support Rating (GSR) of no support (ns) was assigned.

Below are the details of the ratings assigned to the bank:

- Long-term Issuer Default Rating (IDR): BB+
- Short-term Issuer Default Rating (IDR): B
- Viability Rating: bb+
- Government Support Rating: ns
- Long-term Deposit Rating: BBB-
- Short-term Deposit Rating: F3
- Senior Preferred Debt: BB+
- Subordinated Tier 2 Debt: BB-
- Outlook: Stable.

## OUTLOOK

As for the outlook for operations, the macroeconomic context is strongly influenced by the effects of the ongoing conflict in Ukraine, uncertainties in energy supplies and commodity prices, while inflation remains at very high levels. Uncertainties also affect the national political framework that will emerge from the upcoming elections. Meanwhile, financial markets remain volatile.

In this context, our Group, thanks to its capital strength and resilience, should reasonably achieve positive results, in line with the first half-year performance.

*Sondrio, 5 August 2022*

THE BOARD OF DIRECTORS



**CONDENSED HALF-YEAR  
CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2022**



## CONSOLIDATED BALANCE SHEET

(thousands of euro)

ASSET ITEMS	30/06/2022	31/12/2021
10. <b>Cash and cash equivalents</b>	<b>2,746,974</b>	<b>5,652,733</b>
20. <b>Financial assets measured at fair value through profit or loss</b>	<b>1,341,434</b>	<b>1,432,185</b>
a) financial assets held for trading	209,742	204,294
c) other financial assets mandatorily measured at fair value	1,131,692	1,227,891
30. <b>Financial assets measured at fair value through other comprehensive income</b>	<b>2,629,791</b>	<b>3,102,150</b>
40. <b>Financial assets measured at amortised cost</b>	<b>45,178,710</b>	<b>42,717,673</b>
a) loans and receivables with banks	3,397,986	3,276,349
b) loans and receivables with customers	41,780,724	39,441,324
60. <b>Change in value of macro-hedged financial assets (+/-)</b>	-	-
70. <b>Equity investments</b>	<b>338,868</b>	<b>339,333</b>
90. <b>Property, equipment and investment property</b>	<b>639,434</b>	<b>579,446</b>
100. <b>Intangible assets</b>	<b>37,636</b>	<b>31,013</b>
of which:		
- goodwill	18,001	12,632
110. <b>Tax assets</b>	<b>336,818</b>	<b>330,343</b>
a) current	3,184	8,658
b) deferred	333,634	321,685
130. <b>Other assets</b>	<b>1,410,853</b>	<b>831,273</b>
<b>TOTAL ASSETS</b>	<b>54,660,518</b>	<b>55,016,149</b>



LIABILITIES AND EQUITY ITEMS	30/06/2022	31/12/2021
10. <b>Financial liabilities measured at amortised cost</b>	<b>48,925,373</b>	<b>50,178,641</b>
a) due to banks	10,710,309	10,874,856
b) customer deposits	34,678,739	35,603,482
c) securities issued	3,536,325	3,700,303
20. <b>Financial liabilities held for trading</b>	<b>163,608</b>	<b>104,339</b>
40. <b>Hedging derivatives</b>	<b>816</b>	<b>2,446</b>
60. <b>Tax liabilities</b>	<b>31,749</b>	<b>39,872</b>
a) current	4,202	4,258
b) deferred	27,547	35,614
80. <b>Other liabilities</b>	<b>1,941,392</b>	<b>986,522</b>
90. <b>Provision for employee severance pay</b>	<b>33,916</b>	<b>40,190</b>
100. <b>Provisions for risks and charges</b>	<b>270,104</b>	<b>289,062</b>
a) commitments and guarantees given	54,835	43,225
b) pension and similar obligations	164,185	191,565
c) other provisions for risks and charges	51,084	54,272
120. <b>Valuation reserves</b>	<b>(17,034)</b>	<b>32,437</b>
150. <b>Reserves</b>	<b>1,791,778</b>	<b>1,555,718</b>
160. <b>Share premium reserve</b>	<b>78,978</b>	<b>79,005</b>
170. <b>Share capital</b>	<b>1,360,157</b>	<b>1,360,157</b>
180. <b>Treasury shares (-)</b>	<b>(25,384)</b>	<b>(25,457)</b>
190. <b>Non-controlling interests (+/-)</b>	<b>4</b>	<b>104,583</b>
200. <b>Profit (loss) for the period (+/-)</b>	<b>105,061</b>	<b>268,634</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>54,660,518</b>	<b>55,016,149</b>



# CONSOLIDATED INCOME STATEMENT

(thousands of euro)

ITEMS	30/06/2022	30/06/2021
10. INTEREST AND SIMILAR INCOME	375,593	318,101
of which: interest income calculated using the effective interest method	371,096	313,846
20. INTEREST AND SIMILAR EXPENSES	(55,284)	(54,064)
30. <b>NET INTEREST INCOME</b>	<b>320,309</b>	<b>264,037</b>
40. FEE AND COMMISSION INCOME	193,454	179,695
50. FEE AND COMMISSION EXPENSE	(8,935)	(8,714)
60. <b>NET FEE AND COMMISSION INCOME</b>	<b>184,519</b>	<b>170,981</b>
70. DIVIDENDS AND SIMILAR INCOME	5,686	4,206
80. NET TRADING INCOME	2,726	31,299
90. NET HEDGING GAIN (LOSS)	(134)	79
100. GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	38,761	22,375
a) financial assets measured at amortised cost	27,746	13,242
b) financial assets measured at fair value through other comprehensive income	11,013	9,154
c) financial liabilities	2	(21)
110. NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(67,585)	12,372
b) other financial assets mandatorily measured at fair value	(67,585)	12,372
120. <b>TOTAL INCOME</b>	<b>484,282</b>	<b>505,349</b>
130. NET ADJUSTMENTS/WRITEBACKS FOR CREDIT RISK RELATED TO:	(31,018)	(64,847)
a) financial assets measured at amortised cost	(31,444)	(65,513)
b) financial assets measured at fair value through other comprehensive income	426	666
140. GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	(760)	(2,987)
150. <b>NET FINANCIAL INCOME</b>	<b>452,504</b>	<b>437,515</b>
180. <b>BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT</b>	<b>452,504</b>	<b>437,515</b>
190. <b>ADMINISTRATIVE EXPENSES:</b>	<b>(301,916)</b>	<b>(290,257)</b>
a) commitments for guarantees given	(131,220)	(131,693)
b) other net provisions	(170,696)	(158,564)
200. NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(17,868)	18,392
a) commitments for guarantees given	(11,620)	18,361
b) other net provisions	(6,248)	31
210. DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(20,556)	(18,382)
220. AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(6,966)	(7,343)
230. OTHER OPERATING INCOME/EXPENSE	39,446	36,904
240. <b>OPERATING COSTS</b>	<b>(307,860)</b>	<b>(260,686)</b>
250. GAINS (LOSSES) ON EQUITY INVESTMENTS	8,897	16,230
260. NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	(1,430)	(320)
280. GAINS (LOSSES) ON SALES OF INVESTMENTS	1,771	168
290. <b>PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>153,882</b>	<b>192,907</b>
300. INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(48,821)	(53,527)
310. <b>POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>105,061</b>	<b>139,380</b>
330. <b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>105,061</b>	<b>139,380</b>
340. (PROFIT) LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	(2,691)
350. <b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>105,061</b>	<b>136,689</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

ITEMS	30/06/2022	30/06/2021
<b>10. Profit (loss) for the period</b>	<b>105,061</b>	<b>139,380</b>
<b>Other income items net of income taxes that will not be reclassified to profit or loss</b>		
20. Equity securities measured at fair value through other comprehensive income	(1,565)	6,348
70. Defined-benefit plans	23,288	6,784
90. Share of valuation reserves of equity investments measured at equity	26	306
<b>Other income items net of income taxes that may be reclassified subsequently to profit or loss</b>		
110. Exchange differences	(728)	137
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(67,815)	(6,594)
160. Share of valuation reserves of equity investments measured at equity	(2,516)	1,616
<b>170. Total other income items net of income taxes</b>	<b>(49,310)</b>	<b>8,597</b>
<b>180. Other comprehensive income (Item 10+170)</b>	<b>55,751</b>	<b>147,977</b>
190. Consolidated other comprehensive income attributable to non-controlling interests	161	(2,806)
<b>200. Consolidated other comprehensive income attributable to the parent company</b>	<b>55,590</b>	<b>145,171</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

			Allocation of prior year result		Changes during the year								Equity attributable to the Group at 30.06.2022	Equity attributable to non-controlling interests at 30.06.2022	
	Balance at 31.12.2021	Changes in opening balances	Balance at 1.1.2022	Reserves	Dividends and other allocations	Equity transactions									
						Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options			Changes in interests held
<b>Share capital</b>															
a) ordinary shares	1,393,736	- 1,393,736	-	-	-	-	-	-	-	-	-	-	(33,575)	- 1,360,157	4
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Share premium reserve</b>	<b>83,363</b>	<b>- 83,363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,358)</b>	<b>- 78,978</b>	<b>-</b>
<b>Reserves</b>															
a) from earnings	1,578,288	- 1,578,288	184,773	-	57,673	-	-	-	-	-	-	-	(64,850)	- 1,755,884	-
b) other	37,851	- 37,851	-	-	-	-	-	-	-	-	-	-	(1,957)	- 35,894	-
<b>Valuation reserves</b>	<b>32,276</b>	<b>- 32,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,310)</b>	<b>(17,034)</b>	<b>-</b>
<b>Equity instruments</b>															
Treasury shares	(25,457)	- (25,457)	-	-	-	73	-	-	-	-	-	-	-	- (25,384)	-
<b>Profit for the year</b>	<b>275,020</b>	<b>- 275,020</b>	<b>(184,773)</b>	<b>(90,247)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,061</b>	<b>105,061</b>	<b>-</b>
<b>Equity attributable to the Group</b>	<b>3,270,494</b>	<b>- 3,270,494</b>	<b>- (90,247)</b>	<b>57,673</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,590</b>	<b>3,293,556</b>	<b>-</b>
<b>Equity attributable to non-controlling interests</b>	<b>104,583</b>	<b>- 104,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(104,740)</b>	<b>161</b>	<b>-</b>	<b>4</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

			Allocation of prior year result		Changes during the year								Equity attributable to the Group at 30.06.2021	Equity attributable to non-controlling interests at 30.06.2021	
	Balance at 31.12.2020	Changes in opening balances	Balance at 1.1.2021	Reserves	Dividends and other allocations	Equity transactions									
						Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options			Changes in interests held
<b>Share capital</b>															
a) ordinary shares	1,393,736	- 1,393,736	-	-	-	-	-	-	-	-	-	-	-	- 1,360,157	33,579
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Share premium reserve</b>	<b>83,363</b>	<b>- 83,363</b>	-	-	-	-	-	-	-	-	-	-	-	<b>79,005</b>	<b>4,358</b>
<b>Reserves</b>															
a) from earnings	1,468,785	- 1,468,785	82,459	-	-	11,107	-	-	-	-	-	-	-	- 1,503,886	58,465
b) other	37,851	- 37,851	-	-	-	-	-	-	-	-	-	-	-	- 35,894	1,957
<b>Valuation reserves</b>	<b>27,584</b>	<b>- 27,584</b>	-	-	-	-	-	-	-	-	-	-	-	<b>8,597</b>	<b>36,322 (141)</b>
<b>Equity instruments</b>															
Treasury shares	(25,388)	- (25,388)	-	-	-	-	-	(67)	-	-	-	-	-	- (25,455)	-
<b>Profit for the year</b>	<b>109,743</b>	<b>- 109,743</b>	<b>(82,459)</b>	<b>(27,284)</b>	-	-	-	-	-	-	-	-	-	<b>139,380</b>	<b>136,689 2,691</b>
<b>Equity attributable to the Group</b>	<b>2,997,571</b>	<b>- 2,997,571</b>	-	<b>(27,284)</b>	<b>11,107</b>	-	<b>(67)</b>	-	-	-	-	-	-	<b>145,171</b>	<b>3,126,498</b>
<b>Equity attributable to non-controlling interests</b>	<b>98,103</b>	<b>- 98,103</b>	-	-	-	-	-	-	-	-	-	-	-	<b>2,806</b>	<b>- 100,909</b>



## CONSOLIDATED CASH FLOW STATEMENT (indirect method)

	30/06/2022	30/06/2021
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>414,318</b>	<b>253,180</b>
- result for the period (+/-)	105,061	139,380
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value through profit or loss (-/+)	75,985	(23,959)
- gains (losses) on hedging (-/+)	134	(79)
- net adjustments/writebacks for credit risk (+/-)	39,334	70,712
- net adjustments/writebacks for property, equipment and investment property and intangible assets (+/-)	28,946	25,726
- provisions for risks and charges and other costs/revenues (+/-)	45,232	9,127
- unpaid taxes, duties and tax credits (+)	48,821	53,527
- other adjustments (+/-)	70,805	(21,254)
<b>2. Cash generated/absorbed by financial assets</b>	<b>(2,599,664)</b>	<b>(3,579,759)</b>
- financial assets held for trading	315	21,500
- financial assets designated at fair value	-	-
- financial assets mandatorily measured at fair value	23,343	(67,617)
- financial assets measured at fair value through other comprehensive income	405,890	(508,823)
- financial assets measured at amortised cost	(2,289,010)	(2,928,576)
- other assets	(740,202)	(96,243)
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>(514,202)</b>	<b>3,078,355</b>
- financial liabilities measured at amortised cost	(1,459,318)	2,530,193
- financial liabilities held for trading	50,217	(5,127)
- financial liabilities measured at fair value	-	-
- other liabilities	894,899	553,289
<b>Net cash generated/absorbed by operating activities</b>	<b>(2,699,548)</b>	<b>(248,224)</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash generated by</b>	<b>15,842</b>	<b>11,368</b>
- sales of equity investments	2,500	-
- dividends collected from equity investments	12,765	10,947
- sales of property, equipment and investment property	577	421
- sales of intangible assets	-	-
- sales of subsidiaries and business units	-	-
<b>2. Cash absorbed by</b>	<b>(167,224)</b>	<b>(31,813)</b>
- purchases of equity investments	(84,491)	-
- purchases of property, equipment and investment property	(74,645)	(21,700)
- purchases of intangible assets	(8,088)	(10,113)
- purchases of subsidiaries and business units	-	-
<b>Net cash generated/absorbed by investing activities</b>	<b>(151,382)</b>	<b>(20,445)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of treasury shares	(72)	(133)
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	(90,463)	(26,984)
- sale/purchase of third party control	-	-
<b>Net cash generated/absorbed by financing activities</b>	<b>(90,535)</b>	<b>(27,117)</b>
<b>NET CASH GENERATED/ABSORBED IN THE YEAR</b>	<b>(2,941,465)</b>	<b>(295,786)</b>

Key:

(+) generated (-) absorbed

The figures at 30.06.2021 have been restated following the 7th update of Bank of Italy Circular 262 of 22 December 2005.



## RECONCILIATION

Items	30/06/2022	30/06/2021
Cash and cash equivalents – opening balance	5,652,733	5,337,880
Total net cash generated/absorbed in the period	(2,941,465)	(295,786)
Cash and cash equivalents: effect of exchange rate fluctuations	35,706	(12,931)
<b>Cash and cash equivalents – closing balance</b>	<b>2,746,974</b>	<b>5,029,163</b>

The figures at 30.06.2021 have been restated following the 7th update of Bank of Italy Circular 262 of 22 December 2005.



## NOTES

### ***Structure and content of the report for the first half of 2022***

The report for the first half of 2022 was prepared pursuant to article 154-ter of Legislative Decree No. 58 of 24 February 1998 «Consolidated Law on Financial Intermediation pursuant to articles 8 and 21 of Law No. 52 of 6/2/1996» and the provisions issued by Consob on the subject. Account was also taken of the provisions of Consob Resolution No. 15520 of 27/7/2006, Communication No. DEM/6064293 of 28/7/2006 and Communication No. DEM/11070007 of 5/8/2011. The condensed half-year consolidated report as at 30 June 2022 has been prepared in accordance with International Accounting Standard No. 34 and consists of:

- the directors' half-year report on operations;
- consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement;
- notes, whose function is to comment on the figures in the consolidated half-year report and to contain the information required by the regulations in force.

### ***General information***

#### ***Declaration of compliance with international accounting standards***

Banca Popolare di Sondrio, società per azioni (joint-stock company) declares that these condensed half-year consolidated financial statements have been prepared in accordance with IAS 34.

### ***Basis of preparation***

The condensed half-year consolidated financial statements have been prepared in accordance with the following general criteria described in IAS 1:

- 1) Going concern. The condensed half-year consolidated financial statements have been prepared on a going concern basis: assets, liabilities and off-balance sheet transactions have therefore been valued according to their operating values. In this regard, we would point out the Board of Directors and Board of Statutory Auditors evaluate the company's prospects with particular attention. This assumption has been resolutely pursued and there is no need for detailed analyses to support this assumption in addition to the information that is already available in the condensed half-year consolidated financial statements and in the report on operations. Considering the structure of funding, based essentially on T-LTRO refinancing operations, customer current accounts, repurchase agreements and lending, mainly to retail customers and SMEs which the Group monitors constantly, as well as the prevalence of government securities and corporate bonds of leading issuers, management is of the opinion, even considering the difficulties encountered by sovereign fixed-yield securities in the recent past and the macroeconomic scenario created by the pandemic and the Russia-Ukraine conflict, that there are no critical areas that could adversely influence the Group's capital solidity and profitability, which are prerequisites for adopting the going concern basis. With reference to the information provided in Document No. 2 of 6 February 2009 and of Document No. 4 of 3 March 2010, issued jointly by the

Bank of Italy, Consob and ISVAP and subsequent updates, the Group has the reasonable expectation of continuing to operate as a going concern in the foreseeable future and has therefore prepared the condensed half-year consolidated financial statements as at 30 June 2022 on the assumption of business continuity. In this regard, management believes that, despite possible negative repercussions on certain types of revenues and the cost of credit and the elements of risk referred to in the section of the Interim Report on Operations entitled «Risk Management», the Group can continue to operate as a going concern in the foreseeable future, with capital ratios that are higher than the regulatory minimum requirements. This conclusion also takes into account the significant government interventions in support of companies and households, the incisive monetary policy measures of central banks and the temporary easing of regulatory requirements.

- 2) Accruals basis. Costs and revenues are matched in the accounting periods to which they relate, regardless of when the transactions are settled.
- 3) Consistency of presentation of the condensed half-year consolidated financial statements. Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless changes are required by an international accounting standard or related interpretation, or a different presentation or classification would be more appropriate for the meaningful and reliable disclosure of information.  
If the presentation or classification of items is changed, the comparative amounts are also reclassified, if feasible, and the nature of the reclassification is explained together with the reasons for it. The financial statements, and, where compatible, the tables of the Notes have been prepared in compliance with the provisions of the Bank of Italy's Provision of 22 December 2005 and subsequent amendments.
- 4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.
- 5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.
- 6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or its interpretation.

The condensed half-year consolidated financial statements are prepared in accordance with Italian regulations to the extent that they are compatible with IAS/IFRS. Accordingly, the condensed half-year consolidated financial statements incorporate the requirements of Legislative Decree 136/2015, the Italian Civil Code (c.c.) and the corresponding provisions of the Consolidated Finance Act for listed companies regarding the report on operations (art. 2428 c.c.) and the audit (art. 2409-bis c.c.).

All figures reported in the financial statements and notes are stated in thousands of euro.

### ***Scope of consolidation and methodology***

The condensed half-year consolidated financial statements present the economic and financial position at 30 June 2022 of the Banca Popolare di Sondrio Banking Group, which comprises the Parent Company, Banca Popolare di Sondrio (Suisse) SA, Factorit S.p.a., Sinergia Seconda S.r.l., Banca della Nuova Terra S.p.a., Popso Covered Bond S.r.l., PrestiNuova S.r.l. - Agenzia in Attività Finanziaria and the entities that are controlled by the Group pursuant to IFRS 10.

The following companies have been consolidated on a line-by-line basis:

Company Name	Head office	Type of relationship <sup>(1)</sup>	Share capital (in thousands)	Held %	% of votes
Banca Popolare di Sondrio (Suisse) SA	Lugano	1	(CHF) 180,000	100	100
Factorit spa	Milan	1	85,000	100	100
Sinergia Seconda srl	Milan	1	60,000	100	100
Banca della Nuova Terra spa	Sondrio	1	31,315	100	100
Pirovano Stelvio spa(4)	Sondrio	1	2,064	100	100
Servizi Internazionali e Strutture Integrate 2000 srl(4)	Milan	1	75	100	100
Immobiliare San Paolo srl(4)	Tirano	1	10 <sup>(2)</sup>	100	100
Immobiliare Borgo Palazzo srl(4)	Tirano	1	10 <sup>(2)</sup>	100	100
PrestiNuova srl – AAF	Rome	1	100 <sup>(3)</sup>	100	100
Popso Covered Bond srl	Conegliano V.	1	10	60	60
Rent2Go Srl <sup>(4)</sup>	Bolzano	1	12,050	100	100

<sup>(1)</sup> 1 = majority of voting rights at ordinary shareholders' meeting.

<sup>(2)</sup> held by Sinergia Seconda S.r.l.

<sup>(3)</sup> held by Banca della Nuova Terra S.p.a.

<sup>(4)</sup> equity investments not included in the Banking Group for supervisory purposes

The Parent Company holds 100% of Fondo Immobiliare Centro delle Alpi Real Estate and consolidates it line-by-line.

On 1 March 2022, the purchase of the minority shares of the subsidiary Factorit S.p.a. was finalised; the interest held by the Parent Company increased from 60.5% to 100%, for a consideration of 75 million euro.

The scope of the companies consolidated on a line-by-line basis has expanded compared to 31 December 2021 because, following the acquisition of 66.7% of the company Rent2Go S.r.l. on 1 April 2022, the Parent Company holds 100% of the share capital.

Control, as defined by IFRS 10, is the power over the investee entity (i.e. holding valid rights that give the current capacity to direct the activities of the investee entity) and exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control can therefore be obtained in various ways, including via exposure to risks and rewards, and not just as a consequence of the power to influence financial and operating policies.

The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

With line-by-line consolidation, the carrying amount of the investments is eliminated against the related equity and all of the assets and liabilities, guarantees, commitments and other memorandum accounts are included, as are the revenues and costs of the subsidiaries.

All of the assets and liabilities, equity, revenues, costs and intercompany financial flows relating to transactions between group entities are completely eliminated on consolidation, except for any income and charges of insignificant amount. The financial statements of these group companies are reclassified appropriately and, where necessary, restated in accordance with the accounting policies adopted by the Group.

Companies in which the bank does not have an investment, but for which it has received pledged voting shares, are not consolidated, because the pledge is designed to protect the loans granted and not to influence the company's operating policies to obtain economic benefits.

There are no restrictions concerning Group assets/liabilities referred to in paragraph 13 of IFRS 12.



Changes in interests held in a subsidiary that do not result in a loss of control are recognised in equity.

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognised in the income statement. If an interest is maintained, it has to be shown at fair value.

The reference standard for the accounting treatment of joint control arrangements in the Group's consolidated financial statements is IFRS 11 «Joint arrangements». The arrangement entered into constitutes a joint venture, whereby the parties that have joint control thereof have rights to the net assets of the arrangement. Joint control exists when control over the investment is shared equally with others, is agreed contractually and only exists if the decisions about relevant activities require the unanimous consent of the parties sharing control. In accordance with this standard, the correct accounting treatment for such an arrangement requires the interest in the joint venture to be recognised as an investment and to be accounted for using the equity method in accordance with IAS 28 «Investments in associates and joint ventures».

The joint ventures indicated below are valued at equity:

Company Name	Head office	Type of relationship <sup>(1)</sup>	Share capital (in thousands)	Held %	% of votes
Rajna Immobiliare srl	Sondrio	7	20	50	50

<sup>(1)</sup> 7 = joint control.

The scope of consolidation also includes the equity investments where the Parent Company exercises a significant influence in that the shareholding is between 20% and 50%; or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

- the Bank has a representative on the Board of Directors or the equivalent body of the subsidiary;
- the Bank takes part in the decision-making process, including decisions regarding dividends;
- there are significant transactions between the parent company and the subsidiary;
- there is an exchange of managers;
- essential technical information is being provided.

These holdings are valued using the equity method, except for insignificant interests which are valued at cost.

The equity method involves initial recognition of the investment at cost and its subsequent remeasurement based on the portion of equity held. The portion of the subsidiary's net result for the year attributable to the bank is shown in a specific item in the income statement.

Any change in the other components of comprehensive income relating to these subsidiaries is presented as part of the Group's comprehensive income. Furthermore, in the event that an associate or joint venture recognises a change with direct allocation to equity, the Group recognises its share, where applicable, in the statement of changes in equity. Unrealised profits and losses deriving from transactions between the Group and associates or joint ventures are eliminated in proportion to the shareholding in the associates or joint ventures.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not subject to a separate impairment test. After applying the equity method, the Group assesses whether it is necessary to recognise an impairment loss on its investment in associates or joint ventures. At each reporting date, the Group assesses whether there is objective evidence that the investments in associates or joint ventures have suffered impairment. In this case, the Group calculates the amount of the impairment as the difference between the recoverable value of the associate or joint venture and its carrying amount in its financial statements, recognising this difference in the profit or loss for the year under the heading «portion pertaining to the result of associates and joint ventures». Any subsequent writebacks cannot exceed the impairment losses recorded previously.

Upon the loss of significant influence over an associate or joint control over a joint venture, the Group assesses and recognises the residual investment at fair value.

The difference between the carrying amount of the investment at the date of loss of significant influence or joint control and the fair value of the residual investment and the amounts received is recognised in the income statement.

On 2 May 2022, the Parent Company, having successfully completed the restructuring operation, sold 18.25% of the share capital of Cossi Costruzioni S.p.a. to Webuild S.p.a.

The ownership percentages are specified in the following table:

Company Name	Head office	Share capital (in thousands)	Held %
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Arca Holding spa	Milan	50,000	34.715
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Sgrpa	Milan	5,200	19.600
Bormio Golf spa	Bormio	317	25.237
Lago di Como GAL Scrl	Canzo	22	28.953
Sofipo SA	Lugano	(CHF) 2,000 *	30.000
Acquedotto dello Stelvio srl	Bormio	21 **	27.000
Sifas Spa	Bolzano	1,209 **	21.614

\* held by Banca Popolare di Sondrio (Suisse) SA

\*\* held by Pirovano Stelvio spa

### **Special purpose vehicle for the securitisation of non-performing loans**

Based on the provisions of IFRS 10, the Vehicle Companies Diana S.P.V. S.r.l. and Pop Npls 2020 S.r.l., and Luzzatti Pop Npls 2021 S.r.l., specifically established pursuant to Law 130/1999, do not fall within the scope of consolidation of Banca Popolare di Sondrio. In this regard, please refer to the relevant section of the notes to the financial statements as at 31 December 2021.

### **Business combinations**

Business combinations are accounted for using the purchase method. The total cost of an acquisition is the sum of the consideration paid, measured at fair value at the acquisition date, and the non-controlling interest in the company acquired. For each business combination, the Group defines whether to measure the non-controlling interest at fair value or in proportion to the non-controlling interest in the identifiable net assets of the company acquired. Acquisition costs are written off during the year and classified under administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed in accordance with the contractual terms, the economic conditions and other pertinent conditions that exist at the acquisition date.

Any contingent consideration is recognised by the purchaser at fair value at the acquisition date. The contingent consideration classified as equity is not subject to re-measurement and its subsequent payment is accounted for with a contra-entry to equity. The change in the fair value of the contingent amount classified as an asset or liability, as a financial instrument covered by IFRS 9 Financial instruments must be recognised in the income statement in accordance with IFRS 9. The contingent amount that does not fall within the scope of IFRS 9 is measured at fair value at the reporting date and changes in fair value are recognised in the income statement.

Goodwill is initially recognised at cost represented by the excess of the sum paid and the amount recorded for non-controlling interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the sum paid, the Group checks again whether it has correctly identified all of the



assets acquired and all of the liabilities assumed and reviews the procedures used to determine the amount to be recognised at the acquisition date. If the new valuation still shows a fair value of the net assets acquired that is higher than the consideration, the difference (a gain) is recognised in the income statement. After initial recognition, goodwill is valued at cost net of accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in a business combination is allocated, from the acquisition date, to each cash generating unit (CGU) of the Group which is expected to benefit from the synergies of the combination, regardless of the fact that other assets or liabilities of the acquired entity may be assigned to these units.

If goodwill has been allocated to a CGU and the company disposes of part of its assets, the goodwill associated with the asset disposed of is included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is determined on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

### ***Translation of financial statements in currencies other than the euro***

The financial statements of Banca Popolare di Sondrio (SUISSE) SA are translated into euro at the official year-end exchange rate for balance sheet assets and liabilities, while costs and revenues are translated into euro at average exchange rate. Differences arising on translation are booked in the statement of comprehensive income.

### ***Subsequent events***

No events have taken place between the reference date for these condensed half-year consolidated financial statements and the date of their approval by the Board of Directors on 5 August 2022 that would require the adjustment of such approved information, and nothing of significance has occurred that would require changes in the figures of the financial statements.

### ***Other aspects***

In the reporting period, the accounting standards adopted remained essentially unchanged from the previous year.

The new accounting standards, amendments and interpretations, whose application has become mandatory as of 31 December 2021, are listed below:

- Regulation (EU) 2021/1080 of 28 June 2021 correcting Regulation 1126/2008. This regulation introduces a number of formal amendments to International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9.

In detail, the IASB published the following amendments to the IFRS:

- amendments to IFRS 3 Business Combinations: they update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this involving any changes to the standard;
- amendments to IAS 16 Property, Plant and Equipment: they do not allow the amount received from the sale of goods produced before the asset is ready for use to be deducted from the cost of the fixed asset. Such sales revenues and costs will be recognised in the income statement;
- amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: they clarify which cost items have to be considered to assess whether a contract will make a loss;

- Annual Improvements 2018-2020: amendments made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples accompanying IFRS 16 Leases.

The amendments shall be applied at the latest from the starting date of the first financial year commencing on or after 1 January 2022. Given the tenor of the amendments under consideration, in light of the ongoing evaluations, no impact on the Group is expected.

The new accounting standards, amendments and interpretations, whose application will become mandatory after 31 December 2022, are listed below:

- Regulation (EU) No. 2021/2036 of 19 November 2021, amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council with regard to International Financial Reporting Standard 17. IFRS 17 – Insurance contracts published on 18 May 2017 and the amendments to IFRS 17 published on 25 June 2020. This applies from 1 January 2023.
- Amendments to IAS 1 – Presentation of Financial Statements: classification of liabilities as current or non-current. On 23 January 2020, the IASB published an amendment to IAS 1, which seeks to clarify one of the IAS 1 criteria for the classification of a liability as non-current, namely the requirement that the entity must have the right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The amendment includes:

- clarification that the right to defer settlement must exist at the end of the reporting period;
  - clarification that classification is unaffected by management intentions or expectations about possible exercise of the deferral right;
  - clarification about how loan conditions influence classification;
  - clarification of the requirements for classifying a liability that the entity intends to settle or might settle by the transfer of its own equity instruments.
- Amendments to IFRS 4 Insurance contracts (Regulation (EU) 2020/2097 of 15 December 2020). The amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17 Insurance Contracts.

Preparing condensed half-year consolidated financial statements requires making estimates and valuations that may have a significant impact on the figures shown in the balance sheet and income statement, especially as regards the valuation of loans and receivables with customers, the valuation of financial assets, the quantification of the provisions for personnel expenses and for risks and charges, the use of valuation models for identifying the fair value of instruments that are not listed on active markets, equity investments and goodwill and lastly, estimates related to the recoverability of deferred tax assets. These estimates and valuations were made on a going concern basis, without considering the unlikely forced sale of the assets measured. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements.

The Parent Company and other Group companies defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the condensed half-year consolidated financial statements at 30 June 2022, as required by prevailing accounting standards and relevant regulation.

These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current regulation and have been performed on a going concern basis, i.e. valuations are not based on the assumption of a forced sale. Specifically, with reference to the estimates that could potentially be most impacted by the Russian-Ukrainian conflict and the Covid Pandemic, please refer to Section 16.8 of these notes.

It should be stated, however, that this valuation process was particularly complex in view of the current macroeconomic and market context, characterised by high levels of uncertainty about the prospects, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used to verify the above figures have been heavily affected by the macroeconomic and market context, which could experience rapid changes that are currently unforeseeable, with effects – even significant effects – on the amounts reported in the condensed half-year consolidated position as at 30 June 2022.

The condensed half-year consolidated financial statements are subject to audit by EY S.p.A. in accordance with the shareholders' resolution of 29 April 2017 which appointed them as auditors for the nine-year period from 2017 to 2025.

## **Part relating to the main items in the financial statements**

### ***Classification of financial assets***

Financial assets are classified with reference, on the one hand, to the contractual characteristics of the related cash flows i.e. whether or not they depend solely on the payment of principal and related interest (SPPI) and, on the other, the reason (business model) for which the instrument is held. The business model determines whether the cash flows derive from the collection of contractual cash flows, the sale of financial assets or both.

### ***Held to Collect (HTC)***

The objective of this business model is to hold financial assets to collect the contractual cash flows during the instrument's life.

Sales are only deemed to be eligible if they are frequent but not significant, or significant but not frequent, or if due to an increase in credit risk, or if close to the maturity date of the financial asset. Frequency is measured based on the number of sales made in the period, while significance is measured based on the total amount of sales compared to the portfolio at the beginning of the period. The criteria used to determine these requisites have been included by the Group in specific internal regulations.

Banca Popolare di Sondrio Group holds the following within an HTC business model:

- Almost the entire portfolio of loans to customers and Banks, given that the Group mainly undertakes traditional banking activities and holds a loan portfolio that originates from finance granted to households, individuals and businesses;
- Fixed-yield securities that may be subjected to this business model's management logic.

### ***Held to Collect & Sell (HTC&S)***

The objective of this business model is to collect contractual cash flows and to sell the financial assets. The Group decided not to use the HTC&S business model for receivables, but decided to use it for securities.

### ***Others (FVTPL)***

This business model is adopted when the Group takes decisions based on the fair value of financial assets and it manages them in order to dispose of the latter or when the objective of the business model does not fall within that of the previous two (HTC and HTC&S). Banca Popolare di Sondrio Group holds the following within an «Others» business model:

- Financial instruments held within a trading business model
- Financial instruments held within a fair value business model.

The Group does not require ex post monitoring for credit and loans to verify the consistency of the loan portfolio with the HTC business model within which they are held, while it is

required for securities to verify the consistency of securities portfolio management with the HTC and HTC&S business models.

### ***Solely Payment Principal Interest Test (SPPI test)***

By means of an SPPI test, it is possible to check whether a financial asset may be considered to be a «basic lending arrangement», whereby the contractual cash flows consist solely of payments of principal and interest accrued on the principal amount outstanding. If the test of the characteristics of the contractual cash flows shows compliance with the requirements of IFRS 9 (SPPI test has been passed), the asset may be measured at amortised cost, provided that it is held within a business model the objective of which is to collect the contractual cash flows during the instrument's life (HTC business model), or at fair value through other comprehensive income (FVOCI), provided that the asset is held within a business model the objective of which is to collect contractual cash flows over the entire life of the asset and to sell the asset (HTC&S business model). If the test of the characteristics of the contractual cash flows from a financial asset does not show compliance with the requirements of IFRS 9 (SPPI test has not been passed), the asset is measured at fair value through profit or loss (FVTPL). In accordance with Group guidelines, the test is performed before a loan is granted or a security purchased (origination) in order to gain awareness of the accounting implications in terms of the classification of assets in accordance with IFRS 9. Test procedures make use of the so-called SPPI tool.

For credit and loans, the approach for the execution of the SPPI test differs based on whether they consist of:

- Standard products (e.g. current accounts or loans), for which the test is performed at product level. Upon granting a loan, account is taken of the outcome of the SPPI test at product level, updated following verification of the remuneration of credit risk and a benchmark test, where required.
- Non-standard contracts, for which the test is performed individually for each amount.

For the securities portfolio, the results of the SPPI test and benchmark test are acquired for each ISIN from an external info provider. For amounts for which the results of the SPPI test and/or benchmark test obtained from an external info provider are not available and/or complete, the tests are performed within the Group, using the aforementioned tool.

## **1. Financial assets measured at fair value through profit or loss**

### ***Classification***

Financial assets held for trading (fixed-yield securities, equity securities, loans, mutual funds) have been allocated to this item. It also includes the derivative contracts with a positive fair value, except those offset pursuant to IAS 32. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index, is settled on maturity and requires a limited initial net investment. If the derivative qualifies as a hedging derivative, the applicable item is «hedging derivatives». If a financial asset contains an embedded derivative, it is measured by measuring the entire asset at fair value. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

This item also includes financial assets designated at fair value (fixed-yield securities and loans) as the result of the exercise of the fair value option. For the time being, the Group has decided not to apply the fair value option, but does not exclude the exercise thereof in the future.

Lastly, it includes other financial assets mandatorily measured at fair value (fixed-yield securities, equity securities, mutual funds and loans) or that do not meet the requirements



for classification at amortised cost or at fair value through other comprehensive income, since they did not pass the contractual cash flow characteristics test (SPPI test), as well as equity securities and mutual funds (that are not held for trading) and debt instruments held within a fair value business model.

### **Recognition**

Assets measured at fair value through profit or loss are recognised at the settlement date at fair value, which normally corresponds to the consideration paid, with the exception of transaction costs and revenues that are recognised directly in profit or loss. Trading derivatives are recognised at the «contract» date and are stated at their current value at the time of acquisition.

### **Accounting**

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value at the reporting date.

With regard to instruments listed on official markets, fair value is calculated with reference to their official bid price at the close of trading, while the fair value of instruments not listed on official markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters. If this is not possible, estimates and valuation models that take account of market data are used, where available; these methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

If data is not available for measurement under the above models, fair value measurement is performed using unobservable inputs (e.g. adjusted equity).

As regards loans and receivables (due from banks and customers), the models used differ based on the nature and the characteristics of the instruments being measured. Currently, three main base models are applied:

- Discounted Cash Flow Model (DCF);
- Reverse Mortgage Model (RMM);
- ABS model.

The above models are used to measure performing exposures. In the case of revocable loans, the fair value is set equal to the balance on the financial statements.

### **Recognition of components affecting the income statement**

Income statement components generated by changes in fair value of financial assets measured at fair value through profit or loss are recognised in the income statement in the period they arise under «Net trading income» and «Net gains/losses on other financial assets and liabilities measured at fair value through profit or loss» split between the sub-items: «financial assets and liabilities designated at fair value» and «other financial assets mandatorily measured at fair value».

Interest income and dividends are reported in the income statement under «interest and similar income» and «dividends and similar income» respectively.

### **Derecognition**

Financial assets measured at fair value through profit or loss are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

## **2. Financial assets measured at fair value through other comprehensive income**

### **Classification**

This item includes all financial assets (fixed-yield securities, equity securities and loans) classified in the portfolio measured at fair value through other comprehensive income, distinguishing between those that will subsequently be reclassified to the income statement (fixed-yield securities and loans) and that will not (equity securities). The following are classified in the portfolio measured at fair value through other comprehensive income:

- fixed-yield securities and loans held within an HTC&S business model and that pass the SPPI test;
- equity securities for which the FVOCI option has been irrevocably exercised upon recognition.

### **Recognition**

The assets classified in this item are recorded on the settlement date. Financial assets measured at fair value through other comprehensive income are initially recognised at fair value, which normally corresponds to the fair value of the consideration paid to acquire them.

With regard to fixed-yield securities and loans, the Group requires any changes in the business model due to inconsistency between the way that the portfolio is managed and the business model that was chosen, or to significant changes in the strategic decisions made, to be decided by the Boards of Directors of each Group member, which will determine if, in rare circumstances, reclassification is needed.

No possibility exists for the reclassification of equity securities. The exercise of the FVOCI option, being the option envisaged by the standard that permits equity instruments to be designated at fair value through other comprehensive income upon initial recognition, is in fact irrevocable.

### **Accounting policies**

Subsequent to initial recognition, financial assets measured at fair value through other comprehensive income are measured at fair value in the same manner as financial assets measured at fair value through profit or loss.

The item «Financial assets measured at fair value through other comprehensive income» comprises equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Group operates. These instruments represent the majority in this portfolio. For these investments and in consideration of the fact that the application of valuation techniques would use significant discretionary factors, valuation at cost is considered the best expression of their fair value.

At each year-end or interim reporting date, fixed-yield securities are subject to impairment testing based on a calculation framework similar to the one used for financial instruments measured at «amortised cost». Any subsequent writebacks cannot exceed the impairment losses recorded previously.

As regards equity securities classified in the item «Financial assets measured at fair value through other comprehensive income» no impairment testing is required, since changes in fair value due to a deterioration in credit status are recognised in an equity reserve named «Valuation reserves».

### **Recognition of components affecting the income statement**

The interest calculated using the effective interest method, which takes account of the difference between cost, including transaction costs, and redemption value, is recorded in the income statement. Income and charges deriving from a change in fair value are, net of deferred tax effect, classified in separate items within shareholders' equity, the «Valuation



reserve», consisting of «Valuation reserves: Equity securities measured at fair value through other comprehensive income» and «Valuation reserves: Financial assets (other than equity securities) measured at fair value through other comprehensive income». As an exception for fixed-yield securities, changes in fair value triggered by changes in risk are recognised in profit or loss in the item 130 b) «Net adjustments/writebacks for credit risk» in relation to financial assets measured at fair value through other comprehensive income. Upon derecognition of fixed-yield securities, accumulated gains or losses pertaining thereto are recognised in profit or loss.

Upon derecognition of equity securities, accumulated gains or losses pertaining thereto are recognised in an equity reserve (item 150).

Dividends are shown under «dividends and similar income». If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the writebacks relating to fixed-yield securities are reflected in the income statement, while those relating to equity securities are recorded in a specific «Valuation reserve» within equity».

### ***Derecognition***

Financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

## **3. Financial assets measured at amortised cost**

### ***Classification***

This item includes fixed-yield securities and loans allocated to the portfolio measured at amortised cost. To qualify for inclusion in the portfolio measured at amortised cost, a financial asset must be held within an HTC business model and must pass the SPPI test. The following are recognised in this item:

- a) amounts due from banks (current accounts, guarantee deposits, fixed-yield securities, etc.), other than those «on demand» included under «Cash and cash equivalents». These include operating loans linked to the provision of financial services and activities as defined by the Consolidated Banking Act and the Consolidated Finance Act (for example, the distribution of financial products). Receivables due from Central Banks (e.g. compulsory reserve), other than current accounts and «on demand» deposits included under «Cash and cash equivalents», are also included;
- b) loans and receivables with customers (mortgage loans, finance leases, factoring, fixed-yield securities, etc.). These also include deposits with post offices and Cassa Depositi e Prestiti, variation margins with clearing houses arising from derivative transactions and operating loans linked to the provision of financial services and activities as defined by the Consolidated Banking Act and the Consolidated Finance Act (for example, servicing activities).

Also included are:

- finance leases relating to assets under construction and assets about to be leased under «transfer of risks» contracts, whereby the risks are transferred to the lessee prior to delivery of the asset and the start of lease instalments;
- loans granted through government or other public entity funding in connection with particular lending transactions provided for and governed by specific laws («loans through third-party funds under administration»), provided that the loans and funds bear interest due and payable to the lender;
- trade notes and documents that the banks receive subject to collection or subsequent to



collection and for which the banks handle the collection service on behalf of assignors (recognised only upon settlement of the related amounts).

### **Recognition**

Financial assets measured at amortised cost are recognised on the settlement date at fair value, which normally coincides with the amount paid, including transaction costs.

Financial assets measured at amortised cost include advances made on the assignment of receivables with recourse or on a without-recourse basis, but without transferring substantially all of the related risks and benefits. They also include receivables acquired by the bank, and booked in the name of the assigned debtor, for which the related risks and benefits have all been substantially transferred to the bank.

Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid. Changes in receivables regarding transactions not yet settled are governed by the «settlement date» method.

The Group requires any changes in the business model due to inconsistency between the way that the portfolio is managed and the business model that was chosen, or to significant changes in the strategic decisions made, to be decided by the Boards of Directors of each Group member, which will determine if, in rare circumstances, reclassification is needed.

### **Accounting policies**

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value net, including transaction costs, of any repayments of principal, as uplifted or decreased by adjustments or writebacks and the amortisation of the difference between the amount paid and that recoverable on maturity. The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans (less than 12 months) without a specific repayment date and loans repayable on demand are recognised at cost, as the calculation of the amortised cost does not produce significant differences with respect to this amount. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount expected cash flows, even if there has been a credit change associated with the loan followed by loan forbearance measures that have led to a change in the contractual rate.

For measurement purposes, financial assets measured at amortised cost are classified in one of the following stages:

- Stage 1: performing positions for which there has been no significant increase in credit risk since the date of initial recognition
- Stage 2: performing positions for which there has been a significant increase in credit risk since the date of initial recognition
- Stage 3: positions classified in one of the credit-impaired categories (past due non-performing, unlikely-to-pay, bad loans)

Classification in one of the stage 3 credit-impaired categories complies with the definition of «Non-performing exposures» provided by the Implementing Technical Standards (ITS) of the EBA and adopted by the European Commission, where impaired financial assets are to be split between bad loans, unlikely to pay and non-performing past due exposures. At each reporting date, an entity must assess whether there has been a significant increase in credit risk since the date of initial recognition. The determination of a significant increase in credit risk (SICR) and the subsequent estimation of impairment, which may either be annual (for positions classified in stage 1) or multiannual based on the residual life of the exposure (for

positions classified in stage 2), is performed via the use of specific methodologies, which combine the use of absolute criteria – specifically, information relating to the number of continuous days past due/overdrawn, any forbearance measures, POCI and use of the low credit risk exemption for limited and particular types of counterparties and technical forms – and relative criteria. More precisely, the latter enable the measurement, via the analysis of an appropriate PD-based metric («Probability of Default»), of the change in the riskiness of the position over a timescale equating to the residual life thereof that has elapsed since the origination date up to the analysis/reporting date. For the construction thereof, use is made of probability of default term structures (lifetime PD curves, which differ according to appropriate granularity), which are constructed starting with an internal rating system, where available, or that assigned by an external rating agency, and by also taking into consideration elements of a predictive-evolutionary nature and specific to the macroeconomic scenario deemed to be most plausible at the analysis/reporting date in compliance with the underlying rationale of the new accounting standard.

If there has been a significant change in credit risk, there will be a transfer between stages: this model is symmetrical, and assets can move between stages. In the case of positions subject to forbearance measures, it should be noted that in accordance with prudential principles, an observation period of at least two years is envisaged before the position is returned to a better stage.

The measurement of financial assets carried at amortised cost is based on a computation of expected credit loss, which is defined as an estimate of the weighted probability of credit losses over the expected life of the financial instrument weighted for the probability of occurrence and is calculated based on the classification in stages as indicated above.

In particular:

- 12-month expected credit losses, for assets classified in stage 1. 12-month expected credit losses are those that result from default events that are possible within 12 months (or within a shorter period if the expected life is less than 12 months), weighted for the probability of occurrence of the default event.
- Lifetime expected credit losses, for assets classified in stage 2 and 3. Lifetime expected credit losses are those that result from all possible default events over the expected life of the financial instrument, weighted for the probability of occurrence of the default event.

For stage 2 positions, the provisions relating to each counterparty may be increased to a level considered appropriate by the competent business functions, based on the results of applying the statistical methodology defined by the Group and specific operational information, if the theoretical expected loss does not accurately reflect the level of risk identified.

As regards performing positions, measurement is performed on a collective basis, taking account of the risk parameters consisting of probability of default (PD) and loss given default (LGD), as well as exposure at default (EAD).

As regards credit-impaired positions, measurement may be performed on a collective or detailed basis. More specifically:

- Bad loans reflect the exposure to parties that are insolvent or in essentially equivalent situations, regardless of any loss forecasts made by the Group. Accordingly, no account is taken of any guarantees received in support of such exposures.
- Exposures classified as unlikely-to-pay loans are exposures, other than bad loans, for which the bank deems it improbable that the obligor will pay its credit obligations (principal and/or interest) in full without recourse to measures such as the enforcement of guarantees.
- Non-performing past due exposures are exposures other than bad or unlikely to pay loans, which, at the reference date, are past due and/or overdrawn continuously for more than 90 days and which exceed set absolute materiality thresholds (100 euro for retail exposures or 500 euro for non-retail exposures) and relative materiality (set at one percent (1%) for both retail and non-retail exposures). Non-performing past due exposures are determined by reference to the individual debtor.

Impairment of individual assets measured at amortised cost is the extent to which their recoverable value is lower than their amortised cost. In the case of detailed analysis, recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- value of contractual cash flows net of any expected losses, estimated with reference to both the ability of the borrower to meet its obligations and the value of any collaterals or personal guarantees assisting the loan;
- expected timing of recoveries, considering the progress made by recovery procedures;
- internal rate of return.

Bad loans are assessed on either a detailed or a collective basis. The specific analysis of non-performing financial assets measured at amortised cost takes the following parameters into account:

- recoveries forecast by the account managers;
- expected timing of recoveries based on historical-statistical;
- original discounting rates or the actual contractual rates applying at the time of classifying the loans as doubtful.

Collective assessments are made of positions with limited total exposures that do not exceed given «threshold values». These thresholds are determined from time to time, using simple processes that mainly involve the automatic application of specific coefficients defined internally with reference to detailed quantitative analyses.

Unlikely-to-pay loans, which include loans subject to restructuring agreements, are also assessed on either a detailed or a collective basis. The detailed analysis takes the following parameters into account:

- recoveries forecast by the offices concerned;
- expected timing of recoveries based on historical-statistical data;
- original discounting rates represented by the actual contractual rates applying at the time the loans were classified as unlikely-to-pay or, with specific reference to loans subject to restructuring agreements, in force before signing the agreement with the debtor.

Collective write-downs are made using similar methodology to that applied in relation to the overall write-down of bad loans for which no specific estimate of the loss attributable to each individual relationship has been made.

These financial assets are adjusted on a collective basis with reference to specific historical/statistical analyses of related losses incurred in the past.

Non-performing past due exposures are identified using automated procedures that extrapolate anomalous positions with reference to specific parameters established by regulations in force from time to time.

For the positions in question, it is not possible to quantify expected losses on a detailed basis at the level of individual position. The measurement of the level of impairment thereof – and, thus, of the adjustments to be applied on a collective basis – is performed by taking account of the possibility of return to performing of the positions or of a further deterioration of default and, accordingly, of the amount of the estimated expected losses arising from the established work-out process. Measurement is also performed based on the availability of appropriate information of a macroeconomic and prospective nature that is deemed significant for the estimation of the adjustments.

It should be noted that the impairment model relating to non-performing loans (Stage 3) envisaged by IFRS 9 is based on an estimate of the difference between the original contractual flows and expected cash flows. So, in determining the expected flows, it is necessary to include estimates at the reporting date of the various expected scenarios, including any loan disposal programmes and/or settlement agreements. If the entity expects to recover a portion of the cash flow of the exposures through sales procedures or settlement agreements, these can be included in the calculation of the Expected Credit Losses verified under certain conditions.

The Group incorporates the various recovery strategies considering the different probabilities that they will take place according to the IFRS 9 impairment model.

In the context of calculating the ECL, internal regulations require the expected loss and the recoverable value of non-performing loans to be estimated in disposal scenarios in accordance with a specific procedure, comprising several phases, that starts with identification of the scenarios.

In general, the accounting rules require the estimate of the loss on non-performing loans to reflect a range of possible outcomes for different scenarios, each associated with a specific probability of occurrence.

Currently, the following possible scenarios have been identified, each with different models and estimated outcomes:

- internal management of credit recovery activities;
- adoption of settlement agreements for a selected number of impaired positions;
- disposal to third parties of impaired exposures.

The next phase consists in identifying the portfolio to be sold, based on knowledge of its characteristics, the existence of any internal and/or external constraints, the monitoring of market conditions and any more complex strategic and operational objectives. The aggregate is defined with reference to the specific factors attributed to each position, such as their contractual characteristics (e.g. type of guarantee, ageing, size of the exposure etc.) and relevant operational information, including the type of recovery procedures already in progress, the geographical location of the counterparty, any impediments or obstacles to disposal, the strategic orientation of the group, the conditions existing from time to time in the market for the disposal of loans, the strategies adopted by competitors, and any other internal and/or external factors that can be explained appropriately.

Each operational scenario identified is assigned a specific probability of occurrence.

This probability is determined on both qualitative and quantitative bases, the latter taking into account the correlation between the target and extended portfolios selected for each scenario.

The next phase involves estimating the expected loss for each scenario. The estimate of losses on non-performing loans must reflect reasonable and well-founded information, available without excessive cost or effort, including details of past events, current conditions and the economic situation expected in future. In line with the internal regulations for quantifying the loss expected on non-performing exposures, an estimate is made of the cash flows expected from each operational scenario identified. Without prejudice to specific regulatory instructions, the estimate of cash flows from internal credit management scenarios takes account of macroeconomic and sector information, the situation faced by the debtor, the cash flows expected from the debt restructuring to «unlikely-to-pay exposures», any collaterals or personal guarantees, the period for which the position has been impaired and the expected time to obtain recovery.

The estimate of cash flow from loan disposal scenarios takes account of similar transactions carried out in the past by the group, as well as specific information available about the «underlying» (situation faced by the borrower and any loan guarantees obtained) and the market for the disposal of non-performing loans (e.g. prices of similar transactions carried out by other intermediaries and historical and forecast market curves).

The expected loss on each impaired position is therefore determined using the following formula:

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Expected Loss - Individual position	=	Expected Loss - Disposal Scenario * Probability of occurrence of Disposal	+	Expected loss Internal Management Scenario * Probability of occurrence of Internal Management
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The process of determining the expected loss in the case of scenarios of proactive management of loans through settlement agreements follows the same steps as those envisaged for the transfer scenarios illustrated above and the expected loss in this specific scenario, through the relative probability of occurrence, is included in the final quantification of the expected loss of the individual position.

### **Recognition of components affecting the income statement**

Interest income on financial assets measured at amortised cost is classified in the item «interest and similar income».

Reductions or recoveries of partial or entire amounts previously written down are booked to the income statement.

As regards financial assets classified in stage 3 and loans purchased or originated credit-impaired (POCI), interest is calculated using the net interest method and is recognised in the item «interest and similar income».

Any writebacks do not exceed the (specific and general or «portfolio») impairment adjustments recorded previously.

### **Derecognition**

Financial assets measured at amortised cost are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

IFRS 9 also includes the following provisions on:

- Write-off of financial assets: when an entity does not reasonably expect to fully or partly recover contractual cash flows from a financial asset, it must directly reduce the gross carrying amount of the financial asset. This write-down constitutes partial or total derecognition of the asset.
- Modification of contractual cash flows: when a modification of contractual cash flows occurs, an entity must assess whether the modification would lead to derecognition, that is, whether the modification is substantial.

When the modification of contractual cash flows from a financial asset leads to the derecognition of a financial asset in compliance with the present standard, an entity should derecognise the existing financial asset and subsequently recognise the modified financial asset: the modified financial asset is deemed to be a «new» financial asset for the purpose of this standard. (IFRS 9 B5.5.25).

When the modification of contractual cash flows from a financial asset does not lead to the derecognition thereof, an entity should redetermine whether there has been a significant increase in credit risk and/or whether the financial asset should be reclassified to stage 3.

At the time of a modification that does not lead to derecognition, the Group adjusts the carrying amount to the present value of the modified cash flows determined using the original effective interest rate, with a matching entry to the income statement.

## **3.1 Commitments and guarantees given**

### **Classification**

These comprise all the collaterals and personal guarantees given for third-party obligations and commitments to grant loans.

### **Recognition and measurement**

Endorsement loans are valued on the basis of the riskiness of this particular form of loan, taking into account the creditworthiness of the borrower. The impairment model envisaged for this category of financial assets is the same as that for financial assets measured at amortised cost (see paragraph 3 above).

### **Recognition of components affecting the income statement**

The commissions accrued are shown in the income statement under «fee and commission

income». Impairment losses, and subsequent writebacks, are booked to the income statement under «net provisions for risks and charges» with a contra-entry to «Provisions for risks and charges - a) Commitments and guarantees given».

#### **4. Hedging transactions**

##### ***Classification and recognition***

Financial and credit derivatives held for hedging purposes with a positive or negative fair value are recognised in the corresponding balance sheet item. The IASB is still developing new macro hedging requirements to complete the hedge accounting requirements already included in IFRS 9, which will replace the rules set out in IAS 39 and, accordingly, until the completion and publication of the new standard, the Group has decided to continue to apply the hedge accounting requirements set out in IAS 39, as this option is allowed under IFRS 9.

The portfolio of hedging derivatives comprises the derivative instruments used by the Group to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

- fair value hedges, to hedge the exposure to changes in the fair value of a balance sheet item attributable to a particular risk; this also includes generic fair value hedges («macro hedges») whose objective is to reduce fair value fluctuations, attributable to interest rate risk, of a monetary amount, arising from a portfolio of financial assets and liabilities.
- cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio. Hedging instruments are recorded using the «contract date» method.

For a transaction to be accounted for as a «hedging transaction», the following conditions must be met: a) the hedging must be formally documented, b) the hedge must be effective at the time it starts and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results of the test fall into the 80% - 125% interval). The effectiveness of the hedge is assessed at each interim reporting date and at year end.

Derivative hedging instruments are initially recorded at fair value on the date the contract is entered into and are classified, depending on their positive or negative value, respectively, in assets under item «50. Hedging derivatives» or on the liabilities side of the balance sheet under item «40. Hedging derivatives».

##### ***Measurement and recognition of components affecting the income statement***

Fair value hedges are measured and recorded on the following basis:

- hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the instruments subject to measurement. The resulting gains and losses are recorded in the income statement item «90. Net hedging gain (loss)»;
- hedged positions are measured at fair value including the gain or loss attributable to the hedged risk. This change in value is recorded in the «Net hedging gain (loss)» item of the income statement to match the change in the carrying value of the hedged item.

With regard to interest-earning financial instruments, if the hedge ceases to satisfy the recognition criteria, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the



income statement over the residual life of the original hedge; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

In the case of generic fair value hedges («macro hedges»), changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet respectively, under item 60. «Change in value of macro-hedged financial assets» or 50. «Change in value of macro-hedged financial liabilities». The offsetting entry for changes in value referring to both the hedged item and the hedging instrument, like specific fair value hedges, is item «90 - Net hedging gain (loss)» in the income statement. In the event of the discontinuation of a generic fair value hedging relationship, the cumulative revaluations/write-downs recognised in the balance sheet items above are recognised in the income statement under interest income or expense over the remaining term of the original hedging relationships, subject to verification that the underlying conditions are met.

Cash flow hedges are measured and recorded on the following basis:

- derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the «Valuation reserves» within equity and only released to income when the hedged change in cash flows takes place or if the hedge is ineffective;
- the hedged item continues to be valued on the basis applicable to the category concerned;
- the amounts recognised among the components of other comprehensive income are reclassified to the income statement for the year in which the hedged transaction affects the income statement, for example when charges or income are recognised in relation to the hedged instrument.

If the hedging instrument expires or is sold, cancelled or exercised without replacement (as part of the hedging strategy), or if it ceases to be designated as a hedging instrument, or if the hedge no longer satisfies hedge accounting criteria, any gains or losses previously recognised as components of other comprehensive income remain classified separately within equity until the expected transaction takes place or the commitment made in relation to foreign currency is called upon.

### ***Derecognition***

Risk hedges cease to generate accounting effects when they expire, when they are closed out or terminated early, or when they cease to satisfy the recognition criteria.

## **5. Equity investments**

### ***Classification***

The portfolio of equity investments comprises holdings in associated companies and companies under joint control, other than those included in the item «financial assets measured at fair value through profit or loss» in accordance with IAS 28 and IFRS 11.

### ***Recognition***

Reference should be made to Section «Scope and methods of consolidation».

### ***Accounting policies***

Reference should be made to Section «Scope and methods of consolidation».

### ***Measurement and recognition of components affecting the income statement***

Reference should be made to Section «Scope and methods of consolidation».



### **Derecognition**

Reference should be made to Section «Scope and methods of consolidation».

## **6. Property, equipment and investment property**

### **Classification**

This item includes buildings, land, installations, furniture, equipment, furnishings and machinery. The rights of use acquired with the lease relating to the use of a tangible asset (for lessees) are also included.

This item includes buildings held for investment purposes in order to earn rentals or enjoy capital appreciation and follow the rules laid down by IAS 40.

This item also includes property, equipment and investment property classified according to IAS 2 Inventories, mainly relating to assets acquired with a view to enhancing the value of the investment, including through renovation or redevelopment, with the explicit intention of selling them, including assets deriving from the enforcement of guarantees received.

### **Recognition**

Property, equipment and investment property are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Investment properties, at the time of purchase, are recorded under assets in the balance sheet at cost. In the presence of a change of use of the property from owner-occupied property to investment property, the initial book value is equal to the fair value («market value»), deduced from a specific appraisal. The difference between the fair value and the carrying amount of the property at the date of change in use is treated on the basis of the provisions of IAS 16.

According to IFRS 16, leases are accounted for on the basis of the right of use model, so that, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for his right to use the underlying asset for the duration of the lease.

When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

The start of the lease term is the date from which the lessee is authorised to exercise his right to use the leased asset, it corresponds to the date of initial recognition of the lease and also includes the so-called rent-free period, or those contractual periods in which the lessee makes use of the asset free of charge. At the time the contract begins, the lessee recognises:

- an asset consisting of the right to use the asset underlying the lease contract.

The asset is recognised at cost, determined by the sum of:

- the financial liability for the lease;
  - payments for the lease paid before or on the date on which the lease takes effect (net of the lease incentives already received);
  - initial direct costs;
  - any (estimated) costs for the dismantling or restoration of the underlying leased asset;
- a financial liability deriving from the lease agreement corresponding to the present value of the payments due for the lease. The discount rate used is the implicit interest rate, if determinable; otherwise the lessee's incremental borrowing rate is used. If a lease contract contains «non-lease components» (for example services, such as routine maintenance, to be recorded according to the provisions of IFRS 15) the lessee has to account for «lease components» and «non-lease components» separately and split the contract consideration between the various components based on their relative prices.

The lease term is determined by taking into account:

- periods covered by a lease extension option, if it is reasonably certain to be exercised;
- periods covered by a lease termination option, if it is reasonably certain to be exercised.

### **Accounting policies**

Subsequent to initial recognition, the financial statements are carried at cost less depreciation and any impairment losses. Property, equipment and investment property to which IAS 2 applies are valued in the same way as inventories, i.e. at the lower of cost and net realisable value. This case is not subject to periodic depreciation.

Depreciation is provided on a systematic basis over the useful lives of the various categories of asset. The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, equipment and investment property are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying amount with respect to their recoverable amount is charged to the income statement. Recoverable amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent writebacks do not exceed the impairment losses recorded previously.

Property, equipment and investment property to which IAS 2 applies are valued in the same way as inventories, i.e. at the lower of cost and net realisable value. This case is not subject to periodic depreciation.

For investment properties, falling within the scope of IAS 40, the Group adopts the fair value measurement method, whereby, following initial recognition, all investment properties are measured at fair value. Consequently, these properties are not subject to depreciation, nor are they subject to impairment testing.

With regard to lease contracts, the lessee must:

- assess the right of use at cost, net of accumulated depreciation and accumulated value adjustments determined and accounted for on the basis of the provisions of IAS 36 «Impairment of assets», adjusted to take into account any restatements of the lease liability;
- increase the liability deriving from the lease transaction following the accrual of interest expense calculated at the implicit interest rate of the lease, or, alternatively, at the incremental borrowing rate and reduce it for payments of principal and interest. In the event of changes in payments due for leases, the liability must be restated; the impact of the recalculation of the liability is recognised as a contra-entry to the asset consisting of the right of use.

### **Recognition of components affecting the income statement**

Periodic depreciation, impairment losses and writebacks are recorded in the «depreciation and net impairment losses on property, equipment and investment property» item of the income statement.

The fair value method for investment property requires that: increases in fair value must be recognised in the income statement as income («Net result of fair value measurement of property, equipment and investment property and intangible assets»); decreases in fair value must be recognised in the income statement as expenses («Net result of fair value measurement of property, equipment and investment property and intangible assets»). For the methods used to determine the fair value and the periodicity of restatement, reference should be made to the criteria illustrated in «Information on fair value» below.

With regard to leasing contracts, the amortisation of the Right of Use of the asset is recognised under the item «Depreciation and net impairment losses on property, equipment



and investment property», while the interest expense recognised on the financial liability related to the contract is included under the item «Interest and similar expense».

### ***Derecognition***

Property, equipment and investment property are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

On disposal of an investment property, the difference between the sale consideration and the carrying amount must be recognised in the income statement, as «Gains (losses) on sale of investments».

The right of use deriving from lease contracts is eliminated from the financial statements at the end of the lease term.

## **7. Intangible assets**

### ***Classification***

This item comprises identifiable, intangible, non-monetary assets that will benefit future years. Intangible assets comprise software and goodwill.

### ***Recognition***

Intangible assets are recorded at purchase cost plus any related charges, only if it is probable that the future economic benefits attributable to such assets will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned. Goodwill is booked to assets when it derives from a business combination according to the criteria laid down in IFRS 3 as the residual surplus between the overall cost incurred for the operation and the net fair value of the acquired assets and liabilities that constitute businesses or business units.

### ***Accounting policies***

Subsequent to initial recognition, intangible assets except for goodwill are stated at cost, net of accumulated amortisation and any impairment in value. Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned. At the end of each annual or interim reporting period, if there is evidence of impairment, the recoverable value of the asset is estimated: the amount of the loss is equal to the difference between the book value and the recoverable value and is posted to the income statement.

Once booked, goodwill is not amortised but tested periodically to ensure that the book value is holding up. This test is carried out once a year or more frequently if there are signs of impairment. For this reason, cash generating units (CGUs) to which the individual amounts of goodwill can be allocated are identified. The amount of any reduction in value is determined on the basis of the difference between the carrying value of the goodwill and its recoverable value, if this is less. This recoverable amount is equal to the higher of the fair value of the CGU, net of any costs to sell, and the related value in use, represented by the present value of the estimated cash flows for the years that the CGU is expected to operate, including those deriving from its disposal at the end of its useful life.

### ***Recognition of components affecting the income statement***

Periodic amortisation, impairment losses and writebacks are recorded in the «amortisation and net impairment losses on intangible assets» item of the income statement. It is not permitted to book any subsequent writebacks.

## **Derecognition**

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

## **8. Non-current assets held for sale**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally from sale rather than from continuous use. Non-current assets are only classified in this item when disposal is considered very probable, and the asset or disposal group is available for immediate sale in its current condition, given that Management is committed to making the sale, which should be scheduled for completion within one year of the classification date. They are measured at the lower of book value and fair value, net of selling costs. Differences arising on valuation are booked to the income statement.

## **9. Current and deferred taxation**

Tax receivables and payables are reported in the balance sheet as «Tax assets» and «Tax liabilities». Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the year, if these amounts are likely to be recovered from or paid to the tax authorities. Tax liabilities are determined by applying the current tax rates and regulations.

The estimate of tax assets and liabilities takes into account any charges deriving from disputes notified by the Tax Authorities and not yet settled or whose outcome is uncertain, as well as any doubts about the tax treatment adopted by the Company and other Group companies, given the complexity of tax legislation.

If there are deductible or taxable temporary differences at the reporting date between the value of assets and liabilities for tax purposes and the related carrying amounts, the corresponding deferred tax assets and liabilities are recognised using the liability method. Deferred tax liabilities are recognised on all related temporary differences, with the following exceptions:

- they derive from the initial recognition of goodwill, or an asset or liability, in a transaction that did not represent a business combination and that, at the time, did not influence the results reported for statutory and tax purposes;
- the reversal of taxable temporary differences associated with equity investments in subsidiary companies, associated companies and joint ventures can be controlled, and it is probable that such reversal will not occur in the foreseeable future.

Deferred tax assets are recognised in relation to all deductible temporary differences, tax credits and unused tax losses available to be carried forward, to the extent it is probable that sufficient taxable income will be available in future to absorb them, with the following exceptions:

- the deferred tax assets associated with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that did not represent a business combination and that, at the time, did not influence the results reported for statutory and tax purposes;
- in the case of deductible temporary differences associated with equity investments in subsidiary companies, associated companies and joint ventures, deferred tax assets are only recognised if it is probable that they will reverse in the foreseeable future and that sufficient taxable income will be available to absorb them.

No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation as the conditions for payment of such taxation in the future do not currently apply. Deferred tax assets are only recognised when their recovery in future years is reasonably certain.

Deferred tax assets determined on the basis of deductible temporary differences are recognised in the financial statements to the extent that there is a probability of their recovery; this probability is assessed, through the performance of the so-called «Probability test», based on the ability to continuously generate positive taxable income for the Group or, as a result of the «Tax Consolidation» option, for the group of participating companies. Unrecognised deferred tax assets are reviewed at each reporting date and recognised to the extent that it has become probable that future taxable income will be sufficient to absorb them upon reversal.

Deferred tax assets/liabilities are calculated using the tax rates expected to be in force when they reverse or expire, being the rates currently in force or those already communicated or substantially in force at the reporting date.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in those cases, they are recognised respectively in the statement of comprehensive income or in equity, consistent with the element to which they relate.

## **10. Provisions for risks and charges**

This item comprises the following provisions:

- The sub-item «commitments and guarantees given» includes provisions for credit risk in connection with commitments to grant loans and financial guarantees given that are subject to IFRS 9 impairment rules and provisions for other commitments and other guarantees that are not subject to IFRS 9 impairment rules.
- Sub-item «Pensions and similar obligations» only includes the supplementary defined benefit and defined contributions pension plans classified as internal funds pursuant to current pension legislation, as well as the other «external» supplementary pension funds, if the return of the principal and/or the yield to the beneficiaries has been guaranteed. These include:
  - Parent Company's pension plan. This is classified as an «internal» pension fund and represents a defined-benefit obligation. The Bank is responsible for any unfunded liabilities.
  - Actuarial liabilities pertaining to BPS (Suisse) SA arising from supplementary pension costs for the employees thereof. For further details, see the specific accounting method explained below.
- The sub-item «Other provisions for risks and charges» includes the provision for the long-service bonuses paid to employees with 30 years of service, as well as provisions for liabilities whose timing and amount are uncertain, including legal disputes, which are recognised in the financial statements when the following conditions are met:
  - the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
  - it is likely that settlement of the obligation will involve the use of economic resources;
  - a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

## **11. Financial liabilities measured at amortised cost**

### ***Classification***

This item includes amounts due to banks and due to customers, regardless of their technical form (deposits, current accounts, loans, securities), other than those recognised in items 20 «Financial liabilities held for trading» and 30 «Financial liabilities designated at

fair value». It also includes operating payables linked to the financial services and activities defined in the Consolidated Banking Act and the Consolidated Finance Act, variation margins with clearing houses arising from derivative transactions and other operating payables associated with the provision of financial services. Amounts due to customers and banks and securities issued comprise the financial instruments (other than trading instruments) that represent the normal funding of the Group's activities by customers and other banks, or by the issue of securities. They also include payables recorded by the company as a lessee in the context of lease transactions.

### **Recognition**

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected. The initial recognition value includes transaction costs, while all charges that are recovered from the creditor counterparty or that are attributable to internal administrative costs are not included. The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

### **Accounting policies**

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Amortised cost is calculated after identifying the acquisition discount or premium and the fees or costs that are an integral part of the effective interest rate. Short-term liabilities are stated at the amount collected.

Liabilities covered by effective hedges are measured in accordance with the regulations applying to such transactions.

Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate contract.

### **Recognition of components affecting the income statement**

Interest expense linked to funding instruments, calculated with the internal rate of return method, are booked to the income statement under «interest and similar expense».

Gains and losses on the repurchase of liabilities are recorded in the income statement under «gains (losses) from sale or repurchase of financial liabilities».

Interest expense on the financial liability under the lease contract is recorded in «Interest and similar expense».

### **Derecognition**

Financial liabilities are derecognised when the underlying obligations expire or are settled, cancelled or satisfied. Funding liabilities that are subsequently repurchased are derecognised from the financial statements.

## **12. Financial liabilities held for trading**

This item comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply. The criteria for classification, derecognition, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.



### **13. Financial liabilities measured at fair value**

The financial statements do not include any financial liabilities measured at fair value.

### **14. Currency transactions**

They include all assets and liabilities denominated in currencies other than the Euro.

#### ***Recognition***

Assets and liabilities denominated in currencies other than the Euro are recognised initially using the spot exchange rates applying on the transaction dates.

#### ***Accounting policies***

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Non-current financial assets denominated in foreign currencies are translated using the exchange rates ruling at the time of purchase.

#### ***Recognition of components affecting the income statement***

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise. Exchange differences on assets, excluding monetary items, that are classified as financial assets measured at fair value through other comprehensive income, are recognised among the valuation reserves.

#### ***Derecognition***

The policies applied are those indicated for the corresponding items. The exchange rate used is the one ruling on the date of payment.

### **15. Termination indemnities**

Termination indemnities are considered a defined benefit plan, i.e. a defined benefit obligation, and therefore, as required by IAS 19, the value of the obligation is determined using the projected unit credit method.

Under this method, each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with reference to historical-statistical analyses of the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out every six months by an independent actuary.

As a result of the reform of supplementary pensions by Decree No. 252 of 5 December 2005, the termination indemnities accrued up to 31/12/2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

It is also noted that, in compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.



Gains and losses arising from changes in actuarial assumptions are booked to equity as shown in the statement of comprehensive income.

The termination indemnities earned after 31 December 2006 are part of defined contributions plans. The Group recognises the contributions payable to these plans as a liability on an accruals basis, after deducting any contributions already paid to supplementary pension funds and to the INPS treasury fund in relation to the work performed by employees, with a matching entry to the income statement.

## **16. Other information**

### **16.1 Share-based payments – Transactions settled using equity instruments**

A share-based compensation plan has been devised for top management, in the context of which any variable remuneration exceeding the threshold of significance determined by the Board of Directors is subject to rules regarding its deferral and payment with financial instruments that are considered suitable for ensuring compliance with the Bank's long-term business objectives. For further details, please refer to «A.2. Part relating to the main items in the financial statements – Section 16.1», contained in «Part A – Accounting Policies» of the Notes to the Consolidated Financial Statements as at 31 December 2021.

### **16.2 TLTRO III**

The Governing Council of the European Central Bank (ECB) launched a new series of seven targeted longer-term refinancing operations (TLTRO III). The new financing operations, based on what is indicated in the ECB decision of 07/03/2019:

- envisaged auctions from September 2019 to March 2021 on a quarterly basis;
- have a duration of three years, with the possibility of voluntary early repayment (total or partial) starting one year after the settlement of each transaction.

During the meetings of 12 March and 30 April 2020, as a result of the Covid-19 emergency, the Governing Council of the ECB revised the parameters of the TLTRO III operations with reference to the maximum amount that can be financed and the related remuneration.

TLTRO III operations are indexed to the average interest rate on the main refinancing operations (MRO), currently equal to 0%, or alternatively, depending on the achievement of certain benchmarks at 31 March, at the average interest rate on overnight deposits at the central bank's Deposit Facility (DF).

As a result of the crisis linked to Covid-19, a cut of 50 basis points was envisaged in the above rates for the period between 24 June 2020 and 23 June 2021, and with the ECB decision of December 2020 the reduction was also extended to the period between 24 June 2021 and 23 June 2022. Again, the concessional terms are subject to the achievement of certain growth targets measured at 31 March 2021 and 31 December 2021.

As the Parent Company has achieved all required growth targets, it will be eligible for the application of the Deposit Facility rate, as well as the reduction of an additional 50 b.p. for the period from June 2020 to June 2022, from all funds held by the Parent Company, depending on their allocation date. As from 27 July 2022, the Parent Company will no longer benefit from the reduction of an additional 50 b.p.

The Group considered the funding provided to be non-arm's length and qualified the TLTRO III operations as a loan from a government whose benefit is treated as a government grant, in accordance with IAS 20. In line with the provisions of paragraph 8 of IAS 20, a government grant cannot be recognised until there is reasonable certainty that the entity meets the conditions.

From an accounting point of view, in consideration of paragraph 12 of IAS 20, the recognition of the benefit must be made in the years in which the entity recognizes as costs the related expenses that the contributions are intended to offset. Considering that the benefit was granted to the banks in order to support the provision of loans during the

pandemic which, for the Parent Company, mainly consisted of granting of new loans directly linked to the pandemic, it can be concluded that the «higher cost» incurred by the Parent Company is attributable to both the cost of the new funding to finance new disbursements, and to a loss of cash flow on transactions subject to moratoria for the period of the suspension, which resulted in an additional financial requirement.

At 30 June 2022, the book value of the TLTRO III liabilities amounted to 8,874 million euro and the related accounted interest amounted to 43 million euro.

### **16.3 Revenue from contracts with customers**

With reference to the method of recognising revenue from contracts with customers, please refer to «A.2. Part relating to the main items in the financial statements - Section 16.4», contained in «Part A - Accounting Policies» of the Notes to the Consolidated Financial Statements as at 31 December 2021.

### **16.4 Accounting treatment of tax credits connected with the «Cura Italia» and «Relaunch» Decrees**

Decree-Laws No. 18/2020 (so-called «Cura Italia Decree») and No. 34/2020 (so-called «Relaunch Decree») have provided for a series of measures aimed at supporting Italian individuals and businesses in their relaunch following the Covid-19 emergency, including tax incentives related to expenses incurred for specific interventions that can be used in the form of tax deductions or tax credits.

These tax incentives are applied to households or businesses, they are commensurate with a percentage of the expenditure incurred (which in some cases even reaches 110%) and are disbursed in the form of tax credits or tax deductions (with an option to convert them into tax credits). For the building interventions provided for by the specific regulations referred to in Decree Law No. 34/2020 (so-called «Relaunch Decree»), it is also possible to take advantage of the incentive through a discount on the amount due to the supplier, who will receive a tax credit. These tax credits may be transferred to third parties, including banks, which will use them to offset their own tax debts in accordance with the specific regulations laid down; alternatively, they may in turn transfer them to financial intermediaries registered in the register provided for in article 106 of the Consolidated Law on Banking and Credit and insurance companies authorised to operate in Italy pursuant to Legislative Decree No. 209/2005.

With a view to helping to support families and businesses, the Group launched a specific project aimed at acquiring these tax credits in the second half of 2020. As at 30 June 2022, the amount of such acquired tax credits, at carrying amounts and net of uses to offset its tax liabilities, was 1,026 million.

They were accounted for in compliance with the provisions of the international accounting standards. In this sense, consistently with the provisions of the Bank of Italy/Consob/Ivass Document No. 9, the purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets, so the most appropriate classification in the balance sheet is «other assets».

At the time of initial recognition, the tax credit is recognised at the price of the transaction (value corresponding to its fair value). For subsequent valuations, the provisions of IFRS 9 are expected to be applied.

With reference to the representation in the income statement, the income recorded in the item interest amounted to over 14 million.

### **16.5 Income from dividends**

Dividends are recognised when the right to collect them arises.

## 16.6 Treasury shares

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

## 16.7 Covered bond

On 6 November 2013, the Board of Directors of the Parent Company authorised a covered bond programme for a maximum amount of 5 billion euro, based on the assignment to a vehicle company of residential mortgages and construction loans arranged by the Parent Company. Please refer to these notes, «Information on risks and related hedging policies», Section «Securitisation transactions and sale of assets».

## 16.8 Significant accounting standards and uncertainties in the use of estimates in the preparation of consolidated financial statements (pursuant to IAS 1 and the recommendations in Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009 and No. 4 of 3 March 2010)

As stated previously, the adoption of certain accounting policies necessarily requires recourse to estimates and assumptions that influence the value of the assets and liabilities recognised in the financial statements and the disclosures made about any contingent assets and liabilities. When accounting estimates are made, the Group considers all available information at the reporting date, as well as any reasonable assumptions based on external evidence and its own historical experience. However reasonable, it cannot be excluded that these estimates might not be confirmed in the future operating scenarios that unfold for the Group. The results reported in future might, in fact, also differ from the estimates made when preparing the interim financial statements and, consequently, adjustments to the carrying amounts of reported assets and liabilities might become necessary that are currently unforeseeable and cannot be estimated.

The principal uncertainties at this time, with a potential impact on the future operating scenarios that unfold for the Group, include the direct and indirect adverse consequences for the Italian and global economies linked to the Coronavirus pandemic (COVID-19) and the conflict between Russia and Ukraine. In relation to the impact resulting from the COVID-19 health emergency, reference is made to the guidance provided by the Authorities over the past two years. Refer to the financial statements at 31 December 2021 for further details.

During the period under review, regulators intervened with further guidance in the area of financial reporting, including: «ESMA Public Statement: ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets – 14.03.2022» and «ESMA: Public Statement – Implication of Russia's invasion of Ukraine on half-yearly financial reports – 13.05.2022», CONSOB draws the attention of supervised issuers to the impact of the war in Ukraine on inside information and financial reports - 22 March 2022 and finally «Attention Reminder No. 3/22 of 19 May 2022».

On the macroeconomic level, Russia's decision to launch a military invasion of Ukraine and the reactions of many countries in terms of economic and financial sanctions have led to a situation of deep uncertainty. In order to detect potential risk profiles arising from the aforementioned situation and identify related mitigation actions, the Group initiated a monitoring activity that involved various areas. In terms of credit risk, with particular reference to indirect exposures, specific assessments were carried out for which the Group identified a portfolio of exposures prudentially defined as «high risk Ukraine». A potentially significant impact could concern market risks, especially in the equity component, which is directly impacted by the volatility of stock markets resulting from the conflict.

There were no regulatory changes in 2022, so classifications and assessments were made in continuity with the 2021 financial statements, to which reference should be made.

## **ECL**

With reference to the methodological framework used by the Group to quantify the expected losses on performing loans during the first half of 2022, we note, in addition to the usual updating of the macroeconomic scenario parameters and the weight factors associated with them based on the latest forecasts available, including both the effects of the COVID-19 pandemic and the changed macroeconomic and geopolitical context resulting from the explosion of the Russian-Ukrainian conflict, the continuous evolutionary interventions in the modelling, aimed at improving the estimates of the expected loss, in line with the requirements by the accounting principle IFRS 9.

For further details, please refer to the section «Information on risks and related hedging policies» subsection «Methods for measuring expected losses» in these notes.

## **Impairment test on goodwill**

The last impairment test was performed on 31 December 2021 and had not resulted in any impairment on the amount of goodwill recognised (amounting to 12.6 million euro relating to Factorit S.p.a and Prestinuova S.p.a.). With reference to 30 June 2022, the need for a new impairment test did not arise as no signs of impairment were identified.

Please refer to these notes under the section «Information on the consolidated balance sheet», subsection «intangible assets» for more details.

## **Financial instruments (measurement of financial assets, equity investments and models for determining the fair value of instruments not listed in active markets)**

Financial instruments not listed in active markets and illiquid and complex instruments measured at fair value are measured using specific complex models and/or parameters not observable in the market. These measurements are therefore highly complex, as highlighted by their classification in the fair value hierarchy. Refer to as outlined in these notes to the financial statements for qualitative and quantitative information on the methods adopted to determine the carrying amounts of instruments measured at fair value and those measured at amortised cost.

With regard to equity investments consolidated using the equity method, the Group did not identify any signs of impairment. The draft financial statements and updated business plans of the companies concerned might not be available, which would increase the uncertainties involved in measuring their value.

## **Deferred tax assets**

The assets shown in the Group's balance sheet include deferred tax assets, which principally derive from temporary differences between the date of recognition of costs in the income statement and the date on which they become tax deductible and, to a lesser extent, from tax losses carried forward. Taking into account the updated macroeconomic projections following the approval of the new business plan, the conclusions of the probability test performed as at 31 December 2021, which did not reveal any critical issues concerning the recoverability of DTA, can be considered confirmed. Deferred tax assets of 334 million euro include 228 million euro pursuant to Law 214/2011.

## **Valuation of liabilities associated with employee benefits**

The measurement of the liability for employee benefits involves a certain degree of complexity, especially with regard to defined benefit plans and other long-term benefits, given that this involves making actuarial assumptions of a demographic (e.g. mortality rate, employee turnover) and financial (e.g. discount rates and inflation rates) nature. Part B of these Notes contains separate analyses covering the sensitivity of the provision for employee

termination indemnities and the provision for defined benefit pensions to changes in the actuarial assumptions included in the model.

### **Transfer of financial assets held for trading**

As in the previous year, the Group did not carry out any reclassifications of financial assets.

## **INFORMATION ON FAIR VALUE**

### **Qualitative information**

Information on fair value as required by IFRS 13 is provided below. This standard defines fair value as the price that would be received from the sale of an assets or that would be paid for the transfer of a liability in an orderly transaction between market operators on the measurement date. Fair value is a criterion based on market value; however, while transactional or observable market information may be available for certain assets and liabilities, such information may not be available for other assets and liabilities. When the price of an identical asset or liability cannot be found, it is necessary to use measurement techniques that maximise the use of significant observable inputs and minimise the use of unobservable inputs.

IFRS 13 requires the measurement of default risk in determining the fair value of OTC derivatives. This risk relates to changes in the credit rating of both the counterparty and the issuer. Accordingly, a model for the measurement of this component of risk has been devised and is used to adjust the simple market value of the instrument.

With regard to derivatives with positive mark-to-market adjustments, the risk component is known as the Credit Value Adjustment (CVA) and represents the potential loss associated with the counterparty credit risk, while the Debit Value Adjustment (DVA) quantifies the issuer risk in relation to instruments with negative mark-to-market adjustments.

### **Fair value levels 2 and 3: valuation techniques and inputs used**

Level 2 inputs exclude the listed prices used in Level 1 and include: prices for similar assets or liabilities listed in active markets, prices for identical or similar assets or liabilities listed in inactive markets, and information other than observable listed prices, such as routinely listed interest rates and yield curves observable at intervals, implicit volatility, credit spreads and inputs corroborated by the market.

This information is usually supplied by providers or determined with reference to prices calculated with reference to the market parameters of similar financial assets.

Level 3 inputs consist of unobservable inputs for the asset or liability concerned and are used to determine fair value to the extent that significant observable inputs are not available. They must reflect the assumptions that market operators would use to determine the price of the asset or liability, including those regarding the related risk. The inputs not observable in the marketplace derive from internal estimates and valuations based on pricing models that take account of expected cash flows and pricing and spread information, as well as of historical data and series of data concerning the risk factors, and relevant specialist reports.

### **Non-financial assets measured at fair value on a recurring basis**

For the Banca Popolare di Sondrio Group, non-financial assets measured at fair value on a recurring basis are represented by real estate assets held for investment purposes measured at fair value on the basis of the provisions of IAS 40.

The fair value of properties held for investment purposes is determined through the use of special appraisals prepared by independent companies, professionally qualified and operating in the specific sector, capable of providing property valuations based on RICS Valuation standards.

These standards ensure that:

- the fair value is determined in accordance with the indications of the international accounting standard IFRS 13, i.e. it represents the estimated amount for which an asset would be sold and purchased, at the date of valuation, by a seller and a buyer with no special ties, both interested in the purchase and sale, at competitive conditions, after adequate marketing in which the parties have both acted in an informed, conscious and non-coerced manner;
- experts have professional, ethical and independence requirements in line with international and European standards.

For properties of a significant amount, i.e. properties with a value of more than 5 million, a «full» appraisal is envisaged, i.e. conducted by means of an inspection of the property, as well as a detailed analysis of the available documentation. For the remaining properties, however, it is possible to have recourse to a «drive-by» type appraisal, that is, based on the examination of the documentation as well as through an external inspection of the unit being appraised.

Taking into account that for real estate held for investment purposes the measurement criterion is fair value, the value is determined on the basis of new appraisals each year.

### **Processes and sensitivity of the measurements**

The Group determines the fair value of assets and liabilities using various methodologies defined in the corporate policies. Based on the inputs that can be used, financial instruments are classified as Level 1, Level 2, Level 3. Financial instruments that are quoted in active markets for which the fair value is assumed based on official market quotations are classified in Level 1. If there is more than one active market, reference is made to the principal market; failing this, the most advantageous market is used. Level 1 inputs cannot be adjusted in normal circumstances. The concept of active market does not coincide with that of official market; rather, it refers strictly to the financial instrument concerned. It follows that a listing in an official market is not sufficient to be considered as listed in an active market. Listed prices are obtained from price boards, dealers, brokers etc. and reflect transactions carried out on an orderly basis. Level 2 financial instruments are those whose inputs are different from the listed prices included in Level 1 that are directly or indirectly observable for the asset or liability concerned. In this case, the measurement techniques used include the market value method, the cost method and the income method which, in turn, is based on present value techniques and models for measuring the price of options. The use of present value techniques involves determining:

- a) the future cash flows deriving from the asset or liability to be measured;
- b) the uncertainty inherent in the cash flows, given possible changes in their amount and timing;
- c) the rate applicable to risk-free monetary assets of similar;
- d) the risk premium;
- e) for liabilities, the related non-performance risk, including the credit risk associated with the debtor.

Level 3 financial instruments are those whose inputs are not observable. In this case, the best information available in the specific circumstances is used, including all reasonably available information about the assumptions adopted by market operators.

If a financial instrument is measured by recourse to inputs from various levels, it is allocated to the level of the input considered least meaningful. With regard to Level 3 financial assets, IFRS 13 requires the disclosure of information about the sensitivity of the reported results to changes in one or more of the unobservable parameters used to measure their fair value. Given the limited weighting of such instruments within the Group's portfolio of financial assets and considering that the Level 3 instruments contained in the portfolio of financial assets largely comprise securities carried according to models whose inputs are



specific to the entity being valued (for example, the assets of the company) or through prices of previous transactions, without further adjustments (for which no quantitative information is required about the sensitivity of their valuation), any changes in unobservable inputs would not have a significant economic impact.

As regards the Asset Backed Securities (ABS) present in portfolio, deriving from the Diana, Luzzatti and Luzzatti II securitisations of non-performing loan portfolios, the analyses and assessments were carried out on the basis of the most recent information available and following the so-called waterfall structure for modelling the cash flows of the securitisations. From our analyses, no elements emerged that would justify a change in the fair value of the tranches with respect to the values currently recorded in the financial statements. There are also in portfolio units of funds deriving from corporate loan restructuring, whose measurement at fair value is carried out on the basis of the NAV, corrected if necessary to take into account the investment's poor liquidity.

The instruments classified at level 3, for which non-observable quantitative inputs are used in the determination of the fair value, are largely attributable to financial instruments that did not pass the SPPI test envisaged for the classification of financial assets by IFRS 9. The fair value of most of these financial instruments is determined through a Discounted Cash Flow model or, for revocable products, set equal to the gross exposure adjusted for the credit risk loss component. The economic results do not fluctuate significantly on changes in the unobservable risk parameters. In particular, the following analyses were carried out:

- a) analysis of the sensitivity to changes in the PD (Probability of default) parameter under various scenarios: adverse and extremal. In both cases, the changes in fair value were very limited (total fair value lower by 0.05% under the adverse scenario and lower by 0.20% under the extremal scenario). The changes were very limited because the credit risk associated with most of these instruments is low.
- b) a sensitivity analysis to the change in the LGD (Loss Given Default) parameter, the shock was realised by applying to this parameter changes of +10% and -10%, respectively, with respect to the starting value. In both cases, the changes in fair value are very limited (fair value less than 0.17% in the scenario with a change of +10% and greater than 0.09% in the case of a scenario with a change -10%). Here too, the changes were very limited because the credit risk associated with most of these instruments is low.
- c) analysis of the sensitivity to changes in the rate used to discount cash flows, applying a parallel shock to the rate curves of +/-200 basis points. In these cases, fair value decreased by -1.33% following an increase in the rate curves and, conversely, increased by +2.68% following a decrease in them. In particular, for fixed-rate instruments, the capitalisation rate was not affected by the shock which, however, did affect the discounting of cash flows; conversely, with regard to variable-rate instruments, the spread component of the capitalisation rate was not affected by the shock which, however, did affect determination of the variable component of coupons and the discounting cash flows. The fair value, with and without the application of the shock, may be affected by discounting using a negative rate; this is consistent with recent calculations for other purposes and with market practice. The capitalisation phase has a natural limit of zero and no rates are generated with a negative interest rate. The changes in fair value are greater than found with the other two sensitivity analyses, but nevertheless remain low.
- d) sensitivity analysis to quantify the effect of modelling explicitly the illiquidity and funding spread component. If this component is not modelled explicitly, the change in fair value is +7%; conversely, if a parallel shock to the rate curves of +/-50 basis points is applied, the change in fair value is -2.11% if the rate curves are shifted up, and +2.24% if they are shifted down.

### **Fair value hierarchy**

For the measurement of fair value, IFRS 13 makes use of the hierarchy of criteria concept introduced in an amendment to IFRS 7, adopted by Regulation no.1165 of 27/11/2009,





which required the classification of measurements using a hierarchy of levels that reflect the meaningfulness of the inputs used. These levels are:

- a) prices (without adjustments) on active markets for the assets and liabilities being measured (level 1);
- b) inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
- c) inputs not based on market observable data (level 3). In this case, the fair value is determined using measurement techniques based on estimates and assumptions by the relevant offices of the Group.

Allocation to the levels is not optional and is carried out in hierarchical order, giving priority to the official prices in active markets; in the absence of such inputs, reference is made to other methods that rely on observable parameters, and then to measurement techniques that use unobservable inputs.

An asset or liability is transferred between different levels of the fair value hierarchy when, following changes, its previous classification is no longer consistent with the inputs used.

### Fair value hierarchy of real estate assets

The fair value of real estate held for investment purposes is classified at level 3 in the fair value hierarchy under IFRS 13, as it is determined using valuation techniques for which one of the significant inputs is not based on observable market data.

### Other information

The information provided above together with that contained in the following tables represents disclosure pursuant to paras. 91 and 92 of IFRS 13. The disclosures envisaged in paras. 51, 93 (i) and 96 of that standard are not required.

## QUANTITATIVE INFORMATION

### Fair value hierarchy

#### Assets and liabilities designated at fair value on a recurring basis: breakdown by fair value levels

Financial assets/liabilities measured at fair value	30/06/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Financial assets measured at fair value through profit or loss</b>	<b>181,593</b>	<b>683,074</b>	<b>476,767</b>	<b>196,656</b>	<b>721,751</b>	<b>513,777</b>
a) Financial assets held for trading	133,968	75,774	-	158,701	43,442	2,150
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	47,625	607,300	476,767	37,955	678,309	511,627
<b>2. Financial assets measured at fair value through other comprehensive income</b>	<b>2,521,950</b>	<b>-</b>	<b>107,840</b>	<b>2,993,614</b>	<b>-</b>	<b>108,532</b>
<b>3. Hedging derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Property, equipment and investment property</b>	<b>-</b>	<b>-</b>	<b>79,527</b>	<b>-</b>	<b>-</b>	<b>81,297</b>
<b>5. Intangible assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,703,543</b>	<b>683,074</b>	<b>664,134</b>	<b>3,190,270</b>	<b>721,751</b>	<b>703,606</b>
<b>1. Financial liabilities held for trading</b>	<b>361</b>	<b>163,246</b>	<b>-</b>	<b>-</b>	<b>104,339</b>	<b>-</b>
<b>2. Financial liabilities designated at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Hedging derivatives</b>	<b>-</b>	<b>816</b>	<b>-</b>	<b>-</b>	<b>2,446</b>	<b>-</b>
<b>Total</b>	<b>361</b>	<b>164,062</b>	<b>-</b>	<b>-</b>	<b>106,785</b>	<b>-</b>

There were no transfers of financial instruments between the three fair value levels during the period.

The impact of the CVA (Credit value adjustment) and DVA (Debit value adjustment) on the determination of the fair value of derivative products is not significant, not least because most of the exposures are covered by credit support annexes (CSA).

### Annual changes in assets carried at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss							Property, equipment and investment property	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging derivatives			
<b>1. Opening balance</b>	<b>513,777</b>	<b>2,150</b>	-	<b>511,627</b>	<b>108,532</b>	-	<b>81,297</b>	-	
<b>2. Increases</b>	<b>32,493</b>	-	-	<b>32,493</b>	<b>5,116</b>	-	-	-	
2.1. Purchases	29,091	-	-	29,091	2	-	-	-	
2.2. Income booked to:	2,794	-	-	2,794	4,927	-	-	-	
2.2.1. Income Statement	2,794	-	-	2,794	-	-	-	-	
- of which gains	1,808	-	-	1,808	-	-	-	-	
2.2.2. Equity	-	-	-	-	4,927	-	-	-	
2.3. Transfers from other levels	-	-	-	-	-	-	-	-	
2.4. Other increases	608	-	-	608	187	-	-	-	
<b>3. Decreases</b>	<b>69,503</b>	<b>2,150</b>	-	<b>67,353</b>	<b>5,808</b>	-	<b>1,770</b>	-	
3.1. Disposals	2,150	2,150	-	-	-	-	-	-	
3.2. Reimbursements	25,970	-	-	25,970	136	-	-	-	
3.3. Losses booked to:	26,948	-	-	26,948	4,375	-	1,770	-	
3.3.1. Income Statement	26,948	-	-	26,948	-	-	1,770	-	
- of which losses	26,963	-	-	26,963	-	-	1,770	-	
3.3.2. Equity	-	-	-	-	4,375	-	-	-	
3.4. Transfers from other levels	-	-	-	-	-	-	-	-	
3.5. Other decreases	14,435	-	-	14,435	1,297	-	-	-	
<b>4. Closing balance</b>	<b>476,767</b>	-	-	<b>476,767</b>	<b>107,840</b>	-	<b>79,527</b>	-	

### Annual changes in liabilities carried at fair value on a recurring basis (level 3)

There are no financial liabilities measured at level 3 fair value as of the reporting date or as of 31 December 2021.



### Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/06/2022				31/12/2021			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	45,178,710	9,263,425	-	35,103,766	42,717,673	9,647,966	-	33,899,572
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>45,178,710</b>	<b>9,263,425</b>	<b>-</b>	<b>35,103,766</b>	<b>42,717,673</b>	<b>9,647,966</b>	<b>-</b>	<b>33,899,572</b>
1. Financial liabilities measured at amortised cost	48,925,373	3,109,702	296,569	45,389,067	50,178,641	3,504,257	240,653	46,478,339
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>48,925,373</b>	<b>3,109,702</b>	<b>296,569</b>	<b>45,389,067</b>	<b>50,178,641</b>	<b>3,504,257</b>	<b>240,653</b>	<b>46,478,339</b>

#### INFORMATION ON THE «DAY ONE PROFIT/LOSS»

The «day one profit/loss» provided for in IFRS 7 and IFRS 9 para. B5.1.2A derives from the difference at the time of initial recognition between the transaction price of the financial instrument and its fair value. This difference can generally be found for those financial instruments that do not have an active market. This difference is charged to the income statement over the useful life of the financial instrument concerned.

The Group does not have any transactions outstanding which could generate significant income that could be defined as «day one profit/loss».

## Information on the consolidated balance sheet

### Assets

#### Financial assets measured at fair value through profit or loss - item 20

##### Financial assets held for trading: breakdown

Items/Amounts	Total 30/06/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash assets</b>						
1. Fixed-yield securities	8,874	-	-	24,255	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	8,874	-	-	24,255	-	-
2. Equity securities	62,793	-	-	65,378	-	-
3. Mutual funds	55,241	14,128	-	68,755	16,626	-
4. Loans	-	-	-	-	-	-
4.1 Repo transactions	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total (A)</b>	<b>126,908</b>	<b>14,128</b>	<b>-</b>	<b>158,388</b>	<b>16,626</b>	<b>-</b>
<b>B. Derivative instruments</b>						
1. Financial derivatives	7,060	61,646	-	313	26,816	2,151
1.1 for trading	7,060	61,646	-	313	26,816	2,151
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
<b>Total (B)</b>	<b>7,060</b>	<b>61,646</b>	<b>-</b>	<b>313</b>	<b>26,816</b>	<b>2,151</b>
<b>Total (A+B)</b>	<b>133,968</b>	<b>75,774</b>	<b>-</b>	<b>158,701</b>	<b>43,442</b>	<b>2,151</b>

##### Other financial assets mandatorily measured at fair value: breakdown

Items/Amounts	Total 30/06/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Fixed-yield securities</b>	<b>47,625</b>	<b>-</b>	<b>26,994</b>	<b>37,955</b>	<b>-</b>	<b>32,649</b>
1.1 Structured securities	6,175	-	26,994	-	-	32,649
1.2 Other fixed-yield securities	41,450	-	-	37,955	-	-
<b>2. Equity securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Mutual funds</b>	<b>-</b>	<b>607,300</b>	<b>73,808</b>	<b>-</b>	<b>678,309</b>	<b>74,864</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>375,965</b>	<b>-</b>	<b>-</b>	<b>404,114</b>
4.1 Repo transactions	-	-	-	-	-	-
4.2 Other	-	-	375,965	-	-	404,114
<b>Total</b>	<b>47,625</b>	<b>607,300</b>	<b>476,767</b>	<b>37,955</b>	<b>678,309</b>	<b>511,627</b>

Loans classified under this item are financial instruments that have not passed the SPPI test. The fixed-yield securities classified under this item are instruments that are part of a business model of financial instruments managed at fair value and not held for trading.



## Financial assets measured at fair value through other comprehensive income - item 30

### Financial assets measured at fair value through other comprehensive income: breakdown

Items/Amounts	Total 30/06/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Fixed-yield securities</b>	<b>2,518,869</b>	-	<b>10,680</b>	<b>2,990,730</b>	-	<b>10,721</b>
1.1 Structured securities	273,114	-	10,278	409,256	-	10,165
1.2 Other fixed-yield securities	2,245,755	-	402	2,581,474	-	556
<b>2. Equity securities</b>	<b>3,081</b>	-	<b>97,161</b>	<b>2,888</b>	-	<b>97,811</b>
<b>3. Loans</b>	-	-	-	-	-	-
<b>Total</b>	<b>2,521,950</b>	-	<b>107,841</b>	<b>2,993,618</b>	-	<b>108,532</b>

The fixed-yield securities portfolio is made up mostly of Italian government securities held with the intent of receiving cash flows and benefiting from any gains deriving from their sale. For unlisted equities with observable inputs, but for which the most recent information available to measure their fair value is insufficient, the best estimate was made considering their adjusted equity value.

Equity securities also include equity investments held with a view to supporting the typical business and supporting the development of the territorial realities in which the Group operates.

## Financial assets measured at amortised cost - item 40

### Financial assets measured at amortised cost: breakdown of loans to banks

Type of transaction/Amounts	Total 30/06/2022					
	Carrying amount			Fair value		
	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
<b>A. Loans with Central Banks</b>	<b>2,184,307</b>	-	-	-	-	<b>2,184,307</b>
1. Fixed-term deposits	-	-	-	-	-	-
2. Compulsory reserve	2,184,307	-	-	-	-	-
3. Repo transactions	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
<b>B. Loans and receivables with banks</b>	<b>1,213,679</b>	-	-	<b>733,606</b>	-	<b>418,957</b>
1. Loans	418,797	-	-	-	-	418,957
1.1 Current accounts	-	-	-	-	-	-
1.2 Fixed-term deposits	344,198	-	-	-	-	-
1.3 Other loans:	74,599	-	-	-	-	-
- Repo transactions	-	-	-	-	-	-
- Financing for leases	-	-	-	-	-	-
- Others	74,599	-	-	-	-	-
2. Fixed-yield securities	794,882	-	-	733,606	-	-
2.1 Structured securities	416,877	-	-	386,067	-	-
2.2 Other fixed-yield securities	378,005	-	-	347,539	-	-
<b>Total</b>	<b>3,397,986</b>	-	-	<b>733,606</b>	-	<b>2,603,264</b>

These receivables are not specifically hedged.

The fair value of short-term loans or loans that are repayable on demand is assumed to be the same as their carrying amount.

**Total 31/12/2021**

Carrying amount			Fair value		
First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
<b>2,231,679</b>	-	-	-	-	<b>2,231,679</b>
-	-	-	-	-	-
2,231,679	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>1,044,670</b>	-	-	<b>783,387</b>	-	<b>272,685</b>
257,421	-	-	-	-	257,638
-	-	-	-	-	-
233,711	-	-	-	-	-
23,710	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
23,710	-	-	-	-	-
787,249	-	-	783,387	-	15,047
378,339	-	-	387,291	-	-
408,910	-	-	396,096	-	15,047
<b>3,276,349</b>	-	-	<b>783,387</b>	-	<b>2,504,364</b>



## Financial assets measured at amortised cost: breakdown of loans to customers

Type of transaction/Amounts	Total 30/06/2022					
	Carrying amount			Fair value		
	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
<b>1. Loans</b>	<b>31,387,715</b>	<b>666,900</b>	<b>130,971</b>	-	-	<b>31,806,868</b>
1. Current accounts	3,360,961	218,802	32,715	-	-	-
2. Repo transactions	-	-	-	-	-	-
3. Mortgage loans	18,780,309	397,494	85,060	-	-	-
4. Credit cards, personal loans and assignments of one-fifth of salary or pension	471,767	7,877	781	-	-	-
5. Financing for leases	-	-	-	-	-	-
6. Factoring	3,139,888	812	-	-	-	-
7. Other loans	5,634,790	41,915	12,415	-	-	-
<b>2. Fixed-yield securities</b>	<b>9,595,135</b>	-	-	<b>8,529,819</b>	-	<b>693,634</b>
1. Structured securities	1,449,457	-	-	718,727	-	693,634
2. Other fixed-yield securities	8,145,678	-	-	7,811,092	-	-
<b>Total</b>	<b>40,982,850</b>	<b>666,900</b>	<b>130,971</b>	<b>8,529,819</b>	-	<b>32,500,502</b>

Some of the loans are hedged against interest rate risk.

Loans include 1,167 million euro of mortgages, which were the subject of covered bond transactions by the Parent Company.

The securities issued under the covered bond programme were placed with institutional customers.

Given that the Parent Company maintained all of the risks and benefits of these loans, they have not been derecognised and have therefore been retained on the balance sheet. The fair value of loans with a contractual duration that extends beyond the short term is determined using measurement models that discount the flow of future repayments, net of any expected losses. The discounting rate is determined with reference to expected market interest rates, as well as to other specific components that take account of direct operating costs and the actual financing costs incurred by the group.

The difference between fair value and carrying amount is mainly attributable to the difference between market rates and the rates used to value fixed-rate loans.

Item 2. Fixed-yield securities includes 319.753 million euro in senior securities issued by the vehicle Diana S.p.V., POP NPLs 2020 S.p.V., as part of the two transactions for the sale of NPL receivables defined in 2020, and Luzzatti POP NPLs 2021 S.p.V. defined in the last quarter of 2021.

## Financial assets measured at amortised cost: gross value and total write-downs

	Gross value					Total write-downs				
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	Total partial write-offs
Fixed-yield securities	10,284,455	-	111,118	-	-	2,176	3,373	-	-	-
Loans	32,039,164	-	2,065,685	1,585,310	245,811	44,932	69,105	918,408	114,838	118,209
<b>Total 30/06/2022</b>	<b>42,323,619</b>	<b>-</b>	<b>2,176,803</b>	<b>1,585,310</b>	<b>245,811</b>	<b>47,108</b>	<b>72,478</b>	<b>918,408</b>	<b>114,838</b>	<b>118,209</b>
<b>Total 31/12/2021</b>	<b>39,827,324</b>	<b>-</b>	<b>2,150,403</b>	<b>1,652,241</b>	<b>240,421</b>	<b>59,548</b>	<b>63,960</b>	<b>920,519</b>	<b>108,686</b>	<b>136,527</b>



**Total 31/12/2021**

Carrying amount			Fair value		
First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
<b>29,042,568</b>	<b>731,721</b>	<b>131,735</b>	-	-	<b>30,658,657</b>
2,925,101	244,858	37,704	-	-	-
-	-	-	-	-	-
17,977,590	436,205	83,694	-	-	-
445,516	8,873	637	-	-	-
-	-	-	-	-	-
2,735,659	1,176	-	-	-	-
4,958,702	40,609	9,700	-	-	-
<b>9,535,300</b>	-	-	<b>8,864,579</b>	-	<b>736,551</b>
1,887,531	-	-	1,197,303	-	736,551
7,647,769	-	-	7,667,276	-	-
<b>38,577,868</b>	<b>731,721</b>	<b>131,735</b>	<b>8,864,579</b>	-	<b>31,395,208</b>



### Loans measured at amortised cost subject to Covid-19 support measures: gross value and total impairment

For further details, please refer to the table «Cash credit facilities to customers subject to Covid-19 support measures: gross and net values» in the section «Information on risks and related hedging policies», subsection «Credit risk» - Qualitative information.

### Investments – item 70

#### Investments: changes in the year

	Total 30/06/2022	Total 31/12/2021
<b>A. Opening balance</b>	<b>339,333</b>	<b>305,444</b>
<b>B. Increases</b>	<b>7,213</b>	<b>35,307</b>
B.1 Purchases	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	60
B.4 Other changes	7,213	35,247
<b>C. Decreases</b>	<b>7,678</b>	<b>1,418</b>
C.1 Disposals	-	-
C.2 Adjustments	-	-
C.3 Write-downs	-	-
C.4 Other changes	7,678	1,418
<b>D. Closing balance</b>	<b>338,868</b>	<b>339,333</b>
<b>E. Total revaluations</b>	<b>-</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>(447)</b>	<b>(447)</b>

Other increases and decreases derive from the measurements of subsidiaries under the equity method.

### Property, equipment and investment property - item 90

#### Property, equipment and investment property used for business purposes: breakdown of assets measured at cost

Assets/Amounts	Total 30/06/2022	Total 31/12/2021
<b>1. Owned assets</b>	<b>325,539</b>	<b>268,176</b>
a) land	75,375	75,271
b) buildings	176,761	174,773
c) furniture	5,111	5,162
d) IT equipment	2,886	2,676
e) other	65,406	10,294
<b>2. Rights of use acquired through leases</b>	<b>174,332</b>	<b>180,970</b>
a) land	-	-
b) buildings	174,078	180,551
c) furniture	-	-
d) IT equipment	116	158
e) other	138	261
<b>Total</b>	<b>499,871</b>	<b>449,146</b>
of which: obtained through enforcement of guarantees received	-	-

The increase in the item «owned assets item e) other» is mainly attributable to the acquisition of control of the company Rent2Go S.r.l.

**Property, equipment and investment property held for investment purposes:  
breakdown of assets measured at fair value**

Assets/Amounts	Total 30/06/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Owned assets</b>	-	-	<b>79,527</b>	-	-	<b>81,297</b>
a) land	-	-	-	-	-	-
b) buildings	-	-	79,527	-	-	81,297
<b>2. Rights of use acquired through leases</b>	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
<b>Total</b>	-	-	<b>79,527</b>	-	-	<b>81,297</b>
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-

**Inventories of property, equipment and investment property governed by IAS 2: breakdown**

Assets/Amounts	Total 30/06/2022	Total 31/12/2021
<b>1. Inventories of property, equipment and investment property obtained through enforcement of guarantees received</b>	<b>60,036</b>	<b>49,003</b>
a) land	2,354	2,445
b) buildings	49,152	46,558
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
<b>2. Other inventories of property, equipment and investment property</b>	<b>8,530</b>	-
<b>Total</b>	<b>60,036</b>	<b>49,003</b>
of which: measured at fair value less costs to sell	-	-

The increase in the item «Other inventories of property, equipment and investment property» is mainly attributable to vehicles following the acquisition of control of the company Rent2Go S.r.l.

***Intangible assets - item 100***

**Intangible assets: breakdown by type of asset**

Assets/Amounts	Total 30/06/2022		Total 31/12/2021	
	Finite life	Indefinite life	Finite life	Indefinite life
<b>A.1 Goodwill</b>	-	<b>18,001</b>	-	<b>12,632</b>
A.1.1 attributable to the Group	-	18,001	-	12,632
A.1.2 attributable to minorities	-	-	-	-
<b>A.2 Other intangible assets</b>	<b>19,635</b>	-	<b>18,381</b>	-
of which Software	19,618	-	18,381	-
A.2.1 Assets measured at cost:	19,635	-	18,381	-
a) intangible assets generated internally	189	-	222	-
b) other assets	19,446	-	18,159	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
<b>Total</b>	<b>19,635</b>	<b>18,001</b>	<b>18,381</b>	<b>12,632</b>

Intangible assets comprise 19.635 million euro for the cost of purchasing software with a finite life that is amortised over that same period, normally 3 years, and goodwill for 18.001 million euro. The accounting treatment of goodwill is in accordance with IFRS 3 on business

combinations. This standard requires that the acquisition and therefore the first consolidation of the acquired entity has to take place on the date when the purchaser effectively obtains control over the other business.

Based on IFRS 3, the allocation took place according to the purchase method, which says that allocation of the identifiable assets and liabilities acquired has to take place with reference to the acquisition date. The difference between the acquisition price and the fair value of the assets and liabilities has to be recognised as goodwill and allocated to the CGU concerned.

It is particularly important to identify as accurately as possible the fair value of the assets and liabilities so that only the residual portion of the purchase cost that cannot be allocated to specific assets or liabilities gets booked as goodwill; for this reason, the standard allows a provisional allocation of the acquisition cost within 12 months of the acquisition date. Goodwill concerns:

- Factorit S.p.a., whose acquisition took place in 2010, for an amount of 7.847 million euro.
- Prestinuova S.p.a. acquired on 23 July 2018, for an amount of 5 million euro. This company operates in the granting of loans repayable by assigning a fifth of one's salary or pension.
- Rent2Go S.r.l., of which the Parent Company acquired the entire share capital on 1 April 2022. As at 30 June 2022, provisional goodwill in the amount of 5.369 million euro was first recognised. In the coming months, the Group will complete the PPA process.

A careful examination of the goodwill already recognised in the financial statements as at 31 December 2021 did not reveal any indicators of impairment such as to require an impairment test.

### ***Other assets - item 130***

#### **Other assets: breakdown**

	<b>30/06/2022</b>	<b>31/12/2021</b>
Advances paid to tax authorities	52,698	57,878
Tax credits «Cura Italia» and «Relaunch» Law Decrees	1,025,866	447,570
Tax credits and related interest	5,476	3,070
Current account cheques drawn on third parties	20,681	19,282
Current account cheques drawn on Group banks	864	411
Transactions in customers' securities	28,178	30,479
Inventories	1,227	910
Advances to suppliers	696	1,080
Advances to customers awaiting collections	19,280	21,924
Miscellaneous debits in transit	18,213	31,104
Liquid assets serving pension and similar obligations	6,957	253
Accrued income not allocated	33,154	47,446
Prepayments not allocated	35,997	23,269
Differences on elimination	3,614	717
Residual items	157,952	145,880
<b>Total</b>	<b>1,410,853</b>	<b>831,273</b>

The significant increase in item 130 «Other assets» is due to the acquisition of tax credits connected with the «Cura Italia» and «Relaunch» Law Decrees, amounting to 1,025.866 million euro. On the basis of «Bank of Italy/Consob/IVASS Document No. 9 of 5 January 2021» in the presence of tax credits introduced by Decree No. 18/2020 (so-called «Cura Italia») and No. 34/2020 (so-called «Relaunch»), these receivables have been classified under the residual item «other assets» in the balance sheet, in line with paragraphs 54 and 55 of IAS 1 «Presentation of Financial Statements». For further details, please refer to these Notes to the Financial Statements - Section «Part relating to the main items in the financial statements» subsection 16.4.

Accrued income and prepayments mainly relate to commission income and costs that cannot be allocated to specific asset accounts.

## LIABILITIES

### Financial liabilities measured at amortised cost - item 10

#### Financial liabilities measured at amortised cost: breakdown of due to banks

Type of transaction/Amounts	Total 30/06/2022				Total 31/12/2021			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Due to central banks</b>	<b>8,875,183</b>	-	-	-	<b>8,891,078</b>	-	-	-
<b>2. Due to banks</b>	<b>1,835,126</b>	-	-	-	<b>1,983,778</b>	-	-	-
2.1 Current accounts and sight deposits	426,366	-	-	-	478,219	-	-	-
2.2 Fixed-term deposits	1,111,846	-	-	-	973,555	-	-	-
2.3 Loans	280,362	-	-	-	528,796	-	-	-
2.3.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.3.2 Other	280,362	-	-	-	528,796	-	-	-
2.4 Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
2.5 Payables for leases	72	-	-	-	116	-	-	-
2.6 Other payables	16,480	-	-	-	3,092	-	-	-
<b>Total</b>	<b>10,710,309</b>	-	-	<b>10,710,309</b>	<b>10,874,856</b>	-	-	<b>10,874,856</b>

These payables are not specifically hedged.

Amounts due to central banks comprise three loans from the ECB totalling 8,874 million euro as part of its «Targeted Longer-Term refinancing operations» (TLTRO III).

The first was taken out in June 2020 for 4,368 million euro maturing on 28 June 2023, during the first quarter of 2021 another loan was taken out, maturing on 27 March 2024, for 806 million euro. On 29 September 2021, the Bank repaid two TLTRO III loans in advance for a total of 3,700 million euro and subscribed a new tranche for the same amount in order to extend the maturity to September 2024.

These loans payable are secured by bonds, consisting mainly of Government bonds and loans receivable.

«Other loans» are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

The fair value is assumed to be equal to the book value in view of the characteristics of the instruments. Amounts due to banks consist mainly of sight or short-term items.



### Financial liabilities measured at amortised cost: breakdown of due to customers

Type of transaction/Amounts	Total 30/06/2022				Total 31/12/2021			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Current accounts and sight deposits</b>	<b>33,758,607</b>	-	-	-	<b>34,829,813</b>	-	-	-
<b>2. Fixed-term deposits</b>	<b>202,991</b>	-	-	-	<b>503,572</b>	-	-	-
<b>3. Loans</b>	<b>412,108</b>	-	-	-	-	-	-	-
3.1 Repurchase agreements	412,108	-	-	-	-	-	-	-
3.2 Other	-	-	-	-	-	-	-	-
<b>4. Payables for commitments to repurchase own equity instruments</b>	-	-	-	-	-	-	-	-
<b>5. Payables for leases</b>	<b>176,990</b>	-	-	-	<b>183,169</b>	-	-	-
<b>6. Other payables</b>	<b>128,043</b>	-	-	-	<b>86,928</b>	-	-	-
<b>Total</b>	<b>34,678,739</b>	-	-	<b>34,678,739</b>	<b>35,603,482</b>	-	-	<b>35,603,482</b>

These payables are not specifically hedged.

The fair value is assumed to be the same as the carrying amount as the amounts are sight or with short-term constraints.

### Financial liabilities measured at amortised cost: breakdown of issued securities

Type of securities/Amounts	Total 30/06/2022				Total 31/12/2021			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. bonds	3,346,175	3,109,702	106,419	-	3,573,401	3,504,257	113,752	-
1.1 structured	1,591,298	1,408,771	70,796	-	1,591,067	1,540,107	77,107	-
1.2 others	1,754,877	1,700,931	35,623	-	1,982,334	1,964,150	36,645	-
2. other securities	190,150	-	190,150	-	126,902	-	126,902	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	190,150	-	190,150	-	126,902	-	126,902	-
<b>Total</b>	<b>3,536,325</b>	<b>3,109,702</b>	<b>296,569</b>	<b>-</b>	<b>3,700,303</b>	<b>3,504,257</b>	<b>240,654</b>	<b>-</b>

The fair value of the sub-item other securities is equal to the carrying amount as this item includes bankers' drafts and similar documents.

The level 1 securities relate to covered bonds and subordinated bonds listed on the HI-MTF market (Multilateral Trading Facility).

## Financial liabilities held for trading - item 20

### Financial liabilities held for trading: breakdown

Type of transaction/Amounts	Total 30/06/2022					Total 31/12/2021				
	NV	Fair Value			FV*	NV	Fair Value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
<b>A. Cash liabilities</b>										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Fixed-yield securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
<b>Total (A)</b>	-	-	-	-	-	-	-	-	-	-
<b>B. Derivative instruments</b>										
1. Financial derivatives	-	361	163,247	-	-	-	-	104,339	-	-
1.1 For trading	-	361	163,247	-	-	-	-	104,339	-	-
1.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-	-	-	-	-
2.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
<b>Total (B)</b>	-	<b>361</b>	<b>163,247</b>	-	-	-	-	<b>104,339</b>	-	-
<b>Total (A+B)</b>	-	<b>361</b>	<b>163,247</b>	-	-	-	-	<b>104,339</b>	-	-

FV\* = Fair Value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = Nominal or notional value





## Hedge derivatives - item 40

### Hedge derivatives: breakdown by hedge type and levels

	30/06/2022				31/12/2021			
	NV	Fair value			NV	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Financial derivatives</b>	<b>103,127</b>	-	<b>816</b>	-	<b>143,839</b>	-	<b>2,446</b>	-
1) Fair value	103,127	-	816	-	143,839	-	2,446	-
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>103,127</b>	-	<b>816</b>	-	<b>143,839</b>	-	<b>2,446</b>	-

NV = Nominal or notional value

## Other liabilities - item 80

### Other liabilities: breakdown

	30/06/2022	31/12/2021
Amounts at the disposal of third parties	609,107	419,433
Taxes to be paid on behalf of third parties	357,867	86,247
Taxes to be paid	1,586	4,678
Employee salaries and contributions	21,855	17,169
Suppliers	31,155	21,099
Transit accounts for sundry entities	18,738	6,724
Invoices to be received	4,227	19,934
Credits in transit for financial transactions	2,333	2,490
Value date differentials on portfolio transactions	553,376	223,620
Directors' and statutory auditors' emoluments	266	1,357
Loans granted to customers to be finalised	9,555	6,863
Miscellaneous credit items being settled	69,470	58,124
Accrued expenses not allocated	41,167	21,525
Deferred income not allocated	16,241	13,021
Differences on elimination	41,261	24,471
Residual items	163,188	59,767
<b>Total</b>	<b>1,941,392</b>	<b>986,522</b>

The increase in this item is mainly attributable to the components «Value date differentials on portfolio transactions», «Amounts at the disposal of third parties» and «Taxes to be paid on behalf of third parties». Non-attributable accruals and deferrals mainly refer to charges payable that cannot be attributed to the specific liability item, which are recognised in accordance with the accrual principle.

## Termination indemnities - item 90

### Termination indemnities: changes in the year

	Total 30/06/2022	Total 31/12/2021
<b>A. Opening balance</b>	<b>40,190</b>	<b>42,341</b>
<b>B. Increases</b>	<b>4,050</b>	<b>8,033</b>
B.1 Provisions for the year	3,996	8,021
B.2 Other changes	54	12
<b>C. Decreases</b>	<b>10,324</b>	<b>10,184</b>
C.1 Payments made	1,080	1,961
C.2 Other changes	9,244	8,223
<b>D. Closing balance</b>	<b>33,916</b>	<b>40,190</b>
<b>Total</b>	<b>33,916</b>	<b>40,190</b>

Item «B.2 Other changes» refers mainly to the provision arising from the acquisition of control of Rent2Go S.r.l.

## Provisions for risk and charges - item 100

### Provisions for risks and charges: breakdown

Items/Components	Total 30/06/2022	Total 31/12/2021
<b>1. Provisions for credit risk related to commitments and financial guarantees given</b>	<b>34,089</b>	<b>27,186</b>
<b>2. Provisions on other commitments and other guarantees given</b>	<b>20,746</b>	<b>16,039</b>
<b>3. Pension and similar obligations</b>	<b>164,185</b>	<b>191,565</b>
<b>4. Other provisions for risks and charges</b>	<b>51,084</b>	<b>54,272</b>
4.1 legal disputes	37,706	35,435
4.2 personnel expenses	10,363	18,016
4.3 other	3,015	821
<b>Total</b>	<b>270,104</b>	<b>289,062</b>

The pension fund at 30 June 2022 of 164.185 million euro consists of the pension fund for the Parent Company's personnel of 150.419 million euro and the actuarial liabilities linked to the supplementary pension plan for employees of BPS Suisse SA of 13.766 million euro.

The Parent Company's pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Parent Company and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 c.c..

The amount of the fund is adjusted taking into account the closed group of members referred to 28/04/1993. This closed group consists of 309 employees and 327 pensioners. Pursuant to current internal agreements, employees hired after 28/04/1993 have been given the chance to enrol in an open-ended supplementary pension fund, for which Arca Previdenza F.P.A. had been chosen.

BPS Suisse SA is a member of the BVG collective foundation of Rentenanstalt, which guarantees a professional pension to its employees through Swiss Life.

The adequacy of the fund with respect to the present value of the obligations at the reference date is verified periodically using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in earnings and payments. The technical assessments are based on dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.



### **Sensitivity analysis of actuarial assumptions**

The sensitivity analysis of the most significant actuarial parameters included in the calculation model is provided below.

Below are the results of the analysis for Banca Popolare di Sondrio Spa and Banca Popolare di Sondrio (Suisse) SA:

#### **Banca Popolare di Sondrio Scpa**

Change -0.25% in the discount rate, liability of 131.566 million euro

Change +0.25% in the discount rate, liability of 122.839 million euro

Change -0.25% in the inflation rate, liability of 125.901 million euro

Change +0.25% in the inflation rate, liability of 128.313 million euro

#### **Banca Popolare di Sondrio (Suisse) SA**

Change +0.50% in the discount rate, liability of 7.175 million euro

Change -0.50% in the discount rate, liability of 21.228 million euro

Change +0.50% in rate of salary increase, liability of 14.264 million euro

Change -0.50% in rate of salary increase, liability of 13.269 million euro

### **Provisions for risks and charges**

The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as bad loans or which have already been written off, and other disputes that have arisen in the ordinary course of business. The duration of these disputes, given the long time required by justice for the closure of disputes, is difficult to assess.

The Group recognises liabilities for legal disputes in accordance with IAS 37. No provision or disclosure is made for contingent liabilities for which there is a remote risk of disbursement. Potential liabilities that are considered possible are subject to disclosure, if material. For potential liabilities for which there is a probable risk, specific provisions are made as determined in agreement with the lawyers.

At 30 June 2022, a number of disputes, other than tax-related ones, were pending, with a total *petitum* of about 117 million. This amount includes all existing disputes regardless of the estimate of the risk of disbursement of economic resources deriving from the potential loss. It therefore also includes disputes with a remote risk.

The following paragraphs provide brief information on the disputes considered significant – mainly those with claims exceeding 5 million euro and with the risk of disbursement deemed «possible» – as well as on cases considered significant.

### **Claims for «indemnification» relating to loans sold as part of the securitisation transactions called «Diana» and «PopSo NPLS 2020»**

The assignee companies have the contractual right to make claims for compensation for alleged breaches of the guarantees given by the bank on the portfolio of assigned receivables. Approximately 176 requests for a potential amount of 54.9 million euro are pending, for which a provision of 10.8 million euro has been made.

### **Disputes relating to compound interest and usury**

The disputes falling within this line of litigation for years represented a significant part

of the litigation brought against the Italian banking system. For disputes relating to compound interest, the *petitum* is equal to approximately 5.69 million, with provisions for 0.61 million, while for those relating to usury, the *petitum* is equal to 4.70 million, with provisions for 0.48 million.

#### **Clawback actions in insolvency proceedings**

11 disputes were pending for a *petitum* of 9.12 million, with a provision of 3.51 million. None with a request for a refund of a particularly significant amount.

#### **AMA – Azienda Municipale Ambiente s.p.a.**

In December 2020, the Bank was notified of the summons before the Court of Rome, concerning the requests for assessment and declaration of the nullity or derecognition of the transaction in financial instruments called «Interest Rate Swap» stipulated on 30 September 2010 and the repayment of amounts unduly received by the Bank for 20.67 million euro. The Bank entered an appearance at the hearing of 11 May 2021. The judge ordered an expert witness report, with expert operations beginning on 4 March 2022 and filing of the paper set for 30 September 2022. Currently, the risk of losing appears «possible».

#### **Bankruptcy of Interservice s.r.l. in liquidation**

In February 2015, the bankruptcy procedure sued the Bank before the Court of Milan with a request for compensation for the damage caused to the company by the illegal conduct of its director, quantified at 14.65 million euro. With a sentence published on 26 May 2020, the Court rejected the plaintiff's request, but the plaintiff has filed an appeal. The report of the court-appointed expert witness identified the sum of the withdrawals as abnormal at 7.04 million euro. The risk of losing appears «possible».

#### **Ginevra s.r.l.**

In January 2019, the company and the shareholders Giuliana Piovan and Gianpiero De Luca sued the Bank before the Court of Genoa with a request for compensation, quantified at 11.40 million euro, for contractual liability for failure to grant credit, compound interest and usury. At the hearing on 11 April, conclusions were specified. The risk of losing appears «possible».

#### **Società Italiana per le Condotte d'Acqua S.p.A. in Amministrazione Straordinaria**

In June 2022, the Commissioners of the Amministrazione Straordinaria Società Italiana per le Condotte d'Acqua S.p.A. admitted to the «Marzano» procedure received a warning and formal notice with Ministerial Decree 6 August 2018, concerning the damage caused to it by the bank for having granted credit despite the alleged state of crisis and the lack of concrete prospects of overcoming the crisis. The amount of the application, carried out jointly with other credit institutions, is 380 million euro. The bank rejected the charge as unfounded and lacking evidentiary support.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses.

Other provisions include the provision for charitable donations consisting of net profits authorised by the shareholders used to make approved payments.



### **Group equity - Items 120, 130, 140, 150, 160, 170, 180, 190 and 200**

Share capital comprises 453,385,777 issued and fully-paid ordinary shares, without nominal value, totalling 1,360.157 million euro. Shares in circulation have dividend and voting rights from 1 January 2022.

At period-end, the Parent Company held treasury shares with a carrying value of 25.384 million euro.

As at 30 June 2022, shareholders' equity, including minority interests and profit for the period, amounted to 3,294 million euro, compared to 3,270 million euro as at 31 December 2021, an overall net increase of 24 million euro. The change derives from booking the profit for the year under review, as well as from the change in reserves.

### **Other information**

#### **Commitments and financial guarantees given**

	Nominal value on commitments and financial guarantees given				Total 30/06/2022	Total 31/12/2021
	First stage	Second stage	Third stage	Impaired purchased or originated		
<b>1. Commitments to grant loans</b>	<b>11,945,762</b>	<b>736,710</b>	<b>107,914</b>	<b>5,667</b>	<b>12,796,053</b>	<b>13,004,489</b>
a) Central banks	-	-	-	-	-	-
b) Public administrations	574,531	17,203	-	-	591,734	622,002
c) Banks	153,541	1,008	-	-	154,549	67,092
d) Other financial companies	1,138,188	848	15,067	1	1,154,104	1,121,875
e) Non-financial companies	8,553,091	619,987	86,900	5,416	9,265,394	9,690,274
f) Households	1,526,411	97,664	5,947	250	1,630,272	1,503,246
<b>2. Financial guarantees issued</b>	<b>845,765</b>	<b>31,092</b>	<b>15,991</b>	<b>-</b>	<b>892,848</b>	<b>886,951</b>
a) Central banks	-	-	-	-	-	-
b) Public administrations	6,035	52	-	-	6,087	6,766
c) Banks	17,115	3,221	-	-	20,336	14,138
d) Other financial companies	126,681	-	210	-	126,891	113,176
e) Non-financial companies	629,395	23,874	15,013	-	668,282	679,926
f) Households	66,539	3,945	768	-	71,252	72,945

## Other commitments and other guarantees given

	Nominal value Total 30/06/2022	Nominal value Total 31/12/2021
<b>Other guarantees given</b>	<b>3,692,013</b>	<b>3,523,870</b>
of which: non-performing exposures	45,207	33,315
a) Central banks	-	-
b) Public administrations	65,776	36,915
c) Banks	162,259	143,818
d) Other financial companies	29,114	30,948
e) Non-financial companies	3,260,466	3,129,135
f) Households	174,398	183,054
<b>Other commitments</b>	<b>3,754,825</b>	<b>3,355,345</b>
of which: non-performing exposures	32,102	48,142
a) Central banks	50,000	-
b) Public administrations	68,274	61,664
c) Banks	408,829	247,935
d) Other financial companies	78,540	67,867
e) Non-financial companies	3,064,192	2,907,610
f) Households	84,990	70,269

## Management and intermediation for third parties

Type of service	30/06/2022	31/12/2021
<b>1. Execution of orders on behalf of customers</b>	<b>630,901</b>	<b>1,402,562</b>
a) purchases	363,229	779,905
1. settled	359,027	779,596
2. not settled	4,202	309
b) sales	267,672	622,657
1. settled	265,940	622,114
2. not settled	1,732	543
<b>2. Portfolio management</b>	<b>1,765,137</b>	<b>1,847,624</b>
a) individual	1,765,137	1,847,624
b) collective	-	-
<b>3. Custody and administration of securities</b>	<b>58,795,113</b>	<b>55,923,334</b>
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	4,952,700	4,074,429
1. securities issued by companies included in the consolidation	1,445	-
2. other securities	4,951,255	4,074,429
b) third-party securities on deposit (excluding portfolio management): other	17,769,822	16,912,022
1. securities issued by companies included in the	1,814,607	2,033,562
2. other securities	15,955,215	14,878,460
c) third-party securities on deposit with third parties	22,160,248	20,724,352
d) own securities held by other custodians	13,912,343	14,212,531
<b>4. Other transactions</b>	<b>-</b>	<b>-</b>



## Information on the consolidated Income statement

### Interest - items 10 and 20

#### Interest and similar income: breakdown

Items/technical forms	Fixed-yield securities	Loans	Other transactions	Total 30/06/2022	Total 30/06/2021
<b>1. Financial assets measured at fair value through profit or loss:</b>	<b>819</b>	<b>3,681</b>	-	<b>4,500</b>	<b>4,254</b>
1.1 Financial assets held for trading	230	-	-	230	63
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	589	3,681	-	4,270	4,191
<b>2. Financial assets measured at fair value through other comprehensive income</b>	<b>6,749</b>	-	-	<b>6,749</b>	<b>5,357</b>
<b>3. Financial assets measured at amortised cost:</b>	<b>52,970</b>	<b>245,001</b>	-	<b>297,971</b>	<b>262,627</b>
3.1 Loans and receivables with banks	5,285	2,030	-	7,315	5,845
3.2 Loans and receivables with customers	47,685	242,971	-	290,656	256,782
<b>4. Hedging derivatives</b>	-	-	-	-	-
<b>5. Other assets</b>	-	-	<b>14,430</b>	<b>14,430</b>	<b>665</b>
<b>6. Financial liabilities</b>	-	-	-	<b>51,943</b>	<b>45,198</b>
<b>Total</b>	<b>60,538</b>	<b>248,682</b>	<b>14,430</b>	<b>375,593</b>	<b>318,101</b>
of which: interest income on impaired financial assets	-	13,524	-	13,524	14,891
of which: interest income on financial lease	-	-	-	-	-

The interest earned on financial liabilities relates almost entirely to longer-term refinancing operations (T-LTRO). For more details, reference is made to the contents of these notes - Section «Part relating to the main items in the financial statements» subsection 16.2.

#### Interest and similar expense: breakdown

Items/technical forms	Payables	Securities	Other transactions	Total 30/06/2022	Total 30/06/2021
<b>1. Financial liabilities measured at amortised cost</b>	<b>(7,630)</b>	<b>(37,538)</b>	-	<b>(45,168)</b>	<b>(38,842)</b>
1.1 Due to central banks	(25)	-	-	(25)	(2)
1.2 Due to banks	(2,220)	-	-	(2,220)	(1,456)
1.3 Due to customers	(5,385)	-	-	(5,385)	(5,994)
1.4 Securities issued	-	(37,538)	-	(37,538)	(31,390)
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
<b>3. Financial liabilities designated at fair value</b>	-	-	-	-	-
<b>4. Other liabilities and funds</b>	-	-	-	-	<b>(1)</b>
<b>5. Hedging derivatives</b>	-	-	<b>(1,193)</b>	<b>(1,193)</b>	<b>(1,761)</b>
<b>6. Financial assets</b>	-	-	-	<b>(8,923)</b>	<b>(13,460)</b>
<b>Total</b>	<b>(7,630)</b>	<b>(37,538)</b>	<b>(1,193)</b>	<b>(55,284)</b>	<b>(54,064)</b>
of which: interest expense on lease payables	(1,503)	-	-	(1,503)	(1,612)

#### Differentials relating to hedging transactions

Items	Total 30/06/2022	Total 30/06/2021
A. Positive differentials relating to hedging transactions	-	-
B. Negative differentials relating to hedging transactions	(1,193)	(1,761)
<b>C. Balance (A-B)</b>	<b>(1,193)</b>	<b>(1,761)</b>



## Commissions - items 40 and 50

### Fee and commission income: breakdown

Type of service/Amounts	Total 30/06/2022	Total 30/06/2021
<b>a) Financial instruments</b>	<b>33,884</b>	<b>32,018</b>
1. Placement of securities	19,671	18,371
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	19,671	18,371
2. Receiving and sending orders and execution of orders on behalf of customers	6,666	6,269
2.1 Receiving and sending orders for one or more financial instruments	6,666	6,269
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	7,547	7,378
of which: trading on own account	-	-
of which: individual portfolio management	5,922	5,358
<b>b) Corporate Finance</b>	-	-
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
<b>c) Investment advisory activities</b>	-	-
<b>d) Compensation and settlement</b>	-	-
<b>e) Collective portfolio management</b>	-	-
<b>f) Custody and administration</b>	<b>8,351</b>	<b>7,957</b>
1. Custodian bank	2,971	2,859
2. Other commissions related to custody and administration activities	5,380	5,098
<b>g) Central administrative services for collective portfolio management</b>	-	-
<b>h) Fiduciary business</b>	-	-
<b>i) Payment services</b>	<b>69,277</b>	<b>65,695</b>
1. Current accounts	21,624	19,819
2. Credit cards	9,150	7,370
3. Debit cards and other payment cards	9,512	8,189
4. Bank transfers and other payment orders	23,195	24,897
5. Other fees related to payment services	5,796	5,420
<b>j) Distribution of third-party services</b>	<b>12,884</b>	<b>13,464</b>
1. Collective portfolio management	-	-
2. Insurance products	11,428	12,058
3. Other products	1,456	1,406
of which: individual portfolio management	-	-
<b>k) Structured finance</b>	-	-
<b>l) Servicing for securitisation transactions</b>	-	-
<b>m) Commitments to make loans</b>	-	-
<b>n) Financial guarantees given</b>	<b>14,785</b>	<b>13,431</b>
of which: for factoring transactions	-	-
<b>o) Financing transactions</b>	<b>41,898</b>	<b>37,020</b>
of which: for factoring transactions	12,931	11,074
<b>p) Trading in foreign currencies</b>	-	-
<b>q) Goods</b>	-	-
<b>r) Other commission income</b>	<b>12,375</b>	<b>10,110</b>
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
<b>Total</b>	<b>193,454</b>	<b>179,695</b>

The figures for the previous year have been restated in accordance with the provisions of the 7th update of Bank of Italy Circular No. 262 «Bank financial statements: formats and rules for preparation».



### Fee and commission expense: breakdown

Type of service/amounts	Total 30/06/2022	Total 30/06/2021
<b>a) Financial instruments</b>	<b>(1,795)</b>	<b>(1,936)</b>
of which: trading of financial instruments	(1,795)	(1,936)
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
<b>b) Compensation and settlement</b>	-	-
<b>c) Collective portfolio management</b>	-	-
1. Own	-	-
2. Delegated to third parties	-	-
<b>d) Custody and administration</b>	<b>(1,679)</b>	<b>(1,565)</b>
<b>e) Collection and payment services</b>	<b>(3,012)</b>	<b>(3,404)</b>
of which: credit cards, debit cards and other payment cards	(1,487)	(1,564)
<b>f) Servicing for securitisation transactions</b>	-	-
<b>g) Commitments to receive funds</b>	-	-
<b>h) Financial guarantees received</b>	<b>(540)</b>	<b>(62)</b>
of which: credit derivatives	-	-
<b>i) Door-to-door distribution of financial instruments, products and services</b>	-	-
<b>j) Trading in foreign currencies</b>	-	-
<b>k) Other commission expenses</b>	<b>(1,909)</b>	<b>(1,747)</b>
<b>Total</b>	<b>(8,935)</b>	<b>(8,714)</b>

The figures for the previous year have been restated in accordance with the provisions of the 7th update of Bank of Italy Circular No. 262 «Bank financial statements: formats and rules for preparation».

### Dividends and similar income - item 70

#### Dividends and similar income: breakdown

Items/Income	Total 30/06/2022		Total 30/06/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	2,183	114	1,088	63
B. Other financial assets mandatorily measured at fair value	-	924	-	501
C. Financial assets measured at fair value through other comprehensive income	2,378	38	2,482	36
D. Equity investments	49	-	36	-
<b>Total</b>	<b>4,610</b>	<b>1,076</b>	<b>3,606</b>	<b>600</b>

## Net trading income - item 80

### Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Profit (loss) [(A+B)-(C+D)]
<b>1. Financial assets held for trading</b>	<b>6,631</b>	<b>19,047</b>	<b>(26,811)</b>	<b>(4,204)</b>	<b>(5,337)</b>
1.1 Fixed-yield securities	30	315	(11)	(2,866)	(2,532)
1.2 Equity securities	29	2,879	(15,811)	(912)	(13,815)
1.3 Mutual funds	30	1,466	(10,684)	(426)	(9,614)
1.4 Loans	-	-	-	-	-
1.5 Other	6,542	14,387	(305)	-	20,624
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Financial assets and liabilities: exchange differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,336</b>
<b>4. Derivatives</b>	<b>11,063</b>	<b>14,585</b>	<b>(4,450)</b>	<b>(17,531)</b>	<b>3,727</b>
4.1 Financial derivatives:	11,063	14,585	(4,450)	(17,531)	3,727
- On fixed-yield securities and interest rates	3,572	2,038	(3,336)	(1,695)	579
- On equity securities and stock indices	6,356	6,298	-	(9,679)	2,975
- On currency and gold	-	-	-	-	60
- Other	1,135	6,249	(1,114)	(6,157)	113
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
<b>Total</b>	<b>17,694</b>	<b>33,632</b>	<b>(31,261)</b>	<b>(21,735)</b>	<b>2,726</b>

Net trading income amounted to 2.726 million euro, down from 31.299 million euro in the first half of 2021. In particular, there was a decrease in net trading income on securities and an overall imbalance between capital gains and losses on securities and currency of 20.180 million euro compared to a positive 11.568 million euro in the comparative period.

These results were adversely affected by the performance of the financial markets during the period.

The gain from trading on «other» financial assets of 14.387 million euro is mainly made up of exchange gains.

This table does not include the result of the securities in the post-employment fund, which is shown under another item.



## Net hedging gain (loss) - item 90

### Net hedging gain (loss): breakdown

Income items/Amounts	Total 30/06/2022	Total 30/06/2021
<b>A. Income related to:</b>		
A.1 Fair value hedging derivatives	1,786	1,881
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives - Cash-flow hedges	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
<b>Total income from hedging activities (A)</b>	<b>1,786</b>	<b>1,881</b>
<b>B. Charges relating to:</b>		
B.1 Fair value hedging derivatives	(1)	-
B.2 Hedged financial assets (fair value)	(1,919)	(1,802)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives - Cash-flow hedges	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
<b>Total hedging charges (B)</b>	<b>(1,920)</b>	<b>(1,802)</b>
<b>C. Net hedging gain (loss) (A - B)</b>	<b>(134)</b>	<b>79</b>
of which: result of hedging on net positions	-	-

The income consists of 1.786 million euro from the fair value valuation of hedging derivatives against a negative valuation of 1.920 million euro of the fair value of the loans being hedged and derivatives. The net result of the measurement at fair value of the hedging structure is therefore negative for 0.134 million euro.

## Gains (losses) from sales/repurchases - item 100

### Gains (losses) from sales/repurchases: breakdown

Items/Income items	Total 30/06/2022			Total 30/06/2021		
	Gains	Losses	Profit (loss)	Gains	Losses	Profit (loss)
<b>A. Financial assets</b>						
<b>1. Financial assets measured at amortised cost</b>	<b>28,239</b>	<b>(493)</b>	<b>27,746</b>	<b>13,242</b>	<b>-</b>	<b>13,242</b>
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	28,239	(493)	27,746	13,242	-	13,242
<b>2. Financial assets measured at fair value through other comprehensive income</b>	<b>11,013</b>	<b>-</b>	<b>11,013</b>	<b>11,577</b>	<b>(2,423)</b>	<b>9,154</b>
2.1 Fixed-yield securities	11,013	-	11,013	11,577	(2,423)	9,154
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>39,252</b>	<b>(493)</b>	<b>38,759</b>	<b>24,819</b>	<b>(2,423)</b>	<b>22,396</b>
<b>B. Financial liabilities measured at amortised cost</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	2	-	2	6	(27)	(21)
<b>Total liabilities (B)</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>6</b>	<b>(27)</b>	<b>(21)</b>

### *Net gains/losses on other financial assets and liabilities measured at fair value through profit or loss - item 110*

#### **Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value**

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Profit (loss) [(A+B)-(C+D)]
<b>1. Financial assets</b>	<b>4,811</b>	<b>1,059</b>	<b>(74,073)</b>	<b>(1,853)</b>	<b>(70,056)</b>
1.1 Fixed-yield securities	175	1,026	(5,498)	(1,150)	(5,447)
1.2 Equity securities	-	1	(20)	(16)	(35)
1.3 Mutual funds	177	32	(46,852)	(687)	(47,330)
1.4 Loans	4,459	-	(21,703)	-	(17,244)
<b>2. Financial assets: differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,471</b>
<b>Total</b>	<b>4,811</b>	<b>1,059</b>	<b>(74,073)</b>	<b>(1,853)</b>	<b>(67,585)</b>

Capital gains and losses recognised mainly relate to mutual funds. This item also includes the change in fair value of loans which did not pass the SPPI test.

### *Net adjustments/writebacks for credit risk - item 130*

#### **Net adjustments for credit risk related to financial assets measured at amortised cost: breakdown**

Transactions/Income items	Adjustments (1)				Writebacks (2)				Total 30/06/2022	Total 30/06/2021		
	First stage	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated				
<b>A. Loans and receivables with banks</b>	<b>(627)</b>	<b>(230)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>638</b>	<b>1,652</b>	<b>-</b>	<b>-</b>	<b>1,433</b>	<b>(781)</b>
- Loans	(559)	(176)	-	-	-	-	514	2	-	-	(219)	(976)
- Fixed-yield securities	(68)	(54)	-	-	-	-	124	1,650	-	-	1,652	195
<b>B. Loans and receivables with customers</b>	<b>(16,473)</b>	<b>(36,762)</b>	<b>(6,679)</b>	<b>(106,676)</b>	<b>(95)</b>	<b>(13,685)</b>	<b>50,937</b>	<b>14,223</b>	<b>74,226</b>	<b>8,107</b>	<b>(32,877)</b>	<b>(64,732)</b>
- Loans	(15,957)	(36,269)	(6,679)	(106,676)	(95)	(13,685)	49,440	14,223	74,226	8,107	(33,365)	(65,869)
- Fixed-yield securities	(516)	(493)	-	-	-	-	1,497	-	-	-	488	1,137
<b>Total</b>	<b>(17,100)</b>	<b>(36,992)</b>	<b>(6,679)</b>	<b>(106,676)</b>	<b>(95)</b>	<b>(13,685)</b>	<b>51,575</b>	<b>15,875</b>	<b>74,226</b>	<b>8,107</b>	<b>(31,444)</b>	<b>(65,513)</b>

#### **Net adjustments for credit risk related to loans measured at amortised cost subject to Covid-19 support measures: breakdown**

For further details, please refer to the table «Cash credit facilities to customers subject to Covid-19 support measures: gross and net values» in the section «Information on risks and related hedging policies», subsection «Credit risk» - Qualitative information.



## Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income items	Adjustments (1)						Writebacks (2)				Total 30/06/2022	Total 30/06/2021
	First stage	Second stage	Third stage		Impaired purchased or originated		First stage	Second stage	Third stage	Impaired purchased or originated		
			Write-off	Other	Write-off	Other						
<b>A. Fixed-yield securities</b>	<b>(96)</b>	-	-	-	-	-	<b>522</b>	-	-	-	<b>426</b>	<b>666</b>
<b>B. Loans</b>	-	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(96)</b>	-	-	-	-	-	<b>522</b>	-	-	-	<b>426</b>	<b>666</b>

Value adjustments relate to the measurement of credit risk on fixed-yield securities classified under financial assets measured at fair value through other comprehensive income.

## Gains/losses from contractual amendments not resulting in derecognition - item 140

### Gains (losses) on contractual amendments: breakdown

Losses due to contractual changes without derecognition amounted to 0.760 million, compared to 2.987 million euro in the comparative period.

## Administrative expenses - item 190

### Personnel expenses: breakdown

Type of expense/Amounts	Total 30/06/2022	Total 30/06/2021
<b>1) Employees</b>	<b>(129,485)</b>	<b>(130,293)</b>
a) wages and salaries	(86,329)	(82,782)
b) social security contributions	(21,688)	(21,431)
c) termination indemnities	(19)	(11)
d) pension expenses	(3,322)	(2,954)
e) provision for employee termination indemnities	(3,988)	(3,680)
f) provision for pension and similar obligations:	(1,308)	(7,496)
- defined contribution	-	-
- defined benefits	(1,308)	(7,496)
g) payments to external supplementary pension funds:	(2,035)	(2,002)
- defined contribution	(2,023)	(1,992)
- defined benefits	(12)	(10)
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other personnel benefits	(10,796)	(9,937)
<b>2) Other working personnel</b>	<b>(249)</b>	<b>(157)</b>
<b>3) Directors and Statutory Auditors</b>	<b>(1,486)</b>	<b>(1,243)</b>
<b>4) Retired personnel</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(131,220)</b>	<b>(131,693)</b>

### Average number of employees by category

	Total 30/06/2022	Total 31/12/2021
<b>1) Employees</b>	<b>3,397</b>	<b>3,355</b>
a) managers	34	35
b) officials	841	815
c) other employees	2,522	2,505
<b>2) Other personnel</b>	<b>7</b>	<b>5</b>
	<b>Total 30/06/2022</b>	<b>Total 31/12/2021</b>
- Number of employees at year-end	3,445	3,395
- Other personnel	10	6
- Number of branches	370	370

### Other administrative expenses: breakdown

Type of service/Amounts	30/06/2022	30/06/2021
Telephone, post and data transmission	(7,032)	(7,411)
Maintenance of property, equipment and investment property	(5,001)	(4,176)
Rent of buildings	(265)	(276)
Security	(2,324)	(2,133)
Transportation	(1,639)	(1,356)
Professional fees	(23,372)	(22,378)
Office materials	(1,036)	(946)
Electricity, heating and water	(2,156)	(2,624)
Advertising and entertainment	(1,838)	(1,627)
Legal	(6,041)	(7,099)
Insurance	(1,708)	(907)
Company searches and information	(4,326)	(3,809)
Indirect taxes and dues	(31,074)	(30,383)
Software and hardware rental and maintenance	(13,430)	(12,929)
Data entry by third parties	(2,139)	(1,186)
Cleaning	(3,322)	(3,181)
Membership fees	(1,025)	(967)
Services received from third parties	(3,822)	(4,303)
Outsourced activities	(13,135)	(11,870)
Deferred charges	(434)	(1,015)
Goods and services for employees	(473)	(279)
Contributions to resolution and guarantee funds	(40,040)	(34,731)
Other	(5,064)	(2,978)
<b>Total</b>	<b>(170,696)</b>	<b>(158,564)</b>

### *Net accruals to provisions for risks and charges - item 200*

#### Net accruals to provisions for risks and charges: breakdown

This item is negative for 17.868 million euro, made up of the difference between provisions for the year and reallocations. It includes net accruals for commitments and guarantees given of 11.620 million euro and other net provisions of 6.248 million euro.





### *Net gains (losses) on equity investments - item 250*

#### **Net gains (losses) on equity investments: breakdown**

Income elements/Sectors	Total 30/06/2022	Total 30/06/2021
<b>1) Joint control companies</b>		
A. Income	6	8
1. Revaluations	6	8
2. Gains on disposal	-	-
3. Writebacks	-	-
4. Other income	-	-
B. Charges	(1,600)	-
1. Write-downs	(1,600)	-
2. Impairment write-downs	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
<b>Profit (loss)</b>	<b>(1,594)</b>	<b>8</b>
<b>2) Associated companies (subject to significant influence)</b>		
A. Income	11,189	16,302
1. Revaluations	11,153	16,302
2. Gains on disposal	36	-
3. Writebacks	-	-
4. Other income	-	-
B. Charges	(698)	(80)
1. Write-downs	(698)	(80)
2. Impairment write-downs	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
<b>Profit (loss)</b>	<b>10,491</b>	<b>16,222</b>
<b>Total</b>	<b>8,897</b>	<b>16,230</b>

### *Gains (losses) on sale of investments - item 280*

#### **Gains (losses) on sale of investments: breakdown**

Income item/Amounts	Total 30/06/2022	Total 30/06/2021
<b>A. Property</b>	<b>122</b>	<b>152</b>
- Gains on disposal	122	152
- Losses on disposal	-	-
<b>B. Other assets</b>	<b>1,649</b>	<b>16</b>
- Gains on disposal	1,649	16
- Losses on disposal	-	-
<b>Profit (loss)</b>	<b>1,771</b>	<b>168</b>

## *Earnings per share*

### **Average number of diluted capital ordinary shares**

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares. Accordingly, the number of shares interested in profit is 453,385,777.

The number of shares shown in the table below is the weighted average for the year.

	<b>30/06/2022</b>	<b>30/06/2021</b>
Number of shares	453,385,777	453,385,777

### **Other information**

IAS 33 requires that earnings per share (EPS) be calculated in accordance with the following definitions:

«Basic EPS», determined by dividing the profit attributable to the bearers of ordinary shares by the weighted average number of ordinary shares in issue.

«Diluted EPS», determined by taking account of the dilutive effect of all potential ordinary shares.

There are no potential dilutive actions outstanding. There are no discontinued operations in the financial statements for which basic and diluted earnings per share must be disclosed separately.

	<b>30/06/2022</b>	<b>30/06/2021</b>
Basic EPS - €	0.232	0.301
Diluted EPS - €	0.232	0.301

## ***Information on risks and related hedging policy***

The information provided in this section may be based on internal management data and, therefore, may not coincide perfectly with the balance sheet and income statement figures shown in the tables.

### ***Risks of the Banking Group***

#### **Credit risk**

##### **QUALITATIVE INFORMATION**

For qualitative information on credit risk, please refer in general to the financial statements as at 31/12/2021. With regard to information on impaired financial assets, please refer to the Report on Operations, section «Loans», and the Notes, section «Financial assets measured at amortised cost». Below is a summary of the most important aspects referring to the first half of 2022.

#### **Methods for measuring expected losses**

With reference to the methodological framework used by the Group for the quantification of expected losses on performing loans in the first half of 2022, a number of changes are to be reported in the modelling of expected loss estimation.

They concerned the use of risk parameters (PD, LGD, CCF) calibrated consistently with the new definition of default (new DoD), the simultaneous adoption of some fine-tuning to the same in order to make them fully compliant with the rationales of the accounting standard, the methods of convergence to long-term values of PD term structures, the conditioning of prepayment dynamics for certain customer segments on macroeconomic scenarios, and the inclusion of expert-based elements in the use of the suite of statistical-econometric models aimed at conditioning PD and LGD parameters to the macroeconomic context.

On the other hand, as far as the methodological framework of stage allocation is concerned, we note the adoption of additional so-called absolute staging criteria (namely the so-called «PD backstop criterion» and the adoption of a watchlist model, which also includes positions considered at high risk as a direct consequence of the Russian-Ukrainian conflict) involving the classification of positions in stage O2, the explicit inclusion of the plurality of macro-scenarios in the definition of the PD-based metrics used for the staging of positions on the basis of the so-called relative criteria, as well as the usual recalibration activity of the so-called percentiles and SICR thresholds to be used in the relative staging criteria.

With specific reference to the explicit modelling of the prospective and scenario-dependency components postulated by the accounting standard, it is specified that a plurality of macroeconomic scenarios were adopted for the calculation of the write-downs of June 2022:

- a baseline scenario, corresponding to the equivalent scenario released by the official supplier at the time of the last available forecast report at the time of the impairment calculation (i.e. first quarter 2022);
- a (slightly) adverse scenario, corresponding to the same scenario released by the official supplier on the occasion of the last forecast report available at the time of calculation of the write-downs (i.e. first quarter 2022);
- a scenario of an extreme nature, corresponding to the equivalent scenario issued by the official supplier at the time of the last forecast report available at the time of calculation of the write-downs (i.e. first quarter 2022).

On the other hand, as regards the probabilistic coefficients assigned to the individual scenarios when weighting the scenario-dependent ECL, the baseline scenario is assigned, by reason of its nature, the prevailing weight factor (equal to 60%), where the alternative scenarios enter with weight factors respectively equal to 35% and 5%.

Finally, considering the continuing high level of uncertainty surrounding the evolution of the current macroeconomic and business environment in which the Group operates, the management overlay framework was maintained and further refined, aimed at better capturing the current and prospective risk profile of the Group's portfolio. In this regard, it is important to note that the usual data-driven component, subject to the usual calibration activity on the basis of the evolutionary dynamics of geo-sectoral risk factors, has been flanked by a so-called prudential add-on, which takes the form of a further increase in the level of write-downs of the stock in stage O2, aimed specifically at quantifying the direct and indirect effects of the Russian-Ukrainian conflict.

The aforementioned intervention, in addition to the aforementioned watchlist model considered in the staging area, also represent the methods by which the Group decided to explicitly consider, i.e. make them the subject of specific modelling, the effects of the conflict currently underway in the quantification of its impairment provision.

Overall, these revisions, inclusive of the managerial overlay, resulted in a level of collective loan loss adjustments of 116 million euro at 30 June 2022 compared to 118 million euro at 31 December 2021.

Concerning the management of non-performing loans, the Group carried out, together with the approval of the 2022-2025 Business Plan, an update of the NPL strategy in the 2022-2024 horizon. The document, approved by the Parent Company's Board of Directors for submission to the Supervisory Authority and subject to at least annual updating, envisages the combined use of ordinary and extraordinary initiatives, including disposals and settlement agreements, aimed at achieving the NPL ratio target values and an optimal management of the effects of the application of calendar provisioning. Credit for which a sale or out-of-court agreements is contemplated are valued on the basis of the quantified recoverable value, taking into account recent transactions concluded by the Group, as well as the particularities of the market and the type of asset. With specific reference to the credit subject to potential disposal, in the absence of internal transactions concluded by the Group on portfolios with similar characteristics, the recoverable value is estimated considering the main transactions concluded on the market by comparable intermediaries.

### **Russia-Ukraine military conflict**

Russia's military aggression of Ukraine from February 2022 onwards, which is still ongoing, is a highly impactful event from a political, economic and financial point of view. Since the beginning of the conflict, the Group has undertaken a holistic monitoring activity involving several areas.

In the area of credit, portfolio analyses and analytical assessments were carried out to identify counterparties potentially at risk. These analyses covered, in particular, four categories of exposures:

- exposures to sanctioned entities;
- exposures to Russia, Belarus and Ukraine;
- exposures to companies with significant business relations with countries involved in the conflict or operating in economic sectors considered most vulnerable;
- exposures to companies characterised by foreign movement to/from Russia, Belarus and Ukraine exceeding a certain threshold over a 12-month horizon.

With regard to the sanctioned entities, for which no exposures were detected on either the Parent Company or the Subsidiaries, it should be noted that the conflict, which was immediately condemned by the European Union (as well as most Western countries), led to the issuance of several packages of sanctions, including those issued by the EU. On the occasion of the publication of each new sanctions package, the Group screened its customers and took all necessary restrictive measures (with the consequent freezing of funds held by them) and freezes in the cases provided for.

Direct exposures to entities resident in Russia, Belarus and Ukraine were very low for both the Parent Company and the Subsidiaries from the outset. As for indirect counterparties, i.e. companies with significant trade relations with the countries involved in the conflict or operating in economic sectors considered to be more vulnerable or for which foreign movements above the defined threshold were detected, portfolio analyses and analytical evaluations were carried out that led to the identification of a list of counterparties prudentially defined as «high risk». These counterparties, recognised for both the Parent Company and Factorit and with an overall limited exposure, were subjected to monitoring and analytical review by the CLO Area and subsequently to the appropriate assessments in terms of classification and staging allocation.

Still on the subject of supervision and monitoring, against the backdrop of the financial support guaranteed on an ongoing basis to businesses and households, the tools used to identify the financial difficulties of all the Group's counterparties were expanded and strengthened, and the risk trends of individual borrowers and the entire portfolio were monitored.

In particular, for the purposes of analysing the risk profile of customers, new qualitative indicators (qualitative early warning indicators) were used, aimed at increasing the effectiveness and efficiency of identifying early signs of deterioration linked to the specific crisis context. Also contributing to portfolio monitoring is the long-standing measurement and control system supported by the use of rating models specifically developed by the Bank. These models, which make it possible to assign a rating to each counterparty and an associated estimate of the probability of default (PD, Probability of Default), also make it possible to capture the effects induced by the current crisis through a specific geo-sectoral module, and together with other A-IRB risk parameters, which are updated monthly, they facilitate the monitoring of exposures.

In addition, in view of the aspects of uncertainty that still characterise the context, the Group continues to carefully monitor the macroeconomic outlook by continuing, as it did during the pandemic period, to analyse the forecast data made available by independent suppliers and renewing these projections on an almost monthly basis.

As part of the risk governance processes, specific scenario and stress analyses are also conducted to assess potential impacts in terms of profitability and capital adequacy. Although the picture is constantly evolving, excluding extreme scenarios of conflict escalation that could lead to outcomes that are difficult to assess today, the analyses show that the Group would still be able to guarantee compliance with the regulatory constraints and the more stringent limits set out in the Group's Risk Appetite Statement.

With reference to all of the above, specific briefings have been produced for top management, committees and the Board of Directors, which are shared with the ECB's Joint Supervisory Team (JST) as necessary.

### **Methods for measuring expected losses - ECL sensitivity analysis**

Generally speaking, macro-economic scenarios contain forecasts for the evolutionary dynamics of dozens of macro-economic variables, developed over multi-year time horizons and updated on a generally quarterly basis in market conditions considered standard<sup>1</sup> and are made the object of specific analysis, discussion and approval in dedicated management committees. The scenarios examined address different degrees of adverse/favourable conditions affecting the overall macro-economic situation.

The estimation of write-downs generally considers a baseline scenario that applies «central» trends to the macroeconomic variables, with respect to their initial values at the time of the estimate, in order to derive an overall most likely outcome; in addition, two «alternative» scenarios are considered – «adverse» and «favourable» – that address outcomes

1. These estimates are, however, subject to ad-hoc updates should the provider identify elements of atypicality and/or particular turbulence in the general macroeconomic context.

deemed somewhat plausible and not extreme in the macroeconomic context identified. However, in light of the continuing high level of uncertainty surrounding the evolution of the current macroeconomic and business context in which the Group operates, as a result of both the effects of the COVID-19 pandemic and the changed geopolitical context following the outbreak of the Russian-Ukrainian conflict, it was deemed appropriate to replace the «favourable» alternative scenario with an alternative scenario of an extremal nature (the «extreme» scenario). The importance of the above scenarios in the final determination of the write-downs is defined using an appropriate set of weighting coefficients that, in general, reflect the estimated severity assigned to each scenario by the external provider, as adjusted after specific internal analysis and processing.

In this regard, it should be noted that, when calculating write-downs at 30 June 2022, the Parent Company adopted the following three different macro-scenarios and their respective weightings:

- a **baseline scenario**, corresponding to the same issued by the official supplier on the occasion of the last forecast report available on the date of calculation of the collective write-downs (i.e. RdP 2022Q1), which is assigned a probability coefficient of 60%;
- a **(slightly) adverse scenario**, corresponding to the same scenario issued by the official supplier on the occasion of the last forecast report available at the date of the calculation of collective write-downs (i.e. RdP 2022Q1), which is assigned a probability coefficient of 35%;
- a **scenario of an extremal nature**, corresponding to the same scenario issued by the official supplier on the occasion of the last forecast report available on the date of the calculation of collective write-downs (i.e. RdP 2022Q1), which is assigned a probability coefficient of 5%.

Finally, as regards the weighting with which the aforementioned scenarios contribute to the final calculation of the write-downs, it is clear that the baseline scenario – which, in accordance with its name, configures the evolution of the macro-economic context considered more plausible and future-oriented at the time of formulation of forecasts – is assigned the highest probabilistic coefficient, where the so-called alternative scenarios, due to their «residual» nature, are assigned lower weight factors, or even residual ones, as in the case of the extremal scenario.

*Table 1* shows the evolutionary dynamics of the main macro-economic variables for each of the above scenarios with reference to a three-year forecast horizon.

**Table 1 – Annual forecasts for the main macro-economic variables**

Macro-economic variable	Baseline Scen. Dec. 2022			Adverse Scen. Dec. 2022			Extr. Scen. Dec. 2022		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Italy's GDP (% on an annual basis)	2.2%	2.5%	1.9%	1.5%	1.8%	1.5%	0.3%	-0.1%	1.1%
Italy's unemployment	9.9%	9.9%	9.0%	10.1%	10.6%	10.4%	10.3%	11.9%	13.1%
Italy's inflation (% on an annual basis)	5.0%	1.8%	1.9%	5.3%	2.4%	1.6%	7.3%	2.5%	0.4%
Italy's equity index (% on an annual basis)	6.1%	10.7%	10.6%	-1.3%	1.4%	9.9%	-8.8%	-5.2%	8.7%
10-year BTP interest rate (%)	2.0%	2.8%	2.9%	2.3%	3.2%	3.3%	3.0%	4.3%	4.4%
Italian residential property price index (% on annual basis)	3.5%	2.9%	2.3%	3.2%	2.3%	1.5%	3.7%	1.0%	-1.3%
Euro/dollar exchange rate	1.10	1.11	1.14	1.09	1.09	1.11	1.09	1.09	1.12
Brent oil: \$ per barrel	100	79	77	110	98	85	178	176	113
Euribor 3 months	-0.4%	0.1%	0.7%	-0.4%	0.1%	0.7%	-0.3%	0.3%	0.6%

For more information on the inclusion of forward-looking information (FLI) in the impairment model, please refer to paragraph 2.3 of Section 1 Credit risk of Part E of the Notes to the Financial Statements as at 31/12/2021.

With particular reference to the evolution of the Russian-Ukrainian conflict and the continuing geo-political crisis, it should be noted that the Group has estimated a specific prudential add-on that takes into account the evolution of geo-sectoral decay rates. This add-on is applied to exposures classified as Stage 2. The Stage 2 classification of the «high-risk» counterparties mentioned in the previous paragraph, whose exposures amounted to approximately 240 million euro, was also maintained. It is specified that none of the «high-risk» counterparties were classified as impaired exposures.

In order to quantify the variability to which the final write-downs are subject, given all the scenario-dependent factors considered explicitly in its methodological framework, the Bank has also carried out specific sensitivity analyses in accordance with sector best practices and the most recent recommendations of the Supervisory Authorities<sup>2</sup>. The results of these analyses are presented in the following tables.

In particular, Table 2 shows, divided by management macro-segment and stage, the different levels of write-downs, calculated on cash credit facilities and off-balance sheet credit exposures, which correspond to the three individual scenarios used for the calculation of the official value, as well as to that weighted on the basis of the probabilistic coefficients mentioned above.

2. See for example ESMA paper 32-63-791 of 22 October 2019 and ESMA 32-63-1277 of 13 May 2022



**Table 2 - Write-downs [in €/million] at 30 June 2022 of the performing loans of the Parent Company associated with different macroeconomic scenarios**

Operational macro-segment	Stage	Base scen.	Adv. scen.	Extr. scen.	Weight. scen.
	Stage 01	11.3	12.3	15.9	11.9
	Stage 02	37.6	40.8	49.2	39.3
<b>Corporate &amp; Large Corporate</b>	<b>Total</b>	<b>49.0</b>	<b>53.1</b>	<b>65.2</b>	<b>51.2</b>
	Stage 01	5.0	5.3	6.5	5.2
	Stage 02	13.2	14.0	16.4	13.6
<b>Small Business</b>	<b>Total</b>	<b>18.2</b>	<b>19.2</b>	<b>22.9</b>	<b>18.8</b>
	Stage 01	4.2	4.5	5.2	4.3
	Stage 02	8.9	9.6	11.0	9.2
<b>Small Economic Operators</b>	<b>Total</b>	<b>13.0</b>	<b>14.2</b>	<b>16.2</b>	<b>13.6</b>
	Stage 01	4.9	5.4	7.0	5.2
	Stage 02	14.1	15.2	18.2	14.7
<b>Individuals</b>	<b>Total</b>	<b>19.1</b>	<b>20.6</b>	<b>25.2</b>	<b>19.9</b>
	Stage 01	24.6	27.5	33.1	26.0
	Stage 02	1.0	1.2	1.7	1.1
<b>Other</b>	<b>Total</b>	<b>25.6</b>	<b>28.8</b>	<b>34.7</b>	<b>27.2</b>
	Stage 01	50.0	55.0	67.7	52.6
	Stage 02	74.9	80.9	96.5	78.1
<b>Total</b>	<b>Total</b>	<b>124.8</b>	<b>135.9</b>	<b>164.2</b>	<b>130.7</b>

Dually, Table 3 provides a representation of the value of devaluations that would be obtained in correspondence of four possible alternative choices of probabilistic coefficients<sup>3</sup> with respect to that adopted for the determination of the ECL in the half-year situation.

**Table 3 - Write-downs [in €/million] at 30 June 2022 of the Parent Company's performing loans associated with different weightings of the macro-economic scenarios**

Operational macro-segment	Stage	Weight. scen. 1	Weight. scen. 2	Weight. scen. 3	Weight. scen. 4
	Stage 01	11.7	12.1	12.2	13.0
	Stage 02	38.8	39.8	40.2	42.1
<b>Corporate &amp; Large Corporate</b>	<b>Total</b>	<b>50.4</b>	<b>51.8</b>	<b>52.4</b>	<b>55.1</b>
	Stage 01	5.1	5.2	5.3	5.5
	Stage 02	13.5	13.8	13.9	14.4
<b>Small Business</b>	<b>Total</b>	<b>18.6</b>	<b>19.0</b>	<b>19.2</b>	<b>19.9</b>
	Stage 01	4.3	4.4	4.4	4.6
	Stage 02	9.1	9.3	9.4	9.7
<b>Small Economic Operators</b>	<b>Total</b>	<b>13.4</b>	<b>13.7</b>	<b>13.8</b>	<b>14.3</b>
	Stage 01	5.1	5.3	5.4	5.7
	Stage 02	14.5	14.9	15.0	15.7
<b>Individuals</b>	<b>Total</b>	<b>19.6</b>	<b>20.2</b>	<b>20.4</b>	<b>21.4</b>
	Stage 01	25.6	26.3	26.6	28.0
	Stage 02	1.1	1.2	1.2	1.3
<b>Other</b>	<b>Total</b>	<b>26.7</b>	<b>27.5</b>	<b>27.8</b>	<b>29.3</b>
	Stage 01	51.7	53.3	53.9	56.8
	Stage 02	77.0	78.8	79.6	83.2
<b>Total</b>	<b>Total</b>	<b>128.7</b>	<b>132.1</b>	<b>133.5</b>	<b>140.0</b>

3. The values of the weighting factors for the baseline, adverse, and favourable scenarios are 65%-35%-0% (alternative weighted scenario 1), 60%-30%-10% (alternative weighted scenario 2), 60%-25%-15% (alternative weighted scenario 3), and 40%-30%-30% (alternative weighted scenario 4), respectively.



Lastly, Table 4, Table 5 and Table 6 show the different levels of collective write-downs corresponding to the baseline, adverse and extremal scenarios respectively, in the event that their parameters were used not only to calculate the ECL, but also in the stage allocation<sup>4</sup>.

**Table 4 – Write-downs [in €/million] at 30 June 2022 for the performing positions of the Parent Company's loan portfolio if the parameters of the baseline scenario were used both to calculate the ECL and for the stage allocation**

Operational macro-segment	Stage_base	Nr. Pos	EAD	Nr. Pos%	EAD%	Baseline ECL
	Stage 01	41,665	15,040.0	90.5%	91.2%	11.9
	Stage 02	4,384	1,444.5	9.5%	8.8%	36.8
<b>Corporate &amp; Large Corporate</b>	<b>Total</b>	<b>46,049</b>	<b>16,484.6</b>	<b>18.4%</b>	<b>51.6%</b>	<b>48.7</b>
	Stage 01	48,665	2,292.8	89.7%	85.8%	5.4
	Stage 02	5,605	379.8	10.3%	14.2%	12.6
<b>Small Business</b>	<b>Total</b>	<b>54,270</b>	<b>2,672.6</b>	<b>21.7%</b>	<b>8.4%</b>	<b>18.0</b>
	Stage 01	58,442	2,226.6	93.4%	93.0%	4.4
	Stage 02	4,118	167.8	6.6%	7.0%	8.4
<b>Small Economic Operators</b>	<b>Total</b>	<b>62,560</b>	<b>2,394.3</b>	<b>25.0%</b>	<b>7.5%</b>	<b>12.7</b>
	Stage 01	79,226	4,147.3	93.0%	92.9%	5.2
	Stage 02	5,979	317.9	7.0%	7.1%	13.2
<b>Individuals</b>	<b>Total</b>	<b>85,205</b>	<b>4,465.2</b>	<b>34.0%</b>	<b>14.0%</b>	<b>18.4</b>
	Stage 01	2,028	5,867.5	88.1%	99.2%	24.6
	Stage 02	275	46.8	11.9%	0.8%	1.0
<b>Other</b>	<b>Total</b>	<b>2,303</b>	<b>5,914.3</b>	<b>0.9%</b>	<b>18.5%</b>	<b>25.6</b>
	Stage 01	230,026	29,574.2	91.9%	92.6%	51.4
	Stage 02	20,361	2,356.8	8.1%	7.4%	72.0
<b>Total</b>	<b>Total</b>	<b>250,387</b>	<b>31,931.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>123.4</b>

4. In the official calculation of the write-downs, the staging of the positions on the basis of absolute criteria is determined on the basis of a PD-based metric which depends on the PD lifetime at the reporting date obtained by weighting the scenario-dependent PD curves of the macro-scenarios considered in the calculation of the write-downs, whereas in the simulations reported the staging is determined by considering respectively the scenario-dependent PD curves of the single macro-scenarios (base, adverse and extreme respectively).

**Table 5 – Write-downs [in €/million] at 30 June 2022 for the performing positions of the Parent Company's loan portfolio if the parameters of the adverse scenario were used both to calculate the ECL and for the stage allocation**

Operational macro-segment	Stage_adv	Nr. Pos	EAD	Nr. Pos%	EAD%	ECL adv.
	Stage 01	41,158	14,758.6	89.4%	89.5%	12.1
	Stage 02	4,891	1,726.0	10.6%	10.5%	40.8
<b>Corporate &amp; Large Corporate</b>	<b>Total</b>	<b>46,049</b>	<b>16,484.6</b>	<b>18.4%</b>	<b>51.6%</b>	<b>52.9</b>
	Stage 01	47,564	2,246.9	87.6%	84.1%	5.2
	Stage 02	6,706	425.7	12.4%	15.9%	14.0
<b>Small Business</b>	<b>Total</b>	<b>54,270</b>	<b>2,672.6</b>	<b>21.7%</b>	<b>8.4%</b>	<b>19.3</b>
	Stage 01	56,588	2,177.3	90.5%	90.9%	4.4
	Stage 02	5,972	217.0	9.5%	9.1%	9.9
<b>Small Economic Operators</b>	<b>Total</b>	<b>62,560</b>	<b>2,394.3</b>	<b>25.0%</b>	<b>7.5%</b>	<b>14.3</b>
	Stage 01	70,697	4,029.6	83.0%	90.2%	5.2
	Stage 02	14,508	435.6	17.0%	9.8%	16.1
<b>Individuals</b>	<b>Total</b>	<b>85,205</b>	<b>4,465.2</b>	<b>34.0%</b>	<b>14.0%</b>	<b>21.3</b>
	Stage 01	2,028	5,867.5	88.1%	99.2%	27.5
	Stage 02	275	46.8	11.9%	0.8%	1.2
<b>Other</b>	<b>Total</b>	<b>2,303</b>	<b>5,914.3</b>	<b>0.9%</b>	<b>18.5%</b>	<b>28.8</b>
	Stage 01	218,035	29,079.9	87.1%	91.1%	54.5
	Stage 02	32,352	2,851.0	12.9%	8.9%	82.1
<b>Total</b>	<b>Total</b>	<b>250,387</b>	<b>31,931.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>136.7</b>

**Table 6 – Write-downs [in €/million] at 30 June 2022 for the performing positions of the Parent Company's loan portfolio if the parameters of the extremal scenario were used both to calculate the ECL and for the stage allocation**

Operational macro-segment	Stage_fav	Nr. Pos	EAD	Nr. Pos%	EAD%	ECL extr.
	Stage 01	38,510	13,792.8	83.6%	83.7%	14.0
	Stage 02	7,539	2,691.8	16.4%	16.3%	51.9
<b>Corporate &amp; Large Corporate</b>	<b>Total</b>	<b>46,049</b>	<b>16,484.6</b>	<b>18.4%</b>	<b>51.6%</b>	<b>66.0</b>
	Stage 01	44,011	2,103.8	81.1%	78.7%	5.8
	Stage 02	10,259	568.8	18.9%	21.3%	17.6
<b>Small Business</b>	<b>Total</b>	<b>54,270</b>	<b>2,672.6</b>	<b>21.7%</b>	<b>8.4%</b>	<b>23.4</b>
	Stage 01	49,116	2,010.3	78.5%	84.0%	4.5
	Stage 02	13,444	384.0	21.5%	16.0%	13.0
<b>Small Economic Operators</b>	<b>Total</b>	<b>62,560</b>	<b>2,394.3</b>	<b>25.0%</b>	<b>7.5%</b>	<b>17.5</b>
	Stage 01	50,874	3,243.0	59.7%	72.6%	5.3
	Stage 02	34,331	1,222.2	40.3%	27.4%	28.7
<b>Individuals</b>	<b>Total</b>	<b>85,205</b>	<b>4,465.2</b>	<b>34.0%</b>	<b>14.0%</b>	<b>34.0</b>
	Stage 01	2,018	5,866.8	87.6%	99.2%	33.1
	Stage 02	285	47.5	12.4%	0.8%	1.7
<b>Other</b>	<b>Total</b>	<b>2,303</b>	<b>5,914.3</b>	<b>0.9%</b>	<b>18.5%</b>	<b>34.7</b>
	Stage 01	184,529	27,016.7	73.7%	84.6%	62.8
	Stage 02	65,858	4,914.3	26.3%	15.4%	112.9
<b>Total</b>	<b>Total</b>	<b>250,387</b>	<b>31,931.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>175.6</b>

### **Moratoria and new funding following the COVID 19 pandemic**

Since the proclamation of the state of crisis, the Group has welcomed all the initiatives put in place by the government and the EU to support customers by making available a set of initiatives that have allowed for the deferral of instalment payments and an increase in the residual duration of exposures (so-called moratoria).



In total, the Banca Popolare di Sondrio Group disbursed 3.9 billion euro in moratoria, of which 3,429 million euro in moratoria on still active relationships. Of these, on the basis of the last type of measure allocated, 1,289 million euro of moratoria are in compliance with the EBA guidelines and 2,140 million euro of moratoria are non-compliant with the EBA guidelines.

	Carrying amount Gross (millions of euro)	Net carrying amount (millions of euro)
EBA-compliant moratoria	1,289	1,268
Of which settled	1,289	1,268
Of which active	-	-
EBA non-compliant moratoria	2,140	2,073
Of which settled	2,101	2,037
Of which active	39	36
<b>Total</b>	<b>3,429</b>	<b>3,341</b>

As can be seen in the table, the overdue moratoria that have already accrued the conditions for the resumption of payments at the end of the half-year amounted to 3,390 million euro, equal to 99% of the total moratoria granted by the Group; on this portfolio, at the end of the first six months of 2022, a default rate of 4.8% was recorded, slightly up compared to the figure recorded in December 2021 of 4.2%. The proportion of overdrafts recognised on non-impaired financial assets was also low, amounting to about 2% as at 30 June 2022.

On the other hand, loans granted by the Group and backed by public guarantees amount to over 2,600 million euro. Below are the residual values as at 30 June 2022:

	Carrying amount Gross (millions of euro)	Net carrying amount (millions of euro)
Loans subject to government guarantees	2,519	2,504

## QUANTITATIVE INFORMATION

### Asset quality targets

#### Impaired and not non-performing loans: balance and impairment

#### Distribution of financial assets by portfolio and quality of lending (carrying amounts)

Portfolio/quality	Bad loans	Unlikely-to-pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	190,110	497,127	57,499	519,539	43,914,436	45,178,711
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,529,549	2,529,549
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	15,942	1,603	10,759	422,280	450,584
5. Financial assets held for sale	-	-	-	-	-	-
<b>Total 30/06/2022</b>	<b>190,110</b>	<b>513,069</b>	<b>59,102</b>	<b>530,298</b>	<b>46,866,265</b>	<b>48,158,844</b>
<b>Total 31/12/2021</b>	<b>192,290</b>	<b>589,166</b>	<b>55,355</b>	<b>440,856</b>	<b>44,916,172</b>	<b>46,193,839</b>

The word exposures is understood as excluding equity securities and mutual funds.

### Distribution of financial assets by portfolio and asset quality (gross and net values)

Portfolio/quality	Non-performing				Performing			Total net exposure
	Gross exposure	Total write-downs	Net exposure	Total partial write-offs	Gross exposure	Total write-downs	Net exposure	
1. Financial assets measured at amortised cost	1,775,384	1,030,648	744,736	118,209	44,556,140	122,165	44,433,975	45,178,711
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,530,081	532	2,529,549	2,529,549
3. Financial assets designated at fair value	-	-	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	29,228	11,683	17,545	-	-	-	433,039	450,584
5. Financial assets held for sale	-	-	-	-	-	-	-	-
<b>Total 30/06/2022</b>	<b>1,804,612</b>	<b>1,042,331</b>	<b>762,281</b>	<b>118,209</b>	<b>47,086,221</b>	<b>122,697</b>	<b>47,396,563</b>	<b>48,158,844</b>
<b>Total 31/12/2021</b>	<b>1,875,973</b>	<b>1,039,162</b>	<b>836,807</b>	<b>136,527</b>	<b>45,028,347</b>	<b>126,918</b>	<b>45,357,032</b>	<b>46,193,839</b>

For financial assets held for trading, those valued at fair value and hedging derivatives, the gross exposure is presented at the value resulting from the period-end valuation.



## Prudential consolidation - Cash credit facilities and off-balance-sheet exposures to banks: gross and net values

Type of exposure/amounts	Esposizione lorda				Impaired purchased or originated
	First stage	Second stage	Third stage		
<b>A. Cash credit facilities</b>					
<b>A.1 Sight</b>	<b>2,546,931</b>	<b>2,540,952</b>	<b>5,979</b>	-	-
a) Non-performing	-	-	-	-	-
b) Performing	2,546,931	2,540,952	5,979	-	-
<b>A.2 Other</b>	<b>3,751,623</b>	<b>3,686,163</b>	<b>65,460</b>	-	-
a) Bad loans	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
b) Unlikely-to-pay	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
c) Non-performing past due exposures	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
d) Performing past due exposures	55	-	55	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
e) Other performing exposures	3,751,568	3,686,163	65,405	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
<b>Total (A)</b>	<b>6,298,554</b>	<b>6,227,115</b>	<b>71,439</b>	-	-
<b>B. Off-balance sheet credit</b>					
a) Non-performing	-	-	-	-	-
b) Performing	1,047,492	897,084	150,408	-	-
<b>Total (B)</b>	<b>1,047,492</b>	<b>897,084</b>	<b>150,408</b>	-	-
<b>Total (A+B)</b>	<b>7,346,046</b>	<b>7,124,199</b>	<b>221,847</b>	-	-

Cash credit facilities include loans and receivables with banks shown in item 40 a) and item 10, as well as other financial assets represented by bank securities included in items 20 c), 30 and 40 of the assets side of the balance sheet, excluding equities. The off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities).

## Prudential consolidation - Cash credit facilities and off-balance-sheet exposures to customers: gross and net values

Type of exposure/amounts	Gross exposure				Impaired purchased or originated
	First stage	Second stage	Third stage		
<b>A. Cash credit facilities</b>					
a) Bad loans	767,906	-	-	719,918	47,988
- of which: exposures subject to forbearance	233,209	-	-	207,391	25,818
b) Unlikely-to-pay loans	970,609	-	-	828,666	141,943
- of which: exposures subject to forbearance	563,927	-	-	481,677	82,250
c) Non-performing past due exposures	66,099	-	-	65,955	144
- of which: exposures subject to forbearance	14,305	-	-	14,305	-
d) Performing past due exposures	539,888	392,566	145,597	-	1,725
- of which: exposures subject to forbearance	17,309	-	17,089	-	220
e) Other performing exposures	43,236,622	41,144,478	2,038,132	-	54,012
- of which: exposures subject to forbearance	562,332	-	546,064	-	16,268
<b>Total (A)</b>	<b>45,581,124</b>	<b>41,537,044</b>	<b>2,183,729</b>	<b>1,614,539</b>	<b>245,812</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non-performing	203,863	-	-	201,214	2,648
b) Performing	20,206,479	18,082,621	2,120,840	-	3,019
<b>Total (B)</b>	<b>20,410,342</b>	<b>18,082,621</b>	<b>2,120,840</b>	<b>201,214</b>	<b>5,667</b>
<b>Total (A+B)</b>	<b>65,991,466</b>	<b>59,619,665</b>	<b>4,304,569</b>	<b>1,815,753</b>	<b>251,479</b>

Total adjustments and provisions						
	First stage	Second stage	Third stage	Impaired purchased or originated	Net exposure	Total partial write-offs
	<b>316</b>	<b>166</b>	<b>150</b>	-	-	<b>2,546,615</b>
	-	-	-	-	-	-
	316	166	150	-	-	2,546,615
	<b>3,931</b>	<b>1,012</b>	<b>2,919</b>	-	-	<b>3,747,692</b>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	1	-	1	-	-	54
	-	-	-	-	-	-
	3,930	1,012	2,918	-	-	3,747,638
	-	-	-	-	-	-
	<b>4,247</b>	<b>1,178</b>	<b>3,069</b>	-	-	<b>6,294,307</b>
	-	-	-	-	-	-
	215	44	171	-	-	1,047,277
	<b>215</b>	<b>44</b>	<b>171</b>	-	-	<b>1,047,277</b>
	<b>4,462</b>	<b>1,222</b>	<b>3,240</b>	-	-	<b>7,341,584</b>

Total adjustments and provisions							
	First stage	Second stage	Third stage	Impaired purchased or originated	Net exposure	Total partial write-offs	
	577,796	-	-	542,817	34,979	190,110	98,085
	169,530	-	-	149,677	19,853	63,679	9,957
	457,539	-	-	380,291	77,248	513,070	20,124
	264,097	-	-	226,317	37,780	299,830	-
	6,997	-	-	6,985	12	59,102	-
	1,330	-	-	1,330	-	12,975	-
	9,642	1,443	8,086	-	113	530,246	-
	909	-	884	-	25	16,400	-
	109,120	45,161	61,474	-	2,485	43,127,502	2
	22,055	-	21,434	-	621	540,277	-
	<b>1,161,094</b>	<b>46,604</b>	<b>69,560</b>	<b>930,093</b>	<b>114,837</b>	<b>44,420,030</b>	<b>118,211</b>
	25,340	-	-	25,340	-	178,523	-
	29,283	17,751	11,509	-	21	20,177,196	-
	<b>54,623</b>	<b>17,751</b>	<b>11,509</b>	<b>25,340</b>	<b>21</b>	<b>20,355,719</b>	-
	<b>1,215,717</b>	<b>64,355</b>	<b>81,069</b>	<b>955,433</b>	<b>114,858</b>	<b>64,775,749</b>	<b>118,211</b>





Cash credit facilities include the customer loans shown in item 40 b) as well as other financial assets represented by non-bank securities included in items 20 c), 30 and 40 of the assets side of the balance sheet, excluding equity securities and mutual funds. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities and mutual funds).

### Cash credit facilities to customers subject to Covid-19 support measures: gross and net values

Type of exposure/amounts	Gross exposure				Impaired purchased or originated
	First stage	Second stage	Third stage		
<b>A. Non-performing loans:</b>	<b>1,507</b>	-	-	<b>1,507</b>	-
a) Subject to forbearance compliant with GLs	-	-	-	-	-
b) Subject to moratorium measures applicable no longer in compliance with GL and not evaluated as granted	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-
d) New loans	1,507	-	-	1,507	-
<b>B. Unlikely-to-pay loans</b>	<b>44,934</b>	-	-	<b>39,419</b>	<b>5,514</b>
a) Subject to forbearance compliant with GLs	-	-	-	-	-
b) Subject to moratorium measures applicable no longer in compliance with GL and not evaluated as granted	68	-	-	68	-
c) Subject to other forbearance measures	8,753	-	-	8,435	318
d) New loans	36,113	-	-	30,916	5,196
<b>C. Non-performing past due loans:</b>	<b>2,769</b>	-	-	<b>2,769</b>	-
a) Subject to forbearance compliant with GLs	-	-	-	-	-
b) Subject to moratorium measures applicable no longer in compliance with GL and not evaluated as granted	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-
d) New loans	2,769	-	-	2,769	-
<b>D. Other performing past due loans:</b>	<b>2,785</b>	-	<b>2,785</b>	-	-
a) Subject to forbearance compliant with GLs	-	-	-	-	-
b) Subject to moratorium measures applicable no longer in compliance with GL and not evaluated as granted	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-
d) New loans	2,785	-	2,785	-	-
<b>E. Other performing loans:</b>	<b>2,505,759</b>	<b>2,253,819</b>	<b>251,338</b>	-	<b>599</b>
a) Subject to forbearance compliant with GLs	-	-	-	-	-
b) Subject to moratorium measures applicable no longer in compliance with GL and not evaluated as granted	9,365	1,458	7,906	-	-
c) Subject to other forbearance measures	20,530	2,394	18,135	-	-
d) New loans	2,475,864	2,249,967	225,297	-	599
<b>Total (A+B+C+D+E)</b>	<b>2,557,754</b>	<b>2,253,819</b>	<b>254,123</b>	<b>43,695</b>	<b>6,113</b>

Total write-downs						
	First stage	Second stage	Third stage	Impaired purchased or originated	Net exposure	Total partial write-offs
5	-	-	5	-	1,502	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5	-	-	5	-	1,502	-
<b>11,384</b>	-	-	<b>9,818</b>	<b>1,566</b>	<b>33,550</b>	-
-	-	-	-	-	-	-
29	-	-	29	-	39	-
1,254	-	-	1,129	125	7,499	-
10,101	-	-	8,660	1,441	26,012	-
<b>51</b>	-	-	<b>51</b>	-	<b>2,718</b>	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
51	-	-	51	-	2,718	-
<b>64</b>	-	<b>64</b>	-	-	<b>2,721</b>	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
64	-	64	-	-	2,721	-
<b>14,626</b>	<b>1,845</b>	<b>12,768</b>	-	<b>12</b>	<b>2,491,133</b>	-
-	-	-	-	-	-	-
199	6	193	-	-	9,166	-
733	3	729	-	-	19,797	-
4,736	384	4,340	-	12	2,471,128	-
<b>17,172</b>	<b>393</b>	<b>5,326</b>	<b>9,874</b>	<b>1,578</b>	<b>2,540,582</b>	-



## Large exposures

	30/06/2022	31/12/2021
Number of positions	23	20
Exposure	26,621,177	28,361,162
Risk position	7,448,211	6,890,064

The exposure limit of 10% of own funds – the threshold for inclusion of a counterparty in the category of «Large exposure» – has to be measured in terms of the «nominal amount» of the exposure, i.e. the sum of cash risk assets and off-balance sheet transactions with a customer or a group of related customers. On the other hand, the «risk position», on which the maximum limits are measured for the assumption of each individual significant risk, is given by the same aggregate weighted according to a system that takes account of the nature of the debtor and any guarantees that have been obtained.

It should be noted that the positions shown above include the Italian Republic (nominal exposure, 12,564 million; risk position, 8 million), purely on the basis of sovereign securities held in proprietary portfolios, and the Bank of Italy (nominal exposure, 3,567 million; risk position, 6 million), as well as exposures to Spain and France for a nominal amount of 2,064 million with a risk position of 1 million.

The number of large risks and the related exposures differ from those reported for supervisory purposes, since art. 4 of Regulation 575/2013 CRR allows the existence of a group of related customers to be considered separately for each company or entity that is controlled directly.

## Banking group - Market risk

For qualitative information on interest rate, price and exchange rate risks, please refer to the financial statements as at 31/12/2021.

## Derivative instruments and related hedging policy

Since June 2022, the group has been using the Macro Fair Value Hedge (MFVH) methodology applied to interest rate risk with the objective of neutralising the change in fair value of assets and liabilities recognised in the financial statements or portions thereof as a result of changes in interest rates.

To this end, the Group has promoted the formalisation of operational processes and procedures to enable:

- the structuring of transactions to hedge the interest rate risk assumed through the provision of fixed-rate loans and other fixed-rate assets;
- the recognition and subsequent management of these transactions within the Macro Fair Value Hedge framework, thus limiting the volatility elements that would otherwise be caused by the different valuation criteria of hedging transactions (shown at fair value) and hedged instruments (recognised at amortised cost);
- the inclusion of such operations in the risk management and monitoring processes.

On first-time application of IFRS 9, the Group exercised the option provided by the standard to continue to fully apply the rules of IAS 39 for all types of hedges (micro and macro). Therefore, the provisions of IFRS 9 on hedging do not apply.

## Financial derivatives

### Trading financial derivatives: period-end notional amounts

Underlying assets/Types of derivatives	Total 30/06/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With settlement agreements	Without settlement agreements			With settlement agreements	Without settlement agreements	
<b>1. Fixed-yield securities and interest rates</b>	-	-	<b>1,492,454</b>	-	-	-	<b>1,487,400</b>	-
a) Options	-	-	32,498	-	-	-	25,531	-
b) Swaps	-	-	1,459,956	-	-	-	1,461,869	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>2. Equity securities and stock indices</b>	-	-	<b>124,090</b>	-	-	-	<b>36,313</b>	-
a) Options	-	-	124,090	-	-	-	36,313	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>3. Currency and gold</b>	-	-	<b>4,829,056</b>	-	-	-	<b>4,421,638</b>	-
a) Options	-	-	193,968	-	-	-	186,014	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	4,635,088	-	-	-	4,235,624	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>4. Commodities</b>	-	-	<b>92,940</b>	-	-	-	<b>89,593</b>	-
<b>5. Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>6,538,540</b>	-	-	-	<b>6,034,944</b>	-

### Trading financial derivatives: positive and negative gross fair value – analysis by type of product

Types of derivatives	Total 30/06/2022				Total 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With settlement agreements	Without settlement agreements			With settlement agreements	Without settlement agreements	
<b>1. Positive fair value</b>	-	-	11,732	-	-	-	4,800	-
a) Options	-	-	11,732	-	-	-	4,800	-
b) Interest rate swaps	-	-	8,775	-	-	-	6,663	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	43,715	-	-	-	14,469	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	4,483	-	-	-	3,348	-
<b>Total</b>	-	-	<b>68,705</b>	-	-	-	<b>29,280</b>	-
<b>2. Negative fair value</b>	-	-	4,977	-	-	-	2,323	-
a) Options	-	-	4,977	-	-	-	2,323	-
b) Interest rate swaps	-	-	7,069	-	-	-	5,069	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	147,152	-	-	-	93,651	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	4,410	-	-	-	3,295	-
<b>Total</b>	-	-	<b>163,608</b>	-	-	-	<b>104,339</b>	-



## Hedging financial derivatives

### Hedging financial derivatives: period-end notional amounts

Underlying assets/Types of derivatives	Total 30/06/2022				Total 31/12/2021			
	Over the counter				Over the counter			
	Without central counterparties				Without central counterparties			
	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets
<b>1. Fixed-yield securities and interest rates</b>	-	-	<b>103,127</b>	-	-	-	<b>143,839</b>	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	103,127	-	-	-	143,839	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>2. Equity securities and stock indices</b>	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>3. Currency and gold</b>	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>4. Commodities</b>	-	-	-	-	-	-	-	-
<b>5. Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>103,127</b>	-	-	-	<b>143,839</b>	-

### Hedging financial derivatives: positive and negative gross fair value – analysis by type of product

Types of derivatives	Positive and negative fair value							
	Total 30/06/2022				Total 31/12/2021			
	Over the counter				Over the counter			
	Without central counterparties				Without central counterparties			
	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets
<b>Positive fair value</b>								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-
<b>Negative fair value</b>								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	816	-	-	-	2,446	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>816</b>	-	-	-	<b>2,446</b>	-

## **Banking group - Liquidity risk**

For qualitative information on liquidity risk, please refer to the financial statements as at 31/12/2021.

## **Securitisation transactions and sale of assets**

### **Covered Bond**

On 6 November 2013, the Board of Directors of the Parent Company authorised a covered bond programme for a maximum amount of 5 billion euro, based on the assignment to a vehicle company of residential mortgages and construction loans arranged by the Parent Company.

On 1 June 2014, pursuant and consequent to the combined provisions of arts. 4 and 7-bis of law 130 of 30 April 1999, a portfolio of performing loans totalling 802 million euro was sold without recourse to «POPSO Covered Bond s.r.l.», the vehicle company, in relation to the issue on 5 August 2014 of the first series of 5-year covered bonds for 500 million euro.

A second sale of performing loans totalling 202 million euro took place on 5 December 2015, under the same contract.

An additional 2 disposals were made during 2016. The first, on 1 February 2016, of a portfolio of a total of 576 million euro of performing loans in connection with the issuance of the second series of covered bonds totalling 500 million euro on 4 April 2016. The second, on 1 November 2016, of a portfolio of performing loans totalling 226 million euro.

During 2017, a fifth sale of performing loans for a total of 307 million euro took place on 1 October 2017 under the same contract.

Likewise, during 2018, a sixth sale of performing loans for a total of 323 million euro took place on 1 October 2018.

During 2019, a seventh sale of performing loans for a total of 352 million euro took place on 1 December 2019, under the same contract.

These securitisations involved the sale of residential mortgages to the SPV, which was simultaneously granted a subordinated loan in order to settle the sale price. Since the Bank retains all the risks and benefits relating to those loans, these mortgages were not derecognised.

The principal strategic objectives for this issue including equipping the Parent Company with instruments that can be placed on the market, even via public transactions. In addition, the activation of instruments of this type can contribute to:

- extending the maturities of funding and therefore strengthening its correlation with the medium/long-term loans granted;
- diversifying the long-term sources of funding;
- obtaining favourable conditions, with respect to those available via the routine placement of unsecured bonds.

A complex and articulated process has been set up to meet the regulatory requirements, allowing, in particular, calculating and monitoring the tests required by law and contracts, checking compliance with the requirements governing the suitability of the assets assigned, preparing the reports required by the regulations and the rating agency, and performing all the related control activities. Among the various counterparties involved for various reasons, BDO Italia Spa, the independent auditing firm and «asset monitor», is responsible for verifying the tests.

The operations are proceeding smoothly and no issues have emerged with respect to the contractual requirements.

The regulations also require assessment of the objectives, legal, reputational and other risks, and controls put in place by the corporate bodies responsible for strategic supervision and control.

The following information is provided about the bond issued by Banca Popolare di Sondrio S.p.A. for which the vehicle company, Popso Covered Bond s.r.l., acts as Guarantor:



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
Parameter	0.750%
Coupon	Annual
Applicable law	Italian

The first series of bonds, with ISIN Code IT0005039711, was repaid in full on 5 August 2019.

### Credit Transfer

As at 30 June 2022, the Group's exposure in Asset Backed Securities (ABS) from securitisation transactions amounted to 709.551 million euro.

The composition of ABS securities is as follows:

- 119.199 million relative to securities issued by the vehicle company Diana SPV, which the Group holds following the GACS securitisation transaction of non-performing loans, called «Diana Project», completed in June 2020 (senior tranche of 118.531 million euro; mezzanine and junior tranches of 0.668 million euro);
- 79.632 million relative to securities issued by the vehicle POP NPLs 2020 Srl, which the Group holds as a result of the GACS securitisation transaction of non-performing loans, called «Luzzatti», completed in December 2020 (senior tranche of 79.531 million euro; mezzanine tranche of 0.101 million euro);
- 86.088 million relative to securities issued by the vehicle Luzzatti POP NPLs 2021 Srl, which the Group holds as a result of the GACS securitisation transaction of non-performing loans, called «Luzzatti II», completed in December 2021 (senior tranche of 85.995 million euro; mezzanine tranche of 0.093 million euro);
- 424.632 million relating to securities of third-party securitisation transactions, issued by the special purpose vehicle «BNT Portfolio SPV», established in 2014 in order to finalise the securitisation of Banca della Nuova Terra's agricultural loans, and by the special purpose vehicle «Alba 6 Spv».

For further details, see «Part E - Section 2 - C. Securitisation Transactions», of the Consolidated Financial Statements as at 31 December 2021.

The group also holds structured credit securities in the amount of 24.584 million euro relating to mutual fund units subscribed as a result of multi-originator sales of non-performing loan portfolios made in previous years. For a discussion of mutual funds resulting from multi-originator disposals, please refer to «Part E - Section 2 - D.3 Disposals - Financial assets sold and fully derecognised» of the Consolidated Financial Statements as at 31 December 2021.

### Synthetic securitisation

On 14 June, the Group signed a synthetic securitisation transaction with the EIB Group on a portfolio of loans granted to «corporate» counterparties (Small-business, SME and Large Business segments) for a countervalue of 958 million euro.

By means of synthetic securitisation, the bank acquires, in synthetic and thus aggregate form, a hedge against «first losses» that may occur in an identified portfolio of loans. The financial structure mitigates the credit risks present in the loans subject to the transaction, allowing a significant reduction in the weighted assets (RWA) and consequently freeing up



financial resources, which can also be allocated to the development of new loans.

The structure of the transaction envisages the portfolio being virtually divided into 2 tranches according to the degree of risk: Senior and Junior, for an initial portfolio value of approximately 958.35 million euro, broken down as follows:

- Senior: 910.43 million;
- Junior: 47.92 million.

In particular, the Senior tranche does not benefit from any guarantee, while the Junior tranche is covered by a guarantee from the European Investment Fund (EIF) and counter-guaranteed by the European Investment Bank (EIB), using funds from the European Guarantee Fund (EGF), the EU recovery aid instrument launched in 2020 in response to the Covid-19 crisis.

Synthetic securitisations provide for the purchase of credit risk protection underlying a portfolio of loans, of which the Originator retains full ownership, by entering into collateral agreements. Such transactions are therefore designed to transfer credit risk from the Originator to an external Counterparty, without derecognition of the assets, which are therefore retained on the bank's financial statements.

### **Banking group - Operational risks**

For qualitative information on operational risks, please refer to the consolidated financial statements as at 31/12/2021.

### **Information on exposure to sovereign debt**

Consob, with communication No. DEM/11070007 of 05/08/2011, invited listed companies to provide in the financial statements information on exposures to sovereign debtors, i.e. bonds issued by central and local governments, government agencies and any loans made to them.

In this regard, the overall exposure of the banking group at 30 June 2022 amounted to 12,533 million and was structured as follows:

- a) Italian government securities: 7,932 million;
- b) Securities of other issuers: 2,926 million;
- c) Loans to government departments: 268 million;
- d) Loans to state-owned or local government-owned enterprises: 1,257 million;
- e) Loans to other public administrations and miscellaneous entities: 150 million.



## ***Information on equity***

### ***Consolidated equity***

#### **QUALITATIVE INFORMATION**

A healthy banking system is absolutely in the public interest, and the solvency and reliability of banks requires them to maintain appropriate capital resources. Such resources must be sufficient for Group to absorb any losses without prejudicing the rights of depositors, bearing in mind that losses also affect the bank's reputation.

The need for adequate capital was made even more evident by the crisis of the last ten years and the actions of the Supervisory Authorities, which now operate on a transnational basis. The economic/financial crisis of the last ten years has brought the equity levels of banks into sharp focus following the large losses recorded, the explosion of expected losses caused by the recession, the deterioration of loan quality and the uncertain value of assets. Without forgetting, at the same time, the need to support the economy in order to stimulate a recovery. Supervisory Bodies are focusing more and more on the capital adequacy of banks, seeking to ensure that it is proportionate to the overall degree of risk accepted.

The Group has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and to protect against risk in accordance with the requirements of the supervisory regulations. In line with its status as a cooperative bank, the capitalisation policy of the Parent Company has been identified as the instrument that, by creating the role of shareholder/customer, makes it possible to pursue the strategy of autonomous growth decided by management.

By resolution of the shareholders' meeting of 29 December 2021, the Bank, in accordance with the provisions of Law No. 33 of 24 March 2015, converted from a cooperative company limited by shares to a joint-stock company. The transformation into a joint-stock company will not undermine the founding principles that underpin the Bank's activities.

This is why the history of Banca Popolare di Sondrio features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation. Based on this premise, we have never issued innovative capital instruments and the repeated increases have always been taken up en masse.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the Group to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the bank to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity. It should be pointed out that the explosion of the crisis and the negative repercussions on bank financial statements have had a negative impact on self-financing, which in the past has always made a substantial contribution to the capitalisation of credit institutions. The ongoing tensions experienced in recent years that have affected various banks have not, in the last analysis, facilitated the projects to strengthen the capital adequacy of the bank, despite the growth in operations designed to add specialist instruments in support of the real economy. In this context, we have acquired Factorit Spa, Banca della Nuova Terra spa and Prestinuova spa in recent years, while also increasing the equity interests held in companies with complementary activities. The last increase in share capital took place in 2014 through a combined bonus and rights issue with the receipt for the cash portion of 343 million euro.

The Ordinary Shareholders' Meeting of 30 April 2022, called to approve the 2021 financial statements and the appropriation of profit, resolved to pay a total dividend of 90.677 million euro.

## QUANTITATIVE INFORMATION

Please refer to the tables below where information on the company's equity in its various components and amounts is provided.

### Analysis of consolidated equity by type of company

Items/Amounts	Consolidation for supervisory purposes	Insurance companies	Other companies	Eliminations and adjustments from consolidation	Total
<b>1. Share capital</b>	<b>1,360,161</b>	-	-	-	<b>1,360,161</b>
<b>2. Share premium reserve</b>	<b>78,978</b>	-	-	-	<b>78,978</b>
<b>3. Reserves</b>	<b>1,688,186</b>	-	<b>1,667</b>	<b>101,925</b>	<b>1,791,778</b>
<b>4. Equity instruments</b>					-
<b>5. (Treasury shares)</b>	<b>(25,384)</b>	-	-	-	<b>(25,384)</b>
<b>6. Valuation reserves</b>	<b>(21,190)</b>	-	<b>196</b>	<b>3,960</b>	<b>(17,034)</b>
- Equity securities measured at fair value through other comprehensive income	73,105	-	-	-	73,105
- Hedge of equity securities measured at fair value through other comprehensive income					-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(54,347)	-	-	-	(54,347)
- Property, equipment and investment property	9,818				9,818
- Intangible assets					-
- Hedges of foreign investments					-
- Cash-flow hedges					-
- Hedging instruments (non-designated elements)					-
- Exchange differences	-	-	-	270	270
- Non-current assets and disposal groups held for sale					-
- Financial liabilities measured at fair value through profit or loss (changes in own creditworthiness)					-
- Actuarial profits (losses) related to defined-benefit pension plans	(49,766)	-	4	-	(49,762)
- Portions of valuation reserves related to subsidiaries carried at equity	-	-	-	3,690	3,690
- Special revaluation regulations	-	-	192	-	192
<b>7. Profit (Loss)</b>	<b>111,653</b>	-	<b>(2,917)</b>	<b>(3,675)</b>	<b>105,061</b>
<b>Total</b>	<b>3,192,404</b>	-	<b>(1,054)</b>	<b>102,210</b>	<b>3,293,560</b>

### Valuation reserve of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	Consolidation for supervisory purposes		Insurance companies		Other companies		Eliminations and adjustments from consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	688	(55,035)	-	-	-	-	-	-	688	(55,035)
2. Equity securities	76,763	(3,658)	-	-	-	-	-	-	76,763	(3,658)
3. Loans	-	-	-	-	-	-	-	-	-	-
<b>Total 30/06/2022</b>	<b>77,451</b>	<b>(58,693)</b>	-	-	-	-	-	-	<b>77,451</b>	<b>(58,693)</b>
<b>Total 31/12/2021</b>	<b>95,212</b>	<b>(7,073)</b>	-	-	-	-	-	-	<b>95,212</b>	<b>(7,073)</b>



### Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

	Fixed-yield securities	Equity securities	Loans
<b>1. Opening balance</b>	<b>13,468</b>	<b>74,671</b>	-
<b>2. Positive changes</b>	<b>95</b>	<b>4,604</b>	-
2.1 Increases in fair value	6	4,575	-
2.2 Adjustments for credit risk	-	-	-
2.3 Transfer to income statement of negative reserves from disposals	33	-	-
2.4 Transfer to other components of equity (equity securities)	-	-	-
2.5 Other changes	56	29	-
<b>3. Negative changes</b>	<b>(67,910)</b>	<b>(6,170)</b>	-
3.1 Reductions in fair value	(60,913)	(5,014)	-
3.2 Writebacks for credit risk	-	-	-
3.3 Transfer to income statement from positive reserves: from disposal	(6,513)	-	-
3.4 Transfer to other components of equity (equity securities)	-	(1,128)	-
3.5 Other changes	(484)	(28)	-
<b>4. Closing balance</b>	<b>(54,347)</b>	<b>73,105</b>	-

### Valuation reserves relating to defined-benefit plans: changes in the year

The valuation reserve relating to the defined-benefit plans is negative by 49.762 million euro. This amount derives from the recognition of the related actuarial gains and losses and the associated taxation.

### *Capital and capital adequacy ratios*

The disclosure on own funds and capital adequacy is represented in the document «Disclosure to the Public - Pillar 3 at 30 June 2022» prepared on the basis of the regulatory provisions established by Circular No. 285 of 17 December 2013 and subsequent updates, issued by the Bank of Italy, and by Regulation (EU) No. 575/2013 of the European Parliament and Council of 26 June 2013 (CRR). The document contains consolidated information and is published together with the financial statements on the Parent Company's website.

## ***Business combinations involving companies or branches of companies***

### **Acquisition of Rent2Go S.r.l.**

#### **Description of the operation**

On 1 April 2022 was the acquisition by the parent company Banca Popolare di Sondrio S.p.a. of 66.67% of the share capital of Rent2Go S.r.l. (hereinafter also referred to as «Rent2Go»), in which the Bank already held a 33.33% stake.

The consideration paid for the capital acquisition amounted to 9.491 million euro. Below are the relevant figures relating to the merger transaction (amounts in thousands of euro).

Company Name	Date of transaction (a)	Cost of the operation	Acquired interest (b)	Total revenue (c)	Profit/(loss) of the Company (d)
Rent2Go S.r.l	01/04/2022	9,491	66.67%	16,172	(939)

Key:

- (a) Date of acquisition of control.
- (b) Percentage interest acquired with voting rights at the Ordinary Meeting.
- (c) Production value as at 31 March 2022.
- (d) Profit/Loss of the affiliate as at 31 March 2022.

#### **Accounting of the operation**

The reference standard for accounting for the acquisition of Rent2Go S.r.l. in the consolidated financial statements of the Banca Popolare di Sondrio Group is IFRS 3 - Business Combinations. This standard defines a business combination as a transaction or other event in which an acquirer acquires control of one or more businesses and provides for the consolidation of the acquiree's assets, liabilities and contingent liabilities at their fair values at the acquisition date, including any identifiable intangible assets not recognised in the financial statements of the acquiree.

IFRS 3 requires that at the acquisition date, the acquirer identifies, separately from goodwill, the assets acquired, the liabilities assumed and the non-controlling interest. Under International Accounting Standards, the acquisition must be accounted for on the date on which the acquirer actually obtains control over the acquired company or assets. In the present case, the acquisition date is 1 April 2022.

At the acquisition date, the acquirer shall recognise, classify and measure, separately from goodwill, the assets, liabilities and minority interests acquired in the business combination.

IFRS 3 allows the final accounting for the business combination to be made within twelve months of the acquisition date. Specifically, paragraph 45 of IFRS 3 provides that in the event that «*If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall also recognise additional assets or liabilities. However, the measurement period shall not exceed one year from the acquisition date*».

As mentioned above, the accounting for the combination requires measuring the identifiable assets acquired and liabilities assumed at their respective fair values, including contingent liabilities and any identifiable intangible assets not recognised in the financial statements of the acquiree. What remains after this allocation must be recognised as goodwill, which represents a payment made by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified and separately recognised.



At 30 June 2022, the provisional amount of 5.4 million euro, equal to the difference between the acquisition cost and the company's equity at the date of acquisition of control, was recognised under goodwill. In the coming months, the Group will carry out activities to determine the fair value of assets and liabilities and the consequent recognition of goodwill.

With reference to the balance sheet of Rent2Go as at 31 March 2022, the preponderant portion of the assets consists of the car fleet, the remaining assets consist of trade receivables and other residual items.

On the liabilities side, a significant portion is represented by debts incurred by the company for loans granted by Banca Popolare di Sondrio.

## ***Related-party transactions***

### **Related-party disclosures**

In accordance with Consob Resolution No. 17221 of 12.3.2010 and subsequent amendments, by resolution of the Board of Directors on 11 November 2010, the Parent Company adopted its own Internal procedures on related party transactions. A related party is understood as being a person in a certain position who could exercise an influence over the Bank such as to condition, directly or indirectly, the way that it operated to favour their own personal interests.

Related parties have been identified in accordance with IAS 24 and with the above mentioned Consob Regulation. Related parties are:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed in point 5.
7. Subsidiary companies, companies under joint control by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the spouse (not legally separated) or companion of the person concerned; the children and dependant relatives of the person concerned, of the spouse (not legally separated) and of the companion; the parents, second degree relatives and others living with the person concerned.

No transactions of an atypical and/or unusual nature were conducted with related parties during the period. Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are settled on arm's-length terms. Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable. No specific provisions were made during the year for losses on amounts due from related parties. The remuneration of the Directors and Statutory Auditors is authorised at the shareholders' meeting; the Board of Directors establishes the compensation of Directors who hold particular offices laid down in the Articles of Association.

The compensation paid to directors and managers can be found in the «Remuneration Report of Banca Popolare di Sondrio» prepared pursuant to art. 123-ter CFA, which is also available on the bank's website.

For related parties with administration, management and control functions, there is a special approval procedure for the granting of bank credit laid down in art. 136 of the CBA. This makes the transaction subject to the unanimous approval of the Board of Directors and the consent of all members of the Board of Statutory Auditors.

The balance sheet and income statement balances referring to transactions with related parties are shown below.



(thousands of euro)	Assets	Liabilities	Income	Charges	Guarantees given and commitments	Guarantees received
Directors	612	8,873	6	19	135	736
Statutory auditors	733	542	5	-	275	2,186
Management	-	1,119	-	6	620	-
Family members	1,285	7,727	12	23	531	11,889
Subsidiaries	5,486,616	138,733	2,444	90	1,965,506	14,555
Associated companies	948,339	125,398	991	2	127,756	1,191
Other	2,172	561	18	-	1,126	1,275
<b>Totals</b>	<b>6,439,757</b>	<b>282,953</b>	<b>3,476</b>	<b>140</b>	<b>2,095,949</b>	<b>31,832</b>

Loans to subsidiaries are represented mainly by interbank relations with Banca Popolare di Sondrio (Suisse) SA, Factorit spa and Banca della Nuova Terra spa, while loans to associated companies mainly relate for 392.2 million euro to Alba Leasing and 431.9 million euro to Arca Holding S.p.A.



## Segment reporting

The segment reporting was prepared in accordance with IFRS 8.

Given that the Group's benefits and risks are significantly influenced by differences in the various products and services and only marginally by the territorial distribution of the sales network, the primary segment comprises the Bank's business activities while the secondary segment relates to the geographical areas concerned.

Each sub-segment has been identified based on the nature of the products and services offered and on the type of customer concerned, so that the related risk profile and profitability are sufficiently similar.

Even though this classification reflects the lines of business envisaged under the Standardised Approach for calculating the minimum capital requirement for operational risk, it is based substantially on internal practice for the subdivision of activities used to apply corporate policies and to evaluate their results. Geographical information is based on the distribution of branches throughout Italy and Switzerland.

### Primary format

#### Distribution by activity sectors: economic data

Items	Corporate	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 30/06/2022
Interest income	158,372	138,357	-	136,616	433,345	-57,752	375,593
Interest expense	-15,498	-56,009	-	-41,529	-113,036	57,752	-55,284
<b>Net interest income</b>	<b>142,874</b>	<b>82,348</b>	<b>-</b>	<b>95,087</b>	<b>320,309</b>	<b>-</b>	<b>320,309</b>
Fee and commission income	84,647	42,005	57,586	9,171	193,409	45	193,454
Fee and commission expense	-2,993	-2,971	-3,264	461	-8,767	-168	-8,935
Dividends and similar income	29	-	-	5,657	5,686	-	5,686
Net trading income	-	-	-	2,726	2,726	-	2,726
Net hedging gains (losses)	-	-51	-	-83	-134	-	-134
Gains/losses from sales or repurchases	-432	-	-	39,193	38,761	-	38,761
Net gains/losses on financial assets and liabilities measured at fair value	-10,933	-6,311	-	-50,341	-67,585	-	-67,585
<b>Total income</b>	<b>213,192</b>	<b>115,020</b>	<b>54,322</b>	<b>101,871</b>	<b>484,405</b>	<b>-123</b>	<b>484,282</b>
Net adjustments to financial assets	-34,022	344	-	1,900	-31,778	-	-31,778
<b>Net financial income</b>	<b>179,170</b>	<b>115,364</b>	<b>54,322</b>	<b>103,771</b>	<b>452,627</b>	<b>-123</b>	<b>452,504</b>
Administrative expenses	-63,048	-88,482	-27,914	-95,954	-275,398	-26,518	-301,916
Net accruals to provisions for risks and charges	-4,362	-11,686	-	-1,820	-17,868	-	-17,868
Depreciation and net impairment losses on property, equipment and investment property	-4,806	-7,010	-2,349	-6,391	-20,556	-	-20,556
Amortisation and net impairment losses on intangible assets	-1,881	-2,675	-881	-1,529	-6,966	-	-6,966
Other operating income/expense	1,533	1,265	-204	10,211	12,805	26,641	39,446
Net gains (losses) on equity investments	-	-	-	8,897	8,897	-	8,897
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	-1,430	-1,430	-	-1,430
Gains/losses on sale of investments	-	-	-	1,771	1,771	-	1,771
<b>Gross profit</b>	<b>106,606</b>	<b>6,776</b>	<b>22,974</b>	<b>17,526</b>	<b>153,882</b>	<b>-</b>	<b>153,882</b>



Items	Corporate	Individuals and other customers	Securities	Central functions	Total	Reconciliation	<b>Total 30/06/2021</b>
Interest income	152,726	126,577	-	97,043	376,346	-58,245	318,101
Interest expense	-14,267	-43,921	-	-54,121	-112,309	58,245	-54,064
<b>Net interest income</b>	<b>138,459</b>	<b>82,656</b>	<b>-</b>	<b>42,922</b>	<b>264,037</b>	<b>-</b>	<b>264,037</b>
Fee and commission income	77,361	35,994	55,018	11,301	179,674	21	179,695
Fee and commission expense	-2,828	-2,601	-3,366	206	-8,589	-125	-8,714
Dividends and similar income	-	-	-	4,206	4,206	-	4,206
Net trading income	-	-	-	31,299	31,299	-	31,299
Net hedging gains (losses)	-	195	-	-116	79	-	79
Gains/losses from sales or repurchases	692	-	-	21,683	22,375	-	22,375
Net gains/losses on financial assets and liabilities measured at fair value	1,091	-1,419	-	12,700	12,372	-	12,372
<b>Total income</b>	<b>214,775</b>	<b>114,825</b>	<b>51,652</b>	<b>124,201</b>	<b>505,453</b>	<b>-104</b>	<b>505,349</b>
Net adjustments to financial assets	-59,880	-8,149	-	195	-67,834	-	-67,834
<b>Net financial income</b>	<b>154,895</b>	<b>106,676</b>	<b>51,652</b>	<b>124,396</b>	<b>437,619</b>	<b>-104</b>	<b>437,515</b>
Administrative expenses	-62,871	-84,841	-27,056	-83,229	-257,997	-32,260	-290,257
Net accruals to provisions for risks and charges	12,827	6,257	-	-692	18,392	-	18,392
Depreciation and net impairment losses on property, equipment and investment property	-5,008	-7,203	-2,406	-3,765	-18,382	-	-18,382
Amortisation and net impairment losses on intangible assets	-1,852	-2,612	-861	-2,018	-7,343	-	-7,343
Other operating income/expense	1,873	1,208	14	1,445	4,540	32,364	36,904
Net gains (losses) on equity investments	-	-	-	16,230	16,230	-	16,230
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	-320	-320	-	-320
Gains/losses on sale of investments	-	-	-	168	168	-	168
<b>Gross profit</b>	<b>99,864</b>	<b>19,485</b>	<b>21,343</b>	<b>52,215</b>	<b>192,907</b>	<b>-</b>	<b>192,907</b>

## Distribution by activity sector: financial data

Items	Corporate	Individuals and other customers	Securities	Central functions	<b>Total</b>
					<b>30/06/2022</b>
Financial assets	20,100,999	15,815,490	-	13,572,314	49,488,803
Other assets	-	-	-	4,494,645	4,494,645
Property, equipment and investment property	120,644	170,918	56,086	291,786	639,434
Intangible assets	5,110	7,396	2,466	22,664	37,636
Financial liabilities	10,442,638	27,824,599	-	10,822,560	49,089,797
Other liabilities	15,808	6,100	-	1,951,233	1,973,141
Provisions	112,567	112,057	23,311	56,085	304,020
Guarantees given	3,934,741	478,775	-	182,595	4,596,111
Commitments	12,764,897	3,221,115	47,298	613,502	16,646,812

Items	Corporate	Individuals and other customers	Securities	Central functions	<b>Total</b>
					<b>31/12/2021</b>
Financial assets	18,968,148	13,821,782	-	14,801,411	47,591,341
Other assets	-	-	-	6,814,349	6,814,349
Property, equipment and investment property	124,220	174,347	56,989	223,890	579,446
Intangible assets	4,956	7,074	2,343	16,640	31,013
Financial liabilities	11,226,840	28,125,591	-	10,932,995	50,285,426
Other liabilities	12,906	5,799	-	1,007,689	1,026,394
Provisions	118,222	114,067	26,950	70,013	329,252
Guarantees given	3,807,439	445,424	-	157,955	4,410,818
Commitments	13,007,170	2,999,902	37,736	315,026	16,359,834



## Secondary format

### Distribution by geographical areas: economic data

Items	Northern Italy	Central-Southern Italy	Switzerland	Total	Reconciliation	Total 30/06/2022
Interest income	370,609	27,854	34,220	432,683	-57,090	375,593
Interest expense	-105,328	-3,742	-3,927	-112,997	57,713	-55,284
<b>Net interest income</b>	<b>265,281</b>	<b>24,112</b>	<b>30,293</b>	<b>319,686</b>	<b>623</b>	<b>320,309</b>
Fee and commission income	156,240	25,590	13,332	195,162	-1,708	193,454
Fee and commission expense	-6,715	-1,781	-1,473	-9,969	1,034	-8,935
Dividends and similar income	34,394	29	38	34,461	-28,775	5,686
Net trading income	-3,535	-	6,486	2,951	-225	2,726
Net hedging gains (losses)	-1	-	-51	-52	-82	-134
Gains/losses from sales or repurchases	38,761	-	-	38,761	-	38,761
Net gains/losses on financial assets and liabilities measured at fair value	-64,406	-1,986	-1,208	-67,600	15	-67,585
<b>Total income</b>	<b>420,019</b>	<b>45,964</b>	<b>47,417</b>	<b>513,400</b>	<b>-29,118</b>	<b>484,282</b>
Net adjustments to financial assets	-26,879	-8,475	3,566	-31,788	10	-31,778
<b>Net financial income</b>	<b>393,140</b>	<b>37,489</b>	<b>50,983</b>	<b>481,612</b>	<b>-29,108</b>	<b>452,504</b>
Administrative expenses	-223,948	-18,885	-33,169	-276,002	-25,914	-301,916
Net accruals to provisions for risks and charges	-13,585	-3,366	-861	-17,812	-56	-17,868
Depreciation and net impairment losses on property, equipment and investment property	-18,266	-1,401	-2,512	-22,179	1,623	-20,556
Amortisation and net impairment losses on intangible assets	-5,679	-555	-732	-6,966	-	-6,966
Other operating income/expense	14,730	406	11	15,147	24,299	39,446
Net gains (losses) on equity investments	1,401	-	-	1,401	7,496	8,897
Net result of fair value measurement of property, equipment and investment property and intangible assets	-1,430	-	-	-1,430	-	-1,430
Gains/losses on sale of investments	1,771	-	-	1,771	-	1,771
<b>Gross profit</b>	<b>148,134</b>	<b>13,688</b>	<b>13,720</b>	<b>175,542</b>	<b>-21,660</b>	<b>153,882</b>

Items	Northern Italy	Central-Southern Italy	Switzerland	Total	Reconciliation	Total 30/06/2021
Interest income	311,952	31,827	32,833	376,612	-58,511	318,101
Interest expense	-104,149	-3,929	-4,275	-112,353	58,289	-54,064
<b>Net interest income</b>	<b>207,804</b>	<b>27,897</b>	<b>28,558</b>	<b>264,259</b>	<b>-222</b>	<b>264,037</b>
Fee and commission income	145,338	22,561	12,907	180,806	-1,111	179,695
Fee and commission expense	-6,313	-1,812	-1,375	-9,500	786	-8,714
Dividends and similar income	20,081	-	36	20,117	-15,911	4,206
Net trading income	26,050	-	5,127	31,177	122	31,299
Net hedging gains (losses)	-	-	195	195	-116	79
Gains/losses from sales or repurchases	22,375	-	-	22,375	-	22,375
Net gains/losses on financial assets and liabilities measured at fair value	11,405	-823	1,747	12,329	43	12,372
<b>Total income</b>	<b>426,740</b>	<b>47,823</b>	<b>47,195</b>	<b>521,758</b>	<b>-16,409</b>	<b>505,349</b>
Net adjustments to financial assets	-64,049	-4,690	1,170	-67,569	-265	-67,834
<b>Net financial income</b>	<b>362,691</b>	<b>43,133</b>	<b>48,365</b>	<b>454,189</b>	<b>-16,674</b>	<b>437,515</b>
Administrative expenses	-209,375	-19,614	-29,435	-258,424	-31,833	-290,257
Net accruals to provisions for risks and charges	16,329	2,755	-468	18,616	-224	18,392
Depreciation and net impairment losses on property, equipment and investment property	-16,246	-1,476	-2,413	-20,135	1,753	-18,382
Amortisation and net impairment losses on intangible assets	-5,455	-552	-690	-6,697	-646	-7,343
Other operating income/expense	6,966	508	20	7,494	29,410	36,904
Net gains (losses) on equity investments	-505	-	-	-505	16,735	16,230
Net result of fair value measurement of property, equipment and investment property and intangible assets	-320	-	-	-320	-	-320
Gains/losses on sale of investments	168	-	-	168	-	168
<b>Gross profit</b>	<b>154,253</b>	<b>24,754</b>	<b>15,379</b>	<b>194,386</b>	<b>-1,479</b>	<b>192,907</b>

### Distribution by geographical area: balance sheet

Items	Northern Italy	Central-Southern Italy	Switzerland	Total 30/06/2022
Financial assets	39,870,200	4,168,292	5,450,311	49,488,803
Other assets	3,432,531	-	1,062,114	4,494,645
Property, equipment and investment property	559,570	35,717	44,147	639,434
Intangible assets	33,679	1,496	2,461	37,636
Financial liabilities	34,391,860	8,614,313	6,083,624	49,089,797
Other liabilities	1,934,111	6,239	32,791	1,973,141
Provisions	251,162	36,977	15,881	304,020
Guarantees given	3,470,276	860,794	265,041	4,596,111
Commitments	14,424,499	1,940,951	281,362	16,646,812

Items	Northern Italy	Central-Southern Italy	Switzerland	Total 31/12/2021
Financial assets	38,703,503	3,813,267	5,074,571	47,591,341
Other assets	5,845,428	-	968,921	6,814,349
Property, equipment and investment property	498,582	36,896	43,968	579,446
Intangible assets	27,324	1,457	2,232	31,013
Financial liabilities	34,944,115	9,707,784	5,633,527	50,285,426
Other liabilities	989,035	4,042	33,317	1,026,394
Provisions	264,796	36,576	27,880	329,252
Guarantees given	3,472,816	675,622	262,380	4,410,818
Commitments	13,771,756	2,276,309	311,769	16,359,834



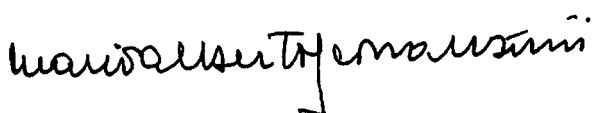
# Certification of the Condensed Half-Year Consolidated Financial Statements as at 30 June 2022 pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions.

1. The undersigned Mario Alberto Pedranzini in his capacity as Chief Executive Officer and Maurizio Bertoletti in his capacity as manager responsible for preparing the company's accounting documents of Banca Popolare di Sondrio S.p.A., attest, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
  - adequacy, in relation to the characteristics of the company,
  - the effective application of the administrative and accounting procedures for the preparation of the condensed half-year consolidated financial statements during the period from 1 January 2022 to 30 June 2022.
2. The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the condensed half-year consolidated financial statements as at 30 June 2022 was based on a model, defined by Banca Popolare di Sondrio S.p.A., which makes reference to the principles of the «Internal Control - Integrated Framework (CoSO)», issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework for the internal control system and for financial reporting that is generally accepted internationally.
3. It is also certified that
  - 3.1 the condensed half-year consolidated financial statements as at 30 June 2022:
    - a) have been prepared in compliance with the international financial reporting standards recognised by the European Community pursuant to Regulation (CE) 1606/2002 of the European Parliament and by the Council on 19 July 2002;
    - b) correspond to the accounting books and records;
    - c) provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation.
  - 3.2 The interim report on operations contains a reliable analysis of the key events that took place during the first six months of the year and of their impact on the half-year condensed consolidated financial statements, together with the description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information regarding transactions with related parties.

Sondrio, 4 August 2022

The Managing Director

Mario Alberto Pedranzini



The Manager responsible for preparing  
the company's accounting documents

Maurizio Bertoletti





## **Banca Popolare di Sondrio S.p.A.**

**Review report on the interim condensed consolidated financial statements  
(Translation from the original Italian text)**





**Building a better  
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## Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of  
Banca Popolare di Sondrio S.p.A.

### Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Banca Popolare di Sondrio S.p.A. and its subsidiaries (the “Banca Popolare di Sondrio Group”) as of June 30, 2022. The Directors of Banca Popolare di Sondrio S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Popolare di Sondrio Group as of June 30, 2022 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, September 6, 2022

EY S.p.A.  
Signed by: Davide Lisi, Statutory Auditor

*This report has been translated into the English language solely for the convenience of international readers*

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Capitale Sociale Euro 2.525.000,00 i.v.  
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi  
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited



Annex 1

**FINANCIAL STATEMENTS  
OF THE PARENT COMPANY AS  
AT 30 JUNE 2022**



## BALANCE SHEET

(in euro)

ASSET ITEMS	30/06/2022	31/12/2021
10. <b>CASH AND CASH EQUIVALENTS</b>	<b>1,706,509,331</b>	<b>4,703,889,378</b>
20. <b>FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>1,354,591,315</b>	<b>1,458,703,687</b>
a) financial assets held for trading	197,713,210	202,413,061
c) other financial assets mandatorily measured at fair value	1,156,878,105	1,256,290,626
30. <b>Financial assets measured at fair value through other comprehensive income</b>	<b>2,626,742,121</b>	<b>3,098,860,630</b>
40. <b>Financial assets measured at amortised cost</b>	<b>40,872,484,382</b>	<b>38,247,794,841</b>
a) loans and receivables with banks	5,175,889,307	4,846,046,900
b) loans and receivables with customers	35,696,595,075	33,401,747,941
60. <b>Change in value of macro-hedged financial assets (+/-)</b>	<b>125</b>	<b>-</b>
70. <b>Equity investments</b>	<b>696,150,699</b>	<b>612,881,184</b>
80. <b>Property, equipment and investment property</b>	<b>392,239,897</b>	<b>397,699,575</b>
90. <b>Intangible assets</b>	<b>16,428,027</b>	<b>15,705,531</b>
100. <b>Tax assets</b>	<b>299,724,505</b>	<b>289,532,693</b>
a) current	-	7,046,019
b) deferred	299,724,505	282,486,674
120. <b>Other assets</b>	<b>1,350,802,635</b>	<b>810,729,046</b>
<b>TOTAL ASSETS</b>	<b>49,315,673,037</b>	<b>49,635,796,565</b>

<b>LIABILITIES AND EQUITY ITEMS</b>		<b>30/06/2022</b>	<b>31/12/2021</b>
10.	<b>Financial liabilities measured at amortised cost</b>	<b>44,339,284,215</b>	<b>45,539,331,233</b>
	a) due to banks	9,742,543,745	9,689,126,033
	b) customer deposits	31,085,973,413	32,176,500,378
	c) securities issued	3,510,767,057	3,673,704,822
20.	<b>Financial liabilities held for trading</b>	<b>47,759,784</b>	<b>22,795,622</b>
40.	<b>Hedging derivatives</b>	<b>1,381</b>	-
60.	<b>Tax liabilities</b>	<b>21,431,542</b>	<b>28,200,195</b>
	a) current	1,698,014	-
	b) deferred	19,733,528	28,200,195
80.	<b>Other liabilities</b>	<b>1,832,471,637</b>	<b>916,805,041</b>
90.	<b>Provision for employee severance pay</b>	<b>31,740,403</b>	<b>37,821,567</b>
100.	<b>Provisions for risks and charges</b>	<b>251,174,427</b>	<b>258,856,209</b>
	a) commitments and guarantees given	54,656,464	42,904,110
	b) pension and similar obligations	150,419,001	164,886,732
	c) other provisions for risks and charges	46,098,962	51,065,367
110.	<b>Valuation reserves</b>	<b>(2,892,737)</b>	<b>52,087,552</b>
140.	<b>Reserves</b>	<b>1,276,491,487</b>	<b>1,153,959,091</b>
150.	<b>Share premium reserve</b>	<b>78,977,670</b>	<b>79,005,128</b>
160.	<b>Share capital</b>	<b>1,360,157,331</b>	<b>1,360,157,331</b>
170.	<b>Treasury shares (-)</b>	<b>(25,264,094)</b>	<b>(25,321,549)</b>
180.	<b>Profit (loss) for the period (+/-)</b>	<b>104,339,991</b>	<b>212,099,145</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>49,315,673,037</b>	<b>49,635,796,565</b>



# INCOME STATEMENT

(in euro)

ITEMS	30/06/2022	30/06/2021
10. INTEREST AND SIMILAR INCOME	328,531,687	273,832,244
of which: interest income calculated using the effective interest method	324,191,211	269,781,488
20. INTEREST AND SIMILAR EXPENSES	(52,140,984)	(50,935,970)
<b>30. NET INTEREST INCOME</b>	<b>276,390,703</b>	<b>222,896,274</b>
40. FEE AND COMMISSION INCOME	167,671,812	155,851,792
50. FEE AND COMMISSION EXPENSE	(6,558,380)	(6,421,573)
<b>60. NET FEE AND COMMISSION INCOME</b>	<b>161,113,432</b>	<b>149,430,219</b>
70. DIVIDENDS AND SIMILAR INCOME	34,346,472	20,044,973
80. NET TRADING INCOME	(3,574,451)	26,043,822
90. NET HEDGING GAIN (LOSS)	(1,297)	-
100. GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	38,761,039	22,374,630
a) financial assets measured at amortised cost	27,745,638	13,242,048
b) financial assets measured at fair value through other comprehensive income	11,013,324	9,153,897
c) financial liabilities	2,077	(21,315)
110. NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(66,391,803)	10,581,805
b) other financial assets mandatorily measured at fair value	(66,391,803)	10,581,805
<b>120. TOTAL INCOME</b>	<b>440,644,095</b>	<b>451,371,723</b>
130. NET ADJUSTMENTS/WRITEBACKS FOR CREDIT RISK RELATED TO:	(37,635,263)	(66,410,523)
a) financial assets measured at amortised cost	(38,061,677)	(67,076,239)
b) financial assets measured at fair value through other comprehensive income	426,414	665,716
140. GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	(759,726)	(2,986,738)
<b>150. NET FINANCIAL INCOME</b>	<b>402,249,106</b>	<b>381,974,462</b>
160. ADMINISTRATIVE EXPENSES:	(252,035,182)	(247,555,840)
a) personnel expenses	(99,225,457)	(102,496,911)
b) other administrative expenses	(152,809,725)	(145,058,929)
170. NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(16,263,306)	18,992,249
a) commitments for guarantees given	(11,752,353)	18,760,752
b) other net provisions	(4,510,953)	231,497
180. DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(15,390,368)	(15,856,483)
190. AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(6,099,639)	(5,930,767)
200. OTHER OPERATING INCOME/EXPENSE	30,899,169	35,318,968
<b>210. OPERATING COSTS</b>	<b>(258,889,326)</b>	<b>(215,031,873)</b>
220. GAINS (LOSSES) ON EQUITY INVESTMENTS	1,401,202	(505,373)
250. GAINS (LOSSES) ON SALES OF INVESTMENTS	1,538	110,864
<b>260. PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>144,762,520</b>	<b>166,548,080</b>
270. INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(40,422,529)	(47,364,912)
<b>280. POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>104,339,991</b>	<b>119,183,168</b>
<b>300. PROFIT (LOSS) FOR THE PERIOD</b>	<b>104,339,991</b>	<b>119,183,168</b>

