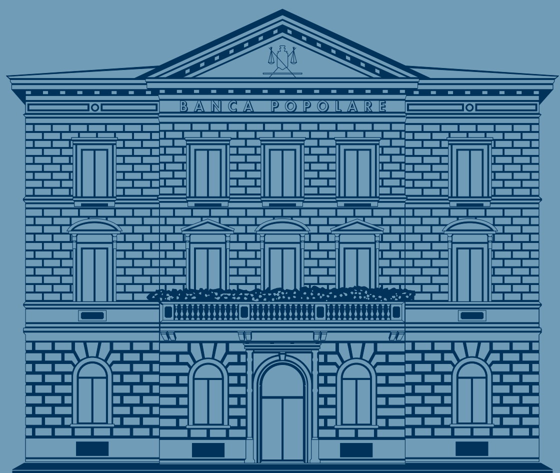
Banca Popolare di Sondrio



CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2022

Banca Popolare di Sondrio

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the banking group
in the heart
of the alps

Banca Popolare di Sondrio

Founded in 1871

CONSOLIDATED INTERIM REPORT ON OPERATION AT 30 SEPTEMBER 2022

Joint-stock company
Head Office and General Management: I - 23100 Sondrio SO - Piazza Garibaldi 16
Tel. 0342 528.111 - Fax 0342 528.204
Internet addresses: https://www.popso.it - https://istituzionale.popso.it
E-mail: info@popso.it - PEC certified e-mail address: 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
(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 14 November 2022:
  - 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

INTRODUCTION

Legislative Decree No. 25 of 15 February 2016, which amended the Consolidated Law on Finance, abolished the disclosure requirements for the first and third quarters of the year to which issuers were subject, without prejudice to the possibility given to Consob to provide for additional periodic disclosure obligations for issuers.

Consob has provided the option for listed companies to choose whether or not to publish additional periodic financial information.

Our Group decided to give priority to market disclosure and therefore, in continuity with the past, this consolidated interim report as at 30 September 2022 has been prepared in accordance with the recognition and measurement criteria set forth in the IAS/IFRS adopted by the European Community at present.

This consolidated interim report has not been independently audited.

BASIS OF PREPARATION

The financial statements included in the consolidated interim report conform to the mandatory financial statement formats provided for by Bank of Italy Order No. 262 of 22 December 2005, 7th update of 29 October 2021.

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

For detailed information concerning the application of accounting standards, please refer to the consolidated financial statements as at 31 December 2021.

In the financial statements, values are expressed in thousands of euro.

The balance sheet is compared with the balance sheet in the financial statements as at 31 December 2021.

The income statement is compared with the income statement for the period ended 30 September 2021.

The preparation of the consolidated interim report usually requires a more extensive use of estimation methods than the annual report with respect to both asset and liability items and income statement items.

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.

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.

SCOPE OF CONSOLIDATION AND METHODOLOGY

The interim report presents the economic and financial position at 30 September 2022 of the Banca Popolare di Sondrio Banking Group, which comprises the Parent Company, Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda srl, Banca della Nuova Terra spa, PrestiNuova srl - Agenzia in Attività Finanziaria and Popso Covered Bond srl 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:

FULLY 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
Prima srl*	Milan	25****	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
**** held by Immobiliare San Paolo srl

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

The scope of consolidation changed compared to 30 June 2022 due to the acquisition of Prima srl, a real estate company acquired as a result of a transaction aimed at protecting the Parent Company's credit claims.

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

a) the Bank has a representative on the Board of Directors or on the equivalent body of the affiliate;

b) the Bank takes part in the decision-making process, including decisions regarding dividends;

c) there are significant transactions between the parent company and the affiliate;

d) there is an exchange of managers;

e) 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 an 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. The ownership percentages are specified in the following table:

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 S,A,*	Lugano	(CHF) 2,000	30.000
Rajna Immobiliare srl	Sondrio	20	50.000

* held by Banca Popolare di Sondrio (Suisse) SA

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

The quarterly situation of Banca Popolare di Sondrio (SUISSE) SA is 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 of financial statement figures are booked in the statement of comprehensive income.

SUBSEQUENT EVENTS

No events have taken place between the reference date for this consolidated interim report and the date of its approval by the Board of Directors on 8 November 2022 that would require the adjustment of such approved information, and nothing of significance has occurred that would require additional disclosures.

THE INTERNATIONAL SITUATION

Numerous important factors weighed on the world economy in the third quarter of 2022, from the continuing conflict in Ukraine, where the escalation of fighting dashed hopes for peace, to the emergence of an unstoppable inflationary spiral, from worsening financial conditions to the weakness of the global business cycle.

Inevitably, world trade has also been affected and has been slowing down.

Inflation, on the other hand, remained at very worrying levels; although slightly down in the US (8.2% in September), it reached new peaks in the UK (10%) and in the euro area (9.9%). Driven by rising energy prices, inflationary dynamics received renewed support during the summer from agricultural commodity prices, driven up by both the continuing drought, which affected many crops, and the effects of the war in Ukraine, which drove up fertiliser costs and disrupted important supply flows.

The third quarter thus saw a recurrence of the problems that had already emerged in previous months for the world's major economies. In the United States, the negative trend in the second quarter (GDP -0.6%) seems to have continued in the following quarter. After GDP growth in the second quarter, China was limited to 0.4%, slightly accelerated in the summer, although electricity rationing in some areas caused by the drought, draconian restrictive measures to contain Covid-19 and the effects of the real estate crisis prevented the planned targets from being achieved.

The International Monetary Fund recently confirmed its world output growth estimates for this year at 3.2%, but cut those for 2023 to 2.7%.

The Federal Reserve and the Bank of England raised interest rates further, mainly due to inflationary pressures.

The euro area – affected by the general slowdown at global level and particularly exposed, due to its geographical proximity, to the consequences of the conflict in Ukraine – slowed in the summer months, after growing moderately in the first part of the year. The causes include the extremely high prices of energy and the uncertainties exacerbated by the continuing war between Russia and Ukraine. The effects were also soon felt at the political level, where great difficulties emerged in developing a common position on energy supplies – especially natural gas – at sustainable prices.

Growing concerns regarding the currency's loss of value, justified by an inflationary spiral that has now reached double digits, prompted the European Central Bank to initiate a policy of raising interest rates, which took the form of a first increase of 50 basis points in July and a second of 75 basis points in September.

The Italian economy, which is strongly linked to the German economy in the industrial sector and which at the outbreak of the war shared with Germany a close dependence on Russian gas, after GDP growth of 1.1% in the second quarter of the year, suffered a downturn during the summer, but still posted a positive result: +0.5%.

Rising energy product prices and supply problems dampened business activity, while households reduced their propensity to spend due, above all, to the significant loss of purchasing power and also to the growing burden of debt servicing. Inflation reached new peaks in the third quarter of the year (9.4% in September), driven mainly by very significant increases in natural gas and electricity prices.

The first half of the year ended with a positive dynamic for the Swiss economy, which was certainly helped by the gradual easing of restrictive measures to contain the Covid-19 pandemic. This benefited above all the service sector, in which the hotel and restaurant business made significant recoveries. As the summer months approached, the outlook worsened due to the difficult international environment, characterised by high inflation, tensions and uncertainties in energy markets. The consequences were felt above all in the export-oriented sectors of the Swiss economy, which are more sensitive to cyclical fluctuations. As a result, growth forecasts for this year and next year have been revised downwards.

The Swiss National Bank also raised its reference rate by 0.75% during the period, with the explicit aim of keeping inflation under control.

KEY RESULTS

(in millions of euro)

Balance sheet	30/09/2022	31/12/2021	Change %
Loans to customers	32,749	31,059	5.44
Loans and receivables with customers measured at amortised cost	32,342	30,625	5.61
Loans and receivables with customers measured at fair value through profit or loss	407	434	-6.22
Loans and receivables with banks	1,607	3,276	-50.96
Financial assets that do not constitute loans	13,535	13,704	-1.23
Equity investments	334	339	-1.62
Total assets	56,469	55,016	2.64
Direct funding from customers	39,958	39,304	1.66
Indirect funding from customers	36,953	40,982	-9.83
Direct funding from insurance premiums	1,935	1,909	1.32
Customer assets under administration	78,845	82,195	-4.07
Other direct and indirect funding	19,862	19,760	0.52
Equity	3,321	3,270	1.53

Income statement**	30/09/2022	30/09/2021	Change %
Net interest income	477	390	22.26
Total income*	731	755	-3.13
Profit from continuing operations	218	286	-23.97
Profit (Loss) for the period	151	201	-24.91

Capital ratios (%)	30/09/2022	31/12/2021
CET1 Capital ratio	15.35%	15.78%
Total Capital ratio	17.99%	18.88%
Free capital	2,069	2,181

Other information on the banking group	30/09/2022	31/12/2021
Number of employees	3,440	3,392
Number of branches	371	370

* Total income is represented as per the reclassification made in the table commenting on the income statement.
** The ratios indicated were calculated using the figures shown in the table commenting on the income statement.

ALTERNATIVE PERFORMANCE INDICATORS (CONSOLIDATED)

	30/09/2022	31/12/2021
Key ratios		
Equity/Direct funding from customers	8.31%	8.32%
Equity/Loans to customers	10.14%	10.53%
Equity/Financial assets	24.53%	23.87%
Equity/Total assets	5.88%	5.94%
Profitability indicators*		
Cost/Income ratio**	52.12%	48.77%
Net interest income/Total income	65.29%	51.73%
Administrative expenses/Total income	53.46%	49.36%
Net interest income/Total assets	0.85%	0.73%
Net financial income/Total assets	1.11%	1.24%
Profit for the year/Total assets	0.27%	0.38%
Asset quality indicators		
Texas ratio	21.68%	25.83%
Net bad loans/Equity	4.76%	5.88%
Net bad loans/Loans to customers	0.48%	0.62%
Loans to customers/Direct funding from customers	81.96%	79.02%
Cost of credit	0.42%	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 difference between equity and intangible assets, as the denominator.
«Cost of credit: ratio of net adjustments/reversals of impairment losses on loans in the income statement to total loans and advances to customers»
* Comparative data refer to 30-09-2021
** The cost/income before stabilisation charges for the banking system was 58.01% compared to 53.37%

FUNDING

The long-standing process of growth in banks' funding continued during the quarter, albeit at a slower pace. Similarly, the current trend of a clear prevalence of short-term over long-term forms of funding continued. The cost of funding increased mainly due to the rise in bank bond yields, which followed the restrictive monetary stance taken by central banks.

As for our Group, as at 30 September 2022, direct customer deposits, comprising balance sheet liability items 10b «due to customers» and 10c «securities issued», totalled 39,958 million, +1.66% compared to the end of 2021 and +6.80% over twelve months. The reduction recorded in the first three months of 2022, as a result of the Parent Company's action to contain the cost of funding in view of the still substantial liquidity, was followed by a reversal of the trend in the following quarters.

Indirect customer deposits amounted to 36,953 million, down -9.83% from end-2021. Direct funding from insurance premiums increased to 1,935 million, +1.32%.

Total funding from customers therefore amounted to 78,845 million, -4.07%. Amounts due to banks were 11,100 million, +2.07%. The aggregate includes outstanding refinancing operations with the European Central Bank in the amount of 8,874 million. This is discussed in the chapter on securities and treasury activities.

Indirect funding from banks amounted to 8,762 million, -1.38%. Total funding from customers and banks amounted to 98,707 million, -3.19%.

The table «Direct funding from customers» shows the various components in detail. Current accounts and sight deposits amounted to 34,349 million, -1.38%, and make up 85.96% of all direct funding. Bonds decreased by 5.81%, to 3,366 million. Fixed-term deposits added up to 1,316 million, +161.26%. Repos, which were not present as at 31 December 2021, amounted to 512 million. Bank drafts added up to 163 million, +28.18%. Lease liabilities, recognised in accordance with IFRS 16, amounted to 175 million, -4.46%, whereas other forms of funding were 78 million, -10.36%. As regards asset management, please see the chapter on treasury and trading activities.

DIRECT FUNDING FROM CUSTOMERS

(thousands of euro)	30/09/2022	Compos. %	31/12/2021	Compos. %	Change %
Current accounts and sight deposits	34,348,897	85.96	34,829,814	88.62	-1.38
Fixed-term deposits	1,315,629	3.29	503,572	1.28	161.26
Repo transactions	511,936	1.28	-	-	-
Lease liabilities	175,005	0.44	183,170	0.47	-4.46
Bonds	3,365,669	8.42	3,573,400	9.09	-5.81
Bank drafts and similar	162,668	0.41	126,901	0.32	28.18
Other payables	77,920	0.20	86,928	0.22	-10.36
Total	**39,957,724**	**100.00**	**39,303,785**	**100.00**	**1.66**

TOTAL FUNDING

(thousands of euro)	30/09/2022	Compos. %	31/12/2021	Compos. %	Change %
Total direct funding from customers	39,957,724	40.48	39,303,785	38.55	1.66
Total direct funding from insurance premiums	1,934,572	1.96	1,909,353	1.87	1.32
Total indirect funding from customers	36,953,129	37.43	40,981,667	40.20	-9.83
– Asset management	*6,263,198*	*16.95*	*6,796,323*	*16.58*	*-7.84*
– Assets under administration	*30,689,931*	*83.05*	*34,185,344*	*83.42*	*-10.22*
Total	**78,845,425**	**79.87**	**82,194,806**	**80.62**	**-4.07**
Due to banks	11,099,553	11.24	10,874,856	10.67	2.07
Indirect funding from banks	8,762,115	8.89	8,884,756	8.71	-1.38
Grand total	**98,707,093**	**100.00**	**101,954,418**	**100.00**	**-3.19**

LOANS TO CUSTOMERS

Against a backdrop of high inflation, growth in loans to companies continued, reflecting the increased need for working capital. The increase in loans to households also remained strong, particularly in home loans, while growth in consumer credit strengthened slightly. The cost of credit for businesses and households rose slightly, while remaining at low levels overall as the rise in official rates was only partly transmitted to the cost of credit.

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 the war in Ukraine and the concomitant inflationary spiral, and in particular the increases in raw materials and energy prices. 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. Significant loan origination also related first and foremost to the Liquidity Decree of April 2020, with total disbursements to companies amounting to around 3 billion (medium-term lines benefiting from state guarantees issued by the Fondo Centrale di Garanzia PMI or SACE). Various surveys were carried out to identify the economic sectors worst hit by the complex current macroeconomic situation, 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. Initiatives were also promoted to monitor individual credit positions in order to check for any critical issues related to the Russian-Ukrainian conflict and the sudden rise in inflation, and in energy costs in particular. Moreover, ordinary lending to cover the financial needs of businesses and households has continued, confirming the focused attention paid to serving our local community.

For our Group, loans totalled 32,749 million, an increase of 5.44% compared to 31 December 2021 and 7.02% compared to 30 September 2021. The ratio of loans to customers/direct customer deposits stood at 81.96%, 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». Mortgages and unsecured loans rose moderately, +5.26%, to 19,794 million, making up the largest component of loans to customers at 60.44%. 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 IAS 39 for derecognition. They are followed by other loans (advances, subsidised loans, etc.) of 5,465 million, +8.56%, corresponding to 16.68% of loans. Current accounts also performed well, up 14.29% to 3,747 million. Personal loans increased moderately, +7.92% to 493 million. Factoring operations declined, -8.96% to 2,492 million. Fixed-yield securities amounted to 759 million, +1.26%, 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)	30/09/2022	Compos. %	31/12/2021	Compos. %	Change %
Current accounts	3,746,842	11.44	3,278,239	10.55	14.29
Mortgage loans	19,793,647	60.44	18,804,099	60.54	5.26
Personal loans and assignments of one-fifth of salary or pension	493,081	1.51	456,902	1.47	7.92
Factoring	2,491,742	7.61	2,736,835	8.81	-8.96
Other loans	5,464,865	16.68	5,034,063	16.22	8.56
Fixed-yield securities	758,626	2.32	749,179	2.41	1.26
TOTAL	**32,748,803**	**100.00**	**31,059,318**	**100.00**	**5.44**

Gross non-performing loans continued the uptrend of previous quarters, falling 6.16%, from 1,876 million to 1,760 million, or 5.19% of total gross loans compared to 5.82% at the end of 2021.

Net non-performing loans decreased to 712 million, -14.91%, compared to 837 million as at 31 December 2021; in the previous year, a reduction of 23.38% was recorded. Thus, in spite of an extremely difficult period from a macroeconomic and geopolitical point of view, the progressive improvement in credit quality already observed in recent years continued. Net non-performing loans were 2.17% (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 and derisking. The bulk of impaired exposures consisted of probable defaults, accounting for 69.68% of the total, and non-performing loans for 22.19%, while past due loans accounted for 8.13% of non-performing exposures.

The total adjustments recorded for non-performing loans total 1,048 million, +0,88%, representing 59.55% of the gross amount compared with 55.39% last year.

NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		30/09/2022	31/12/2021	Absolute changes	Changes %
Non-performing loans	Gross exposure	1,760,395	1,875,969	-115,574	-6.16
	Loan loss adjustments	1,048,348	1,039,163	9,185	0.88
	Net exposure	**712,047**	**836,806**	**-124,759**	**-14.91**
– Bad loans	Gross exposure	753,149	736,657	16,492	2.24
	Loan loss adjustments	595,162	544,367	50,795	9.33
	Net exposure	**157,987**	**192,290**	**-34,303**	**-17.84**
– Unlikely-to-pay loans	Gross exposure	944,748	1,074,758	-130,010	-12.10
	Loan loss adjustments	448,625	485,596	-36,971	-7.61
	Net exposure	**496,123**	**589,162**	**-93,039**	**-15.79**
– Non-performing past due exposures	Gross exposure	62,498	64,554	-2,056	-3.18
	Loan loss adjustments	4,561	9,200	-4,639	-50.42
	Net exposure	**57,937**	**55,354**	**2,583**	**4.67**
Performing loans	Gross exposure	32,165,958	30,340,809	1,825,149	6.02
	Loan loss adjustments	129,202	118,297	10,905	9.22
	Net exposure	**32,036,756**	**30,222,512**	**1,814,244**	**6.00**
Total loans and receivables with customers	Gross exposure	33,926,353	32,216,778	1,709,575	5.31
	Loan loss adjustments	1,177,550	1,157,460	20,090	1.74
	Net exposure	**32,748,803**	**31,059,318**	**1,689,485**	**5.44**

Net bad loans, adjusted for write-downs, amounted to 158 million, -17.84% (-0.29% in December 2021), corresponding to 0.48% 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. The adjustments to cover estimated losses on bad loans went from 544 million to 595 million, +9.33%, representing 79.02% 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 92.05%.

Probable defaults, consisting of credit exposures other than bad loans and for which it is judged unlikely that the debtor, without prejudice to the bank's recourse to protective actions such as the enforcement of guarantees, will fulfil its obligations in full, decreased, net of write-downs, to 496 million, -15.79%, corresponding to 1.51% of total loans to customers, compared to 1.90% in the previous year. The related adjustments, with the current coverage ratio of 47.49%, amounted to 449 million, -7.61% 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, which include exposures other than bad or unlikely to pay loans, 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 58 million, +4.67%, with a coverage ratio of 7.30%, corresponding to 0.18% of total loans to customers, as in the previous year.

Performing loans amounted to 32,037 million, +6%, and the related provisions amounted to 129 million compared to 118 million, or 0.40%, compared to 0.39% in the previous year. Adjustments totalled 1,178 million overall, +1.74%.

Even though from a technical point of view they do not fall under customer loans, but according to the Bank of Italy's instructions they 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 September, tax credits of this nature amounting to 1,262 million were in the financial statements.

TREASURY AND TRADING OPERATIONS

The third quarter of 2022 was very turbulent for the international financial markets. The negative factors that had characterised the first part of the year – i.e. the rapid rise in inflation, the energy crisis in Europe linked to the war between Russia and Ukraine, the global slowdown and the restrictive stance of the major central banks – intensified during the period. After a temporary recovery in July, the stock markets paid the price in the wake of an increasingly gloomy macroeconomic and monetary scenario. Overall, the quarter was the third consecutive downturn for both equity and bond markets.

At 30 September 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. If the targets assigned by the ECB on net loans disbursed are met, all transactions provide for a funding rate index on the average deposit facility rate (however, for the period from 24 June 2020 to 23 June 2022, the rate has been set 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 15,840 million at 30 September, of which 5,829 million free and 10,011 million committed.

During the reporting period, treasury operations still favoured, albeit to a lesser extent than in the previous year due to the progressive decrease in deposits, recourse to the Deposit Facility with the ECB, remunerated at +0.75% (as at 30 September); 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. Interbank deposit business also picked up sharply, driven by the return of rates to positive territory.

At 30 September 2022, the portfolio of financial assets comprising financial instruments other than securitisations totalled 13,535 million, following a decrease of 1.23% compared to 31 December 2021. The following table summarises the various amounts involved and the percentage changes.

FINANCIAL ASSETS (DEBT SECURITIES, VARIABLE-YIELD SECURITIES, MUTUAL FUNDS AND DERIVATIVES) BY PORTFOLIO

(thousands of euro)	**30/09/2022**	**31/12/2021**	Change %
Financial assets held for trading	189,031	204,294	-7.47
of which, derivatives	65,966	29,280	125.29
Other financial assets mandatorily measured at fair value	739,523	794,286	-6.89
Financial assets measured at fair value through other comprehensive income	2,573,865	3,102,150	-17.03
Financial assets measured at amortised cost	10,032,531	9,602,860	4.47
Total	**13,534,950**	**13,703,590**	**-1.23**

The portfolio as a whole decreased by 1.23% compared to the end of 2021, mainly due to sales of financial assets measured at fair value through other comprehensive income (-17.03%) and securities held for trading (-7.47%). Financial assets mandatorily measured at fair value also decreased (-6.89%), mainly as a result of lower valuations. By contrast, financial assets measured at amortised cost increased by 4.47%.

Operations continued to focus 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 6.3 billion euro, up from 5.8 billion 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 was down on the previous quarter, standing at 4 years and 5 months, while the modified duration, decreasing due to the high floating-rate component, stood at 1.69%, substantially in line with the previous quarter. Overall, including bonds (net of securitisation), the modified duration is 1.99%, also down from last quarter.

Financial assets held for trading

The trading portfolio, which represents an insignificant part of the total securities portfolio, amounted to 189 million, down 7.47% from 204 million at the end of 2021.

Operations mainly focused on equities and mutual funds (ETFs), as well as Italian and US dollar government bonds. As at 30 September 2022, the exposure to Italian government bonds and foreign government bonds in foreign currencies was zero, as the exposures are prudentially closed out at the end of the day. The derivatives component rose sharply.

(thousands of euro)	30/09/2022	31/12/2021	Change %
Fixed-rate Italian government securities	–	24,255	–
Equity securities	61,782	65,378	-5.50
Mutual funds	61,283	85,381	-28.22
Net book value of derivative contracts	65,966	29,280	125.29
Total	**189,031**	**204,294**	**-7.47**

Other financial assets mandatorily measured at fair value

The financial assets mandatorily measured at fair value amounted to 740 million, down 6.89% 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)	30/09/2022	31/12/2021	Change %
Bank bonds	17,283	6,433	168.66
Other bonds	35,260	34,681	1.67
Mutual funds in euro	658,092	719,286	-8.51
Mutual funds in foreign currency (USD)	28,888	33,886	-14.75
Total	**739,523**	**794,286**	**-6.89**

Financial assets measured at fair value through other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income (Held To Collect and Sell) has decreased significantly overall since the end of 2021, coming to 2,574 million (-17.03%). During the period, the segment was not particularly utilised due to the high volatility of the markets.

Overall, the exposure to floating-rate Italian government bonds was maintained, which, although decreasing compared to 31 December 2021 (-16.54%), amounted to 1,496 million euro and accounted for 58.11% of the segment, while the fixed-rate component decreased further, especially with regard to Italian government bonds (-40.37%). The overall weight of Italian government bonds on the segment stands at 66.01%.

Bank bonds and foreign government bonds showed no particularly significant changes in absolute terms, while corporate bonds decreased (-20.22%). Equities were unchanged (0.15%).

(thousands of euro)	30/09/2022	31/12/2021	Change %
Floating-rate Italian government securities	1,495,588	1,792,012	-16.54
Fixed-rate Italian government securities	203,475	341,230	-40.37
Foreign government securities	343,363	372,902	-7.92
Bank bonds	301,916	334,020	-9.61
Other bonds	128,669	161,284	-20.22
Equity securities	100,854	100,702	0.15
Total	**2,573,865**	**3,102,150**	**-17.03**

Financial assets measured at amortised cost

Securities measured at amortised cost amounted to 10,033 million, up 4.47% from 9,603 million in 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 (+46.65%), the decrease in fixed-rate Italian government bonds (-44.14%), especially inflation-linked, and the robust increase in foreign government securities (+14.43%), undertaken to decrease the concentration in domestic government securities gradually. Transactions during the period favoured the floating-rate government bond component to contain generalised increases in the yield curve. Furthermore, investments in bonds that meet ESG (environmental, social and governance) criteria continued to be favoured: green bonds, social bonds and sustainability bonds.

(thousands of euro)	30/09/2022	31/12/2021	Change %
LOANS AND RECEIVABLES WITH BANKS	**855,415**	**787,249**	**8.66**
Italian bank bonds	645,418	572,117	12.81
Foreign bank bonds	209,997	215,132	-2.39
LOANS AND RECEIVABLES WITH CUSTOMERS	**9,177,116**	**8,815,611**	**4.10**
Floating-rate Italian government securities	4,396,424	2,997,900	46.65
Fixed-rate Italian government securities	1,705,395	3,052,782	-44.14
Foreign government securities	2,136,604	1,867,113	14.43
Other public administration bonds	315,332	144,227	118.64
Other bonds	623,361	753,589	-17.28
Total	**10,032,531**	**9,602,860**	**4.47**

Asset management

In the period under review, the negative performance of the financial markets was also reflected in the business in the managed segment. After a promising start, at the beginning of the year uncertainties related to the geopolitical and macroeconomic scenario, together with the restrictive monetary policy stances of central banks, fuelled an attitude of growing uncertainty among investors. This resulted in 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. During the summer months, the segment showed a positive dynamic, but not enough to contain the heavy negative effect of market volatility.

For our Group, total assets under management in the various forms mirrored the general trend and recorded a favourable trend in inflows, but a decline in the overall volume as a result of market corrections. This item amounted to 6,263 million, down 7.84% from 31 December 2021, when it amounted to 6,796 million. For 4,544 million, -8.02%, they are related to mutual funds and SICAVs, including Popso (SUISSE) Investment Fund Sicav, and for 1,719 million, -7.38%, to Group asset management.

INFORMATION ON EXPOSURE TO SOVEREIGN DEBT

Consob, with communication no. DEM/11070007 of 5 August 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 September 2022 amounted to 12,380 million and was structured as follows:

a) Italian government securities: 7,801 million;

b) Securities of other issuers: 3,289 million;

c) Loans to government departments: 77 million;

d) Loans to state-owned or local government-owned enterprises: 1,128 million;

e) Loans to other public administrations and miscellaneous entities: 85 million.

EQUITY INVESTMENTS

Equity investments were 334 million, -1.62%. The decrease resulted from the measurement of investees at equity.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets amounted to 693 million compared to 610 million at the end of 2021. The former added up to a total of 656 million compared to 579 million, +13.26%, and the latter amounted to 37 million compared to 31 million, +18.63%.

Intangible assets include 18.001 million related to goodwill, which increased by 5.369 million 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 to the consolidated half-year financial report as at 30 June 2022. 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 to 34 million, and the provisions for liabilities and charges, which added up to 286 million , -1.08% 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 65 million, and a marked reduction in the provision for pensions and similar obligations, from 192 million to 165 million, whereas other provisions for liabilities and charges rose from 54 million to 56 million.

HUMAN RESOURCES

The Group had 3,440 employees as at 30 September 2022, an increase of 57 persons from 30 September 2021, broken down as follows: 2,908 employed by the Parent Company, 354 by Banca Popolare di Sondrio (SUISSE) SA, 154 by Factorit spa and 24 by BNT spa. To the personnel of the banking group must be added the 22 employees of the subsidiary Pirovano Stelvio spa, of whom 19 are employed on a seasonal basis, and the 13 employees of the subsidiary Rent2Go srl.

IMPACT OF THE WAR IN UKRAINE

Russia's decision to launch a large-scale military invasion of Ukraine resulted in a situation of profound uncertainty at the macroeconomic level, on rates, energy and commodity costs, trade, inflationary expectations, and the cost of debt.

The impact was particularly strong in the natural gas and energy market due to the European Union's high dependence on imports from Russia to cover its energy needs.

In order to detect potential risk profiles arising from the aforementioned situation and identify related mitigation actions, our Group immediately initiated a holistic monitoring activity involving various areas.

With regard to the monitoring of the riskiness of individual borrowers (and of the entire portfolio), the Group continued, as in previous quarters, to use the new early warning qualitative indicators to increase the effectiveness and efficiency of measures to identify early signs of deterioration linked to the crisis situation.

In terms of credit risk, given the very low level of direct exposures to entities resident in Russia, Belarus and Ukraine, indirect exposures, i.e. to companies with significant trade relations with the countries involved in the conflict or operating in economic sectors considered more vulnerable, continued to be monitored. On this set of exposures, defined as «high risk Ukraine», specific credit review activities were conducted, among which the Group identified the exposures for which there may still be elements of potential criticality.

In addition, with regard to the ongoing energy crisis, specific analyses and assessments were carried out in the third quarter on companies operating in economic sectors where production activities require extensive use of electricity or natural gas (energy-intensive and gas-intensive sectors) and which, for this reason, could find themselves in economic difficulty should the energy crisis continue or even worsen further.

This analysis, conducted with reference to the parent company due to the prevalence of exposures, led to the identification of a set of companies defined as «high risk energy-intensive».

The set of exposures identified as «high risk Ukraine» and «high risk energy - gas-intensive» were subjected to the appropriate stage-allocation assessments.

In the process of calculating provisions on a collective basis, a number of prudential corrections («management overlay») were implemented in this quarter to adjust purely model-based estimates of impairment, to ensure a more adequate oversight of the final results of the models and to introduce greater responsiveness to the context in the quantification of loan provisions. In this regard, mention should be made of the estimation of a specific prudential add-on related to the war and energy crisis, together with the Stage 2 classification of the aforementioned potentially high-risk exposures .

On the other hand, as part of timely monitoring of the macroeconomic scenarios in various business processes, including the calculation of collective impairment losses, the survey, analysis and benchmarking of alternative sources («third party data»), along with their reporting and discussion, continued, with dedicated internal reports and discussions in dedicated management settings. In this same context, in terms of the weighting factors with which the various macro-scenarios contribute to the final level of impairment, the Parent Company adopts a set of scenarios – namely, base scenario, adverse scenario and extreme scenario in place of the favourable scenario – that give an additional level of presence to the determination of total provisions.

In terms of the impact on financial risks, and in particular on measures of interest rate risk exposure, attention should be drawn to the increase in risk-free rates driven by the monetary policy rate hikes decided by many central banks in response to rising inflation levels, in turn fuelled by the existing tensions in the energy sector. Among other things, the increase in the term structure means that larger downward shocks are possible than in past months, when the term structure, at levels now close to the lows set by sector guidelines, did not allow for any further decreases. At the level of liquidity risk indicators, there were no particular critical elements strictly related to the conflict, although the consequences on the markets affected both the value of financial assets that could potentially be liquidated or refinanced, and financing conditions.

Lastly, in market risk, the high volatility experienced in global markets and the continuing inflationary trend have mainly impacted the profitability of portfolios, although overall no significant critical issues directly related to the development of the conflict have been seen. The rise in bond yields, mainly related to the adoption of a restrictive monetary policy by central banks to counter inflation, also driven by the energy crisis, led to a particularly punitive increase in risk values for the banking portfolio at fair value. Although risk values increased, they remained within the risk appetite limits defined by the Group in its Risk Appetite Framework.

To ensure constant monitoring of the potential consequences of escalation of the conflict, specific simulation analyses continue on a monthly basis, identifying more critical issues affecting the equity component, while confirming overall limited impacts for the Group's monitored portfolios.

In the area of cyber-attacks, the Group is constantly testing the adequacy of its information systems in response to a potential attack, with protection systems under control and fully active.

With regard to the application of sanctions and operational freezes, specific screening processes have been adopted in order to promptly identify any names of natural or legal persons affected by such measures.

Specific freezes are also in place on transactions from/to Russia and Belarus, on Russian and/or rouble-traded securities transactions and on the SWIFT codes of the Russian/Belarusian banks specified in the restrictions. In accordance with the indications of the competent authorities, funds in the name of customers subject to restrictions ordered by the European Union are frozen, where the conditions are met, and the relevant notifications are given to the competent authorities.

The company bodies and the relevant units continuously monitor the situation as it evolves and the related risk profile in order to take any necessary action promptly.

EQUITY

Shareholders' equity at 30 September 2022, inclusive of valuation reserves and the profit for the year, amounts to 3,320.623 million. Compared with the total at 31 December 2021 of 3,270.494 million, an increase of 50.129 million (+1.53%). 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 1,802 million (+15.85%); this increase of 246.610 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 46.738 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 25.388 million decreased slightly.

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%);

– a minimum requirement of Tier 1 Capital ratio of 10.58%, calculated as 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» 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 3,728 million (phased-in) and 3,712 million (fully phased), while risk-weighted assets (RWA) amounted to 20,726 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 September 2022 (phased-in) and (fully phased):

Group's capital ratios	(phased-in)	(fully phased)
CET 1 Ratio	15.35%	15.28%
Tier 1 Capital Ratio	15.35%	15.28%
Total Capital Ratio	17.99%	17.92%

The consolidated Leverage Ratio was 5.15% applying the transitional arrangements (phased-in) and 5.12% 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*
  8.31% v. 8.32%
– *Capital/customer loans*
  10.14% v. 10.53%
– *Capital/financial assets*
  24.53% v. 23.87%
– *Capital/total assets*
  5.88% v. 5.94%
– *Net bad loans/capital*
  4.76% v. 5.88%

BPS 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 the first nine months of 2022 with a negative performance of 8.27%, marking a reference price on 30 September 2022 of 3.392 euro, compared to 3.698 euro at the end of 2021. During the reporting period, 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 24.98%, while the sectoral index Ftse Italia All-Share Banks had a contraction of 22.06%.

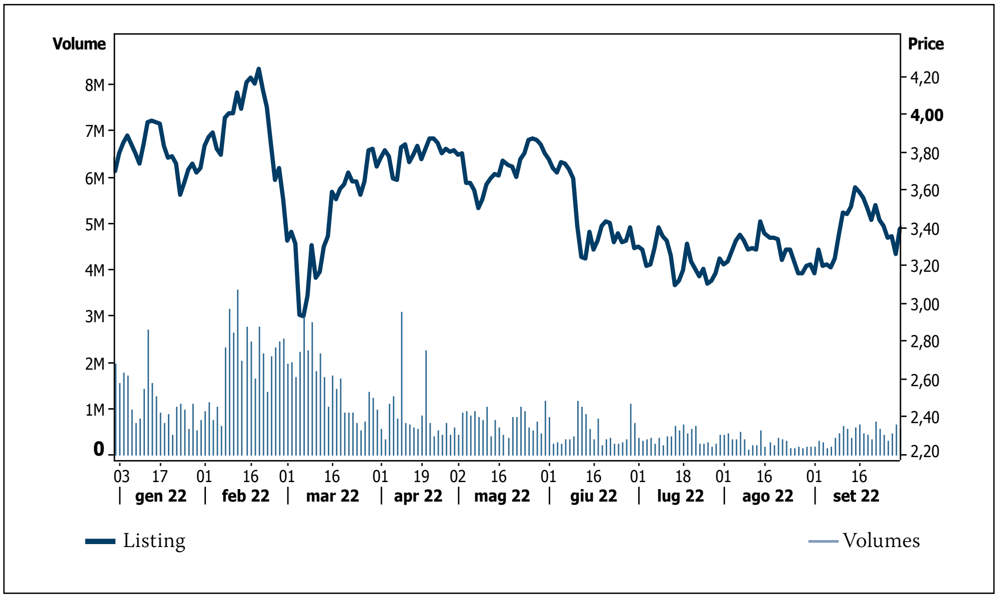
The average daily volume of securities traded on Borsa Italiana's Euronext Milan market in the first nine months of the year was 0.890 million, down from 1.743 million in the same period of 2021.

With regard to treasury shares, whose operations are carried out in compliance with the specific shareholders' resolution, it should be noted that, as at 30 September 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 awards made 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 25.388 million, of which 25.264 million constitutes utilisation of the parent company's treasury share purchase provision of 30 million.

The shareholder structure as at 30 September 2022 consisted of 159,707 shareholders.

BANCA POPOLARE DI SONDRIO share – Euronext Milan Market of Borsa Italiana



Source REFINITIV EIKON

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 27 July 2022, as well as to the assessments expressed by DBRS Morningstar and Scope Ratings on 15 November 2021 and 23 March 2022, respectively.

FITCH RATINGS – RELEASED ON 27/07/2022

	RATING
LONG – TERM 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.	**BB+**
SHORT – TERM 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**
VIABILITY RATING 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.	**bb+**

SUPPORT It expresses Fitch's assessment of the possibility of state intervention to support the issuer in a state of crisis. In the case of eurozone banks, the EU Directive on Bank Recovery and Resolution and the Single Resolution Mechanism provide a framework for resolution that envisages, if necessary, the participation of senior creditors in losses instead of/before a bank receives state support.	**No Support**
LONG-TERM DEPOSIT RATING 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).	**BBB-**
SHORT-TERM DEPOSIT RATING 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).	**F3**
LONG – TERM SENIOR PREFERRED DEBT It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	**BB+**
LONG – TERM SUBORDINATED DEBT It is a measure of the probability of default of subordinated bonds that is expressed using a scale from AAA to D.	**BB-**
OUTLOOK It is a prospective assessment of the possible evolution of the issuer's ratings over a period of 1 to 2 years.	**Stable**

DBRS MORNINGSTAR – RELEASED ON 15/11/2021

	RATING
LONG – TERM 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.	**BBB (low)**
SHORT – TERM 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).	**R-2 (middle)**
INTRINSIC ASSESSMENT 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.	**BBB (low)**
SUPPORT ASSESSMENT 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).	**SA3**
LONG-TERM DEPOSIT RATING 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).	**BBB**
SHORT-TERM DEPOSIT RATING 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).	**R-2 (high)**
LONG-TERM SENIOR DEBT It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	**BBB (low)**

SHORT-TERM DEBT	
It is a measure of the probability of default of short-dated bonds that is expressed using a scale from R-1 to D.	**R-2 (middle)**
SUBORDINATED DEBT	
It is a measure of the probability of default of subordinated bonds that is expressed using a scale from AAA to D.	**BB**
TREND	
It is a prospective assessment of the possible evolution of the long-term rating assigned over a period of 1-2 years.	**Stable**

SCOPE RATINGS – RELEASED ON 23 MARCH 2022

	RATING
ISSUER RATING	
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.	**BBB-**
OUTLOOK	
It is a prospective assessment of the possible evolution of the issuer rating assigned over a period of 12-18 months.	**Positive**

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 30/09/2022	2,800,610	137,569
Consolidation adjustments	-33,164	-33,164
Difference with respect to the carrying amounts of equity investments in:		
– companies consolidated on a line-by-line basis	434,580	28,566
– companies valued using the equity method	118,597	18,315
Balance at 30/09/2022, as reported in the consolidated financial statements	**3,320,623**	**151,286**

INCOME STATEMENT

The third quarter of 2022 only saw a worsening of the macroeconomic situation due to rising inflationary trends driven by the war-induced energy crisis in Ukraine and rising interest rates. Financial markets continued to experience a quarter 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 improved on its already good half-yearly performance, albeit reporting a lower result than in the comparative period. Profit for the period amounted to 151.286 million, -24.91% compared to 201.472 million in the first nine months of 2021. This result was driven by the robust performance of the core business, net interest income and commissions, despite the increase in loan adjustments and despite the lacklustre result of the securities business due to the negative performance of the financial markets.

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 nine months.

The increase in inflationary pressures, as already mentioned above, led the ECB to terminate its purchases of financial assets under the Asset Purchase Programme (APP) and to make three increases in official interest rates: by 50 basis points in July, by 75 basis points in September and by 75 basis points at the end of October. This affected government bond yields, which continued to rise. Rates charged on loans to businesses did not increase significantly, while those to households did. On the other hand, the high competitive pressure between credit institutions continued.

The Group's net interest income showed a positive trend (+22.26%) in the nine months, following on +20.82% for the period to 31 March and +21.31% to 30 June, and amounted to 477.252 million, compared to 390.359 million. 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 53 million of interest from the negative rates applied, until July, 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 construction tax credits also rose sharply, amounting to more than 26 million, and interest on negative rates applied to customer deposits increased.

Net fee and commission income showed a good trend, amounting to 276.359 million, +6.75%. The performance of commissions related to the placement of securities products, loans and current accounts, collections and payments, guarantees issued, order collection and insurance products was positive. Intervention and/or service commissions decreased.

Dividends totalling 6.099 million were collected, compared with 4.658 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 45.382 million, compared to a positive result of 75.590 million, -39.96%.

The net result from trading activities, item 80, was a positive 4.517 million, whereas it had amounted to 44.109 million in the comparative period. During the period, it recorded a severely 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, net of gains on disposal of loans of 2.847 million reclassified under loan adjustments, amounted to 40.869 million, +29.97%. The result for the comparison period was a positive 31.446 million. This includes profits of 29.414 million from financial assets measured at amortised cost and 11.452 million from assets measured at fair value through other comprehensive income and 3,000 euro from financial liabilities. The result of the hedging activity was negative for 0.004 million. The result from other financial assets mandatorily valued at fair value, item 110b), was a negative 74.151 million, of which 15.168 million related to loans to customers, compared to a positive 25.098 million.

The total income therefore fell to 730.941 million, compared to 754.589 million, -3.13%. In its composition, the contribution of net interest income was 65.29%, compared to 51.73%.

There are 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. Credits 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. A further mass divestment 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 103.881 million, compared to 91.236 million, +13.86%. 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 85.363 million, compared to 104.847 million.

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 85.696 million in adjustments relating to financial assets measured at amortised cost, compared to 105.534 million 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 0.333 million on fixed-yield securities, compared to reversals of 0.687 million 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 an inflow of 3.589 million, compared to outflows of 5.397 million.

Finally, provisions for commitments and guarantees issued showed an allocation of 22.107 million, compared to a release of provisions of 19.008 million 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 0.42% from 0.43% at 31 December 2021.

This resulted in a net result from financial operations of 627.060 million, compared to 663.353 million, -5.47%.

Operating costs, to which the utmost attention is paid, rose from 367.988 million to 380.971 million, +3.53%. 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 48.77% to 52.12%; before system stabilisation charges, it was 58.01% compared to 53.37%. The deterioration of the indicator was due to the modest increase in total income alongside a greater increase in operating expenses. The operating expenses/total assets ratio stood at 0.67% from 0.69%.

Analysing the individual components, administrative expenses totalled 390.765 million compared to 372.427, +4.92%, of which personnel expenses amounted to 200.050 million, compared to 191.577 million, +4.42%, while other administrative expenses rose from 180.850 million to 190.715 million, +5.45%. Administrative expenses consisted 51.19% of personnel expenses, compared to 51.44%, and 48.81% of other administrative expenses, compared to 48.56%. Significant increases were also seen 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» reflect releases of 7.743 million compared with 1.503 million. There was still a strong incidence of charges for contributions incurred or planned for the Resolution Funds and FITD, which rose from 34.743 million to 43.044 million, +23.89%.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 44.300 million, +12.67%. Other income, net of other operating expenses, amounted to 61.837 million, +36.62%.

The aggregate profits/losses on equity and other investments shows a positive balance of 14.569 million, compared with 25.582 million, -43.05%. The overall result before taxes therefore marked a reduction from 286.204 to 217.614 million. Finally, after deducting income taxes of 66.328 million, compared to 80.083 million, -17.18%, the net profit for the period was 151.286 million, -24.91% compared to 201.472 million.

The effective tax rate, i.e. the ratio between income taxes and the gross result of current operations, is 30.48% compared with 27.98% in the previous year.

KEY FIGURES ON THE INCOME STATEMENT

(thousands of euro)	30/09/2022	30/09/2021	Absolute changes	Changes %
Net interest income	477,252	390,359	86,893	22.26
Dividends	6,099	4,658	1,441	30.94
Net fee and commission income	276,359	258,884	17,475	6.75
Result of financial activities [a]	45,382	75,590	-30,208	-39.96
Result of other financial assets and liabilities measured at FVTPL [b]	-74,151	25,098	-99,249	n.s.
of which LOANS	-15,168	7,002	-22,170	n.s.
of which OTHER	-58,983	18,096	-77,079	n.s.
Total income	**730,941**	**754,589**	**-23,648**	**-3.13**
Net adjustments [c]	-103,881	-91,236	-12,645	13.86
Net financial income	**627,060**	**663,353**	**-36,293**	**-5.47**
Personnel expenses [d]	-200,050	-191,577	-8,473	4.42
Other administrative expenses [e]	-190,715	-180,850	-9,865	5.45
Other operating income/expense [d]	61,837	45,262	16,575	36.62
Net accruals to provisions for risks and charges [f]	-7,743	-1,503	-6,240	n.s.
Adjustments to property, equipment and investment property and intangible assets	-44,300	-39,320	-4,980	12.67
Operating costs	**-380,971**	**-367,988**	**-12,983**	**3.53**
Operating profit (loss)	**246,089**	**295,365**	**-49,276**	**-16.68**
Charges for stabilising the banking system [e]	-43,044	-34,743	-8,301	23.89
Net gains (losses) on equity investments and other investments	14,569	25,582	-11,013	-43.05
Profit (loss) before tax	**217,614**	**286,204**	**-68,590**	**-23.97**
Income taxes	-66,328	-80,083	13,755	-17.18
Profit (loss)	**151,286**	**206,121**	**-54,835**	**-26.60**
(Profit) loss attributable to non-controlling interests	-	-4,649	4,649	n.s.
Profit (loss) attributable to the Parent Company	**151,286**	**201,472**	**-50,186**	**-24.91**

Notes:
[a] The result of financial activities is made up of the sum of items 80-90-100 in the income statement.
[b] The result of other financial assets and liabilities measured at FVTPL is comprised in item 110 of the income statement.
[c] Net adjustments consist of the sum of items 130 - 140 - 200 a) in the income statement and net of gains on disposals of 2.847 million.
[d] Personnel expenses and other operating income have been stated net of the income generated by the post-employment benefits fund of 0.981 million euro.
[e] Charges for stabilising the banking system have been separated from other administrative expenses and presented separately.
[f] Net allocations to provisions for risks and charges refer to item 200 b).
The results as at 30/09/2021 have been made consistent.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

	2022			2021			
(thousands of euro)	III Quarter	II Quarter	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	156,943	164,119	156,190	138,565	126,322	134,776	129,261
Dividends	413	5,448	238	550	452	3,412	794
Net fee and commission income	91,840	93,057	91,462	98,770	87,903	86,193	84,788
Result of financial activities [a]	4,029	24,260	17,093	37,621	21,837	24,721	29,032
Result of other financial assets and liabilities measured at FVTPL [b]	-6,566	-33,999	-33,586	1,628	12,726	9,274	3,098
of which LOANS	2,076	-4,279	-12,965	-2,804	7,329	3,637	-3,964
of which OTHER	-8,642	-29,720	-20,621	4,432	5,397	5,637	7,062
Total income	**246,659**	**252,885**	**231,397**	**277,134**	**249,240**	**258,376**	**246,973**
Net adjustments [c]	-60,483	-16,096	-27,302	-43,136	-41,763	-20,582	-28,891
Net financial income	**186,176**	**236,789**	**204,095**	**233,998**	**207,477**	**237,794**	**218,082**
Personnel expenses [d]	-69,326	-64,247	-66,477	-67,123	-66,535	-61,399	-63,643
Other administrative expenses [e]	-60,059	-68,154	-62,502	-67,157	-57,019	-64,372	-59,459
Other operating income/expense [d]	22,887	22,053	16,897	16,348	15,009	15,089	15,164
Net accruals to provisions for risks and charges [f]	-1,495	-6,653	405	-14,469	-1,534	-687	718
Adjustments to property, equipment and investment property and intangible assets	-16,778	-15,547	-11,975	-14,714	-13,595	-13,194	-12,531
Operating costs	**-124,771**	**-132,548**	**-123,652**	**-147,116**	**-123,676**	**-124,564**	**-119,752**
Operating profit (loss)	**61,405**	**104,241**	**80,443**	**86,882**	**83,801**	**113,230**	**98,330**
Charges for stabilising the banking system [e]	-3,004	-10,040	-30,000	-8,362	-10	-14,732	-20,001
Net gains (losses) on equity investments and other investments	5,331	2,578	6,660	9,821	9,504	7,596	8,482
Profit (loss) before tax	**63,732**	**96,779**	**57,103**	**88,342**	**93,297**	**106,095**	**86,812**
Income taxes	-17,507	-32,018	-16,803	-19,442	-26,556	-27,194	-26,333
Profit (loss)	**46,225**	**64,761**	**40,300**	**68,900**	**66,741**	**78,901**	**60,479**
(Profit) loss attributable to non-controlling interests	0	0	0	-1,737	-1,958	-1,471	-1,220
Profit (loss) attributable to the Parent Company	**46,225**	**64,761**	**40,300**	**67,163**	**64,783**	**77,430**	**59,259**

Notes:
[a] The result of financial activities is made up of the sum of items 80-90-100 in the income statement.
[b] The result of other financial assets and liabilities measured at FVTPL is comprised in item 110 of the income statement.
[c] Net adjustments consist of the sum of items 130 - 140 - 200 a) of the income statement.
[d], [e] and [f] The figures are shown in accordance with the reclassifications presented in the summary of the reclassified consolidated income statement.

DISTRIBUTION BY GEOGRAPHICAL AREAS

The Group's activities are carried out in Italy and in neighbouring Swiss Confederation, where its subsidiary Banca Popolare di Sondrio (SUISSE) SA operates.

The latter's contribution to the Group can be summarised in the following figures: Suisse accounts for 9.46% of direct customer deposits, 13.40% of loans to customers, 6.45% of net commissions and 9.74% of net interest income.

SUBSEQUENT EVENTS AND OUTLOOK

There are no significant events to report after the end of the quarter.

As for the outlook for operations, the macroeconomic context continues to be strongly influenced by the ongoing conflict in Ukraine, uncertainties in energy supplies, commodity prices and inflation, which has reached very high levels. As a result, growth dynamics are expected to weaken in the coming months.

In this context, our Group, thanks to its capital strength and resilience, should reasonably not only maintain, but also improve the results achieved thus far.

Sondrio, 8 November 2022

THE BOARD OF DIRECTORS

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

Pursuant to Article 154-bis, paragraph 2, of the Consolidated Finance Act, the Manager responsible for preparing the Company’s accounting documents, Maurizio Bertoletti, declares that the accounting information contained in this consolidated interim report as at 30 September 2022 corresponds to the documented results, books and accounting records.

The Manager responsible for preparing
the company’s accounting documents
Maurizio Bertoletti

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AT 30 SEPTEMBER 2022

CONSOLIDATED BALANCE SHEET
(thousands of euro)

ASSETS		30/09/2022	31/12/2021
10.	**Cash and cash equivalents**	**6,394,688**	**5,652,733**
20.	**Financial assets measured at fair value through profit or loss**	**1,335,556**	**1,432,185**
	a) financial assets held for trading	189,031	204,294
	c) other financial assets mandatorily measured at fair value	1,146,525	1,227,891
30.	**Financial assets measured at fair value through other comprehensive income**	**2,573,865**	**3,102,150**
40.	**Financial assets measured at amortised cost**	**43,125,763**	**42,717,673**
	a) loans and receivables with banks	1,606,846	3,276,349
	b) loans and receivables with customers	41,518,917	39,441,324
50.	**Hedging derivatives**	**9**	**–**
60.	**Change in value of macro-hedged financial assets (+/-)**	**277**	**–**
70.	**Equity investments**	**333,826**	**339,333**
90.	**Property, equipment and investment property**	**656,307**	**579,446**
100.	**Intangible assets**	**36,792**	**31,013**
	of which:		
	– goodwill	18,001	12,632
110.	**Tax assets**	**345,749**	**330,343**
	a) current	3,172	8,658
	b) deferred	342,577	321,685
130.	**Other assets**	**1,666,378**	**831,273**
	TOTAL ASSETS	**56,469,210**	**55,016,149**

LIABILITIES AND EQUITY		30/09/2022	31/12/2021
10.	**Financial liabilities measured at amortised cost**	**51,057,277**	**50,178,641**
	a) due to banks	11,099,553	10,874,856
	b) customer deposits	36,429,388	35,603,482
	c) securities issued	3,528,336	3,700,303
20.	**Financial liabilities held for trading**	**209,232**	**104,339**
40.	**Hedging derivatives**	**529**	**2,446**
60.	**Tax liabilities**	**45,467**	**39,872**
	a) current	17,577	4,258
	b) deferred	27,890	35,614
80.	**Other liabilities**	**1,515,640**	**986,522**
90.	**Provision for employee severance pay**	**34,484**	**40,190**
100.	**Provisions for risks and charges**	**285,954**	**289,062**
	a) commitments and guarantees given	65,357	43,225
	b) pension and similar obligations	164,703	191,565
	c) other provisions for risks and charges	55,894	54,272
120.	**Valuation reserves**	**(46,738)**	**32,437**
150.	**Reserves**	**1,802,328**	**1,555,718**
160.	**Share premium reserve**	**78,978**	**79,005**
170.	**Share capital**	**1,360,157**	**1,360,157**
180.	**Treasury shares (-)**	**(25,388)**	**(25,457)**
190.	**Non-controlling interests (+/-)**	**4**	**104,583**
200.	**Profit (loss) for the period (+/-)**	**151,286**	**268,634**
	TOTAL LIABILITIES AND EQUITY	**56,469,210**	**55,016,149**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

	INCOME STATEMENT ITEMS	30/09/2022	30/09/2021
10.	INTEREST AND SIMILAR INCOME	565,944	473,500
	of which: interest income calculated using the effective interest method	559,099	467,091
20.	INTEREST AND SIMILAR EXPENSES	(88,692)	(83,141)
30.	**NET INTEREST INCOME**	**477,252**	**390,359**
40.	FEE AND COMMISSION INCOME	290,769	271,687
50.	FEE AND COMMISSION EXPENSE	(14,410)	(12,803)
60.	**NET FEE AND COMMISSION INCOME**	**276,359**	**258,884**
70.	DIVIDENDS AND SIMILAR INCOME	6,099	4,658
80.	NET TRADING INCOME	4,517	44,109
90.	NET HEDGING GAIN (LOSS)	(4)	35
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	43,716	31,446
	a) financial assets measured at amortised cost	32,261	18,024
	b) financial assets measured at fair value through other comprehensive income	11,452	13,443
	c) financial liabilities	3	(21)
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(74,151)	25,098
	b) other financial assets mandatorily measured at fair value	(74,151)	25,098
120.	**TOTAL INCOME**	**733,788**	**754,589**
130.	NET ADJUSTMENTS/WRITEBACKS FOR CREDIT RISK RELATED TO:	(88,210)	(104,847)
	a) financial assets measured at amortised cost	(88,543)	(105,534)
	b) financial assets measured at fair value through other comprehensive income	333	687
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	3,589	(5,397)
150.	**NET FINANCIAL INCOME**	**649,167**	**644,345**
180.	**BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT**	**649,167**	**644,345**
190.	ADMINISTRATIVE EXPENSES:	(434,790)	(415,556)
	a) personnel expenses	(201,031)	(199,963)
	b) other administrative expenses	(233,759)	(215,593)
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(29,850)	17,505
	a) commitments for guarantees given	(22,107)	19,008
	b) other net provisions	(7,743)	(1,503)
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(33,068)	(27,758)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(11,232)	(11,562)
230.	OTHER OPERATING INCOME/EXPENSE	62,818	53,648
240.	**OPERATING COSTS**	**(446,122)**	**(383,723)**
250.	GAINS (LOSSES) ON EQUITY INVESTMENTS	16,053	25,623
260.	NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	(1,614)	(320)
280.	GAINS (LOSSES) ON SALES OF INVESTMENTS	130	279
290.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**217,614**	**286,204**
300.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(66,328)	(80,083)
310.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**151,286**	**206,121**
330.	**PROFIT (LOSS) FOR THE PERIOD**	**151,286**	**206,121**
340.	(PROFIT) LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	(4,649)
350.	**PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY**	**151,286**	**201,472**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(thousands of euro)

ITEMS		30/09/2022	30/09/2021
10.	**Profit (loss) for the period**	**151,286**	**206,121**
	Other income items net of income taxes that will not be reclassified to profit or loss		
20.	Equity securities measured at fair value through other comprehensive income	(1,342)	(3,718)
70.	Defined-benefit plans	22,533	6,436
90.	Share of valuation reserves of equity investments measured at equity	47	316
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
110.	Exchange differences	(474)	297
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(92,554)	(2,194)
160.	Share of valuation reserves of equity investments measured at equity	(7,224)	1,568
170.	**Total other income items net of income taxes**	**(79,014)**	**2,705**
180.	**Other comprehensive income (Item 10+170)**	**72,272**	**208,826**
190.	Consolidated other comprehensive income attributable to non-controlling interests	161	4,784
200.	**Consolidated other comprehensive income attributable to the parent company**	**72,111**	**204,042**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(thousands of euro)

	Balance at 31/12/2021	Changes in opening balances	Balance at 1/1/2022	Allocation of prior year result		Changes during the year									Equity attributable to the Group at 30/09/2022	Equity attributable to non-controlling interests at 30/09/2022
							Equity transactions									
				Reserves	Dividends and other allocations	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	Other comprehensive income at 30/09/2022		
Share capital																
a) ordinary shares	1,393,736	–	1,393,736	–	–	–	–	–	–	–	–	–	(33,575)	–	1,360,157	4
b) other shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share premium reserve	**83,363**	**–**	**83,363**	**–**	**–**	**–**	**(27)**	**–**	**–**	**–**	**–**	**–**	**(4,358)**	**–**	**78,978**	**–**
Reserves																
a) from earnings	1,578,288	–	1,578,288	184,773	–	68,223	–	–	–	–	–	–	(64,850)	–	1,766,434	–
b) other	37,851	–	37,851	–	–	–	–	–	–	–	–	–	(1,957)	–	35,894	–
Valuation reserves	**32,276**	**–**	**32,276**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(79,014)**	**(46,738)**	**–**
Equity instruments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares	**(25,457)**	**–**	**(25,457)**	**–**	**–**	**–**	**69**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,388)**	**–**
Profit for the year	**275,020**	**–**	**275,020**	**(184,773)**	**(90,247)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**151,286**	**151,286**	**–**
Equity attributable to the Group	**3,270,494**	**–**	**3,270,494**	**–**	**(90,247)**	**68,223**	**42**	**–**	**–**	**–**	**–**	**–**	**–**	**72,111**	**3,320,623**	**–**
Equity attributable to non-controlling interests	**104,583**	**–**	**104,583**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(104,740)**	**161**	**–**	**4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(thousands of euro)

				Allocation of prior year result		Changes during the year										
							Equity transactions									
	Balance at 31/12/2020	Changes in opening balances	Balance at 1/1/2021	Reserves	Dividends and other allocations	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	Other comprehensive income at 30/09/2021	**Equity attributable to the Group at 30/09/2021**	**Equity attributable to non-controlling interests at 30/09/2021**
Share capital																
a) ordinary shares	1,393,736	-	1,393,736	-	-	-	-	-	-	-	-	-	-	-	1,360,157	33,579
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**83,363**	**-**	**83,363**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**79,005**	**4,358**
Reserves																
a) from earnings	1,468,785	-	1,468,785	82,459	-	8,777	-	-	-	-	-	-	-	-	1,501,557	58,464
b) other	37,851	-	37,851	-	-	-	-	-	-	-	-	-	-	-	35,894	1,957
Valuation reserves	**27,584**	**-**	**27,584**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,705**	**30,409**	**(120)**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,388)**	**-**	**(25,388)**	**-**	**-**	**-**	**-**	**(68)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,456)**	**-**
Profit for the year	**109,743**	**-**	**109,743**	**(82,459)**	**(27,284)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206,121**	**201,472**	**4,649**
Equity attributable to the Group	**2,997,571**	**-**	**2,997,571**	**-**	**(27,284)**	**8,777**	**-**	**(68)**	**-**	**-**	**-**	**-**	**-**	**204,042**	**3,183,038**	**-**
Equity attributable to non-controlling interests	**98,103**	**-**	**98,103**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,784**	**-**	**102,887**