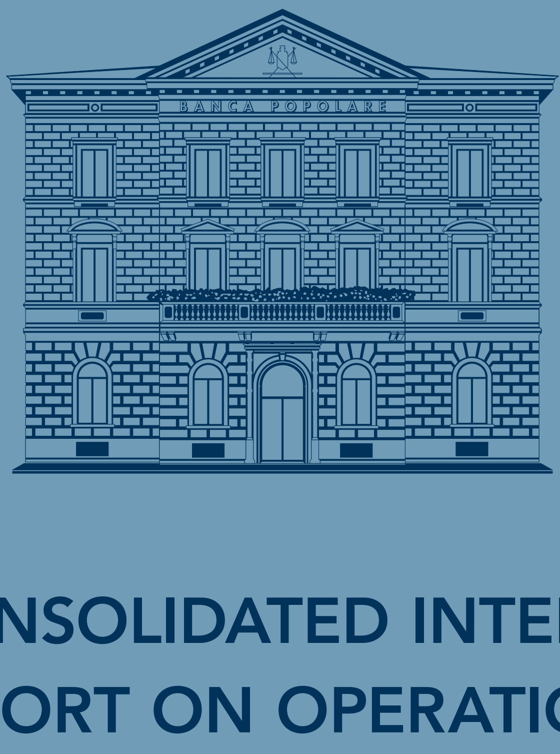
Banca Popolare di Sondrio



CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 31 MARCH 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 OPERATIONS AT 31 MARCH 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
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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 1 September 2021:
  - Long-term: BB+
  - Short-term: B
  - Viability rating: bb+
  - Outlook: Stable
  - Long-term deposit rating: BBB-
  - Subordinated debt: BB-

- Rating given by DBRS Morningstar to Banca Popolare di Sondrio on 15 November 2021:
  - Long-term issuer rating: BBB (low)
  - Short-term issuer rating: R-2 (middle)
  - Trend (outlook): Stable
  - Long-term deposit rating: BBB
  - Short-term deposit rating: R-2 (high)

- Rating given by Scope Ratings to Banca Popolare di Sondrio on 24 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
	ADRIANO PROPERSI
	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 25 of 15 February 2016, which amended the Consolidated Finance Act (CFA), eliminated the obligation for issuers to publish interim reports for the first and third quarters of the year, though Consob can still ask issuers to provide additional periodic financial information.

On the part of our Group, it was decided to prioritise disclosure to the market and therefore, in continuity with the past, we proceeded to prepare this consolidated interim report on operations at 31 March 2022, in accordance with the measurement and recognition criteria provided for by the international accounting standards (IAS/IFRS) adopted by the European Community and currently in force.

This consolidated interim report on operations is not subject to an independent audit.

BASIS OF PREPARATION

The accounting schedules reported in the consolidated interim report on operations comply with the Bank of Italy's Instructions 262 dated 22 December 2005, 7th update of 29 October 2021.

In the period under review, the accounting policies adopted remained substantially unchanged compared with the previous year.

For detailed information on the application of the accounting standards, see the consolidated financial statements at 31 December 2021.

In the accounting schedules the figures are expressed in thousands of euro.

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

The income statement is compared with the income statement at 31 March 2021.

Preparation of the consolidated interim report on operations usually requires a more extensive use of estimates than the annual report, particularly in cases where the accounting presentation does not accurately reflect the accrual principle, with regard to both the balance sheet and the income statement.

THE BANCA POPOLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent Company:

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

Group Companies:

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

The Parent Company holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, CHF 180,000,000.

Factorit spa - Milan.

The Parent Company holds 100% of the 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 di 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.

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

Compared with 31 December 2021, the interest held in Factorit spa has increased from 60.5% to 100%.

SCOPE OF CONSOLIDATION AND METHODOLOGY

The interim consolidated report on operations presents the economic and financial position at 31 March 2022 of the Banca Popolare di Sondrio Banking Group, which comprises the Parent Company, Banca Popolare di Sondrio (SUISSE) SA, Factorit S.p.a., Sinergia Seconda S.r.l., Banca della Nuova Terra S.p.a., PrestiNuova srl - Agenzia in Attività Finanziaria and Popso Covered Bond S.r.l., as well as the entities that are controlled by the Group pursuant to IFRS 10.

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

CONSOLIDATED EQUITY INVESTMENTS:

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

* equity investments not included in the banking group
** held by Sinergia Seconda S.r.l.
*** held by Banca della Nuova Terra S.p.a.

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

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

a) the Bank has a representative on the Board of Directors or 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 company's net result for the year attributable to the bank is shown in a specific item in the income statement.

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

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not subject to a separate impairment test.

After applying the equity method, the Group assesses whether it is necessary to recognise an impairment loss on its investment in associates or joint ventures. At each reporting date, the Group assesses whether there is objective evidence that the investments in associates or joint ventures have suffered impairment. In this case, the Group calculates the amount of the impairment as the difference between the recoverable value of the associate or joint venture and its carrying amount in its financial statements, recognising this difference in the profit or loss for the year under the heading «portion pertaining to the result of associates and joint ventures».

Any subsequent writebacks cannot exceed the impairment losses recorded previously. Upon the loss of significant influence over an associate or joint control over a joint venture, the Group assesses and recognises the residual investment at fair value. The difference between the carrying amount of the investment at the date of loss of significant influence or joint control and the fair value of the residual investment and the amounts received is recognised in the income statement. 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 S.p.a.	Milan	357,953	19.264
Arca Vita S.p.a.	Verona	208,279	14.837
Arca Holding S.p.a.	Milan	50,000	34.715
Cossi Costruzioni S.p.a.	Sondrio	12,598	18.250
Unione Fiduciaria S.p.a.	Milan	5,940	24.000
Polis Fondi Srgpa	Milan	5,200	19.600
Sofipo S.A. *	Lugano	(CHF) 2,000	30.000
Rajna Immobiliare S.r.l.	Sondrio	20	50.000
Rent2Go S.r.l.	Bolzano	12,050	33.333

* 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 period-end exchange rate for balance sheet items, while costs and revenues are translated into euro at the period average exchange rate. Differences arising on translation are booked in the statement of comprehensive income.

SUBSEQUENT EVENTS

No events have taken place between the reference date for this interim consolidated report and the date of its approval by the Board of Directors on 10 May 2022 that would require the adjustment of such approved information, and nothing of significance has occurred that would require changes in the figures or in the disclosures already provided.

THE INTERNATIONAL SITUATION

At global level, economic activity had to contend at the beginning of the year with the rapid spread of the Omicron variant of Covid-19 and then the Russian invasion of Ukraine. Indeed, war has returned to the heart of Europe, and it does not seem that the conflict, which is tragically still ongoing, will be solved any time soon, fuelling fears of unpredictable consequences.

World trade, which had enjoyed a very positive dynamic in the last period of 2021, faced a scenario completely changed by the war and the sanctions that Western countries applied to Russia. Consider in this regard that Russia and Ukraine were among the world's largest exporters of energy, grain, fertilizer, industrial metals and other raw materials.

The effects of the conflict were immediately transmitted to financial markets, and although there has been some stabilisation since mid-March, volatility has remained high, especially in certain market segments. Oil, and especially natural gas prices have hit new all-time highs, highlighting in all its severity the dependence of some of Europe's leading economies on Russian supplies. For its part, inflation has started to rise sharply, returning to levels not seen in decades.

The International Monetary Fund has cut its forecasts for global growth, now expected for this year to reach 3.6%. In addition to the conflict in Ukraine, the IMF has identified inflation and repeated lockdowns in China as some of the factors driving the global slowdown.

Both the Federal Reserve and the Bank of England have been in the process of gradually normalising their monetary policy stances, raising interest rates, mainly because of inflationary pressures.

In the first three months of 2022 in the United States, growth slowed to a certain extent, with the GDP estimated to be up by 3.6% annually. China's results are also expected to decline, with GDP rising by only 4.8%. The Eurozone achieved annual GDP growth of 5% in the first quarter, despite severe setbacks from the conflict that has developed on its eastern borders, including sudden increases in the price of energy and other commodity supplies, along with new supply chain difficulties and the block on exports to Russia. Inflation rose 7.4% over the previous 12 months in March, the highest level since the start of Economic and Monetary Union. Those most exposed are mainly the weaker sections of society, for whom basic expenses, such as heating, transportation and food, have a more significant impact.

The European Central Bank has announced that it will take the necessary measures to pursue price stability and safeguard financial stability, while changes in benchmark interest rates will take place gradually.

After a slowdown in the final phase of 2021, the Italian economy, among the most exposed along with Germany to dependence on Russian gas, was affected by the new scenario brought about by the war, with GDP falling 0.2% in the first quarter. On the business side, there has been a decline in industrial production and a simultaneous weakening of investment trends. As for households, fears relating to international affairs and concerns generated by significant price increases have led to a contraction in consumption. In fact, inflation reached levels during the quarter that have not been recorded since the early 1990s. The 7% increase was primarily due to exceptional trends in the energy component (+53.5%), but the food sector also showed sustained growth, +5%, with nearly +9% for fresh food.

Closing out 2021 with GDP growth of 3.6%, the Swiss economy faced a slowdown induced by the conflict in Ukraine during the quarter under review and the resulting price increases in some commodities, first and foremost gas and oil. In light of these elements, previous growth estimates have been revised downward. However, the Swiss economy, thanks in part to the easing of many Covid-related restrictions, is starting from positive conditions: the recovery in domestic demand has been confirmed and job market trends appear to be favourable. In addition, it engaged in relatively little trade with Russia and Ukraine.

The forecast for the current year therefore remains positive, relying on growth that is expected to remain robust.

SUMMARY OF RESULTS

(millions of euro)

Balance sheet	**31/03/2022**	**31/12/2021**	**Change %**
Loans to customers	31,473	31,059	1.33
Loans and receivables with customers measured at amortised cost	31,057	30,625	1.41
Loans and receivables with customers measured at fair value through profit or loss	415	434	-4.36
Loans and receivables with banks	3,469	3,276	5.88
Financial assets that do not constitute loans	14,001	13,704	2.17
Equity investments	345	339	1.72
Total assets	53,738	55,016	-2.32
Direct funding from customers	37,694	39,304	-4.10
Indirect funding from customers	39,769	40,982	-2.96
Direct funding from insurance premiums	1,948	1,909	2.04
Customer assets under administration	79,411	82,195	-3.39
Other direct and indirect funding	19,627	19,760	-0.67
Equity	3,319	3,270	1.48

Income statement	**31/03/2022**	**31/03/2021**	**Change %**
Net interest income	156	129	20.83
Total income*	231	247	-6.31
Profit from continuing operations	57	87	-34.22
Profit (loss) for the period	40	59	-31.99

Capital ratios	**31/03/2022**	**31/12/2021**	
CET1 capital ratio	15.32%	15.78%	
Total capital ratio	18.08%	18.88%	
Free capital	2.038	2.181	

Other information on the banking group			
Number of employees	3.393	3.392	
Number of branches	370	370	

* Total income is represented as per the reclassification made in the table commenting on the income statement

ALTERNATIVE PERFORMANCE INDICATORS (consolidated)	31/03/2022	31/12/2021
Key ratios		
Equity/Direct funding from customers	8.80%	8.32%
Equity/Loans to customers	10.54%	10.53%
Equity/Financial assets	23.70%	23.87%
Equity/Total assets	6.18%	5.94%
Profitability indicators*		
Cost/Income ratio	66.40%	56.58%
Net interest income/Total income	67.50%	52.34%
Administrative expenses/Total income	68.70%	57.94%
Net interest income/Total assets	0.29%	0.25%
Net financial income/Total assets	0.38%	0.43%
Profit for the year/Total assets	0.07%	0.12%
Asset quality indicators		
Texas ratio	24.32%	25.83%
Net bad loans/Equity	5.78%	5.88%
Net bad loans/Loans to customers	0.61%	0.62%
Loans to customers/Direct funding from customers	83.50%	79.02%
Cost of credit	0.35%	0.43%

The indicators 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/write-backs for impairment of receivables in the income statement to total Loans to customers
* Comparative figures refer to 31/03/2021

FUNDING

The long-standing process of growth in bank deposits continued during the quarter. Likewise, the trend underway based on a clear prevalence of short-term forms of deposits compared with long-term ones, has been confirmed. The cost of funding remains at low levels, although there have been some signs of an increase, favoured in part by the continuation of an accommodating monetary policy.

As for our Group, as at 31 March 2022, direct customer deposits, consisting of the balance sheet liability items 10b «customers deposits» and 10c «securities issued», added up to 37,694 million, -4.10% over the end of 2021 and +6.12% during the twelve-month period. The reduction recorded in the first three months of 2022 follows the action taken by the Parent Company in order to limit the cost of funding in view of the always high liquid assets that require substantial daily deposits with the ECB at negative rates.

Indirect funding from customers amounted to 39,769 million, -2.96% on the end of 2021. Direct funding from insurance premiums rose to 1,948 million, +2.04%.

Total funding from customers therefore amounted to 79,411 million, -3.39%.

Amounts due to banks totalled 10,784 million, -0.84%. The aggregate includes the refinancing operations in place with the European Central Bank for 8,874 million. This is explained in the chapter on securities and treasury activities.

Indirect funding from banks came to 8,843 million, -0.46%.

Total deposits from customers and banks therefore came to 99,039 million, -2.86%.

The table «Direct funding from customers» shows the various components in detail. Current accounts in euro and foreign currency amounted to 33,012 million, -4.38%, and make up 87.58% of all direct funding. Bonds have declined by 8.25%, to 3,279 million. Savings deposits totalled 559 million, +3.13%. Time deposit accounts came in at 164 million, -53.34%. Repos, which were not present as at 31 December 2021, totalled 354 million. Bank drafts amounted to 146 million, +15.07%. Lease liabilities, recognised in compliance with the provisions of IFRS 16, amounted to 179 million, -2.40%.

With regard to assets under management, reference should be made to the chapter on securities and treasury activities.

DIRECT CONSOLIDATED FUNDING FROM CUSTOMERS

(thousands of euro)	31/03/2022	Compos. %	31/12/2021	Compos. %	Change %
Savings deposits	558,998	1.48	542,024	1.38	3.13
Bonds	3,278,659	8.70	3,573,400	9.09	-8.25
Repo transactions	354,120	0.94	-	-	-
Bank drafts and similar	146,021	0.39	126,901	0.32	15.07
Current accounts	29,931,441	79.41	31,553,224	80.28	-5.14
Time deposit accounts	164,373	0.44	352,260	0.90	-53.34
Current accounts in foreign currency	3,081,488	8.18	2,972,806	7.56	3.66
Lease liabilities	178,771	0.46	183,170	0.47	-2.40
Total	**37,693,871**	**100.00**	**39,303,785**	**100.00**	**-4.10**

TOTAL CONSOLIDATED FUNDING

(thousands of euro)	31/03/2022	Compos. %	31/12/2021	Compos. %	Change %
Total direct funding from customers	37,693,871	38.06	39,303,786	38.55	-4.10
Total indirect funding from customers	39,769,015	40.16	40,981,667	40.20	-2.96
Total direct funding from insurance premiums	1,948,358	1.96	1,909,353	1.87	2.04
Total	**79,411,244**	**80.18**	**82,194,806**	**80.62**	**-3.39**
Due to banks	10,783,865	10.89	10,874,856	10.67	-0.84
Indirect funding from banks	8,843,451	8.93	8,884,756	8.71	-0.46
Grand total	**99,038,560**	**100.00**	**101,954,418**	**100.00**	**-2.86**

LOANS TO CUSTOMERS

In the first quarter of the year, system-wide growth in loans to businesses remained modest, while the dynamics of loans to households were more sustained, particularly with reference to home purchase loans. The cost of credit remained low.

On the subject of loans to customers, please recall the significant support provided to households and businesses during the economic and financial crisis caused by the Covid-19 pandemic. Starting from March 2020, the Parent Company promptly activated a series of benefits for customers and the local territories, in accordance with both the government measures introduced – primarily – in the «Cura Italia» and «Liquidità» Decrees, 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: since March 2020, there have been over 24 thousand cases of forbearance for a residual debt in terms of principal 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. It is also worth noting the immediate activation in the initial stages of the emergency of measures to buffer liquidity needs resulting from the limits on business operations imposed by the Authorities. This involved granting short-term personal loans and temporary cash lines to replace unused self-liquidating credit lines, as well as loans and rescheduling of payments of sector contributions for professionals enrolled in pension funds that have special agreements with the Parent Company. Then there was our adhesion to the agreement to regulate the granting of advances of the sums due by INPS to workers in the Redundancy Fund as a result of the health emergency. Subsequently, with the introduction in April 2020 of the Liquidità Decree, all types of financing were activated for the benefit of the companies envisaged in art. 13 (Central Guarantee Fund for SMEs) and art. 1 (SACE). Particular emphasis is placed on the substantial numbers relating to the loans referred to in art. 13: overall, at 31 March 2022, there were nearly 23 thousand proposals approved for a total of 2,700 million, also including loans fully guaranteed by the State for an amount up to 30,000 euro (more than 16,000 cases for around 330 million), also put in place through Confidi, mainly in the province of Sondrio, and ISMEA. In addition, various surveys were carried out to identify the economic sectors worst hit by the crisis, with in-depth analyses at the level of the loan portfolio of individual geographical areas. Assessments were also 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. Moreover, ordinary lending to cover the financial needs of businesses and households has continued, confirming the focused attention paid to serving our local communities.

For our Group loans totalled 31,473 million, up by 1.33% compared with 31 December 2021 and by 6.32% compared with 31 March 2021. The ratio of loans to customers/direct deposits from customers is 83.50% compared with 79.02% in the previous period. Several different technical forms have contributed in varying degrees to the trend in loans. These items are equal to the sum of the loans included in line item 40. financial assets measured at amortised cost - b) loans and receivables with customers and line item 20. financial assets measured at fair value through profit or loss - c) other financial assets mandatorily measured at fair value. Mortgage loans increased slightly (+1.32%), coming in at 12,207 million; they are the first component of loans to customers with 38.78%. 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. This is followed by other transactions and unsecured loans which stood at 9,934 million, -0.20%, corresponding to 31.57% of loans. Current accounts, up 12.98% to 3,437 million, advances, up 11.46% to 504 million, and advances subject to collection, up 6.15% to 241 million, performed well. Personal loans were up slightly, +1.26%, to 461 million. Repurchase agreements, which represent the use of temporary excess liquidity with institutional counterparties, were not present at December 2021 and during the period amounted to 299 million. Factoring transactions were down, -7.58% to 2,530 million, and foreign currency loans were down 23.75% to 906 million. Fixed-yield securities amount to 747 million, -0.33%, 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)	31/03/2022	Compos. %	31/12/2021	Compos. %	Change %
Current accounts	3,437,626	10.92	3,042,574	9.80	12.98%
Foreign currency loans	905,801	2.88	1,187,859	3.82	-23.75%
Advances	503,589	1.60	451,802	1.45	11.46%
Advances subject to collection	241,328	0.77	227,339	0.73	6.15%
Discounted portfolio	2,334	0.01	2,225	0.01	4.90%
Agricultural loans	11,445	0.04	11,239	0.04	1.83%
Personal loans	461,007	1.46	455,266	1.47	1.26%
Other unsecured loans	9,934,670	31.57	9,954,436	32.05	-0.20%
Mortgage loans	12,206,559	38.78	12,047,330	38.79	1.32%
Bad loans	191,731	0.61	192,290	0.62	-0.29%
Repo transactions	299,476	0.95	–	–	-
Factoring	2,530,276	8.04	2,737,778	8.81	-7.58%
Fixed-yield securities	746,685	2.37	749,180	2.41	-0.33%
Total	**31,472,527**	**100.00**	**31,059,318**	**100.00**	**1.33%**

NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		31/03/2022	31/12/2021	Absolute changes	Changes %
Non-performing loans	Gross exposure	1,850,789	1,875,969	-25,180	-1.34%
	Loan loss adjustments	1,051,334	1,039,163	12,171	1.17%
	Net exposure	**799,455**	**836,806**	**-37,351**	**-4.46%**
– Bad loans	Gross exposure	759,949	736,657	23,292	3.16%
	Loan loss adjustments	568,218	544,367	23,851	4.38%
	Net exposure	**191,731**	**192,290**	**-559**	**-0.29%**
– Unlikely-to-pay loans	Gross exposure	1,026,995	1,074,758	-47,763	-4.44%
	Loan loss adjustments	474,277	485,596	-11,319	-2.33%
	Net exposure	**552,718**	**589,162**	**-36,444**	**-6.19%**
– Past due and/or impaired overdrawn exposures	Gross exposure	63,845	64,554	-709	-1.10%
	Loan loss adjustments	8,839	9,200	-361	-3.93%
	Net exposure	**55,006**	**55,354**	**-348**	**-0.63%**
Performing loans	Gross exposure	30,796,830	30,340,809	456,021	1.50%
	Loan loss adjustments	123,758	118,297	5,461	4.62%
	Net exposure	**30,673,072**	**30,222,512**	**450,560**	**1.49%**
Total loans and receivables with customers	Gross exposure	32,647,619	32,216,778	430,841	1.34%
	Loan loss adjustments	1,175,092	1,157,460	17,632	1.52%
	Net exposure	**31,472,527**	**31,059,318**	**413,209**	**1.33%**

Total gross non-performing loans fell 1.34% from 1,876 million to 1,851 million, accounting for 5.67% of total gross loans compared to 5.82% at the end of 2021. Net impaired loans decreased to 799 million, -4.46%, from 837 million as at 31 December 2021; in the previous year there was a reduction of 23.38%. The aggregate is 2.54% (2.69% at 31 December 2021) of loans to customers. The contraction is also the result of the policy of reinforcing the structures responsible for the disbursement, management and monitoring of credit. The adjustments recorded for non-performing loans total 1,051 million, +1.17%, representing 56.80% of the gross amount compared with 55.39% last year.

Adjustments were slightly lower than in the comparison period. Net non-performing loans, adjusted for write-downs, amounted to 192 million, virtually stable (-0.29% as at December 2021), corresponding to 0.61% of total loans to customers, compared to 0.62% as at 31 December 2021. Net non-performing loans stood at percentages comparable to those of the system. As has become customary, the adjustments made in application of prudential valuation criteria have always been consistent, especially on positions backed by real guarantees on properties. The adjustments to cover estimated losses on bad loans went from 544 million to 568 million (+4.38%), representing 74.77% of the gross amount of such loans compared with 73.90% in the previous year. The coverage percentage is one of the highest in Italy. Considering the amounts written off in prior years against bad loans that are still tracked by the Bank, in view of possible future recoveries, the coverage of such loans amounts to 90.32%.

Unlikely-to-pay loans are made up of exposures, other than bad loans and for which the debtor is unlikely to settle in full without the bank having to enforce guarantees or similar forms of protection. Net of adjustments, these have decreased to 553 million, -6.19%, equal to 1.76% of total loans to customers, compared with 1.90% the previous year. The related adjustments, with the current coverage ratio of 46.18%, amounted to 474 million, -2.33% on the comparative period, when they amounted to 486 million; the coverage ratio was 45.18% last year. The decrease in unlikely-to-pay loans is due to the transfer to bad loans of the positions at greatest risk, as well as higher collections.

Non-performing past due and/or overdrawn exposures, other than those classified as bad loans or unlikely to pay loans, which, at the reporting date, have remained unpaid and/or overdrawn continuously for more than 90 days and which exceed a set materiality threshold, amounted to 55 million, -0.63%, with a degree of coverage of 13.84%, represent 0.17% of total loans to customers compared with 0.18% the previous year.

Performing loans amount to 30,674 million, +1.49%, and the related provisions totalled 124 million versus 118 million, 0.40% of them compared with 0.39% the previous year. Adjustments totalled 1,175 million overall, +1.52%.

Even if from a technical point of view they are not included in customer loans, but classified as other assets according to the instructions of the Bank of Italy, it is worth highlighting the intense work carried out as part of the acquisition of customer tax credits linked to the various concessions introduced to support the recovery. At 31 March, the financial statements contained tax credits of this nature for a total of 897.5 million.

TREASURY AND TRADING OPERATIONS

The first quarter of the year was marked by Russia's military invasion of Ukraine. This event also produced significant consequences for the macro scenario, with an increased risk of serious repercussions on the world economy, including the threat of stagflation (decline in gross domestic product and inflation). In the financial markets, fears of an escalation of the conflict have fuelled a climate of deep uncertainty amongst investors, resulting in a surge in volatility and risk aversion. Stock exchanges, already weak at the beginning of the year due to a less accommodating central bank stance in response to rapidly overheating prices, posted significant losses, although March's full-bodied recovery, buoyed by hopes of negotiations, significantly reduced liabilities.

At 31 March 2022, the Parent Company arranged four T-LTROs with the ECB for a total of 8,874 million. The first transaction was entered into for 4,368 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 of -0.50% (for the period from 24 June 2020 to 23 June 2022, the rate is -1%).

Liquidity, although declining slightly, remained particularly 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, at 31 March amounted to 16,430 million, of which 6,423 million free and 10,007 million committed.

During the period under review, treasury operations favoured recourse to the Deposit Facility at the ECB, remunerated at -0.50%, to deposit excess liquidity, while the volume of repo activity with institutional counterparties in the screen-traded market (MMF - Money Market Facility), organised via Cassa di Compensazione e Garanzia (the clearing house), recorded a decline in volumes compared to the first quarter of last year, although it had recovered slightly with respect to the final part of last year.

At 31 March 2022, the portfolios of financial assets comprising financial instruments, other than securitisations, totalled 14,001 million, up 2.17% 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)	31/03/2022	31/12/2021	Change %
Financial assets held for trading	234,938	204,294	15.00
of which, derivatives	*39,040*	*29,280*	*33.33*
Other financial assets mandatorily measured at fair value	781,861	794,286	-1.56
Financial assets measured at fair value through other comprehensive income	2,846,759	3,102,150	-8.23
Financial assets measured at amortised cost	10,137,412	9,602,860	5.57
Total	**14,000,970**	**13,703,590**	**2.17**

As mentioned, the portfolio as a whole showed a slight increase compared to the end of 2021 (+2.17%), which was mainly attributable to the segment of financial assets measured at amortised cost, favoured in order to limit the effects of increased volatility, compared to financial assets measured at fair value through other comprehensive income.

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

Floating-rate and inflation-indexed government securities total about 7.1 billion, a net increase compared to 5.7 billion in late 2021.

The financial duration of the government bond portfolio has increased compared to 31 December 2021 and stands at 4 years and 10 months, while the Modified duration, decreasing due to the high floating-rate component, stands at 1.79%. Overall, including bonds, the Modified duration is 2.15%.

Financial assets held for trading

The trading portfolio, which represents an insignificant part of the overall securities portfolio (1.68%), amounted to 234 million, up 15% from 204 million at the end of 2021.

Operations focused primarily on equities and mutual funds (ETFs) as well as US and Italian government bonds denominated in US dollars with a view to currency diversification. As at 31 March 2022, exposure to fixed-rate Italian government bonds amounted to 9 million, down 63.08%, while exposure to foreign currency securities stood at 44 million.

(thousands of euro)	31/03/2022	31/12/2021	Change %
Fixed-rate Italian government securities	8,954	24,255	-63.08
Foreign government securities in foreign currency	43,944	–	–
Equity securities	63,230	65,378	-3.29
Mutual funds	79,770	85,381	-6.57
Net book value of derivative contracts	39,040	29,280	33.33
Total	**234,938**	**204,294**	**15.00**

Other financial assets mandatorily measured at fair value

The financial assets mandatorily measured at fair value through profit or loss amount to 782 million after a decline of 1.56% 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. The proportion invested in bonds, particularly money market and short-term bonds, is predominant; there are also units in equity, real estate, balanced and flexible mutual funds.

(thousands of euro)	31/03/2022	31/12/2021	Change %
Bank bonds	13,074	6,433	103.23
Other bonds	35,170	34,681	1.41
Equity securities	1	–	–
Mutual funds in euro	700,327	719,286	-2.64
Mutual funds in foreign currency (USD)	33,289	33,886	-1.76
Total	**781,861**	**794,286**	**-1.56**

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, to 2,847 million (-8.23%).

During the period, exposure to floating-rate Italian government bonds was privileged, reaching 1,664 million and representing 58.44% of the segment. On the other hand, the fixed-rate component, especially in Italian government securities, fell. The overall weight of Italian government bonds on the segment stands at 67%. The changes in bank bonds, other bonds and variable-yield securities were not significant.

(thousands of euro)	31/03/2022	31/12/2021	Change %
Floating-rate Italian government securities	1,663,796	1,792,012	-7.15
Fixed-rate Italian government securities	241,436	341,230	-29.25
Foreign government securities	361,630	372,902	-3.02
Bank bonds	322,635	334,020	-3.41
Other bonds	157,728	161,284	-2.20
Equity securities	99,534	100,702	-1.16
Total	**2,846,759**	**3,102,150**	**-8.23**

Financial assets measured at amortised cost

The securities measured at amortised cost that are classified among the financial assets measured at amortised cost (Held To Collect) amounted to 10,137 million, +5.57% from 9,603 million in December 2021.

Regarding portfolio composition, compared to 31 December 2021 there was a further increase in floating-rate Italian government bonds (+52.26%), a decrease in fixed-rate Italian government bonds (-33.18%), and substantial maintenance of exposures to other sectors. The operations carried out during the period favoured the floating-rate government bond component, with the aim of limiting the effects arising from generalised increases in the yield curve; in addition, investments in bonds meeting ESG (Environmental, Social and Governance) criteria were favoured: green bonds, social bonds and sustainability bonds.

(thousands of euro)	31/03/2022	31/12/2021	Change %
LOANS AND RECEIVABLES WITH BANKS	**811,644**	**787,249**	**3.10**
Italian bank bonds	596,502	572,117	4.26
Foreign bank bonds	215,142	215,132	0.00
LOANS AND RECEIVABLES WITH CUSTOMERS	**9,325,768**	**8,815,611**	**5.79**
Floating-rate Italian government securities	4,564,555	2,997,900	52.26
Fixed-rate Italian government securities	2,039,759	3,052,782	-33.18
Foreign government securities	1,836,372	1,867,113	-1.65
Other public administration bonds	144,013	144,227	-0.15
Other bonds	741,069	753,589	-1.66
Total	**10,137,412**	**9,602,860**	**5.57**

Asset management

The year under review opened positively for inflows in the asset management sector, highlighting positive funding trends on the back of growing demand for monetary, equity and balanced products. Conversely, the heavy correction in international fixed income markets continued to penalise activity in the bond segment. The downturn in the markets, squeezed between inflation and war, has reduced asset values slightly.

For our Group, total assets under management in the various forms mirrored the general trend and recorded favourable performance of inflows, but a slight decline in the total stock resulting from market corrections. The item amounted to 6,722 million, a decrease of 1.09% on 31 December 2021, of which 4,881 million, -1.22%, mutual funds and SICAVs, including Popso (SUISSE) Investment Fund Sicav; 1,841 million, -0.79%, the Group's portfolio management schemes.

INFORMATION ON EXPOSURE TO SOVEREIGN DEBT

With communication no. DEM/11070007 of 5 August 2011, Consob 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 31 March 2022 amounted to 12,982 million and was structured as follows:

a) Italian government securities: 8,518 million;

b) Securities of other issuers: 3,013 million;

c) Loans to government departments: 164 million;

d) Loans to state-owned or local government-owned enterprises: 1,189 million;

e) Loans to other public administrations and miscellaneous entities: 98 million.

EQUITY INVESTMENTS

Equity investments amounted to 345 million, up by 6 million. The increase reflects the measurement at equity of these investments.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets came in at 606 million, on 610 million at the end of 2021. The former added up to a total of 575 million, -0.79%; the latter amounted to 31 million, +1.54%.

Intangible assets comprise 12.632 million related to goodwill. Goodwill is subjected to impairment testing annually in order to check for any impairment in value. The test was carried out when preparing the consolidated financial statements at 31 December 2021. As at 31 March 2022, it was decided not to repeat the test, as there were no significant changes in the reference framework.

PROVISIONS

They consist of severance pay, which remained stable at 40 million, and provisions for risks and charges, which totalled 294 million, +1.65% over the figure at the end of 2021.

HUMAN RESOURCES

At 31 March 2022, the Banking Group had 3,393 employees, an increase of 50 persons compared to 31 March 2021, made up as follows: 2,868 at the Parent Company, 348 at Banca Popolare di Sondrio (SUISSE) SA, 155 at Factorit spa and 22 at BNT spa. In addition to the Banking Group's personnel, there are also the 3 employees of the subsidiary Pirovano Stelvio spa.

IMPACT OF THE WAR IN UKRAINE

Russia's decision to initiate a military invasion of Ukraine and the reactions from many countries in terms of economic and financial sanctions, as moreover referred to in the Annual Report, have led to a situation of profound uncertainty on the macroeconomic level, exchange rates, energy and commodity costs, trade, inflationary expectations and the cost of debt.

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

In terms of credit risk, direct exposures to entities residing in Russia, Belarus and Ukraine were very low from the outset for both the Parent Company and the Subsidiaries. As for indirect exposures, i.e., relating to companies characterised by significant business relations with the countries involved in the conflict or operating in economic sectors that are considered more vulnerable, specific assessments have been conducted based on which the Group has identified a portfolio of exposures prudentially defined as «Ukraine high risk». These exposures, identified for both the Parent Company and Factorit, were reviewed by the CLO Area and, subsequently, subjected to the appropriate assessments in terms of staging allocation.

With regard to the quantification of provisions, some specific evolutions have been introduced within the IFRS 9 framework, consisting of the prudential update of the weighting factors associated with the scenarios used for modelling the scenario-dependency component; the estimation of a specific additional prudential add-on in consideration of the current continuation of the general context of uncertainty; the identification, within counterparties with significant business relations with Russia or Ukraine or operating in economic sectors considered more vulnerable to the current crisis, of a list of potentially high-risk positions («Ukraine high risk»), which were prudentially classified in Stage 2.

With reference to the punctual monitoring of the macroeconomic scenarios used in various business processes, including the computation of collective loss adjustments, the frequency of conducting survey, analysis and benchmarking of alternative sources «third party data», as well as their reporting and discussion, was increased significantly, through the issue of special internal disclosures and discussions in dedicated management meetings.

As regards impacts on financial risks, there are no critical elements noted on measures of exposure to interest rate risk and liquidity risk indicators pertaining to the securities world. A potentially significant impact could regard market risks, especially in the equity component, which is directly impacted by the stock market volatility resulting from the conflict. Risk values, although slightly increasing, are well below the risk appetite limits defined by the Group under the Risk Appetite Framework. In order to monitor the potential impact of the conflict, specific simulative analyses have also been implemented that confirm a potential impact mainly on the trading portfolio, given the greater weight of the equity component, but in line with the risk appetite.

In terms of cyber attack risk, there have been no crisis-related security incidents to date. 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.

Having regard to the application of sanctions and blocks on transactions, specific screening processes are applied aimed at promptly intercepting any names of individuals or legal entities affected by such interventions. Specific blocks are also activated on transactions to/from Russia and Belarus, transactions for trading Russian securities and/or securities traded in Roubles and SWIFT codes of the Russian/Belarusian banks specified in the restrictive measures. In compliance with the directions of the relevant Authorities, when conditions are met, funds in the name of customers subject to the restrictive measures ordered by the European Union are frozen and the associated communications are sent to the competent Authorities.

The corporate bodies and the structures assigned to this task continuously monitor the evolution of the context and the associated risk profile in order to promptly activate any interventions that may be necessary.

CAPITAL AND RESERVES

Shareholders' equity at 31 March 2022, inclusive of valuation reserves and the profit for the year, amounts to 3,318.769 million. Compared with the total at 31 December 2021 of 3,270.494 million, this represents an increase of 48.275 million (1.48%). The change derives from booking the portion of profit for the year under review, as well as from the increase in reserves.

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 at 31 December 2021.

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

The share premium reserve remained unchanged at 79.005 million.

Equity reserves rose to 1,858.243 million (+19.45%); this increase of 302.525 million reflects allocation of the profit for 2021 and the recognition of capital gains/losses on the sale of variable-yield securities that were previously classified to the valuation reserves. The total acquisition of Factorit spa also had a positive effect on the reserves.

The valuation reserves, primarily representing the balance between capital gains and capital losses accounted for on financial assets measured at fair value through other comprehensive income (FVOCI) and the net actuarial gains and losses on the defined benefit plans arranged for employees, have a positive net balance of 6.520 million, a sharp decline on the end of 2021, when they were positive for 32.437 million, due to the uncertainties recorded in the financial markets and the reversal to the income statement following sales of debt securities. Treasury shares in the portfolio remained stable at 25.456 million.

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 within the scope of its powers, on the basis of the evidence gathered as part of the supervisory 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, forwarded to the Parent Company the Supervisory Board's decision regarding the new minimum ratios to be applied, effective 1 March, for the year 2022.

The minimum capital levels required of our Banking Group are:

– a minimum requirement of Common Equity Tier 1 Ratio of 8.56%, calculated as the sum of the Pillar 1 regulatory minimum requirement (4.50%), the Capital Conservation Buffer (2.50%), and an additional Pillar 2 requirement (1.56%);

– Tier 1 Capital Ratio of 10.58%, being the sum of the Pillar 1 regulatory minimum (6%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.08%);

– a minimum Total Capital Ratio requirement of 13.27%, calculated as the sum of the Pillar 1 regulatory minimum requirement (8%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.77%).

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

In addition to the two ratios, from 2017, a «Pillar 2 Guidance», which is intended to represent a guide for the prospective evolution of the Group's capital. This parameter is confidential, by contrast with the two minimum requirements, and – based on guidelines issued by the ECB – is not deemed relevant for the determination of distributable dividends.

Consolidated own funds for supervisory reporting purposes, which do not include profit for the period, stood at 3,656 million (phased-in) and 3,635 million (fully phased in), while risk-weighted assets (RWA) were 20,226 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 immediate 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 31 March 2022 (phased-in) and (fully phased):

Group's capital ratios	(phased-in)	(fully phased)
CET 1 Ratio	15.32%	15.22%
Tier 1 Capital Ratio	15.32%	15.22%
Total Capital Ratio	18.08%	17.98%

The Leverage Ratio was 5.53% applying the transitional arrangements (phased-in) and 5.21% 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*
  8.80% v. 8.32%

– *capital/customer loans*
  10.54% v. 10.53%

– *capital/financial assets*
  23.70% v. 23.87%

– *capital/total assets*
6.18% v. 5.94%

– *net bad loans/capital*
5.78% v. 5.88%

BPS STOCK

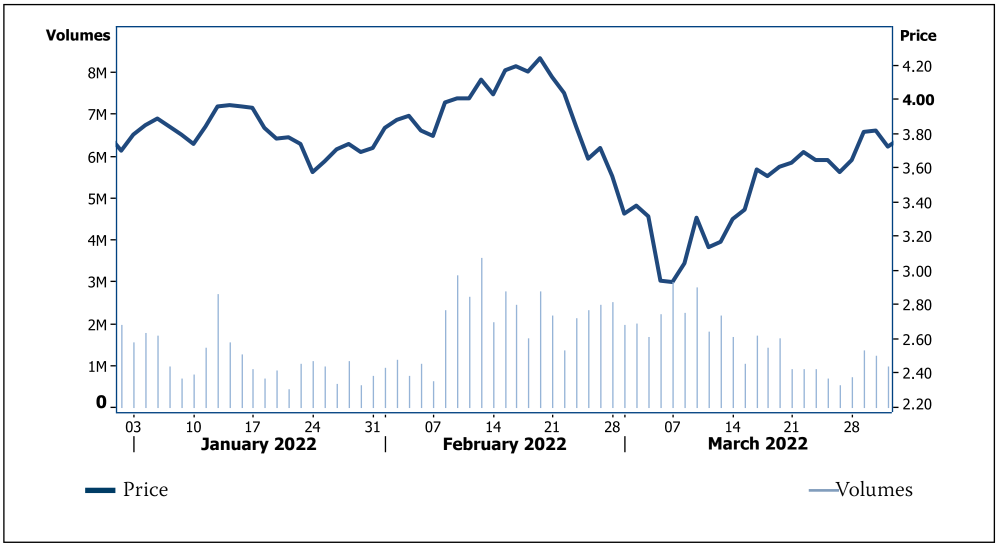
The Banca Popolare di Sondrio share, traded on the Euronext Milan market of Borsa Italiana, part of the FTSE Italia All-Share index, closed the first three months of 2022 with a positive performance of 0.54%, marking a reference price on 31 March 2022 of 3.718 euro, compared to 3.698 euro at the end of 2021. During the quarter, the stock recorded an intraday low of 2.668 euro on 7 March and a high of 4.338 euro on 18 February. The general FTSE Italia All-Share index recorded a decrease in the period of 8.83% and the FTSE Italia All-Share Banks sector index backtracked by 14.33%.

The average daily volume of securities traded on the Euronext Milan market of Borsa Italiana in the first three months of the year was 1.6 million, up from 1.3 million in the same period of 2021.

Transactions in treasury shares are carried out in accordance with the specific shareholders' resolution. At 31 March 2022, the Parent Company held 3,650,000 treasury shares, unchanged compared to the end of 2021. There are also 36,098 shares held by Banca Popolare di Sondrio (SUISSE) SA under the share-based compensation plan foreseen in the Group's Compensation Policies. Their carrying amount is 25.456 million, of which 25.322 million involves use of the reserve for purchase of treasury shares of the Parent Company of 30 million.

The shareholder base consists of 160,984 shareholders at 31 March 2022.

BANCA POPOLARE DI SONDRIO stock – MTA segment 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 1 September 2021, 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 1/09/2021

	RATING
LONG–TERM It is a measure of the probability of default and expresses the bank's ability to repay medium/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 likelihood that an external entity will offer support to the bank if the latter needs it. The measurement scale includes five levels from 1 (highest) to 5 (lowest).	**5**
SUPPORT RATING FLOOR This expresses Fitch's assessment of the minimum level below which it will not lower the issuer's long-term rating in the event of it being in financial difficulty, in consideration of the propensity of potential backers (State or institutional owner) to help the bank in such circumstances. The scale of values associated with it reflects that of the long-term ratings. A further possible score, represented by the No Floor (NF) indicates that according to Fitch it is unlikely that help will come from outside (probability of a support intervention less than 40%).	**No Floor**
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**
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+**
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 – issued 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/long-term loans. It is expressed on a scale from AAA to D.	**BBB (low)**
SHORT – TERM	
It measures the ability of the organisation 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 – issued 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 PERIOD 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 31/03/2022	2,836,689	27,832
Consolidation adjustments	-5,279	-5,279
Difference with respect to the carrying amounts of equity investments in:		
- companies consolidated on a line-by-line basis	375,418	11,175
- companies valued using the equity method	111,941	6,572
Balance as at 31/03/2022, as reported in the consolidated financial statements	**3,318,769**	**40,300**

INCOME STATEMENT

While the first quarter of 2021 was affected by the «third wave» of the Covid-19 pandemic, this quarter showed a deteriorating situation compared to the end of 2021. Some of the causes were: the continuing pandemic, upward pressure on the prices of various commodities and bottlenecks in some global supply chains, compounded by fears and tensions generated by the Russian invasion of Ukraine. Inflation has risen significantly and is expected to remain high in the coming months as well. Heightened uncertainty has been reflected in financial markets, with increased volatility.

In this problematic context, our Group, proceeding with its usual prudence, achieved a positive result, all in all satisfactory. The reviewed figures show a profit for the period of 40.300 million, compared with a positive result of 59.259 million in the first three months of 2021, which, however, was able to count on a particularly relaxed situation in the financial markets.

The comments on the various items refer to the data shown in the «Summary income statement» table below. Note that they have been reclassified with respect to those shown in the tables required by Bank of Italy measure no. 262/2005. A table is also provided of the quarterly development of the reclassified consolidated income statement.

Net interest income stood at 156.190 million, +20.83%; its positive dynamics were affected, for better or for worse, by the continuing expansionary monetary policy. There was a slight increase in interest from customers, with a sharp rise in interest earned on the securities portfolio, due to both the increase in the size of the portfolio and rising rates, particularly on indexed government bonds, driven by expectations of reduced monetary accommodation in the Eurozone and strong inflationary pressure. Net interest income also benefited from a substantial contribution of interest from negative rates accrued on T-LTRO loans received from the ECB, which amounted to more than 22 million in the quarter.

Net commissions of 91.462 million, +7.87%, showed an increase particularly for those relating to the placement of financial products and collections and payments.

Dividends totalled 0.238 million, compared with 0.794 million.

The result of financial activities was a negative 16.493 million compared to a positive 32.130 million in the comparative period.

While stock markets showed a positive trend in the first quarter of 2021, financial market volatility increased in the first three months of 2022 due to both a pickup in inflation and lower growth forecasts, also relating to the conflict in Ukraine. Purely as a result of this, the imbalance between capital gains and losses on securities in the trading portfolio, which was strongly positive in the comparison period, instead showed a negative result.

Total income stood at 231.397 million, down 6.31%, mainly due to the lower contribution of the securities component for the reasons mentioned above. Within this aggregate, the weighting of net interest income was 67.50% compared with 52.34%.

The high level of uncertainty related to the effects of the war in Ukraine and the continuation of the pandemic suggested making further prudential adjustments to the weighting factors to be assigned to the forecast scenarios included in the credit risk quantification process as at 31 March, as well as adding further prudential adjustments on top of those already made during 2021.

The adjustments/write-backs for credit risk on the exposures to customers, banks and securities totalled 27.302 million, -5.50%. In its components, the sub-item adjustments to financial assets measured at amortised cost, given by exposure to customers and banks in the form of both loans and securities, marked -33.43%, after recording -41.63% in the comparative period. This sub-item amounted to 23.269 million and refers mainly to loans to customers.

The decrease in adjustments on loans to customers is also partly related to the fact that, while taking into account the deteriorating scenarios as mentioned above, there were substantial releases related to positions previously classified as high-risk moratoria and which have returned to making regular payments.

Sub-item 130b relating to financial assets measured at fair value through other comprehensive income was a negative 112 thousand euro, compared to an also negative amount of 23 thousand euro resulting mainly from an increase in loss forecasts on some bonds.

Line item 140, comprising the gains/losses on contractual amendments to cash flows not resulting in derecognition, shows losses for the period of 1.217 million compared with 1.581 million.

Provisions for commitments and guarantees given included provisions of 2.704 million, compared to a release of provisions of 7.666 million.

The ratio of net adjustments to customer loans/total customer loans, which is defined as the cost of credit, came to 0.35%, compared to 0.43% at year end.

Financial income has therefore decreased from 218.082 to 204.095 million, -6.41%.

As always, there has been extreme attention to cost containment in parallel with structure efficiency. Operating costs amounted to 153.652 million, +9.95%.

The ratio of operating costs to income from banking activities, otherwise known as the cost/income ratio, rose to 66.40%, from 56.58%, while the annualised ratio of operating costs to total assets came to 1.14% compared to 1.02% at year end. Looking at costs in more detail, administrative expenses – normalised after excluding the deferral of the proceeds from the post-employment benefits fund, which have a contra-entry of the same amount under operating income/expense – amounted to 158.979 million, +11.09%; of these, personnel costs rose from 63.643 million a 66.477 million, +4.45%, while other administrative expenses increased from 79.460 million to 92.502 million, +16.41%. Also of note are the costs for consulting and information technology and the projected provisions relating to contributions to be made to the National Resolution Fund and the FITD, the latter amounting to 30 million compared to 20 million in the comparative period.

Net provisions for risks and charges reflect a release of provisions of 0.405 million, compared with a release of 0.718 million.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 11.975 million compared with 12.531 million.

Other income net of other operating expenses amounted to 16.897 million, +11.43%.

The aggregate profits/losses on equity and other investments amounted to 6.660 million, -21.48%.

Profit before income taxes therefore came to 57.103 million, compared with 86.812 million. Income taxes amounted to 16.803 million, compared with 26.333 million, -36.19%. This resulted in a positive result for the period of 40.300 million, compared with a result in the comparative period of 59.259 million, -31.99%.

KEY FIGURES OF THE INCOME STATEMENT

(thousands of euro)	31/03/2022	31/03/2021	Absolute changes	Changes %
Net interest income	156,190	129,261	26,929	20.83
Dividends	238	794	-556	-70.03
Net fee and commission income	91,462	84,788	6,674	7.87
Result of financial activities	-16,493	32,130	-48,623	-151.33
Total income	**231,397**	**246,973**	**-15,576**	**-6.31**
Net impairment losses [a]	-27,302	-28,891	1,589	-5.50
Net financial income	**204,095**	**218,082**	**-13,987**	**-6.41**
Personnel expenses [b]	-66,477	-63,643	-2,834	4.45
Other administrative expenses	-92,502	-79,460	-13,042	16.41
Other operating income/expense [b]	16,897	15,164	1,733	11.43
Net accruals to provisions for risks and charges [b]	405	718	-313	-43.59
Adjustments to property, equipment and investment property and intangible assets	-11,975	-12,531	556	-4.44
Operating costs	**-153,652**	**-139,752**	**-13,900**	**9.95**
Operating profit (loss)	**50,443**	**78,330**	**-27,887**	**-35.60**
Net gains (losses) on equity investments and other investments	6,660	8,482	-1,822	-21.48
Profit (loss) before tax	**57,103**	**86,812**	**-29,709**	**-34.22**
Income taxes	-16,803	-26,333	9,530	-36.19
Profit (loss)	**40,300**	**60,479**	**-20,179**	**-33.37**
(Profit) loss attributable to non-controlling interests	0	-1,220	1,220	n.s.
Profit (loss) attributable to the Parent Company	**40,300**	**59,259**	**-18,959**	**-31.99**

Note: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.
Net adjustments consist of the sum of items 130 and 140 of the income statement.
The results at 31/03/2022 have been subjected to the following reclassifications:
[a] reclassified net credit risk provisions for commitments and guarantees given for 2.704 million euro initially included in net provisions for risks and charges [a) commitments and guarantees given], showing them under net adjustments.
[b] personnel expenses and other operating income have been reclassified, stating them net of the income generated by the post-employment benefits fund of 0.088 million.
The figures at 31/03/2021 have been restated for comparison purposes.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

	2022	2021			
(thousands of euro)	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	156,190	138,565	126,322	134,776	129,261
Dividends	238	550	452	3,412	794
Net fee and commission income	91,462	98,770	87,903	86,193	84,788
Result of financial activities	-16,493	39,249	34,563	33,995	32,130
Total income	**231,397**	**277,134**	**249,240**	**258,376**	**246,973**
Net impairment losses [a]	-27,302	-43,136	-41,763	-20,582	-28,891
Net financial income	**204,095**	**233,998**	**207,477**	**237,794**	**218,082**
Personnel expenses [b]	-66,477	-67,124	-66,535	-61,399	-63,643
Other administrative expenses	-92,502	-75,519	-57,029	-79,104	-79,460
Other operating income/expense [b]	16,897	16,348	15,009	15,089	15,164
Net accruals to provisions for risks and charges [a]	405	-14,469	-1,534	-687	718
Adjustments to property, equipment and investment property and intangible assets	-11,975	-14,714	-13,595	-13,194	-12,531
Operating costs	**-153,652**	**-155,478**	**-123,684**	**-139,295**	**-139,752**
Operating profit (loss)	**50,443**	**78,520**	**83,793**	**98,499**	**78,330**
Net gains (losses) on equity investments and other investments	6,660	9,821	9,504	7,596	8,482
Profit (loss) before tax	**57,103**	**88,341**	**93,297**	**106,095**	**86,812**
Income taxes	-16,803	-19,442	-26,556	-27,194	-26,333
Profit (loss)	**40,300**	**68,899**	**66,741**	**78,901**	**60,479**
(Profit) loss attributable to non-controlling interests	0	-1,737	-1,958	-1,471	-1,220
Profit (loss) attributable to the Parent Company	**40,300**	**67,162**	**64,783**	**77,430**	**59,259**

Note: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.
Net adjustments consist of the sum of items 130 and 140 of the income statement.
[a], [b] The figures are shown in accordance with the reclassifications presented in the summary of the reclassified consolidated income statement.

DISTRIBUTION BY GEOGRAPHICAL AREA

The Group is active in Italy and in Switzerland, via Banca Popolare di Sondrio (SUISSE) SA.

The latter's contribution to the Group can be summarised in the following figures: «Suisse» accounts for 9.52% of direct customer deposits, 16.07% of loans to customers, 6.48% of net commissions and 9.05% of net interest income.

SUBSEQUENT EVENTS AND OUTLOOK

As at 1 April 2022, the Parent Company, having acquired 66.7% of the share capital of Rent2Go Srl, holds 100% of its share capital.

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

Regarding the foreseeable development of operations, persistent uncertainties about the evolution of the macroeconomic framework in Europe suggest a high level of volatility in the financial markets and great caution in the investment choices of companies and in the propensity to consume of households. The Group's business will only be affected by these factors, although the balance sheet structure shows resilience. Therefore, we believe that, thanks to the positive dynamics of the core business and continuous efforts aimed at improving operating efficiency, positive results can be achieved that are capable of confirming the Group's ability to generate value and remunerate capital, while maintaining a distinctive capital position.

Sondrio, 10 May 2022

THE BOARD OF DIRECTORS

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

The Manager responsible for preparing the Company’s accounting documents, Maurizio Bertoletti, declares, pursuant to art. 154 bis, paragraph 2, of the CFA, that the accounting information contained in this consolidated interim report on operations at 31 March 2022 agrees with the documentary results, books and accounting records.

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

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AT 31 MARCH 2022

CONSOLIDATED BALANCE SHEET

(thousands of euro)

	ASSET ITEMS	31/03/2022	31/12/2021
10.	**Cash and cash equivalents**	**3,174,567**	**5,652,733**
20.	**Financial assets measured at fair value through profit or loss**	**1,431,896**	**1,432,185**
	a) financial assets held for trading	234,938	204,294
	c) other financial assets mandatorily measured at fair value	1,196,958	1,227,891
30.	**Financial assets measured at fair value through other comprehensive income**	**2,846,759**	**3,102,150**
40.	**Financial assets measured at amortised cost**	**43,852,168**	**42,717,673**
	a) loans and receivables with banks	3,468,970	3,276,349
	b) loans and receivables with customers	40,383,198	39,441,324
70.	**Equity investments**	**345,160**	**339,333**
90.	**Property, equipment and investment property**	**574,841**	**579,446**
100.	**Intangible assets**	**31,492**	**31,013**
	of which:		
	– goodwill	12,632	12,632
110.	**Tax assets**	**329,602**	**330,343**
	a) current	1,510	8,658
	b) deferred	328,092	321,685
130.	**Other assets**	**1,151,823**	**831,273**
	TOTAL ASSETS	**53,738,308**	**55,016,149**

EQUITY AND LIABILITY ITEMS		31/03/2022	31/12/2021
10.	**Financial liabilities measured at amortised cost**	**48,477,736**	**50,178,641**
	a) due to banks	10,783,865	10,874,856
	b) customer deposits	34,269,190	35,603,482
	c) securities in issue	3,424,681	3,700,303
20.	**Financial liabilities held for trading**	**110,369**	**104,339**
40.	**Hedging derivatives**	**2,084**	**2,446**
60.	**Tax liabilities**	**41,726**	**39,872**
	a) current	9,981	4,258
	b) deferred	31,745	35,614
80.	**Other liabilities**	**1,453,459**	**986,522**
90.	**Reserve for termination indemnities**	**40,319**	**40,190**
100.	**Provisions for risks and charges**	**293,842**	**289,062**
	a) commitments and guarantees given	45,929	43,225
	b) pension and similar obligations	191,502	191,565
	c) other provisions for risks and charges	56,411	54,272
120.	**Valuation reserves**	**6,520**	**32,437**
150.	**Reserves**	**1,858,243**	**1,555,718**
160.	**Share premium reserve**	**79,005**	**79,005**
170.	**Share capital**	**1,360,157**	**1,360,157**
180.	**Treasury shares (-)**	**(25,456)**	**(25,457)**
190.	**Non-controlling interests (+/-)**	**4**	**104,583**
200.	**Profit (Loss) for the year (+/-)**	**40,300**	**268,634**
	TOTAL LIABILITIES AND EQUITY	**53,738,308**	**55,016,149**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

ITEMS		31/03/2022	31/03/2021
10.	INTEREST AND SIMILAR INCOME	185,047	156,316
	of which: interest income calculated using the effective interest method	182,187	154,206
20.	INTEREST AND SIMILAR EXPENSE	(28,857)	(27,055)
30.	**NET INTEREST INCOME**	**156,190**	**129,261**
40.	FEE AND COMMISSION INCOME	95,919	89,199
50.	FEE AND COMMISSION EXPENSE	(4,457)	(4,411)
60.	**NET FEE AND COMMISSION INCOME**	**91,462**	**84,788**
70.	DIVIDENDS AND SIMILAR INCOME	238	794
80.	NET TRADING RESULT	2,310	18,090
90.	NET HEDGING RESULT	(61)	31
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	14,844	10,911
	a) financial assets measured at amortised cost	8,814	3,862
	b) financial assets measured at fair value through other comprehensive income	6,030	7,075
	c) financial liabilities	-	(26)
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(33,586)	3,098
	b) other financial assets mandatorily measured at fair value	(33,586)	3,098
120.	**TOTAL INCOME**	**231,397**	**246,973**
130.	NET ADJUSTMENTS FOR CREDIT RISK RELATED TO:	(23,381)	(34,976)
	a) financial assets measured at amortised cost	(23,269)	(34,953)
	b) financial assets measured at fair value through other comprehensive income	(112)	(23)
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	(1,217)	(1,581)
150.	**NET FINANCIAL INCOME**	**206,799**	**210,416**
180.	**BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT**	**206,799**	**210,416**
190.	ADMINISTRATIVE EXPENSES:	(159,067)	(146,789)
	a) personnel expenses	(66,565)	(67,329)
	b) other administrative expenses	(92,502)	(79,460)
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(2,299)	8,384
	a) commitments for guarantees given	(2,704)	7,666
	b) other net provisions	405	718
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(8,843)	(9,154)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(3,132)	(3,377)
230.	OTHER OPERATING INCOME/EXPENSE	16,985	18,850
240.	**OPERATING COSTS**	**(156,356)**	**(132,086)**
250.	NET GAINS (LOSSES) ON EQUITY INVESTMENTS	6,572	8,463
280.	GAINS (LOSSES) ON SALES OF INVESTMENTS	88	19
290.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**57,103**	**86,812**
300.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(16,803)	(26,333)
310.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**40,300**	**60,479**
330.	**PROFIT (LOSS) FOR THE PERIOD**	**40,300**	**60,479**
340.	PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	(1,220)
350.	**PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY**	**40,300**	**59,259**
	BASIC EPS	0.089	0.131
	DILUTED EPS	0.089	0.131

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(thousands of euro)

ITEMS	31/03/2022	31/03/2021
10. **Profit (loss) for the period**	**40,300**	**60,479**
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	(2,176)	(253)
70. Defined-benefit plans	(175)	606
90. Share of valuation reserves of equity investments valued at net equity	21	307
Other income items net of income taxes that may be reclassified subsequently to profit or loss		
110. Exchange differences	(1,068)	107
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	(21,814)	(5,617)
160. Share of valuation reserves of equity investments valued at net equity	(544)	1,421
170. **Total other income items net of income taxes**	**(25,756)**	**(3,429)**
180. **Other comprehensive income (Item 10+170)**	**14,544**	**57,050**
190. Consolidated other comprehensive income attributable to non-controlling interests	161	1,252
200. **Consolidated other comprehensive income attributable to the parent company**	**14,383**	**55,798**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

				Allocation of prior year result		Changes during the year										
							Equity transactions									
	Balance at 31/12/2021	Changes in opening balances	Balance at 1/1/2022	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 31/03/2022	**Equity attributable to the Group at 31/03/2022**	**Equity attributable to non-controlling interests at 31/03/2022**
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**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,358)**	**-**	**79,005**	**-**
Reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) from earnings	1,578,288	-	1,578,288	275,020	-	33,891	-	-	-	-	-	-	(64,850)	-	1,822,349	-
b) other	37,851	-	37,851	-	-	-	-	-	-	-	-	-	(1,957)	-	35,894	-
Valuation reserves	**32,276**	**-**	**32,276**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,756)**	**6,520**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,457)**	**-**	**(25,457)**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,456)**	**-**
Profit for the year	**275,020**	**-**	**275,020**	**(275,020)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,300**	**40,300**	**-**
Equity attributable to the Group	**3,270,494**	**-**	**3,270,494**	**-**	**-**	**33,891**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**14,383**	**3,318,769**	**-**
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 31/03/2021	**Equity attributable to the Group at 31/03/2021**	**Equity attributable to non-controlling interests at 31/03/2021**
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	109,743	-	(3,116)	-	-	-	-	-	-	-	-	1,516,947	58,465
b) other	37,851	-	37,851	-	-	-	-	-	-	-	-	-	-	-	35,894	1,957
Valuation reserves	**27,584**	**-**	**27,584**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,429)**	**24,379**	**(224)**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,388)**	**-**	**(25,388)**	**-**	**-**	**-**	**-**	**(38)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,426)**	**-**
Profit for the year	**109,743**	**-**	**109,743**	**(109,743)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,479**	**59,259**	**1,220**
Equity attributable to the Group	**2,997,571**	**-**	**2,997,571**	**-**	**-**	**(3,116)**	**-**	**(38)**	**-**	**-**	**-**	**-**	**-**	**55,798**	**3,050,215**	**-**
Equity attributable to non-controlling interests	**98,103**	**-**	**98,103**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,252**	**-**	**99,355**