Banca Popolare di Sondrio

<u>BOARD OF DIRECTORS APPROVES RESULTS AS AT 30 JUNE 2023</u>

RECORD NET PROFIT AT € 207.1 MILLION - ROE AT 12.5%

STRONG GROWTH IN CORE BANKING BUSINESS
(€ 621.9 million; +23.2% y/y)

SUSTAINED GROWTH IN NET INTEREST INCOME
(€ 427.3 million; +33.4% y/y)

NET COMMISSIONS UP
(€ 194.5 million; +5.4% y/y)

SUPPORT FOR FAMILIES AND BUSINESSES CONFIRMED
(€ 2.5 billion new disbursements)

EXCELLENT COST/INCOME RATIO AT 40.6%

SOLID LIQUIDITY POSITION:
LCR 169%; NSFR 129%; FREE REFINANCIBLE ASSETS AT € 9 BILLION

CET1 RATIO AT 15.8%[1] AND TOTAL CAPITAL RATIO AT 18.4%[1]

"We closed the semester with a record net profit of 207 million euros, confirming our ability to achieve particularly satisfactory results, supporting families and businesses in our area and playing our part in the various phases of the economic cycle. The Bank has halved its recourse to ECB funding and continues in the direction of taking the business towards the new post-pandemic balance," said ***Mario Alberto Pedranzini**, **CEO and General Manager of Banca Popolare di Sondrio**. "Having improved liquidity indicators, asset quality remains high, being able to count on an ever deeper knowledge of our customers, even through sophisticated tools for analysing their needs. We refer in particular to the production chains and their potential, as yet unexpressed, also in terms of development on international markets, all in accordance with the evolutionary guidelines of our Industrial Plan. Constant attention is paid to borrowers in difficulty due to the increase in instalments resulting from the sudden rise in rates. We have adhered to the Corporate Governance Code, promoted by Borsa Italiana, having now aligned our structure with the best practices in the sector. We continue on the path of sustainability, with concrete actions in our daily work; there are more than 2,300 loans made possible by the first green bond, placed two years ago, an experience that we plan to replicate in the coming months with a new issue. As for yesterday's Italian Government's measure regarding the taxation of so-called extra profits of banks, we were taken by surprise and are waiting for the publication of the Decree in order to assess the effects on the bank's balance sheet".*

Sondrio, 8 August 2023 - The Board of Directors of Banca Popolare di Sondrio, which met today under the chairmanship of Prof. Avv. Francesco Venosta, examined and approved the consolidated half-yearly financial report as at 30 June 2023.

In Italy, the economic development of the macroeconomic framework remains positive, although it suffered a setback in the second quarter of the year, as certified by the preliminary estimates released by ISTAT. Consensus forecasts for the second half of 2023 remain cautious, with overall annual GDP growth in the 1% area. Against this backdrop, the Banca Popolare di Sondrio Group has demonstrated that it has been able to cope adequately thanks to its strong commercial positioning in the areas where it operates, recording a record net profit of 207.1 million euros.

Below are some **details on the most important economic and financial indicators**:

- the **net result for the period**, equal to € 207.1 million, reflects the strong increase in income from **ordinary banking activities**, which amounted to € 621.9 million (+23.2% compared to 30 June 2022; net **interest margin** +33.4% and **net commissions** +5.4%). This figure also benefited from the positive contribution of **financial assets** of € 60.4 million, while **operating expenses** rose to € 278.7 million (cost-income ratio nevertheless improved sharply to 40.6%) and **net adjustments** amounted to € 78.9 million. **Charges for the stabilisation of the banking system** amounted to € 40.9 million;
- **capital ratios** remain among the highest when compared to Italian banks subject to ECB supervision. In the phased-in version, the CET1 ratio and Tier1 ratio stand at 15.8%, while the Total Capital ratio is 18.4%. In the fully loaded version, the ratios stand at 15.7% and 18.3%, respectively. These ratios are shown taking into account the portion of profit for the period that can be allocated to self-financing, the inclusion of which in own funds is subject to approval by the Supervisor;
- the constant commitment to integrating **ESG factors** into the **main business processes** is now evidenced, among other things, by the use of a **Counterparty ESG Score** as an additional factor to support **decision-making bodies** and to benefit the **pricing procedure**. The independent **sustainability rating** agency **Standard Ethics,** in April at the conclusion of its annual assessment process, raised the Outlook from stable to positive, confirming the Corporate Rating at EE and the Long-Term Rating at EE+. These ratings allow the bank to feature well in the agency's assessment of Italian banks;
- the **gross impaired loans incidence**, as summarised by the gross NPL ratio, stood at 4.2% (compared to 4.3% in December 2022). Taking into account significant provisions, the ratio of net impaired exposures stood at 1.7% (compared to 1.8% in December 2022). The Bank's intention to continue the derisking process, anticipating the Plan's objectives, remains firm;
- the **coverage ratios of impaired loans**, from a prudential perspective, increased further, being among the highest in the sample of Italian banks subject to ECB supervision. Compared to 31 December 2022, the **coverage ratio of total non-performing loans** rose to 60.3% from 58.3%, the **coverage ratio** referring only to **positions classified as bad loans** stood at 83.2% from 76.5%, exceeding 90% with the inclusion of amounts transferred to the profit and loss account in previous years on positions already classified as bad loans for which accounting evidence is maintained against a prospect of eventual recoveries. The coverage level for **unlikely-to-pay** remained substantially stable at 51.3% from 51.2%, while the coverage rate for **performing loans** increased to 0.53% from 0.45%;
- the **cost of risk** stood at 47 basis points, remaining broadly in line with the figure for the last three quarters. The indicator includes a further increase in managerial overlays, which also include ESG risk components, now totalling about € 120 million. The **default rate** at 30 June 2023 stood at 0.95% from 0.86% at 31 December 2022;
- the **texas** ratio, the ratio of total net impaired loans to tangible equity, decreased further to 16.6% from 18.2% at the end of December 2022;

- **direct funding from customers** amounted to € 39,091 million (+2.3% compared to 30 June 2022, -6.4% compared to the end of 2022) and was affected in particular by the contraction in institutional funding and the tendency of customers to divert their liquidity to other forms of investment. Excluding funding from institutional investors, the aggregate shows substantial stability since the beginning of the year (-0.3%);
- **indirect deposits**, at € 42,720 million, increased from € 39,059 million at the end of 2022 (+9.4%), also benefiting from the positive performance of financial markets in the first half of the year. Assets under administration amounted to € 35,929 million compared to € 32,672 million as at 31 December 2022 (+10%). Assets under management amounted to € 6,791 million compared to € 6,386 million at the end of 2022 (+6.3%) and, in addition to the aforementioned favourable market dynamics, incorporated positive net inflows;
- **insurance deposits** amounted to € 2,028 million compared to € 1,958 million as at 31 December 2022 (+3.6%), with net inflows also positive;
- **loans to customers** reached € 33,300 million, up slightly (+0.8%) from € 33,020 million at the end of 2022. Disbursements for the period amounted to about € 2.5 billion, in line with the Business Plan expectations (€ 3.1 billion the disbursements in the first half of 2022, of which more than € 200 million were backed by state guarantees);
- **liquidity indicators**, both short-term (Liquidity Coverage Ratio) and medium-term (Net Stable Funding Ratio), were well above the minimum regulatory requirements. The Liquidity Coverage Ratio stood at 169% (up from 155% on 31/03/2023 and 137% in the first half of 2022), even against the repayment of the TLTRO funding tranche maturing in June (€ 4.4 billion), the Net Stable Funding Ratio stands at 129%;
- the contribution made to the Group's net result by **subsidiaries and associates** remained positive. Of particular note are the economic results achieved by BPS SUISSE and Factorit, which totalled € 31.8 million compared to € 21.3 million in the first half of 2022 (+49.1%).

Income results (million euro)	**30/06/2023**	**30/06/2022**	**Change**
Result from core banking activities	621.9	504.8	+23.2%
of which interest margin	427.3	320.3	+33.4%
of which net commissions	194.5	184.5	+5.4%
Result from financial activities	60.4	47.5	+27.3%
Result of other fin. activities at FVTPL	3.9	-67.6	n.s.
Intermediation margin	686.2	484.7	+41.6%
Net value adjustments (*)	78.9	43.8	+80.1%
Operating costs (*) (**)	278.7	256.2	+8.8%
System charges (**)	40.9	40.0	+2.0%
Profit before tax	301.9	153.9	+96.2%
Net result	207.1	105.1	+97.1%

The result from financial activities is the sum of items 70 - 80 - 90 - 100 in the income statement.
The result of other financial assets measured at FVTPL is comprised in item 110b of the income statement.

(*) As at 30 June 2023, € 10.8 million of net provisions for credit risk for commitments and guarantees, initially included in net provisions for risks and charges in the income statement, were reclassified to net value adjustments. Gains on disposal of € 1.1 million initially included in gains/losses on financial assets measured at amortised cost were also reclassified. The results as at 30 June 2022 have been made consistent.
(**) System charges were separated from operating costs.

Balance sheet aggregates (million euro)	**30/06/2023**	**31/12/2022**	**Change**
Direct customer deposits	39,091	41,771	-6.4%
Indirect customer deposits	42,720	39,059	+9.4%
Assets under administration	35,929	32,672	+10.0%
Assets under management	6,791	6,386	+6.3%
Insurance deposits from customers	2,028	1,958	+3.6%
Total customer deposits	83,840	82,787	+1.3%
Net loans to customers	33,300	33,020	+0.8%

Performance Indicators	**30/06/2023**	**31/12/2022**
Cost-income ratio	40.6%	49.1%
Cost of credit risk	0.47%	0.51%
Gross NPL ratio	4.2%	4.3%
CET 1 ratio - *phased in*[1]	15.8%	15.4%
Total Capital ratio - *phased in*[1]	18.4%	18%

The following comments refer to the data presented in the attached "Summary of Reclassified Consolidated Income Statement".

The Group's Economic Performance

Consolidated **net profit** as at 30 June 2023 amounted to € 207.1 million, compared to € 105.1 million in the reference period. This result stems from a consolidated gross profit of € 301.9 million, from which taxes of € 94.8 million must be deducted, corresponding to a tax rate of 31.4%.

Net interest income amounted to € 427.3 million, an increase of 33.4% compared to 30 June 2022. As regards the commercial component relating to the intermediation activity with customers, the widening of the spread continued, consistent with the current context of a significant rise in market interest rates. The coupon flow from the proprietary securities portfolio more than doubled compared to the reference period, relying on the high incidence of floating-rate securities. These elements more than offset the negative margins of the interbank channel, largely linked to the cost of refinancing operations in place with the ECB.

Net fee and commission income from services amounted to € 194.5 million, showing a good increase (+5.4%) compared to € 184.5 million in the reference period, bucking the negative trend shown by the main Italian banking operators. This performance reflects the growth in income from loans, current account maintenance and management, guarantees issued, collection and payment services, bancassurance, securities business with customers and International Service operations.

The **result from financial activities** was a positive € 60.4 million, compared to € 47.5 million in the reference period. **Dividends** received amounted to € 2.3 million, down from € 5.7 million on 30 June 2022, partly due to payments that will be merely postponed to the second half of the year. The **result from trading activities** amounted to € 54.9 million, compared to € 2.7 million in the comparison period. **Gains on disposal or repurchase** amounted to € 3.2 million, compared to € 39.2 million in June 2022.

The **result from other financial assets measured at fair value** (item 110b) turned positive by € 3.9 million compared to the negative contribution of € 67.6 million in the reference period. In this respect, capital gains on loans to customers measured at fair value amounted to € 1.1 million, compared to the € 17.2 million capital loss recognised as at 30 June 2022. Other components, mainly related to fixed-income funds (UCITS) whose stock has been significantly reduced since the last quarter of 2022, generated capital gains of € 2.8 million compared to capital losses of € 50.3 million in the first six months of 2022.

Intermediation margin therefore amounted to € 686.2 million from € 484.7 million in the reference period (+41.6%).

Net value adjustments amounted to € 78.9 million compared to € 43.8 million in the reference period (+80.1%). The indicator includes a further increase in managerial overlays, which also include ESG risk components, now totalling about € 120 million.

For an easier reading of the amount of net value adjustments, the following is noted:

- item 130 of the profit and loss account, which relates to exposures to customers and banks in the form of both loans and securities, amounts to €73.7 million and consists almost entirely of adjustments relating to financial assets measured at amortised cost;
- item 140, which recognises gains/losses from contractual changes without cancellations, arising from changes in contractual cash flows, was positive by € 4.5 million in the reporting period;
- the aggregate of the aforementioned items thus amounts to € 69.2 million. If we take into account the € 10.8 million net provisions relating to credit risk for commitments and guarantees, and the € 1.1 million gain on the sale of receivables, we obtain € 78.9 million in net value adjustments.

The ratio of net value adjustments (€ 78.9 million) to net loans to customers (€ 33,300 million), the so-called **cost of credit**, was therefore 0.47%, compared to 0.51% in December 2022.

The **net result from financial operations** amounted to € 607.3 million, compared to € 440.9 million in the reference period (+37.7%).

Operating expenses increased (+8.8%) to € 278.7 million from € 256.2 million in the reference period. Other administrative expenses amounted to € 137.2 million, compared to € 130.7 million in the reference period (+5%), also reflecting the well-known inflationary dynamics in the economy. Personnel expenses amounted to € 141.9 million from € 130.7 million in the first half of 2022 (+8.5%), reflecting both further growth in the workforce and, in part, future increases in labour costs also linked to the contractual renewal currently being negotiated. Overall administrative expenses therefore amounted to € 279.1 million, up from € 261.4 million (+6.8%) in the reference period.
Net provisions for risks and charges showed provisions of € 12.6 million, compared to € 6.2 million in the reference period.
Adjustments to tangible and intangible assets amounted to € 31.9 million, up from € 27.5 million as at 30 June 2022 (+15.9%).
Other operating expenses and income were positive at € 44.9 million, compared to € 38.9 million in the reference period (+15.2%).
In light of the above, the **cost-income ratio**, calculated as the ratio of operating expenses to net banking income, was 40.6% from 49.1% as at 31 December 2022.

The **operating result** therefore amounted to € 328.6 million, compared to € 184.7 million in June 2022 (+77.9%).

Charges for stabilising the banking system amounted to € 40.9 million, compared to € 40 million in the reference period (+2.0%).

Gains/losses on participations and other investments showed a positive balance of € 14.2 million, compared to € 9.2 million in the reference period.

The **total pre-tax result** therefore amounted to € 301.9 million, compared to € 153.9 million as at 30 June 2022. Finally, after deducting **income tax** of € 94.8 million, we arrive at a **net profit for the period** of € 207.1 million, which compares with € 105.1 million as at 30 June 2022.

Balance sheet aggregates

Direct funding from customers amounted to € 39,091 million (+2.3% compared to 30 June 2022, -6.4% compared to the end of 2022) and was affected in particular by the contraction in institutional funding and the tendency of customers to divert their liquidity to other forms of investment. Excluding funding from institutional investors, the aggregate shows substantial stability since the beginning of the year (-0.3%).

Indirect deposits, influenced by positive market trends, stood at € 42,720 million compared to € 39,059 million at the end of 2022 (+9.4%). Assets under administration totalled € 35,929 million, compared with € 32,672 million as at 31 December 2022 (+10%). Assets under management, at € 6,791 million compared to € 6,386 million in the reference period (+6.3%), benefited from positive net inflows, as well as the favourable market effect. **Insurance deposits**, which are progressing more positively than expected, totalled € 2,028 million from € 1,958 million in the comparison period (+3.6%), with positive net inflows. **Total customer deposits** therefore stood at € 83,840 million from € 82,787 million at the end of 2022 (+1.3%).

Net loans to customers, the sum of those measured at amortised cost and those measured at fair value with impact on the income statement, amounted to € 33,300 million, up slightly from € 33,020 million at the end of 2022 (+0.8%).
Net impaired loans totalled € 577 million, down from € 609 million as at 31 December 2022 (-5.1%). As a percentage of total net loans, they amounted to 1.7%, in line with the figure at the end of 2022. Coverage levels remained particularly high; that referring to total impaired positions stood at 60.3% from 58.3% at the end of 2022.
In this context, **net bad loans** amounted to € 87 million (-28.5%), accounting for 0.3% of total loans to customers, down from 0.4% at the end of 2022. The coverage ratio was 83.2%, compared to 76.5% in the comparative period; taking into account the amounts passed on to the profit and loss account in previous years on positions already classified as non-performing for which accounting evidence is maintained, against a prospect of eventual recoveries, the coverage for these loans stood at 94.3%.
Net unlikely-to-pay amounted to € 414 million compared to € 430 million as at 31 December 2022 (-3.8%), with a coverage ratio substantially stable at 51.3%; the ratio of these to total loans stood at 1.2% from 1.3% in the reference period.
Net impaired exposures past due and/or in arrears amounted to € 76 million from € 57 million at the end of 2022 (+34.8%), with a coverage ratio of 11% compared to 7.8% at the end of 2022 and an incidence to total loans of 0.2%, in line with last year. The coverage ratio for performing loans increased to 0.53% from 0.45%.

Financial assets, represented by proprietary securities and derivatives, amounted to € 13,475 million, down € 192 million (-1.4%) when compared with the volumes recorded at the end of the previous year. In more detail: **financial assets held for trading** rose from € 179.7 million at the end of 2022 to € 185.9 million at June 2023 (+3.5%); **other financial assets mandatorily measured at fair value** fell from € 686.8 million at 31 December 2022 to € 212.6 million at 30 June 2023 (-69%); **financial assets measured at fair value with an impact on comprehensive income** rose from € 2,556 million at the end of 2022 to € 2,732 million in the current period (+6.9%), while the volume of **financial assets measured at amortised cost** rose from € 10,245 million at the end of 2022 to € 10,345 million at 30 June 2023 (+1.0%). The total volume of Italian government bonds instead stood at € 6,858 million, down (-12.1%) from € 7,800 million at the end of 2022. With reference to the latter aggregate, the volume of floating-rate and inflation-indexed securities stood at around € 5.6 billion, down from around € 6.3 billion at 31 December 2022 (-11.6%).

The share of the portfolio allocated to **ESG debt securities** increased further to € 1,423 million[2].

Equity investments amounted to € 360 million, up from € 323 million at the end of 2022, benefiting from the increase in equity reserves of some investee companies.

The Group's exposure to the ECB amounted to € 4,506 million and related solely to **TLTRO III** operations, which decreased, following the repayment of € 4,368 million on 28 June 2023, compared to 31 December 2022 when it amounted to € 8,874 million.

At 30 June 2023, the **liquidity indicators**, both short-term (LCR-Liquidity Coverage Ratio) and medium/long-term (NSFR-Net Stable Funding Ratio), were well above the minimum requirement for the current financial year (100%). The Liquidity Coverage Ratio stood at 169% from 137% in the first half of 2022, even against the repayment of the TLTRO funding tranche maturing in June (€ 4.4 billion). The Net Stable Funding Ratio stood at 129%.

The Group can always rely on a substantial **portfolio of refinanceable assets,** which, net of haircuts applied, amounted to €17,437 million compared to €17,347 million at 31 March 2023. This aggregate also includes ECB-eligible securities amounting to around €1 billion resulting from the self-securitisation of loans to small and medium-sized enterprises finalised in June. **Available assets** amounted to € 9,301 million, up significantly from € 5,599 million at 31/03/2023.

Consolidated shareholders' equity, including profit for the period, amounted to € 3,510 million as at 30 June 2023, up € 123 million on the figure at the end of 2022 (+3.6%).

Consolidated (phased-in) **regulatory capital**[1] as at 30 June 2023 amounted to € 3,874 million, compared to the 31 December 2022 figure of € 3,779 million (+2.5%).

The **capital ratios**[1] for regulatory purposes as at 30 June 2023, calculated on the basis of regulatory capital, were equal to:

- CET1 ratio: 15.8% (phased-in), 15.7% (fully phased-in);
- Tier1 ratio: 15.8% (phased-in), 15.7% (fully phased-in);
- Total Capital ratio: 18.4% (phased-in), 18.3% (fully phased-in).

The **Leverage Ratio** as at 30 June 2023 is, applying the transitional criteria in force (phased in), 5.63% and, depending on the criteria envisaged when fully phased in, 5.59%.

The **MREL Ratio** remains significantly above the regulatory requirement, standing at 29.2% from 28.6% at the end of 2022.

As at 30 June 2023, the Banking Group's workforce consisted of 3,504 employees, an increase of 48 resources compared to the situation at the end of 2022.

As regards the **outlook for operations**, the latest evidence from the macroeconomic context projects a slowdown in economic activity in Italy, which is expected to record modest growth rates in the second half of the year. Inflationary pressures, although lower than previous peaks, and uncertainty linked to the evolution of the geopolitical framework, with reference for Europe in particular to the Russian-Ukrainian war, will continue to condition the choices of businesses and families.
Against this backdrop, our Group, thanks to its solid equity position, diversified business model and prudent management choices, expects to achieve positive results in line with the first half of the year.

We hereby inform that the Board of Directors of Banca Popolare di Sondrio S.p.A. has resolved to adhere to the Corporate Governance Code of Listed Companies, approved by the Corporate Governance Committee promoted by Borsa Italiana S.p.A.
Banca Popolare di Sondrio S.p.A. will provide information to the market on the application of the new Corporate Governance Code for Listed Companies in the Report on Corporate Governance and Ownership Structure.

The consolidated half-yearly financial report as at 30 June 2023 will be published on the corporate website "https://istituzionale.popso.it/en" and deposited on the authorised eMarket Storage mechanism "https://www.emarketstorage.it/en" and at the bank's head office.

DECLARATION

Pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, the manager in charge of preparing the company's financial reports, Mr. Maurizio Bertoletti, declares that the accounting information contained in this press release corresponds to the documented results, books and accounting records.
Signed:
Maurizio Bertoletti, manager in charge of preparing corporate accounting documents.

Annexes:

summary of the main consolidated results;
key consolidated balance sheet indicators;
aggregates and consolidated credit quality indicators;
financial assets by portfolio
consolidated aggregates and capital adequacy indicators;
consolidated balance sheet and income statement;
reclassified consolidated income statement summary;
statement of quarterly development of the reclassified consolidated profit and loss account.

The conference call to illustrate the consolidated results of the Banca Popolare di Sondrio Group as at 30 June 2023 will be held today at 4pm. The numbers to access the conference are as follows:

- from Italy: +39 02 802 09 11
- from the United Kingdom: +44 1 212818004
- from the USA (international local number): +1 718 7058796
- from the USA (toll-free): 1 855 2656958

The presentation will take place in Italian, with simultaneous translation into English. Link to live audio webcast:
https://87399.choruscall.eu/links/bpds230808.html
The presentation material will be available for download in the Investor Relations/Financial Presentations section of our website https://istituzionale.popso.it/en shortly before the start of the event.

Notes:

1) Capital ratios are shown taking into account the portion of the profit for the period that can be allocated to self-financing, the inclusion of which in own funds is subject to approval by the Supervisor.
2) Management information.

Company contacts:

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The English translation is provided only for the benefit of the reader, and, in the case of discrepancies, the Italian version shall prevail.

RESULTS IN BRIEF

(in million of euro)			
Balance sheet	**30/06/2023**	**31/12/2022**	**Change %**
Loans to customers	33,300	33,020	0.85
Loans and receivables with customers measured at amortised cost	32,952	32,632	0.98
Loans and receivables with customers measured at fair value through profit or loss	348	387	-10.31
Loans and receivables with banks	1,964	1,865	5.30
Financial assets that do not constitute loans	13,475	13,667	-1.41
Equity investments	360	323	11.67
Total assets	53,971	57,854	-6.71
Direct funding from customers	39,091	41,771	-6.42
Indirect funding from customers	42,720	39,059	9.38
Direct funding from insurance premiums	2,028	1,958	3.61
Customer assets under administration	83,840	82,787	1.27
Other direct and indirect funding	18,763	20,177	-7.01
Equity	3,510	3,387	3.63
Income statement	**30/06/2023**	**30/06/2022**	**Var. %**
Net interest income	427	320	33.41
Total income	686	485	41.57
Profit from continuing operations	302	154	96.20
Profit (loss) for the period	207	105	97.11
Capital ratios	**30/06/2023**	**31/12/2022**	
CET1 Capital ratio (phased-in)	15.80%	15.39%	
Total Capital ratio (phased-in)	18.36%	17.95%	
Free capital	2,186	2,095	
Other information on the banking group	**30/06/2023**	**31/12/2022**	
Number of employees	3,504	3,456	
Number of branches	373	373	

ALTERNATIVE PERFORMANCE INDICATORS

Key ratios	30/06/2023	31/12/2022
Equity/Direct funding from customers	8.98%	8.11%
Equity/Loans and receivables with customers	10.54%	10.26%
Equity/Financial assets	26.05%	24.78%
Equity/Total assets	6.50%	5.86%
Profitability indicators	**30/06/2023**	**30/06/2022**
Cost/Income ratio *	40.61%	52.86%
Net interest income/Total income *	62.28%	66.08%
Administrative expenses/Total income *	40.67%	53.92%
Net interest income/Total assets	0.79%	0.59%
Net financial income/Total assets *	1.13%	0.76%
Net profit for the year/Total assets	0.38%	0.19%
Asset quality indicators	**30/06/2023**	**31/12/2022**
Texas ratio	16.62%	18.16%
Net non-performing loans/Equity	2.48%	3.60%
Net non-performing loans/Loans and receivables with customers	0.26%	0.37%
Loans and receivables with customers/Direct funding from customers	85.18%	79.05%
Cost of credit *	0.47%	0.51%

** Ratios have been calculated using the values as shown in the reclassified summary income statement*

LOANS TO CUSTOMERS - NON PERFORMING AND PERFORMING EXPOSURES 30/06/2023

(in thousands of euro)	Gross exposure		Impairment losses	Net exposure		Coverage
Non performing exposures	**(4,23%)**	**1,454,285**	**876,921**	**(1,73%)**	**577,364**	**60.30%**
of which Bad loans	**(1,51%)**	519,445	432,313	**(0,26%)**	87,132	83.23%
of which Unlikely to pay	**(2,47%)**	848,881	435,129	**(1,24%)**	413,752	51.26%
of which Past due	**(0,25%)**	85,959	9,479	**(0,23%)**	76,480	11.03%
Performing exposures	**(95,77%)**	**32,895,513**	**173,296**	**(98,27%)**	**32,722,217**	**0.53%**
Total loans to customers	**(100%)**	**34,349,798**	**1,050,217**	**(100%)**	**33,299,581**	**3.06%**

LOANS TO CUSTOMERS - NON PERFORMING AND PERFORMING EXPOSURES 31/12/2022

(in thousands of euro)	Gross exposure		Impairment losses	Net exposure		Coverage
Non performing exposures	**(4,29%)**	**1,460,176**	**851,581**	**(1,84%)**	**608,596**	**58.32%**
of which Bad loans	(1,52%)	517,931	396,094	(0,37%)	121,837	76.48%
of which Unlikely to pay	(2,59%)	880,694	450,688	(1,3%)	430,006	51.17%
of which Past due	(0,18%)	61,551	4,798	(0,17%)	56,753	7.80%
Performing exposures	**(95,71%)**	**32,557,337**	**145,754**	**(98,16%)**	**32,411,583**	**0.45%**
Total loans to customers	**(100%)**	**34,017,513**	**997,335**	**(100%)**	**33,020,179**	**2.93%**

FINANCIAL ASSETS BY PORTFOLIO
30/06/2023

(in thousands of euro)	Total	of which italian government securities	of which foreign government securities
Financial assets held for trading	185,944	0	0
Other financial assets mandatorily measured at fair value	212,580	0	0
Financial assets valued at fair value through other comprehensive income	2,731,981	1,416,995	740,010
Financial assets measured at amortised cost	10,344,638	5,440,748	2,829,409
Total	**13,475,143**	**6,857,743**	**3,569,419**

FINANCIAL ASSETS BY PORTFOLIO
31/12/2022

(in thousands of euro)	Total	of which italian government securities	of which foreign government securities
Financial assets held for trading	179,665	0	0
Other financial assets mandatorily measured at fair value	686,768	0	0
Financial assets valued at fair value through other comprehensive income	2,555,705	1,696,969	338,768
Financial assets measured at amortised cost	10,245,242	6,102,697	2,329,482
Total	**13,667,380**	**7,799,666**	**2,668,250**

CAPITAL RATIOS
30/06/2023

(in thousands of euro)	Phased-in	Fully-phased
Total own funds	**3,874,474**	**3,851,341**
of which Common Equity Tier 1 capital (CET1)	3,334,280	3,311,147
of which Additional Tier 1 capital (AT1)	0	0
of which Tier 2 capital (T2)	540,194	540,194
RWA	**21,106,631**	**21,103,182**
CET 1 ratio	**15.80%**	**15.69%**
Tier 1 ratio	**15.80%**	**15.69%**
Total capital ratio	**18.36%**	**18.25%**
Leverage ratio	**5.63%**	**5.59%**

CAPITAL RATIOS
31/12/2022

(in thousands of euro)	Phased-in	Fully-phased
Total own funds	**3,779,302**	**3,759,569**
of which Common Equity Tier 1 capital (CET1)	3,239,887	3,220,153
of which Additional Tier 1 capital (AT1)	0	0
of which Tier 2 capital (T2)	539,416	539,416
RWA	**21,049,013**	**21,046,458**
CET 1 ratio	**15.39%**	**15.30%**
Tier 1 ratio	**15.39%**	**15.30%**
Total capital ratio	**17.95%**	**17.86%**
Leverage ratio	**5.15%**	**5.12%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS			30/06/2023		31/12/2022
10.	CASH AND CASH EQUIVALENTS		**2,702,629**		**6,990,689**
20.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**746,212**		**1,254,070**
	a) financial assets held for trading	185,944		179,665	
	c) financial assets mandatorily at fair value through profit or loss	560,268		1,074,405	
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		**2,731,981**		**2,555,705**
40.	FINANCIAL ASSETS AT AMORTISED COST		**44,192,950**		**43,870,637**
	a) loans and receivables with banks	1,964,060		1,865,249	
	b) loans and receivables with customers	42,228,890		42,005,388	
50.	HEDGING DERIVATIVES		**541**		**248**
60.	FAIR VALUE CHANGE IN HEDGED FINANCIAL ASSETS (+/-)		**(395)**		**(198)**
70.	EQUITY INVESTMENTS		**360,273**		**322,632**
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**680,894**		**650,908**
100.	INTANGIBLE ASSETS		**36,995**		**36,669**
	of which:				
	- goodwill	16,997		16,997	
110.	TAX ASSETS		**304,017**		**342,647**
	a) current	1,903		17,654	
	b) deferred	302,114		324,993	
130.	OTHER ASSETS		**2,214,823**		**1,830,354**
	TOTAL ASSETS		**53,970,920**		**57,854,361**

LIABILITY AND EQUITY			30/06/2023		31/12/2022
10.	FINANCIAL LIABILITIES AT AMORTISED COST		**48,187,962**		**53,152,710**
	a) due to banks	9,096,877		11,381,703	
	b) due to customers	35,397,105		38,122,246	
	c) securities issued	3,693,980		3,648,761	
20.	FINANCIAL LIABILITIES HELD FOR TRADING		**41,449**		**115,871**
40.	HEDGING DERIVATIVES		**179**		**227**
60.	TAX LIABILITIES		**54,585**		**32,359**
	a) current	28,784		3,160	
	b) deferred	25,801		29,199	
80.	OTHER LIABILITIES		**1,828,445**		**834,629**
90.	PROVISION FOR POST-EMPLOYMENT BENEFITS		**33,510**		**35,597**
100.	PROVISIONS FOR RISKS AND CHARGES:		**314,367**		**295,528**
	a) loans commitments and	74,058		63,204	
	b) pensions and similar	167,125		167,827	
	c) other provisions	73,184		64,497	
120.	VALUATION RESERVES		**(40,828)**		**(68,086)**
150.	RESERVES		**1,930,387**		**1,790,468**
160.	SHARE PREMIUM		**78,949**		**78,978**
170.	SHARE CAPITAL		**1,360,157**		**1,360,157**
180.	TREASURY SHARES (-)		**(25,342)**		**(25,402)**
190.	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		**14**		**4**
200.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**207,086**		**251,321**
	TOTAL LIABILITIES AND EQUITY		**53,970,920**		**57,854,361**

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS			30/06/2023		30/06/2022
10.	INTEREST AND SIMILAR INCOME		812,689		375,593
	of which: interest calculated using the effective interest method	804,986		371,096	
20.	INTEREST AND SIMILAR EXPENSE		(385,352)		(55,284)
30.	**NET INTEREST INCOME**		**427,337**		**320,309**
40.	FEE AND COMMISSION INCOME		205,428		193,454
50.	FEE AND COMMISSION EXPENSE		(10,888)		(8,935)
60.	**NET FEE AND COMMISSION INCOME**		**194,540**		**184,519**
70.	DIVIDENDS AND SIMILAR INCOME		2,308		5,686
80.	NET TRADING INCOME		54,928		2,726
90.	NET HEDGING INCOME		(32)		(134)
100.	NET GAINS FROM SALES OR REPURCHASES OF:		4,330		38,761
	a) financial assets at amortized cost	4,113		27,746	
	b) financial assets at fair value through other comprehensive income	131		11,013	
	c) financial liabilities	86		2	
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		3,885		(67,585)
	b) other financial assets mandatorily measured at fair value		3,885		(67,585)
120.	**TOTAL INCOME**		**687,296**		**484,282**
130.	NET IMPAIRMENT LOSSES FOR CREDIT RISK RELATING TO:		(73,706)		(31,018)
	a) financial assets at amortized cost	(73,208)		(31,444)	
	b) financial assets at fair value through other comprehensive income	(498)		426	
140.	NET GAINS FORM CONTRACTUAL CHANGES WITHOUT DERECOGNITION		4,509		(760)
150.	**NET FINANCIAL INCOME**		**618,099**		**452,504**
180.	**NET FINANCIAL INCOME AND INSURANCE INCOME**		**618,099**		**452,504**
190.	ADMINISTRATIVE EXPENSES:		(323,860)		(301,916)
	a) personnel expenses	(145,820)		(131,220)	
	b) other administrative expenses	(178,040)		(170,696)	
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		(23,423)		(17,868)
	a) commitments for guarantees given	(10,847)		(11,620)	
	b) other net provisions	(12,576)		(6,248)	
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(24,265)		(20,556)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(7,645)		(6,966)
230.	OTHER NET OPERATING INCOME		48,821		39,446
240.	**OPERATING COSTS**		**(330,372)**		**(307,860)**
250.	SHARE OF PROFITS OF INVESTEES		15,522		8,897
260.	NET FAIR VALUE LOSSES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED		(1,490)		(1,430)
280.	NET GAINS ON SALES OF INVESTMENTS		158		1,771
290.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**301,917**		**153,882**
300.	TAXES ON INCOME FOR THE YEAR FOR CONTINUING OPERATIONS		(94,831)		(48,821)
310.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**207,086**		**105,061**
330.	**NET PROFIT (LOSS) FOR THE PERIOD**		**207,086**		**105,061**
340.	NET (PROFIT) LOSS OF THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS		-		-
350.	**NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF PARENT BANK**		**207,086**		**105,061**
	EARNINGS (LOSS) PER SHARE		0.457		0.232
	DILUTED EARNINGS (LOSSES) PER SHARE		0.457		0.232

RECLASSIFIED CONSOLIDATED SUMMARY INCOME STATEMENT

(in thousands of euro)	30/06/2023	30/06/2022	(+/-)	% change
Net interest income	427,337	320,309	107,028	33.41
Dividends and similar income	2,308	5,686	-3,378	-59.41
Net fee and commission income	194,540	184,519	10,021	5.43
Net gains on financial assets [a]	58,117	41,785	16,332	39.09
Result of other financial assets at FVTPL [b]	3,885	-67,585	71,470	n.s.
of which Loans	1,082	-17,244	18,326	n.s.
of which Other	2,803	-50,341	53,144	n.s.
Total income	**686,187**	**484,714**	**201,473**	**41.57**
Net impairment losses [c]	-78,935	-43,830	-35,105	80.09
Net financial income	**607,252**	**440,884**	**166,368**	**37.74**
Personnel expenses [d]	-141,874	-130,724	-11,150	8.53
Other administrative expenses [e]	-137,183	-130,656	-6,527	5.00
Other net operating income [d]	44,875	38,950	5,925	15.21
Net accruals to provisions for risks and charges [f]	-12,576	-6,248	-6,328	101.28
Depreciation and amortisation on tangible and intangible assets	-31,910	-27,522	-4,388	15.94
Operating costs	**-278,668**	**-256,200**	**-22,468**	**8.77**
Operating result	**328,584**	**184,684**	**143,900**	**77.92**
Charges for the stabilization of the banking System [e]	-40,857	-40,040	-817	2.04
Share of profits of investees and net gains on sales of investments	14,190	9,238	4,952	53.60
Pre-tax profit from continuing operations	**301,917**	**153,882**	**148,035**	**96.20**
Income taxes	-94,831	-48,821	-46,010	94.24
Net profit (loss) for the period	**207,086**	**105,061**	**102,025**	**97.11**
Net (profit) loss of the period attributable to minority interests	0	0	0	n.s.
Net profit (loss) for the period attributable to the owners of Parei	**207,086**	**105,061**	**102,025**	**97.11**

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 at FVTPL consists of item 110 in the income statement.

[c] Net impairment losses is made up of the sum of items 130 - 140 - 200 a) in the income statement. Reclassified losses related to NPL disposals for 1,109 € million initially included in item gains/losses on financial assets valued at amortized cost showing them among net impairment losses.

[d] Reclassified personnel expenses and other operating income by netting them off against the proceeds of the retirement employees fund for 3,946 € million;

[e] Charges for the stabilization of the banking Systems were separated from other administrative expenses;

[f] Net accruals to provisions for risks and charges consists of item 200 b) in the income statement.

The results at 30/06/2022 have been made consistent with those of 2023.

RECLASSIFIED CONSOLIDATED QUARTERLY INCOME STATEMENTS

(in million of euro)	Q2 - 2023	Q1 - 2023	Q4 - 2022	Q3 - 2022	Q2 - 2022
Net interest income	235.3	192.0	203.8	156.9	164.1
Dividends and similar income	1.6	0.7	0.4	0.4	5.4
Net fee and commission income	98.1	96.5	104.2	91.8	93.1
Net gains on financial assets [a]	28.3	29.8	24.2	3.6	24.6
Result of other financial assets at FVTPL [b]	-8.8	12.7	6.6	-6.6	-34.0
of which Loans	-1.8	2.9	4.7	2.1	-4.3
of which Other	-7.0	9.8	1.9	-8.6	-29.7
Total income	**354.5**	**331.7**	**339.2**	**246.2**	**253.3**
Net impairment losses [c]	-39.1	-39.8	-65.9	-60.1	-16.5
Net financial income	**315.4**	**291.9**	**273.3**	**186.2**	**236.8**
Personnel expenses [d]	-72.9	-69.0	-69.1	-69.3	-64.2
Other administrative expenses [e]	-69.2	-68.0	-71.3	-60.1	-68.2
Other net operating income [d]	22.9	22.0	20.4	22.9	22.1
Net accruals to provisions for risks and charges [f]	-7.2	-5.4	-6.5	-1.5	-6.7
Depreciation and amortisation on tangible and intangible assets	-16.5	-15.4	-18.2	-16.8	-15.5
Operating costs	**-142.9**	**-135.7**	**-144.8**	**-124.8**	**-132.5**
Operating result	**172.5**	**156.1**	**128.5**	**61.4**	**104.2**
Charges for the stabilization of the banking System [e]	-5.9	-35.0	-2.9	-3.0	-10.0
Share of profits of investees and net gains on sales of investments	1.2	13.0	10.6	5.3	2.6
Pre-tax profit from continuing operations	**167.8**	**134.1**	**136.3**	**63.7**	**96.8**
Income taxes	-55.1	-39.7	-36.2	-17.5	-32.0
Net profit (loss) for the period	**112.7**	**94.4**	**100.0**	**46.2**	**64.8**
Net (profit) loss of the period attributable to minority interests	0.0	**0.0**	0.0	0.0	0.0
Net profit (loss) for the period attributable to the owners of Parent	**112.7**	**94.4**	**100.0**	**46.2**	**64.8**

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 at FVTPL consists of item 110 in the income statement.
[c] Net impairment losses is made up of the sum of items 130 - 140 - 200 a) in the income statement.
[d], [e] and [f] The amounts are shown in accordance with the reclassifications shown in the reclassified consolidated summary of income statement.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(in thousands of euro)

	ITEMS	30/06/2023	30/06/2022
10.	**Profit (loss) for the period**	**207,086**	**105,061**
	Other income items net of income taxes that will not be reclassified to profit or loss		
20.	Variable-yield securities measured at fair value through other comprehensive income	(159)	(1,565)
70.	Defined-benefit plans	2,909	23,288
90.	Share of valuation reserves of equity investments valued at net equity	80	26
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
120.	Exchange differences	(249)	(728)
150.	Financial assets (other than variable-yield securities) measured at fair value through other comprehensive income	513	(67,815)
170.	Share of valuation reserves of equity investments valued at net equity	24,164	(2,516)
200.	**Total other income items net of income taxes**	**27,258**	**(49,310)**
210.	**Comprehensive income (Item 10+200)**	**234,344**	**55,751**
220.	Consolidated comprehensive income attributable to minority interests	-	161
230.	**Consolidated comprehensive income attributable to the Parent Company**	**234,344**	**55,590**