



Banca Popolare di Sondrio

PRESS RELEASE

RESULTS OF THE 2023 ECB/SSM STRESS TEST CONFIRM THE STRENGTH OF THE BANCA POPOLARE DI SONDRIO GROUP IN BOTH THE BASE AND THE ADVERSE SCENARIOS.

Banca Popolare di Sondrio Group, together with 41 other banks in the Eurozone, was subject to the 2023 Stress Test conducted by the ECB according to a methodological framework similar to that of the stress exercise carried out simultaneously by the EBA on a sample of the 57 most significant institutions.

Banca Popolare di Sondrio takes note of the communication released today by the ECB on the outcome of the Stress Test.

The two macroeconomic scenarios used for the baseline and adverse simulations cover a three-year horizon (2023-25). While the first scenario assumes an ordinary development of the business context, the second is characterized by an escalation of international geo-political tensions and a serious deterioration of the macroeconomic situation, accompanied by forecasts of high and persistent inflation and substantial increases in interest rates over time.

As in the past, the Stress Test was conducted under the assumption of a static balance sheet as of 31 December 2022, without considering the effects of corporate strategies and/or future management initiatives.

In the baseline scenario, the Group does not reveal any criticality as it would continue to generate significant profits that would both strengthen the equity position through self-financing and remunerate the capital resources provided by the shareholders.

In the adverse scenario, the Group records a capital erosion at the end of the three-year period 2023-25 which places it in the range of CET1 depletion between 300 and 599 basis points, in line with the average capital reduction of the ECB-supervised banks; the CET1 ratio at the end of the period ranks the Group in the upper part of the range of values between 8% and 11%. These outcomes highlight an improvement compared to the 2021 Stress Test exercise, when the impact in the worst-case scenario, albeit for a minimal amount, fell in the range between 600 and 899 bps of CET1 erosion. With respect to the Leverage ratio, under the adverse hypothesis the Group stands at just below 4% at the end of the three-year period 2023-25, facing a more limited decline than that reported in the 2021 Stress Test.

Overall, the values set out above testify to the presence of significant margins for BPS with respect to the SREP requirements and therefore its capital strength. The stress testing exercise, in confirming the resilience of the business model adopted, demonstrates the capacity of the Group's available capital to absorb losses related to a hypothetical and markedly unfavourable scenario.

For more details, please refer to the official documentation released today by the ECB.

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