

Sparkasse approves results to 30/06/22 - the best half-year in the bank's history for profitability level

The results for the first half of 2022 demonstrate further growth compared to the same period in 2021, which had already registered record results: profit at the individual level amounted to EUR 43.7 million and was the best half-yearly result ever, while the result at the consolidated level including the components arising from the acquisition of control of CiviBank amounted to EUR 154.8 million. Excluding one-off items, the latter would amount to EUR 46 million.

The Board of Directors of the Cassa di Risparmio di Bolzano, chaired by Gerhard Brandstätter, today approved the individual and group results as at 30th June 2022.

The consolidated results for the first half of 2022 are characterized by the entry of CiviBank within the Group perimeter, with the extraordinary items resulting from the acquisition transaction. In order to ensure the comparability of the results with respect to the same period of 2021, the figures are presented below net of the aforementioned change in the scope of consolidation and the extraordinary items, which are shown separately.

The results for the first six months of 2022 benefitted from the increase in **core revenues (+ 15.3%)**, supported by the excellent performance of **net interest income (+ 25.3%)**, driven in turn by the excellent coupon yield of the inflation-linked component of the proprietary securities portfolio.

Revenues from services were **stable** and confirmed, as in the corresponding period of the previous year, their important contribution to the group's profitability.

The trend in **operating costs** was in **line with the** figure for the first half of the previous year, net of the costs incurred for the acquisition.

Thus, the half-year ended with a **profit at the individual Sparkasse level of EUR 43.7 million (+3.8%** compared to the first half of 2021).

At the consolidated group level, a result of EUR 154.8 million was recorded. Excluding, however, one-off items from the acquisition of CiviBank, the result would be EUR 46 million (+10.1% compared to the same period in 2021).

Development of individual balance sheet

- Total **loans to customers** grew slightly from **EUR 6.65 billion** to **EUR 6.70 billion (+0.7%)**, confirming Sparkasse's ability to support the economy of the areas in which the bank operates .
- **Direct customer deposits** also increased from **EUR 7.77 billion** to **EUR 7.91 billion, up 1.7%**, reflecting the excellent level of customer confidence in the bank.
- The development of savings advisory activities continued with net flows of new customer investments into **managed investment products** of **120.4 million euros**. The stock of such products totalled **2 billion euros, registering** a contraction of 6,4% - despite the net positive inflows **due** to the volatility of financial markets and the fall in the prices of some asset classes. The long-term trend remains highly positive, showing growth of 21.4% compared to the end of 2019.

Key ratios and individual balance sheet ratios

- Credit risks fell further, with the **gross NPL ratio at 3.7% and the net ratio at 1.3%**, confirming the bank as one of the institutions least exposed to credit risks, also in view of the high level of coverage, which stood at **66.6%** and confirmed the bank's goal to protect itself from potential credit losses. The level of provisions is one of the highest in the entire Italian banking system.
- Substantial stability of capital ratios despite the worsening of the transitional regime: **the Cet1 Ratio (phased in)**, in the former Cassa di Risparmio di Bolzano Group configuration without CiviBank, **was 14.80% compared to 14.86% as at 31.12.21, with a capital surplus of 685 basis points circa compared to the regulatory required minimums (SREP limits).**

- Operating efficiency was satisfactory, with the **Cost Income Ratio** falling from **60.77% at the end of 2021** (excluding non-recurring items) to **58.0%**.
- The **liquidity** profile shows strong growth of the Liquidity **Coverage Ratio (LCR)**, which increased from **196% at year-end 2021**, to **221% at 30th June 2022**.

Key figures on the dimension of the new group

- The stock of **gross loans to customers** of the new Group, including CiviBank, amounted to **EUR 10.1 billion**.
- **Direct customer deposits** amounted to **EUR 12.0 billion**.
- Total **client investment assets** amounted to **EUR 2.8 billion**.
- Total group assets amounted to **EUR 17.3 billion**.
- During the first half of the year, **medium and long-term loans totalling EUR 1,016 million were given**, of which EUR 696 million in favour of companies and EUR 320 million in favour of households .
- The new group has **more than 300,000 customers** and the total distribution network comprises **170 branches**.

Consolidated Group Profit and Loss Account:

(It should be noted that the income statement figures referring to the Group's consolidated results to 30.06.2022 do not include, at the individual item level, the economic contribution of the acquired bank, as its contribution is reflected solely in the goodwill item).

The overall result of the income statement amounted to **EUR 154.8 million** and included the goodwill component of **EUR 108.8 million**. Excluding this component, the half-year profit amounted to **EUR 46.0 million**.

- **Net interest income amounted to 93.8 million** , up from 74.9 million euro as at 30th June 2021 **(+ 25.3%)**. The contribution of the coupon component of the securities portfolio was highly significant, as well as the contribution of the remuneration of the TLTRO-III funds.
- **Net commission income amounted to EUR 45.5 million** and was substantially in line with the figure for the same period of the previous year **(- 0.9%)**.

- **The net financial income result amounted to EUR 5.1 million**, benefitting from the revaluation of the CiviBank shares held by Sparkasse prior to the takeover bid. However, value adjustments related to securities mandatorily measured at fair value, mainly represented by mutual fund shares, had a negative impact. The comparison with the 30th June 2021 figure is negative due to the presence of significant extraordinary items in the previous period.
- **Net write-backs/write-downs for credit risk amounted to + EUR 5.4 million (positive result)** due to write-backs recorded in respect of some large positions.
- **Operating expenses amounted to Euro 87.6 million** (excluding the goodwill component), of which Euro 4 million in charges related to the integration transaction. In detail, personnel expenses amounted to Euro 47.9 million, while other administrative expenses totalled Euro 39.4 million. Net value adjustments on tangible and intangible assets amounted to Euro 8.7 million.
- **Net provisions for liabilities and charges** amounted to **EUR 0.2 million**.

Main ratios and indices of the new group

- **The gross NPL ratio stood at 5.0% and the net NPL ratio at 1.8%** (sum of the two banks).
- Coverage for impaired loans was **64.5%**. **This overall level, which is particularly high and higher than the average of banks comparable to the new group, derives from the increase in value adjustments for credit risk for a total of €39 million** brought about by CiviBank. In addition, a potential sale of non-performing loans, again by CiviBank itself, is currently being assessed, which could be carried out in the second half of the year without causing any particular burden on the group's income statement.
- The **Cet1 Ratio** (*phased in*), post merger, **reached 12.73%** as of 30.06.2022, **with a capital surplus of 478 basis points circa above the regulatory minimums (SREP limits)**.
- The **Cost-Income Ratio** expresses a good level of efficiency at **56.9%**.
- **The liquidity** profile is positively impacted by the decidedly high level of the **Liquidity Coverage Ratio (LCR)**, which **stood at 207%** as of 30th June 2022.

Negative goodwill:

108.8 million euro was recognised in relation to the badwill arising from the provisional *Purchase Price Allocation* (PPA) process required by IFRS 3 "Business Combinations" with respect to the acquisition of control of Banca di Cividale S.p.A. carried out in June 2022. The PPA process regarding the assets and liabilities subject to acquisition measured at fair value resulted in the allocation of **EUR 21.6 million** before tax.

The main impacts included a fair value lower than the acquired book value of non-performing loans by €12.7 million and a fair value higher than the acquired book value of performing loans by €23.4 million. With reference to the securities portfolio, the book value was reduced by €24.2 million, adjusting it to fair value. In addition, with regard to owned real estate, the book value was aligned to the fair value, with an adjustment of €14.6 million.

Lastly, as CiviBank has embarked on a process of gradual adjustment and alignment to the policies relating to value adjustments on impaired positions, the bank of Cividale proceeded to **increase the value adjustments for credit risk** in its statutory financial statements as of 30 June 2022 by **a total of Euro 39 million**. In addition, **value adjustments on real estate assets of €5 million** were recognised.

President **Gerhard Brandstätter** declared: "The first half of 2022 represents an important period for our bank from two points of view: Sparkasse continues to make progress in improving its results by reaching a further record level regarding the most important items - first and foremost in the result achieved for the period. In addition, the first six months of 2022 were characterized by the extraordinary acquisition of CiviBank which lays the foundations for achieving through growth in size at Group level, a future prospect of greater efficiency and development capacity in the North-Eastern market where we have gained a top position behind the top 4 national banking groups. In Trentino-Alto Adige, we consolidate our role as the most important bank in the region."

Vice President **Carlo Costa** adds: " For years the Board of Directors has been pursuing the desire to strengthen the bank, improve results and ensure a sustainable future for the benefit of shareholders, customers, employees and more generally for the communities in which Sparkasse operates. The results of this half-yearly report once again confirm our ability to achieve these goals."

CEO and General Manager **Nicola Calabrò** concludes: "Behind these results is the important work of the entire team who, year after year, have made Sparkasse a stronger and more efficient bank. The new size of the Group gives an opportunity to grow further and to take advantage of greater economies of scale thanks to the synergies that can be achieved with the subsidiary CiviBank. Our customers will also benefit from increased investment capacities to improve service levels. In fact, our strength remains our relationship with our customers, who will increasingly be able to choose whether to take advantage of the services at the branches or to experiment with the new remote advisory offering via online or video call channels."

Summary data and performance indicators – first semester 2022

Balance sheet data (consolidated)		30.06.2022 [new group]	31.12.2021 [old group]
Direct customer deposits	€ mrd	12,0	7,8
Client investment assets	€ mrd	2,8	2,1
Gross loans	€ mrd	10,1	6,6
Total assets	€ mrd	17,3	11,3

Economic data (consolidated)		30.06.2022* [new group]	30.06.2021 [old group]
Interest margin	€ mio	93,8	74,9
Margin from services	€ mio	45,5	45,9
Financial Margin	€ mio	5,1	27,2
Intermediation margin	€ mio	144,4	148,0
Operating Costs 1)	€ mio	-82,2	-78,0
Badwill	€ mio	108,8	0,0
Credit risk hedging	€ mio	5,5	-14,3
Net profit	€ mio	154,8	41,8

1) Values adjusted for contributions paid to the National Resolution Fund. Not including net provisions for risks and charges

*Please note that the income statement figures referring to the Group's consolidated results as at 30.06.2022 do not include, at the individual item level, the economic contribution of the acquired bank, as its contribution is reflected solely in the badwill item