**Price sensitive** press release Bolzano, 11 February 2022

# Volksbank: net profit of Euro 70 million in 2021 - return to the dividend confirmed

**The Board of Directors today approved Volksbank's 2021 annual results with a net profit of more than Euro 70 million. Shareholders' equity rose to Euro 816 million, which corresponds to Euro 16.9 per share. The return to the dividend is confirmed.**

Volksbank's 2021 annual results confirm the excellent performance already recorded in the first half of the year and the effectiveness of the *"Sustainable 2023"* Business Plan, with a regulated implementation of the same for the benefit of customers.

Among the main results, mention goes to:

- **sharp growth in volumes and customers** driven by **excellent quality of customer** service, further confirmed by internal and public satisfaction surveys. Assets under administration grow by more than Euro 2 billion in the year;
- double-digit increase in fees, evidence of the Bank's improved capacity to offer **value added services** to customers, thereby increasing the value of the relationship;
- careful **management of the Bank's treasury**, leading to outstanding results;
- an increase in the **Bank's soundness**, with shareholders' equity of Euro 816 million;
- Volksbank now has more than Euro 250 million of common equity in **excess of regulatory limits,** with a common equity tier 1 (CET1 phased-in) of 15.7%;
- **careful risk management**, in particular of the impaired loan portfolio, whose net share of the total loan portfolio (net NPL ratio) fell to 2.7%;
- good **profitability of the Bank,** with a return on assets of 9.4%.

The Chairman, **Lukas Ladurner**, stated: *"Volksbank's 2021 results were achieved thanks to the efforts of all employees, whom I would like to personally thank for their service to customers during the pandemic period. This extraordinary result, which also benefits from positive one-off economic effects on the financial margin and tax items, gives us further incentive to continue along the path set out in our Sustainable 2023 Business Plan. Thanks to these results, the Board of Directors will define at the beginning of March the amount of the dividend that will be proposed to the Shareholders' Meeting at the end of March".*

General Manager **Alberto Naef** added: *"We are very pleased with the results achieved in 2021 – which project the Bank's 2021 profitability at 9.4%, a level of excellence in the landscape of Commercial Banks in Italy. In the second half of the year Volksbank achieved a net profit of Euro 20 million, without any extraordinary effects, demonstrating that the objective of generating Euro 30-40 million of net profit per year on a consistent basis is achievable. The first phase of the Bank's relaunch can now be considered positively concluded, and we can now resolutely aim for continued virtuous growth and the completion of our Sustainable 2023 Business Plan, aimed at offering customers a more comprehensive, efficient, sustainable and qualitative service. We aim for a 2022 in which Volksbank can provide additional satisfaction to all stakeholders in the Triveneto – customers, employees, territories, suppliers and shareholders".*

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## Summary data

| Main income statement items | 31/12/2021 | 31/12/2020 | Abs. change | % change |
|---|---|---|---|---|
| *(figures in €/000)* | | | | |
| Net interest, fees and commission income | 270,515 | 256,681 | 13,834 | 5.4% |
| Other operating income | 50,712 | 8,794 | 41,918 | 476.7% |
| **Net operating income** | **321,227** | **265,475** | **55,752** | **21.0%** |
| Operating costs | (167,233) | (159,833) | (7,400) | 4.6% |
| **Operating profit (loss)** | **153,994** | **105,642** | **48,352** | **45.8%** |
| Profit (Loss) before taxes | 78,451 | 21,102 | 57,349 | 271.8% |
| Income taxes | (8,376) | (5,084) | (3,292) | 64.8% |
| **Profit (loss) for the year** | **70,076** | **16,015** | **54,061** | **337.6%** |

| Main balance sheet figures | 31/12/2021 | 31/12/2020 | Abs. change | % change |
|---|---|---|---|---|
| *(figures in € mln)* | | | | |
| Direct funding | 9,198 | 8,141 | 1,057 | 13.0% |
| Indirect funding by customers (excluding Volksbank shares) | 4,499 | 3,631 | 868 | 23.9% |
| Gross loans to customers | 7,467 | 7,375 | 92 | 1.3% |
| Volumes under administration | 21,556 | 19,578 | 1,977 | 10.1% |
| Net tangible equity | 816 | 747 | 69 | 9.2% |

| Solidity ratios | December 2021 | December 2020 |
|---|---|---|
| CET 1 ratio (Fully loaded) | 14.7% | 13.6% |
| CET1 (phased-in) | 15.7% | 14.5% |
| Total Capital Ratio (fully loaded) | 17.2% | 16.0% |
| Total Capital Ratio (phased-in) | 18.2% | 17.0% |
| Net NPL Ratio | 2.7% | 2.9% |
| Texas ratio | 42.3% | 48.1% |
| % of doubtful loan hedging | 67.8% | 65.8% |
| % of hedging of unlikely to pay loans (UTP) | 40.6% | 40.2% |
| Degree of performing loan hedging | 1.2% | 1.0% |
| Cost-income ratio | 52.1% | 60.2% |

## HIGHLIGHTS

**Net result:**

- profit for the 2nd half Euro +19.8 million, compared to Euro +50.2 million in the 1st half year;
- operating profit at +70.0 million, compared to +16.0 million in 2020;

**Current result before taxes:**

- up to 78.5 million, compared to 21.1 million in 2020;

**Operating costs:**

- personnel expenses at Euro 101.4 million, up by +9.0% compared to Euro 93.0 million in 2020;
- other administrative expenses, without taking into account contributions and charges related to the banking system, at Euro 52.9 million, stable compared to Euro 52.9 million in 2020;

**High efficiency:**

- cost/income ratio at 52.1% in the first 12 months of 2021 compared with 60.2% in 2020;

**Cost of risk:**

- in 12 months equal to 74 bps;

**Improvement in credit quality:**

- proactive credit management, with adjustments to impaired loans of Euro 242.1 million, compared to Euro 273.3 million in 2020;
- stock of gross impaired loans fell to Euro 448 million, compared to Euro 491 million at the end of 2020. Gross NPL ratio fell to 5.8%, compared to 6.4% at the end of 2020. Net NPL ratio decreased to 2.7%, compared to 2.9% at the end of 2020;

**High degree of hedging on impaired loans:**

- hedging level of impaired loans at 54.0%, compared to 55.7% at the end of 2020. Hedging on doubtful loans at 67.8% (65.9% at the end of 2020), of unlikely to pay at 40.7% (40.2% at the end of 2020) and of past-due loans at 26.7% (24.3% at the end of 2020);

- solid reserve buffer on performing loans, with hedging of 1.22%, in order to handle the impact of COVID-19;

**Robust capital strength: capital ratios grew considerably and well above the required minimums:**

- Core Tier 1 ratio phased-in at 15.7%, compared to 14.5% in 2020;
- Total Capital Ratio phased-in at 18.2%, compared to 17.0% in 2020;

**High liquidity and funding:**

- at the end of 2021, liquid assets of approximately Euro 1,520 million and high level of readily available liquidity at Euro 1,491 million; liquidity requirements, the Liquidity Coverage Ratio and Net Stable Funding Ratio were largely met;
- financing transactions with the ECB to optimise the cost of funding and support the investments of business customers amounted to Euro 2,500 million at the end of 2021, entirely consisting of TLTRO III;

**Economic support and active presence in support of local communities:**

- approximately Euro 846 million of new credit to households and SMEs;
- more than Euro 2 billion in loans that benefited from moratoriums associated with the COVID-19 pandemic, of which only Euro 27 million were still outstanding at year-end.

## SUMMARY OF RESULTS

*Bolzano, 11 February 2022.* The Board of Directors of Volksbank today approved the financial statement schedules as at 31 December 2021. Compared to 2020, the Bank shows an improvement in capital ratios, operational efficiency and the quality of balance sheet assets. The cost of risk is significantly improved compared to the previous year, despite the considerable strengthening of hedges on performing loans, made against future COVID-19 impacts. The new capital and income dynamics and new strategic positioning enable the Bank to handle the uncertainty in the scenario:

- a virtuous growth in customers and volumes, driven by an expanded product range and specific expertise in mortgages to private customers and in the sectors of tourism, manufacturing, agri-food and real estate;
- a native digital omnichannel, capable of implementing the concept of “Everywhere Banking”, offering Volksbank customers the opportunity to fully manage their banking relationship, also through access to best-in-class digital channels;
- a specific focus on 360-degree sustainability, which involves the Bank's daily operations (real estate, trade union relations, users, etc.), the ability to develop and finance sustainable projects, and the offer of ESG mutual funds;
- the proactive management of risks affecting balance sheet assets, thanks to the careful application of government measures to support the resilience of businesses and households and the management and monitoring of credit risk resulting from the COVID-19 pandemic;
- process efficiency, in order to support commercial development, the specialisation of branch resources and enable faster and more accurate responses to customers;
- the control system as a whole, to anticipate market changes and redirect the Bank's activities;
- human capital, to increasingly enhance the professional skills of advisory and guide customers in new omnichannel processes.

## FINANCIAL PERFORMANCE

The income statement posted net interest of Euro 176.5 million, up by +2.2% compared to Euro 172.7 million in 2020.

The contribution from brokerage deriving from operations with customers was Euro 144.6 million. Interest on financial assets amounted to Euro 25.4 million. Net interbank interest recorded a balance of Euro +17.5 million. Interest expense on institutional deposits amounted to Euro 2.0 million. Interest expense on debt securities (bonds, EMTN and TIER2) amounted to Euro 8.8 million.

Net fee and commission income was Euro 94.0 million, compared to Euro 84.0 million in 2020. In detail, there was a +6.7% increase in fees and commissions from commercial banking activities to Euro 63.2 million and a +26.1% increase in fees and commissions from brokerage and advisory services (insurance products, securities placement) to Euro 32.7 million, within which the component relating to placement of managed asset products rose by +33.3% and that relating to life insurance policies increased by +2.1%, while the component relating to administered assets rose by +4.1%.

The net financial result, which includes the overall performance of the proprietary portfolio, was Euro 48.6 million, compared to Euro 6.9 million in 2020. The component relating to profit (loss) on trading amounted to Euro +2.0 million, compared to Euro +2.2 million in 2020. The contribution of financial assets designated at fair value through other comprehensive income amounted to Euro +5.3 million in 2021, against Euro +3.0 million in 2020. The component relating to net profit (loss) from other assets and liabilities designated at fair value stood at Euro -2.9 million, compared to Euro -4.6 million in 2020.

The component relating to financial assets measured at amortised cost is Euro +40.5 million, compared with Euro +5.4 million in 2020.

Other net operating income and expenses, which include the results of equity investments and other net operating income, amounted to Euro +2.1 million, an increase compared to Euro +1.9 million in the previous year.

The aggregate value of other operating income was therefore Euro 50.7 million, compared to Euro 8.8 million in 2020.

Net operating income came to Euro 321.2 million, compared to Euro 265.5 million in 2020.

Operating costs, which include personnel expenses, administrative expenses net of expense recoveries, and amortisation/depreciation of property and equipment and intangible assets, amounted to Euro 167.2 million, up by +4.6% compared to Euro 159.8 million in 2020, a growth due to personnel expenses (at Euro 101.4 million, up by +9.0% compared to Euro 93.0 million in 2020), administrative expenses remained stable at Euro 52.9 million, and the result from property and equipment and intangible assets fell showing a net result of Euro -12.9 million compared to Euro -14.0 million in 2020.

Consequently, operating profit (loss) amounted to Euro 154.0 million, compared to Euro 105.6 million in 2020.

Volksbank

Net value adjustments on loans to customers amounted to Euro -54.6 million, compared with Euro -63.6 million in 2020. Net value adjustments to other assets and liabilities, which include impairment on property and equipment and intangible assets as well as adjustments to financial assets and liabilities other than loans to customers, amounted to Euro -3.7 million, compared to Euro -8.0 million in 2020. Net allocations to provisions for risks and charges reached Euro -3.4 million, compared to Euro -1.3 million in 2020.

Net income from the sale of equity shareholdings and investments amounted to Euro -0.3 million, compared to Euro +0.2 million in 2020.

Taxes and charges related to the banking system net of taxes amounted to Euro 9.1 million, up by +14.6% compared to Euro 8.0 million in 2020. In particular, these derive from charges of Euro 4.1 million (Euro 6.2 million before taxes) for contributions to the resolution fund and Euro 5.0 million (Euro 7.4 million before taxes) for contributions to the deposit guarantee fund. In 2020, contributions to the resolution fund amounted to Euro 8.7 million (Euro 3.8 million net of taxes), while contributions to the deposit guarantee fund were Euro 6.1 million (Euro 4.1 million net of taxes).

The net result for the year is Euro 70.1 million, up by 337% from Euro 16.0 million in 2020.

## DEVELOPMENTS IN THE MAIN BALANCE SHEET AGGREGATES

As at 31 December 2021, loans to customers totalled Euro 7,496 million, a 1.2% increase compared to Euro 7,408 million at the end of 2020.

The financial assets of customers totalled Euro 21,556 million, up +10.1% compared to Euro 19,578 million at the end of 2020. With regard to financial assets of customers, direct bank funding from customers amounted to Euro 9,198 million, up +13.0% compared to Euro 8,141 million at the end of 2020. Indirect funding amounted to Euro 4,891 million, up +20.4% compared to Euro 4,063 million at the end of 2020. Net of Volksbank shares held, indirect funding increased by +23.9% to Euro 4,499 million, compared to Euro 3,631 million at the end of 2020.

In particular, the total for administered funding relating to third-party products was Euro 3,189 million, up by +12.8% compared to Euro 2,826 million at the end of 2020. Administered funding relating to the third-party securities component (excluding Volksbank shares) stood at Euro 1,310 million, up by +62.7% from Euro 805 million as at 31 December 2020.

Total impaired loans, net of value adjustments, amounted to Euro 205.9 million, down by -5.4% compared to Euro 217.7 million at the end of 2020. In this context, net doubtful loans amounted to Euro 72.7 million, down by -28.7% compared to Euro 102.0 million as at 31 December 2020, representing 1.0% of total net loans (1.4% as at 31 December 2020), with a hedging ratio of 67.8% (65.9% at the end of 2020), despite the completion, at the end of the year, of a GACS securitisation of doubtful loans for gross Euro 33 million. Net unlikely to pay loans amounted to Euro 126.4 million from Euro 113.3 million in December 2020, and net past-due/overdue loans totalled Euro 6.8 million compared to Euro 2.4 million at the end of 2020.

Total gross impaired loans were Euro 448.0 million, -8.8% from the start of the year, with a gross doubtful loans component of Euro 225.8 million (-24.4%). These amounts respectively represent 5.8% (6.4% at the end of 2020), and 2.9% (3.9% at the end of 2020) of total gross loans to customers.

The degrees of hedging were strengthened in all the main segments. As previously mentioned, the hedging rate for doubtful loans has reached 67.8% (from 65.9% at the end of 2020), for unlikely-to-pay loans it rose to 40.6% (from 40.2% at the end of 2020) and for impaired loans it reached 54.0% (from 55.7% at the end of 2020).

Financial assets other than loans, valued at amortised cost, totalled Euro +2,870 million, up by +27.3% compared to Euro 2,256 million at the end of 2020. Financial assets designated at fair value through profit or loss amounted to Euro 93.7 million compared to Euro 104.5 million at the end of 2020.

Financial assets designated at fair value through other comprehensive income totalled Euro 680.9 million, down by -14.0% compared to Euro 597.5 million at the end of 2020.

Property and equipment and intangible assets totalled Euro 151.0 million, down -5.7% from Euro 160.2 million recorded at the end of 2020. Tax assets amounted to Euro 149.6 million, down by -12.9% compared to Euro 171.8 million at the end of 2020, whilst groups of assets held for sale totalled Euro 4.4 million and refer to properties.

## Own funds and capital requirements

The capital requirements to be met as at 31 December 2021, including Capital Guidance, in terms of the Common Equity Tier 1 Ratio, Tier 1 Ratio and Total Capital Ratio, respectively amounted to 8.2%, 9.94% and 12.25% based on the criteria in force for 2021. The regulatory aggregates, determined according to the standard Basel III approach, show the continued strengthening of the requirements, which are well above the minimum prudential requirements:

- The estimated “IFRS 9 phased-in” CET 1 Ratio and TIER 1 Ratio was 15.7%, up from 14.5% as at 31 December 2020; The fully-loaded ratio stands at 14.7%, up from 13.6% at the end of 2020;
- The estimated “IFRS 9 phased-in” Total Capital Ratio stood at 18.2%, up from 17.0% as at 31 December 2020. The fully-loaded ratio stands at 17.2%, up from 16.0% at the end of 2020.

## Liquidity and leverage ratios

The liquidity position at the end of 2021 showed the following ratios:

- readily available assets, including assets eligible for allocation to Central Banks received as collateral (excluding those given as collateral), amounted to Euro 3,011 million;
- ECB financing transactions to optimise the cost of funding and support business customer investments averaged Euro 2,268 million in 2021 (averaged Euro 1,338 million in 2020), 100% of which were TLTRO operations with three year maturities;
- funding sources remained stable and well-diversified, with direct funding from banks and customers (including securities issued), 95.9% of which referring to the retail component;
- medium-term and long-term funding of approximately Euro 611 million in 2021, of which over Euro 271 million relating to the wholesale component;
- NSFR calculated in accordance with CRR2 regulation as at 31 December 2021 greater than 1.35.

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As at 31 December 2021, the operating structure was made up of 159 bank branches and 1,335 people.

With a view to offering a more complete disclosure on the results achieved in 2021, attached are the reclassified income statement and balance sheet included in the report approved by the Board of Directors. Note that the independent auditors appointed to audit the separate financial statements have not yet completed their review.

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The Manager responsible for the preparation of corporate accounting documents, Alberto Caltroni, hereby states, in accordance with art. 154-bis, paragraph 2, of Italian Legislative Decree no. 58/1998, that the accounting information given in this press release corresponds to the documentary records, the accounting books and the accounts entries.

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without limitation, those relating to the future financial position of the company and to future operating results, strategy, plans, objectives and developments. As a result of these uncertainties and risks, readers are advised that excessive reliance should not be placed on such information of a forward-looking nature as a forecast of actual results. The Company's capacity to achieve the results forecast depends on many factors beyond management's control. The actual results can differ significantly from (and be more negative than) those forecast or implicit in the budget figures. These forecasts and estimates involve risks and uncertainties that could have a significant impact on expected results and are based on underlying assumptions. The forecasts and estimates formulated herein are based on information available to the Company as at today's date. The Company is under no obligation whatsoever to publicly update and review forecasts and estimates after new information becomes available about future or other events, without prejudice to compliance with applicable laws. All subsequent forecasts and estimates, written and verbal, attributable to the Company or to persons acting on its behalf, are specifically qualified, in their entirety, by these precautionary disclaimers.

This press release is available on the websites www.volksbank.it and www.bancapopolare.it.

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# BALANCE SHEET

| **Assets**<br>*(amounts in thousands of Euro)* | **31/12/2021** | **31/12/2020** |
|---|---|---|
| Loans to banks | 1,597,696 | 692,399 |
| Loans to customers | 7,495,896 | 7,408,186 |
| a) Loans to customers measured at amortised cost | 7,466,817 | 7,374,600 |
| b) Loans to customers valued at FVOCI and with FV in the income statement | 29,079 | 33,586 |
| Financial assets designated at AC and not classed as loans | 2,870,430 | 2,255,581 |
| Financial assets designated at FV through profit or loss | 93,730 | 104,513 |
| Financial assets designated at FVOCI | 680,921 | 597,473 |
| Investments | 5,278 | 5,168 |
| Property and equipment and intangible assets | 151,031 | 160,226 |
| - assets owned | 133,401 | 141,219 |
| - rights of use | 17,630 | 19,007 |
| Tax assets | 149,630 | 171,756 |
| Non-current assets and groups of assets held for sale | 4,408 | 15,544 |
| Other assets | 234,372 | 215,018 |
| **Total assets** | **13,283,392** | **11,625,864** |

| **Liabilities and shareholders' equity**<br>*(amounts in thousands of Euro)* | **31/12/2021** | **31/12/2020** |
|---|---|---|
| Due to banks at amortised cost | 2,668,837 | 1,972,837 |
| Due to customers at amortised cost and securities issued | 9,469,263 | 8,582,524 |
| Financial liabilities held for trading | 60 | 1,783 |
| Financial liabilities designated at fair value | - | - |
| Tax liabilities | 18,805 | 27,046 |
| Liabilities associated with assets held for sale | - | - |
| Other liabilities | 256,878 | 242,572 |
| Provisions for risks and charges | 37,537 | 35,040 |
| - of which: commitment and guarantees issued | 7,631 | 6,109 |
| Share capital | 201,994 | 201,994 |
| Reserves | 557,566 | 543,935 |
| Valuation reserves | 2,376 | 2,118 |
| Equity instruments | - | - |
| Profit (Loss) for the year (+/-) | 70,076 | 16,015 |
| **Total liabilities and shareholders' equity** | **13,283,392** | **11,625,864** |

## INCOME STATEMENT

| RECLASSIFIED INCOME STATEMENT ITEMS | 31/12/2021 | 31/12/2020 |
|---|---|---|
| *(amounts in thousands of Euro)* | | |
| Interest margin | 176,521 | 172,663 |
| Net fee and commission income | 93,994 | 84,018 |
| **First margin** | **270,515** | **256,681** |
| Net financial result | 48,624 | 6,853 |
| Other operating income/expenses | 2,088 | 1,941 |
| **Other operating income** | **50,712** | **8,794** |
| **Net operating income** | **321,227** | **265,475** |
| Personnel expenses | (101,382) | (93,000) |
| Administrative expenses | (52,918) | (52,850) |
| Gains (losses) from property and equipment and intangible assets | (12,933) | (13,983) |
| **Operating costs** | **(167,233)** | **(159,833)** |
| **Operating profit (loss)** | **153,994** | **105,642** |
| Net adjustments to loans to customers | (54,568) | (63,617) |
| Adjustments to other assets and liabilities | (3,746) | (8,002) |
| Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments | (271) | 187 |
| Taxes and charges relating to the banking system | (13,528) | (11,806) |
| Net allocations to provisions for risks and charges | (3,430) | (1,302) |
| **Profit (loss) on continuing operations** | **78,451** | **21,102** |
| Income taxes | (8,376) | (5,084) |
| **Profit (loss) for the year** | **70,075** | **16,018** |