Istituto per il Credito Sportivo (ICS) closes the first half of 2022 with a very positive financial result; an important milestone in the growth outlined in the 2020-2023 Business Plan.

ICS closed the first half of 2022 with a **net profit of EUR 25.2 million** (+69.6% compared to 31 December 2021), which is particularly significant in a context characterised by strong uncertainty about growth prospects at national and European level.

The Institute's capital strength was confirmed, with a **Common Equity Tier1** ratio of **75.3%**, as was its liquidity position with **LCR of 2,236.6% and NSFR >100%**.

The net NPL ratio decreased slightly to 4.4% (-2.2% compared to the figure at the end of 2021 and -11.1% compared to the figure in the first half of 2021), **while the coverage rate of non-performing loans increased to 59.1%** (+3.3% compared to the figure at the end of 2021 and +8.2% compared to the figure in the first half of 2021).

ROE (excluding the effect of the valuation reserve) increased to 2.6% from 1.6% at the end of 2021 (+62.5%) and **Return On SREP** was 15.9%, up from 9.9% at 31 December 2021.

"The Institute is continuing its growth path," *says ICS President Andrea Abodi, "* following and meeting the targets set in the 2020-2023 business plan. The results of the first half of this year, the best ever achieved in the Institute's history, were gained thanks to the commitment of our people, who work daily to provide our clients with financial and strategic support, necessary to help fight the crisis and support the sustainable development of sports and cultural infrastructures, including tangible and intangible assets. In the present context, the exponential increase in the prices of raw materials and energy makes it necessary and urgent for us to act, through new financial instruments that we are developing, including through discussion and coordination with the relevant authorities, to support the businesses that are facing this difficult period, also taking advantage of other EU resources in addition to those available under the PNRR. Within this framework, it is important to highlight that the positive financial results achieved by the public bank for Sport and Culture will go back to the community, as the dividends received by the Ministry of Economy and Finance - our main shareholder - will be allocated to the Interest Subsidies Fund, managed by ICS, which provides subsidised financing to investments in sports infrastructure."

"The development of the product portfolio and the extension to new sectors and segments, as envisaged in the Business Plan, have enabled the Institute to expand and diversify its forms of support for the world of sport and culture", *points out General Manager Lodovico Mazzolin*. "Alongside the traditional support to large and small-scale infrastructure investment projects by municipalities and sports clubs, we are now also able to support the short-term financing needs of the sector's operators. Furthermore, the optimisation of the cost of funding has made it possible, in this first part of the year, to contain borrowing costs for our clients. Lastly, careful financial management has allowed us to achieve positive results in a complicated fixed-income market environment".

The first half of 2022 saw ICS wholly **committed to implementing the actions envisaged in the Sustainable Development Plan approved in 2021**, with the aim of enhancing and further strengthening the mission of ICS which, through the financing of Sport and Culture, contributes both to the sustainability and competitiveness of the Italian economic system and to improving the wellbeing of territories and communities, for a real, fair and inclusive ecological transition.

With regard to operational results, in the first half of the year the Institute supported the growth of sports and cultural initiatives with new loans of around EUR 92 million, in line with the figure recorded on 30 June 2021, despite the lack of subsidised loans to support liquidity and culture - not provided by the 2022 finance law - net of which the result would be up 55%. The stable level of ICS's lending is undoubtedly also the result of the implementation of the strategic actions outlined in the Business Plan, in particular diversification by product and segment, with the factoring offer and through the culture component. During the first half of the year, new loans of EUR 104.4 million were granted, an increase of about +131% compared to the first half of 2021, net of the liquidity and culture component currently not present in 2022.

With regard to **economic results**, the **net profit,** of approximately **EUR 25.2 million,** was up by EUR 14 million compared to the figure for the first half of 2021. This result, which was achieved despite the reduction in ordinary income from the management of the securities portfolio, was boosted by the favourable early termination of a hedging derivative which did not affect the hedging of interest rate risk.

In particular, we highlight the following results:

- The **interest margin** increased by EUR 1.1 million compared to the figure as at 30.06.2021, thanks to the containment of funding costs and a largely stable active margin;
- **Net fee and commission income** increased by EUR 0.39 million compared to the figure as at 30.06.2021 (+207%) thanks to the diversification of the product portfolio and business development activities, in line with the Business Plan;
- **Gross income** increased by EUR 22.2 million compared to the figure as at 30.06.2021, mainly reflecting the delta fair value of the derivative that was terminated early;
- **Credit risk adjustments** came to EUR 5.8 million, an increase of EUR 5.4 million compared to the figure as at 30.06.2021, consistent with the Institute's NPL strategy;
- **Operating costs** decreased by EUR 4.4 million compared to the figure as at 30.06.2021, due to a decrease in administrative expenses and in provisions for risks and charges. Staff expenses were around EUR 9.9 million, slightly down from the figure as at 30.06.2021 (EUR -0.8 million). The average FTE stood at 210 units (+ one unit compared to the year-end figure in 2021);
- The **cost of risk** (value adjustments/gross income) stood at 9.9% and the **cost/income ratio at 26.3%,** down 51.6% from the first half of 2021.

With regard to **balance sheet items**, **total assets amounted to approximately EUR 3.5 billion (+3.4% compared to the end of 2021)** and mainly consisted of:

- **loans to customers**, (including securities allocated in the HTC portfolio), **amounting to EUR 2.2 billion**, slightly down compared to 31.12.2021 due to the seasonality of disbursements of loans to local authorities, but overall up by EUR 0.3 billion (+14.7%) on the first half of 2021;

- **debt securities**, **amounting to EUR 0.9 billion**, up from the figure at the end of 2021 as a result of the purchases made in the first half of the year (+EUR 0.2 billion);
- **equity investments and funds**, **amounting to EUR 0.1 billion**, up from the figure at the end of 2021 due to the increase in the equity investment already held in the capital of the Bank of Italy and +EUR 1.5 million related to the purchase of a new equity investment in Istituto per l'Enciclopedia Italiana - Fondata da Giovanni Treccani S.p.A.

Funding stood at around **EUR 3.3 billion**, up by EUR 0.2 billion compared to the figure at the end of 2021. Specifically:

i) **due to banks, amounting to EUR 2.0 billion, increased** by approximately EUR 0.2 billion compared to the figure as at 31.12.2021, due to higher repurchase agreements and loan transactions with international organisations (CEB);

ii) **due to customers, amounting to EUR 0.4 billion, decreased by** about EUR 43.9 million compared to the figure as at 31.12.2021, due to the repayment of loans to Cassa Depositi e Prestiti;

iii) **lastly, equity amounted to EUR 0.9 billion,** a slight decrease compared to the end of 2021 (approximately -EUR 14.0 million) due to dividends distributed and the increase in valuation reserves related to financial assets measured at fair value, mainly attributable to the new interest rate scenario and the variability of the government bond spread**.**

Credit Quality

CREDIT QUALITY RATIOS	30/06/2022	31/12/2021	Change
NPE Ratio (net values)	4.4%	4.5%	-2.2%
NPE Ratio (gross values)	10.1%	9.7%	3.7%
NPE Coverage ratio - Stage 3	59.1%	57.2%	3.3%
NPE Coverage ratio - Bad loans	67.5%	65.2%	3.5%
NPE Coverage ratio - Unlikely-to-pay exposures	40.1%	39.3%	2.0%
NPE Coverage ratio - Past due	23.1%	21.6%	7.2%
Texas ratio	10.0%	9.9%	1.0%

Alternative performance indicators

PROFITABILITY RATIOS	30/06/2022	31/12/2021	Change
ROE* (adjusted by the effect of the valuation reserve)	2.6%	1.6%	62.5%
Average net profit/RWA	2.4%	1.3%	84.6%
RWA Density	33.7%	34.0%	-0.9%
Cost/Income	26.3%	57.4%	-54.2%
Normalised Cost/Income	52.8%	75.3%	-29.9%
Return on SREP	15.9%	9.9%	60.6%

Regulatory indicators

RATIOS	30/06/2022	31/12/2021	Change
CET 1 Ratio	75.3%	79.5%	-5.2%
RWA	1,176.7	1,146.6	2.6%
Common Equity Tier 1	886.2	910.9	-2.7%
Total Capital Ratio	75.3%	79.45%	-5.2%
Leverage Ratio	24.24%	25.5%	-4.9%
LCR	2,236.6%	2,477.2%	-9.7%
NSFR	128.18%	120.6%	6.2%

Net Lending Portfolio

	30/06/2022	%30/06	31/12/2021	%31/12	Change
Local Authorities - Sport	1,047.9	51.7%	1,066.3	52.2%	-18.4
Local Authorities - Culture	48.3	2.4%	42.3	2.1%	6.0
CONI and sports federations	133.2	6.6%	133.7	6.5%	-0.5
Parishes and moral bodies	19.1	0.9%	20.0	1.0%	-0.9
Consumer households	19.5	1.0%	17.8	0.9%	1.7
Universities and Univ. Sports Centres	13.6	0.7%	13.9	0.7%	-0.4
Total risk	**1,281.6**	**63.2%**	**1,294.0**	**63.3%**	**-12.4**
M/LT enterprises	336.0	16.6%	348.1	17.0%	-12.1
Non-Profit	204.0	10.1%	210.7	10.3%	-6.7
Private entities - Culture	27.3	1.3%	25.8	1.3%	1.5
Total standard risk	**567.3**	**28.0%**	**584.6**	**28.6%**	**-17.3**
Total infrastructure development	**1,848.9**	**91.2%**	**1,878.7**	**92.0%**	**-29.7**
ST enterprises	17.8	0.9%	10.8	0.5%	7.0
Guaranteed liquidity	159.7	7.9%	153.6	7.5%	6.1
Total working capital loans	**177.5**	**8.8%**	**164.4**	**8.0%**	**13.1**
Grand total	**2,026.4**	**100.0%**	**2,043.1**	**100.0%**	**-16.7**

As at 30.06.2022, the net loan stock of the culture segment amounted to EUR 93.4 million, or 4.6% of the total net loan stock, up significantly from 3.3% in 2021. About 83% of the net stock, amounting to EUR 1,676.9 million, benefits from a form of interest subsidy. About 76% of the net stock, amounting to EUR 1,542.9 million, benefits from a form of public guarantee.

Securities Portfolio

	30/06/2022	31/12/2021	Change
Securities portfolio total	1,193.5	955.4	**24.9%**
Securities in HTC	191.2	195.8	**-2.3%**
of which BTP€i	179.2	173.3	3.4%
Securities in HTC&S	882.3	674.6	**30.8%**
of which BTPs & CCTs	839.8	639.6	31.3%
Equity investment in Bankit	120.0	85.0	**41.2%**

As at 30.06.2022, the portfolio's modified duration amounted to 3.2 years (vs. 3.5 years as at 31/12/2021), with an average yield of 0.87% (vs. 0.68% as at 31/12/2021).

Funding and liquidity

	30/06/2022	31/12/2021	Change
Cost of funding	~30 bps	~20 bps	+10 bps
Funding duration	2.0 years	2.3 years	-15%
Herfindahl Index	11.6%	10.6%	+9.4%
HQLA	EUR 159 million	EUR 254 million	-37.4%

20% of the funding is ECB funding. 33% of the funding comes from repurchase agreements. The EIB and CEB together account for 17%. The remaining 30% comes from several sources (time deposits, current accounts).

Balance Sheet - Assets

	Assets	30/06/2022	31/12/2021
10.	Cash and cash equivalents	92,404,755	179,780,091
20.	Financial assets measured at fair value in profit or loss	8,721,640	
	c) Other financial assets mandatorily measured at fair value	8,721,640	
30.	Financial assets measured at fair value through other comprehensive income	1,002,273,813	759,574,489
40.	Financial assets measured at amortised cost	2,287,766,707	2,366,271,370
	a) Receivables from banks	79,458,532	127,473,267
	b) Loans to customers	2,208,308,175	2,238,798,103
50.	Hedging derivatives	45,774,445	3,719,802
60.	Fair value change of financial assets in macrohedged portfolios (+/-)	(29,967,699)	(2,738,544)
80.	Property, plant and equipment	27,217,646	27,746,384
90.	Intangible assets	310,638	31,506
100.	Tax assets	45,164,132	34,221,500
	a) current	-	4,317,486
	(b) deferred	45,164,132	29,904,014
120.	Other assets	6,568,200	4,199,230
	Total assets	**3,486,234,277**	**3,372,805,828**

Balance Sheet - Liabilities

	Liabilities and equity	30/06/2022	31/12/2021
10.	Financial liabilities measured at amortised cost	2,465,502,448	2,261,065,392
	(a) due to banks	2,017,538,971	1,769,139,989
	(b) due to customers	447,963,477	491,925,403
	(c) securities issued	-	-
20.	Financial liabilities held for trading	409,060	
40.	Hedging derivatives	4,200,513	83,661,974
60.	Tax liabilities	28,440,029	22,237,594
	a) current	5,942,643	250,598
	b) deferred	22,497,386	21,986,996
80.	Other liabilities	70,584,117	73,232,913
90.	Staff severance pay	2,886,806	3,351,555
100.	Provisions for risks and charges:	9,669,009	10,728,470
	a) guarantees issued and commitments	147,685	194,827
	(b) pensions and similar obligations	-	-
	c) other provisions for risks and charges	9,521,324	10,533,643
110.	Valuation reserves	(36,245,296)	(3,792,196)
140.	Reserves	80,038,268	71,922,176
160.	Share capital	835,528,692	835,528,692
180.	Profit (loss) for the year (+/-)	25,220,631	14,869,258
	Total liabilities and equity	**3,486,234,277**	**3,372,805,828**

Income statement

	Income statement items	30/06/2022	30/06/2021
10.	Interest income and similar income	35,448,217	35,022,802
	of which: interest income calculated using the effective interest rate method	34,731,234	35,022,802
20.	Interest expense and similar expense	(6,824,912)	(7,522,383)
30.	**Net interest income**	**28,623,305**	**27,500,419**
40.	Commission income	808,010	323,320
50.	Commission expense	(235,162)	(136,634)
60.	**Net fee and commission income (expense)**	**572,848**	**186,686**
70.	Dividends and similar revenues	5,440,000	3,853,333
80.	Net gain(loss) on trading activities	24,467,293	-
90.	Fair value adjustments in hedge accounting	(1,293,862)	260,040
100.	Gains (losses) on disposal or repurchase of:	1,670,535	4,678,636
	a) financial assets measured at amortised cost	-	-
	b) financial assets measured at fair value through other comprehensive income	1,670,535	4,678,636
	c) financial liabilities	-	-
110.	Net result of financial assets and liabilities measured at fair value in profit or loss	(831,718)	-
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	(831,718)	-
120.	**Gross income**	**58,648,401**	**36,479,114**
130.	Net adjustments/recoveries for credit risk of:	(5,828,048)	(436,268)
	a) financial assets measured at amortised cost	(5,825,355)	(582,528)
	b) financial assets measured at fair value through other comprehensive income	(2,693)	146,260
140.	Gains/losses from changes in contracts without derecognition	2,169	(9,653)
150.	**Net income from financial operations (expense)**	**52,822,522**	**36,033,193**
160.	Administrative expenses:	(15,288,865)	(17,041,104)
	a) staff costs	(9,880,663)	(10,706,725)
	b) other administrative expenses	(5,408,202)	(6,334,379)
170.	Net accruals to the provisions for risks and charges	14,255	(2,537,626)
	a) guarantees issued and commitments	47,142	(246,650)
	b) other net accruals	(32,887)	(2,290,976)
180.	Net adjustments to/recoveries on property, plant and equipment	(599,150)	(550,369)
190.	Net adjustments to/recoveries on intangible assets	(71,129)	(55,388)
200.	Other operating income (costs)	498,662	335,721
210.	**Operating costs**	**(15,446,227)**	**(19,848,766)**
250.	Gains (losses) on disposal of investments	183	501
260.	**Income (loss) before tax from continuing operations**	**37,376,478**	**16,184,928**
270.	Income tax for the year on continuing operations	(12,155,847)	(5,155,618)
280.	**Income (loss) after tax on continuing operations**	**25,220,631**	**11,029,310**
300.	**Profit (loss) for the year**	**25,220,631**	**11,029,310**