Banca Popolare di Sondrio

Co-operative Society by shares - founded in 1871
Head office and general management: I - 23100 Sondrio So - Piazza Garibaldi 16
Registered in the Register of Companies of Sondrio at no. 00053810149
Registered in the Register of Banks under no. 842.
Parent Bank of the Banca Popolare di Sondrio Banking Group, registered in the Register of Banking Groups under no. 5696.0
Registered in the Register of Cooperative Societies under no. A160536
Member of the Interbank Deposit Protection Fund
Tax code and VAT number: 00053810149
Share Capital € 1,360,157,331 - Reserves € 1,157,414,409
(data approved by the Shareholders' Meeting of 12/6/2020)

PRESS RELEASE

Board of Directors meeting of 9 November 2020:

approval of consolidated interim results as at 30 September 2020

Positive consolidated net result for the period of € 64.5 million

Absence of extraordinary positive items, costs related to the stabilisation of the banking system equal to € 28.7 million.

CET1 Ratio *fully-phased* at 16.25%, Total Capital Ratio at 18.66%

Tangible support to households and businesses with new disbursements equal to € 4 billion

Liquidity indicators (LCR and NSFR) well above the regulatory requirements

"The strong resurgence of coronavirus infections recorded in the last month is again forcing everyone - Authorities, families and businesses - to deal with an emergency situation, increasing the already known complexities related to the market scenario. I am therefore pleased to say that despite the challenging environment the first nine months of the year, whose performance was the subject of in-depth examination today by the bank's Board of Directors, allow to report positive results. Our Group, thanks to its diversification and the commitment of its respective structures, has expressed adequate reaction skills in countering unexpected and persistent negative events. As far as core banking activities are concerned, the interest margin has shown an upward trend also compared to the previous quarter; commissions, up as well in the quarterly comparison,

have held up well, recovering the effects of the lockdown. We recorded a further increase in loans, with new disbursements of € 4 billion, significantly fostered by the support measures launched by the Authority while the recovery of the performance of financial assets continued. The bank's capital position, already among the best in Europe, was thus further strengthened, with the CET1 ratio standing at 16.25%. By the end of the year, we will see the completion of the announced de-risking process, through a sale of approximately € 400 million of impaired loans, which will bring the NPL ratio in the area of 8%. Strengthened by its capital solidity and a particularly resilient business model, the bank is making extraordinary efforts to improve, in a digital-oriented evolutionary perspective, the set of operational processes, risk management and commercial effectiveness. It is a complex job in a complicated world but we are equipped with first-rate resources to face the challenges that await us."

[Mario Alberto Pedranzini
CEO and General Manager of Banca Popolare di Sondrio]

The Board of Directors of Banca Popolare di Sondrio, co-operative joint-stock company, chaired by Prof. Avv. Francesco Venosta, has today examined and approved the consolidated interim results as at 30 September 2020.

In a difficult macroeconomic framework for the Italian banking system, limiting ourselves to the context in which we operate, still affected by the Covid-19 emergency in its effects on core activities and related risks, the Banca Popolare di Sondrio Group achieved a positive net result. This confirms the sustainability of its business model, commercial effectiveness and the ability to continuously generate value for shareholders, achieving profits of € 64.5 million and a ROE of 3%. The already excellent capital position is also strengthened, with a CET1 ratio of 16.25% and the main liquidity indicators (LCR and NSFR) well above the regulatory threshold.

The bank was ready to provide adequate support to families and businesses affected by the negative economic effects of the pandemic, reaffirming the usual attention to the financial needs of its customers in the reference areas.

The moratorium measures introduced by the Government with the Cura Italia Law Decree of 17 March 2020, as well as those subject to an agreement at ABI level, were promptly activated. The bank also approved further concessions on a voluntary basis for the benefit of certain categories. Overall, as of 30/9/2020 almost 24,000 applications for a moratorium have been authorized for a residual debt of over € 4.5 billion.

The Group then promptly took action to apply the rules in support of the economy passed with the Liquidity Law Decree of 8 April 2020, subsequently amended and integrated, which provide for the granting of state guarantees for loans given to businesses affected by Covid-19.
As of 30/09/2020, 22,741 loans have been approved for a total value of € 2,054 million, mostly disbursed.

On the de-risking front, during the quarter the bank continued work to carry out a further sale of bad loans through the Luzzatti multi-originator transaction between cooperative banks. The target amount is equal to approximately € 400 million and the closing, which is expected to be completed by the end of the year, will allow to bring the gross NPL ratio to around 8%. This operation sees KPMG as industrial advisor, JP Morgan and Banca Akros as arranger and Credito Fondiario and Fire as servicer. The sales and continuous optimization of internal non-performing credit management processes contribute to developing the overall strategy for improving the quality of assets approved by the Board.

The Group is therefore well positioned to face the challenges that await it in the near future, with the aim of completing the ongoing strengthening process by continuing to manage the emergency situation which has unfortunately worsened.

Below are some **brief considerations on the most important aspects** as well as summary tables with the main aggregates of the income statement and balance sheet observed values for the period:

- The **net result** for the period, at 30 September 2020, was positive for € 64.5 million, down by 47.7% compared to € 123.2 million in the reference period, mainly in consideration of the result of the activity in securities which albeit positive for € 4 million, showed a sharp decrease compared to € 101.8 million in the comparative period. The profitability of the core business (interest margin and net commissions) has instead grown overall, confirming the good work carried out with a spirit of service also during the lockdown.
- **Comprehensive consolidated profitability**, calculated considering in addition to the net result for the period also other income components that have not passed through the income statement as they have been charged directly to equity, amounted to € 132.4 million, down by 16.8% compared to € 159.1 million in the reference period.
- **Capital ratios** remain at the top of the banking sector. In the fully-phased version, the CET1 Ratio stands at 16.25%, the Tier 1 Ratio is equal to 16.29%, while the Total Capital ratio reaches 18.66%.

- **New loans to households and businesses** amounted to around € 4 billion (ca. +50%, compared to the reference period), confirming the important support provided to the real economy during the current crisis.
- The **stock of gross impaired loans** fell sharply (to € 2,756 million; -26.1%;) as well as their incidence on total gross customer loans (gross NPL ratio of 9.03% from 12.58% at the end of 2019).
- The **coverage ratios of impaired credit**, despite the physiological drop due to the sale transaction finalized in the half year, are confirmed at particularly high levels, even in comparison with the average at the System level. The coverage of total non-performing loans is 55.17% (from 57.83% at 31 December 2019); that referring only to positions classified as bad loans stands at 68.95% (from 70.5% at 31 December 2019) and finally that related to the unlikely to pay - showing an increase – stood at 42.09% (from 39.41% at 31 December 2019).
- The **cost of risk,** which includes the estimated impacts of the NPL sale, stands at 0.59%, substantially in line with the 0.63% at 30 September 2019.
- The **Texas ratio,** the ratio between total net impaired loans and net tangible equity, further decreased standing at 42.22% down from 56% at the end of December 2019.
- **Direct customer deposits** amounted to € 33,193 million compared to € 32,622 million at the end of 2019 (+ 1.7%) and € 32,402 million at 30 September, 2019 (+ 2.4%); the indirect one stands at € 32,760 million compared to € 33,764 million last year (-3%) and € 32,983 million at September 30, 2019 (-0.7%). Insurance premiums amounted to € 1,690 million compared to € 1,608 million at 31 December 2019 (+ 5.1%) and € 1,527 million at 30 September 2019 (+ 10.7%).
- **Loans to customers** amounted to € 28,841 million, an increase (+ 5.3%) compared to € 27,387 million at the end of 2019. In this context, the net increases attributable to unsecured mortgages and other transactions (at 8,733 million euros; + 37.6%; +2,388 million euros) and mortgage loans (at 11,083 million euros; + 4%; +425 million euros) were particularly positive.
- The **liquidity indicators**, both short (Liquidity Coverage Ratio) and medium term (Net Stable Funding Ratio) are positioned on values of absolute tranquility, well above the minimum regulatory requirements.
- The contribution made to the Group result by the **subsidiaries and associates** was positive.

Accounting data (in millions of euros)

Income statement results	**30/09/2020**	**30/09/2019**	**Change**
Interest margin	362.2	340.6	+6.4%
Net fees and commissions income	229.6	230	-0.2%
Result on financial activities *	4.0	101.8	-96%

Operating income *	600	675.8	-11.2%
Net adjustments to loans and fin. assets *	-128.1	127.3	+0.7%
Profits/losses from contractual changes without cancellation of the related receivables	-5.8	-2.2	+160.4%
Operating costs *	-391.1	-385.8	+1.4%
Result before tax	93.4	181.9	-48.6%
Net result	64.5	123.2	-47.7%

*With regard to the results as at 30/09/2020 the aggregate "Net adjustments on loans and fin. assets " includes the loss of € 45.1 million related to the NPL disposal recognized in the income statement under the item gains/losses from the sale or repurchase of financial assets valued at amortized cost as well as € 2.7 million of charges, again connected with the sale, shown in other operating income/expenses.

Balance sheet results	**30/09/2020**	**31/12/2019**	**Change**
Direct customers deposits	33,193	32,622	+1.7%
Indirect customers deposits	32,760	33,764	-3.0%
Insurance deposits from customers	1,690	1,608	+5.1%
Total customer deposits	67,642	67,993	-0.5%
Loans to customers	28,841	27,387	+5.3%

The Group's economic performance

Consolidated net profit at 30 September 2020 amounted to € 64.5 million, down by 47.7% compared to the € 123.2 million of the first nine months of 2019.

Comprehensive consolidated profitability at 30 September 2020 amounted to € 132.4 million, down by 16.8% compared to € 159.1 million in the reference period.

The **interest margin** amounted to € 362.2 million, up 6.4% compared to 30 September 2019, mainly due to the benefits deriving from the funding obtained with the refinancing operations with the ECB and the positive volume effect resulting by the significant growth in new disbursements.

Net commissions from services amounted to € 229.6 million, substantially stable (-0.2%) compared to € 230 million in the comparative period. Particularly positive, compared with 30 September 2019, the component relating to the activity of receiving and transmitting orders (+ 36.2%, + € 2.5 million).

Dividends collected amounted to € 4.1 million, increasing compared to the € 3.3 million of 30 September 2019.

The **result of financial activity** was positive for € 4 million, a clear decrease compared to the € 101.8 million recorded in the comparison period.

The **intermediation margin** was therefore equal to € 600 million from the € 675.8 million of the comparative period (-11.2%).

Net adjustments to loans and financial assets amounted to € 128.1 million compared to the € 127.3 million of the comparative period (+ 0.7%). This item includes, following the reclassification as already mentioned above, the amount of € 45.1 million relating to losses for the sale of non-performing loans as part of the Diana operation as well as € 2.7 million of charges also related to the same disposal operation.
Without taking into account the reclassifications for the Diana sale, item 130 of the income statement, which concerns exposures to customers and banks in the form of both loans and securities, amounted to € 80.3 million and consists of € 79.3 million of adjustments relating to financial assets valued at amortized cost, while the component of net adjustments for credit risk relating to financial assets valued at fair value with an impact on comprehensive income recorded provisions for € 1 million on debt securities.
Item 140, which records the profits/losses from contractual changes without cancellations deriving from the changes made to the contractual cash flows, in the reference period was negative for € 5.8 million compared to € 2.2 million in the first nine months of 2019.

The ratio between net adjustments on loans to customers (item 130a in the income statement plus the losses related to the NPL disposal, overall equal to € 127.1 million) and net loans to customers, the so-called **cost of credit**, is therefore equal to 0.59% compared to 0.63% at 30 September 2019.

Net income from financial management amounted to € 466.1 million, down by 14.7% compared with the € 546.3 million of the previous year.

Operating costs amounted to € 391.1 million and are up compared to the € 385.8 million of the reference period (+ 1.4%). This aggregate includes the charges envisaged for the stability of the banking system.
As for the individual components, administrative expenses amounted to € 394.8 million, an increase compared to the € 387.9 million of the comparative period (+ 1.8%), the latter normalized with the exclusion of the income provision of the pension fund which have a counter-entry for the same amount in other operating expenses/income.
In the context: the component of personnel expenses rose from € 182.2 million to € 184.3 million (+ 1.2%), that relating to other administrative expenses increased from € 205.7 million at 30 September 2019 to 210.5 million euros in the reference period (+ 2.3%). The aforementioned aggregate also includes the provisions related to the contributions to be paid to the National Resolution Fund and the FITD equal to € 28.7 million.
The item net provisions for risks and charges showed provisions for € 3.7 million, compared to € 6 million in the reference period.

The adjustments on tangible and intangible assets amounted to € 40 million, slightly decreasing compared to the € 41.2 million of the same period in 2019 (-3%).
The other operating expenses and income, for which reclassifications have been made as shown in the above table, amounted to € 47.5 million, compared to 49.3 million euros recorded in the reference period (-3.8%).
in light of the aforementioned reclassifications, the aggregate of operating costs amounted to € 391.1 million (+1.4%) with an incidence on the intermediation margin **(cost-income ratio)**, equal to 65.18% from 57.09% as at 30 September 2019.

The **operating profit** therefore was € 75 million (-53.2%).

Profits/losses on equity investments and other investments showed a positive balance of € 18.4 million, down from € 21.4 million in the comparative period (-13.9%).

The **overall pre-tax result** therefore showed a profit of € 93.4 million (-48.6%).

Finally, after deducting **income taxes** of € 25.9 million, as well as minority interests of € 3.1 million, the **net income of the period** was € 64.5 million, showing a decrease compared to the reference period (-47.7%).

Balance sheet aggregates

In comparison with the volumes at the end of 2019: **direct deposits amounted to** € 33,193 million (+1.7%), indirect deposits amounted, at market values, to € 32,760 million (-3%), insurance deposits to € 1,690 million (+5.1%). Total customer deposits therefore came to € 67,642 million (-0.5%).

Net loans to customers, the sum of volumes measured at amortized cost and assets measured at fair value through profit or loss, amounted to € 28,841 million, up from € 27,387 million at the end of 2019 (+5.3%).

Net non-performing loans amounted to € 1,236 million, a decrease compared to € 1,574 million at 31 December 2019 (-21.5%). The incidence of the same on the total net loans is equal to 4.28%, a decrease compared to 5.75% at the end of 2019. The level of coverage remains at particularly consistent values, equal to 55.17%. In this context, net non-performing loans amount to € 436 million (-34.8%) with an incidence on total loans to customers of 1.51% compared to 2.44% at the end of 2019. The coverage ratio was 68.95% compared to 70.5% at the end of 2019. Taking into account the amounts passed to the income statement in previous years, the coverage of these receivables stood at 83.63%.
Net unlikely to pay amounted to 751 million euros (-11.5%), with a coverage ratio of 42.09%, compared to 39.41% at the end of 2019. The incidence of the same on total loans drops to 2.61% compared to 3.10% at the end of 2019. Net overdue and/or impaired overdraft exposures amounted to € 49 million (-14.5%) with a coverage ratio

which stood at 12.85%, compared to 14.23 at the of 2019, and an incidence on total loans equal to 0.17%

Financial assets, represented by proprietary securities and derivatives, amounted to € 10,234 million, increasing (+ 511 million; +5.3%) if compared to the volumes recorded at the end of the previous year. The amount of the portfolio of financial assets valued at amortized cost increased further from € 6,517 million at the end of 2019 to € 6,944 million at 30 September 2020 (+6.5%), accounting for around 68% of total financial assets. On the other hand, the size of the portfolio, consisting of financial assets measured at fair value with an impact on overall profitability, decreased from € 2,591 million at the end of 2019 to € 2,564 million at 30 September 2020 (-1.1%). The total volume of Italian government bonds amounted to € 5,989 million, slightly increasing (+0.6%) compared to €5,951 million at the end of 2019.

Equity investments amounted to € 296 million from € 295 million at 31 December 2019 (+0.3%).

The Group's exposure to the ECB under TLTRO III amounts to a total of € 8,068 million. There are no other forms of financing with the Eurosystem.

As at 30 September 2020, both short-term (LCR-Liquidity Coverage Ratio) and medium/long-term (NSFR-Net Stable Funding Ratio) **liquidity indicators** were well above the minimum requirement for the current year (100%).

The Group can always rely on a substantial **portfolio of refinanceable assets** which, net of the applied haircuts, amounted to € 14,260 million, of which € 5,550 million (39%), represented by unencumbered securities.

Consolidated **own equity**, including profit for the period amounted at 30 September 2020 to € 2,956 million, an increase of € 114 million compared to the value at the end of 2019.

Consolidated **regulatory own funds** at 30 September 2020 stood at € 3,262 million, compared with € 3,260 million recalculated as at 31 December 2019 (+0.1%).

The **capital ratios** for regulatory purposes at 30 September 2020 are calculated on the basis of supervisory own funds which do not include profits for the period. In fact, it should be noted that the equity and economic situation has not been subject to a limited audit activity nor has the profit been verified for the purpose of inclusion in the primary class 1 capital. These coefficients are equal to:
- CET 1 ratio: 16.34% (phased-in), 16.25% (fully phased);
- Tier 1 ratio: 16.38.% (phased-in), 16.29% (fully phased);
- Total Capital ratio: 18.74% (phased-in), 18.66% (fully phase

The **Leverage Ratio** at 30 September 2020 was 6.23%, applying the transitional criteria in force for 2019 (*phased in*), and 5.46%, under the *fully phased* regime.

As at 30 September 2020, the banking group had 3,305 **employees**. 97 new recruits were made in 2020.

To date, the company's **shareholder structure** has 162,525 members.

With reference to the foreseeable evolution of operations, it must be considered that the recent serious resurgence of the Covid-19 pandemic has suddenly subverted the forecasts that foreshadowed the consolidation of a general economic recovery for the last months of the year. We are therefore in a scenario where the elements of uncertainty are increasingly serious and prevalent. As far as our Group is concerned, we will continue our business by consolidating the ability to react to unforeseen events demonstrated so far. Given the financial strength and excellent liquidity position, we will do everything possible to meet the needs of families and businesses while safeguarding the quality of assets. It is therefore reasonable to expect a further positive increase in the characteristic banking activity. So that, although unable to predict the performance of the financial markets and in the absence of particularly negative signals about credit quality, it is confident that it will be able to achieve positive income results.

The consolidated interim results' report as at 30 September 2020 will be published on the company website "www.popso.it" and deposited on the authorized storage mechanism eMarket Storage "www.emarketstorage.com" and at the bank's head office.

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DECLARATION

The manager responsible for preparing the company's financial reports, Maurizio Bertoletti, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documented results, books and accounting records.

Signed:
Maurizio Bertoletti, manager responsible for preparing the company's financial reports.

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Sondrio, 9 November 2020

Attachments:
summary of the main consolidated results;
main consolidated financial statements indicators;
consolidated aggregates and credit quality indicators;
consolidated aggregates and capital adequacy indicators;
consolidated balance sheet and income statement formats.
reclassified consolidated income statement.
quarterly evolution of the reclassified consolidated income statement;
consolidated comprehensive income statement.

The English translation is provided solely 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	**30/09/2020**	**31/12/2019**	**Change %**
Loans to customers	28,841	27,387	5.31
Loans and receivables with customers measured at amortised cost	28,466	27,096	5.06
Loans and receivables with customers measured at fair value through profit or loss	375	291	28.66
Loans and receivables with banks	2,894	1,067	171.11
Financial assets that do not constitute loans	10,234	9,723	5.26
Equity investments	296	295	0.47
Total assets	47,457	41,146	15.34
Direct funding from customers	33,193	32,622	1.75
Indirect funding from customers	32,760	33,764	-2.97
Direct funding from insurance premiums	1,690	1,608	5.13
Customer assets under administration	67,642	67,993	-0.52
Other direct and indirect funding	15,580	10,068	54.74
Equity	2,956	2,842	4.02
Income statement	**30/09/2020**	**30/09/2019**	**Change %**
Net interest income	362	341	6.36
Total income *	600	676	-11.21
Profit from continuing operations	93	182	-48.62
Profit (loss) for the period	64	123	-47.70
Capital ratios	**30/09/2020**	**31/12/2019**	
CET1 Capital ratio (phased-in)	16.34%	15.75%	
Total Capital ratio (phased-in)	18.74%	18.64%	
Free capital	1,870	1,832	
Other information on the banking group	**30/09/2020**	**31/12/2019**	
Number of employees	3,305	3,299	
Number of branches	366	365	

** Total income has been shown as in the reclassified summary income statement*

ALTERNATIVE PERFORMANCE INDICATORS

Key ratios	**30/09/2020**	**31/12/2019**
Equity/Direct funding from customers	8.91%	8.71%
Equity/Loans and receivables with customers	10.25%	10.38%
Equity/Financial assets	28.88%	29.23%
Equity/Total assets	6.23%	6.91%
Profitability indicators	**30/09/2020**	**30/09/2019**
Cost/Income ratio *	65.18%	57.09%
Net interest income/Total income *	60.37%	50.40%
Administrative expenses/Total income *	65.81%	57.40%
Net interest income/Total assets	0.76%	0.78%
Net financial income/Total assets *	0.98%	1.25%
Asset quality indicators	**30/09/2020**	**31/12/2019**
Texas ratio	42.22%	56.00%
Net non-performing loans/Equity	14.74%	23.51%
Net non-performing loans/Loans and receivables with customers	1.51%	2.44%
Loans and receivables with customers/Direct funding from customers	86.89%	83.95%
Cost of credit *	0.59%	0.78%

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

LOANS TO CUSTOMERS - NON PERFORMING AND PERFORMING EXPOSURES 30/09/2020

(in thousands of euro)	Gross exposure		Impairment losses	Net exposure		Coverage
Non performing exposures	**(9.03%)**	**2,756,426**	**1,520,807**	**(4.28%)**	**1,235,619**	**55.17%**
of which Bad loans	(4.6%)	1,403,269	967,499	(1.51%)	435,771	68.95%
of which Unlikely to pay	(4.25%)	1,297,479	546,155	(2.61%)	751,324	42.09%
of which Past due	(0.18%)	55,678	7,153	(0.17%)	48,524	12.85%
Performing exposures	**(90.97%)**	**27,765,269**	**159,480**	**(95.72%)**	**27,605,788**	**0.57%**
Total loans to customers	**(100%)**	**30,521,695**	**1,680,288**	**(100%)**	**28,841,407**	**5.51%**

LOANS TO CUSTOMERS - NON PERFORMING AND PERFORMING EXPOSURES 31/12/2019

(in thousands of euro)	Gross exposure		Impairment losses	Net exposure		Coverage
Non performing exposures	**(12.58%)**	**3,732,063**	**2,158,087**	**(5.75%)**	**1,573,976**	**57.83%**
of which Bad loans	(7.63%)	2,264,503	1,596,444	(2.44%)	668,059	70.50%
of which Unlikely to pay	(4.72%)	1,401,400	552,225	(3.1%)	849,175	39.41%
of which Past due	(0.22%)	66,160	9,417	(0.21%)	56,742	14.23%
Performing exposures	**(87.42%)**	**25,937,252**	**123,831**	**(94.25%)**	**25,813,421**	**0.48%**
Total loans to customers	**(100%)**	**29,669,315**	**2,281,918**	**(100%)**	**27,387,397**	**7.69%**

CAPITAL RATIOS
30/09/2020

(in thousands of euro)	Phased-in	Fully-phased
Total own funds	**3,262,151**	**3,245,261**
of which Common Equity Tier 1 capital (CET1)	2,843,354	2,826,464
of which Additional Tier 1 capital (AT1)	7,155	7,155
of which Tier 2 capital (T2)	411,643	411,643
RWA	**17,405,792**	**17,395,298**
CET 1 ratio	**16.34%**	**16.25%**
Tier 1 ratio	**16.38%**	**16.29%**
Total capital ratio	**18.74%**	**18.66%**
Leverage ratio	**6.23%**	**5.46%**

CAPITAL RATIOS
31/12/2019

(in thousands of euro)	Phased-in	Fully-phased
Total own funds	**3,260,436**	**3,256,064**
of which Common Equity Tier 1 capital (CET1)	2,762,877	2,758,505
of which Additional Tier 1 capital (AT1)	9,191	9,191
of which Tier 2 capital (T2)	488,368	488,368
RWA	**17,224,426**	**17,223,800**
CET 1 ratio	**16.04%**	**16.02%**
Tier 1 ratio	**16.09%**	**16.07%**
Total capital ratio	**18.93%**	**18.90%**
Leverage ratio	**6.13%**	**6.12%**

Own funds recalculated on the basis of the decision, recommended by the European Central Bank, to suspend or cancel the payment of dividends

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS			30/09/2020		31/12/2019
10.	CASH AND CASH EQUIVALENTS		**4,346,768**		**1,826,427**
20.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**1,101,313**		**905,705**
	a) financial assets held for trading	216,060		214,466	
	b) financial assets designed at fair value	-		-	
	c) financial assets mandatorily at fair value through profit or loss	885,253		691,239	
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		**2,563,932**		**2,591,229**
40.	FINANCIAL ASSETS AT AMORTISED COST		**37,791,861**		**34,200,066**
	a) loans and receivables with banks	2,894,289		1,067,458	
	b) loans and receivables with customers	34,897,572		33,132,608	
50.	HEDGING DERIVATIVES		**-**		**-**
60.	FAIR VALUE CHANGE IN HEDGED FINANCIAL ASSETS (+/-)		**-**		**-**
70.	EQUITY INVESTMENTS		**295,617**		**294,609**
80.	TECHNICAL RESERVES OF REINSURERS		**-**		**-**
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**530,859**		**548,172**
100.	INTANGIBLE ASSETS		**29,552**		**31,186**
	of which:				
	- goodwill	12,632		12,632	
110.	TAX ASSETS		**412,147**		**419,295**
	a) current	18,855		4,971	
	b) deferred	393,292		414,324	
120.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		**-**		**-**
130.	OTHER ASSETS		**384,538**		**329,500**
	TOTAL ASSETS		**47,456,587**		**41,146,189**

	LIABILITY AND EQUITY		30/09/2020		31/12/2019
10.	FINANCIAL LIABILITIES AT AMORTISED COST		**42,838,866**		**36,949,458**
	a) due to banks	9,646,364		4,327,709	
	b) due to customers	30,384,206		29,816,997	
	c) securities issued	2,808,296		2,804,752	
20.	FINANCIAL LIABILITIES HELD FOR TRADING		**40,302**		**67,019**
30.	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE		**-**		**-**
40.	HEDGING DERIVATIVES		**7,805**		**11,320**
50.	FAIR VALUE CHANGE IN HEDGED FINANCIAL LIABILITIES (+/-)		**-**		**-**
60.	TAX LIABILITIES		**37,060**		**46,050**
	a) current	3,827		16,843	
	b) deferred	33,233		29,207	
70.	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		**-**		**-**
80.	OTHER LIABILITIES		**1,165,799**		**821,434**
90.	PROVISION FOR POST-EMPLOYMENT BENEFITS		**42,472**		**43,789**
100.	PROVISIONS FOR RISKS AND CHARGES:		**269,956**		**270,298**
	a) loans commitments and	50,120		43,411	
	b) pensions and similar	179,751		179,965	
	c) other provisions	40,085		46,922	
110.	TECHNICAL RESERVES		**-**		**-**
120.	VALUATION RESERVES		**61,095**		**(6,885)**
121.	OF WHICH RELATED TO DISCONTINUED OPERATIONS		**-**		**-**
130.	REDEEMABLE SHARES		**-**		**-**
140.	EQUITY INSTRUMENTS		**-**		**-**
150.	RESERVES		**1,416,833**		**1,297,442**
155.	OF WHICH INTERIM DIVIDENDS		**-**		**-**
160.	SHARE PREMIUM		**79,005**		**79,005**
170.	SHARE CAPITAL		**1,360,157**		**1,360,157**
180.	TREASURY SHARES (-)		**(25,376)**		**(25,374)**
190.	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		**98,163**		**95,041**
200.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**64,450**		**137,435**
	TOTAL LIABILITIES AND EQUITY		**47,456,587**		**41,146,189**

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS			30/09/2020		30/09/2019
10.	INTEREST AND SIMILAR INCOME		438,913		434,288
	of which: interest calculated using the effective interest method	432,930		429,170	
20.	INTEREST AND SIMILAR EXPENSE		(76,701)		(93,723)
30.	**NET INTEREST INCOME**		**362,212**		**340,565**
40.	FEE AND COMMISSION INCOME		241,976		246,114
50.	FEE AND COMMISSION EXPENSE		(12,350)		(16,080)
60.	**NET FEE AND COMMISSION INCOME**		**229,626**		**230,034**
70.	DIVIDENDS AND SIMILAR INCOME		4,108		3,339
80.	NET TRADING INCOME		(11,128)		53,869
90.	NET HEDGING INCOME		92		43
100.	NET GAINS FROM SALES OR REPURCHASES OF:		(22,430)		27,967
	a) financial assets at amortized cost	(33,980)		19,575	
	b) financial assets at fair value through other comprehensive income	11,509		8,015	
	c) financial liabilities	41		377	
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		(7,616)		19,965
	a) financial assets and liabilities designated at fair value	-		-	
	b) other financial assets mandatorily measured at fair value	(7,616)		19,965	
120.	**TOTAL INCOME**		**554,864**		**675,782**
130.	NET IMPAIRMENT LOSSES FOR CREDIT RISK RELATING TO:		(80,341)		(127,260)
	a) financial assets at amortized cost	(79,326)		(128,758)	
	b) financial assets at fair value through other comprehensive income	(1,015)		1,498	
140.	NET GAINS FORM CONTRACTUAL CHANGES WITHOUT DERECOGNITION		(5,779)		(2,219)
150.	**NET FINANCIAL INCOME**		**468,744**		**546,303**
160.	NET INSURANCE PREMIUMS		-		-
170.	OTHER NET INSURANCE INCOME (EXPENSE)		-		-
180.	**NET FINANCIAL INCOME AND INSURANCE INCOME**		**468,744**		**546,303**
190.	ADMINISTRATIVE EXPENSES:		(394,834)		(394,481)
	a) personnel expenses	(184,338)		(188,813)	
	b) other administrative expenses	(210,496)		(205,668)	
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		(3,682)		(6,034)
	a) commitments for guarantees given	(6,681)		1,147	
	b) other net provisions	2,999		(7,181)	
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(28,371)		(28,819)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(11,641)		(12,425)
230.	OTHER NET OPERATING INCOME		44,817		55,932
240.	**OPERATING COSTS**		**(393,711)**		**(385,827)**
250.	SHARE OF PROFITS OF INVESTEES		18,923		21,245
260.	NET FAIR VALUE LOSSES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED		(518)		133
270.	GOODWILL IMPAIRMENT LOSSES		-		-
280.	NET GAINS ON SALES OF INVESTMENTS		9		15
290.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**93,447**		**181,869**
300.	TAXES ON INCOME FOR THE YEAR FOR CONTINUING OPERATIONS		(25,881)		(57,178)
310.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**67,566**		**124,691**
320.	POST-TAX PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		-		-
330.	**NET PROFIT (LOSS) FOR THE PERIOD**		**67,566**		**124,691**
340.	NET (PROFIT) LOSS OF THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS		(3,116)		(1,448)
350.	**NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF PARENT BANK**		**64,450**		**123,243**
	EARNINGS (LOSS) PER SHARE		0.142		0.272
	DILUTED EARNINGS (LOSSES) PER SHARE		0.142		0.272

RECLASSIFIED CONSOLIDATED SUMMARY INCOME STATEMENT

(in thousands of euro)	30/09/2020	30/09/2019	(+/-)	% change
Net interest income	362,212	340,565	21,647	6.36
Dividends and similar income	4,108	3,339	769	23.03
Net fee and commission income	229,626	230,034	-408	-0.18
Net gains on financial assets	4,023	101,844	-97,821	-96.05
Total income	**599,969**	**675,782**	**-75,813**	**-11.22**
Net impairment losses	-128,097	-127,260	-837	0.66
Net gains form contractual changes without derecognition	-5,779	-2,219	-3,560	160.43
Net financial income	**466,093**	**546,303**	**-80,210**	**-14.68**
Personnel expenses	-184,338	-182,199	-2,139	1.17
Other administrative expenses	-210,496	-205,668	-4,828	2.35
Other net operating income	47,468	49,318	-1,850	-3.75
Net accruals to provisions for risks and charges	-3,682	-6,034	2,352	-38.98
Depreciation and amortisation on tangible and intangible assets	-40,012	-41,244	1,232	-2.99
Operating costs	**-391,060**	**-385,827**	**-5,233**	**1.36**
Operating result	**75,033**	**160,476**	**-85,443**	**-53.24**
Share of profits of investees and net gains on sales of investments	18,414	21,393	-2,979	-13.93
Pre-tax profit from continuing operations	**93,447**	**181,869**	**-88,422**	**-48.62**
Income taxes	-25,881	-57,178	31,297	-54.74
Net profit (loss) for the period	**67,566**	**124,691**	**-57,125**	**-45.81**
Net (profit) loss of the period attributable to minority interests	-3,116	-1,448	-1,668	115.19
Net profit (loss) for the period attributable to the owners of Parent	**64,450**	**123,243**	**-58,793**	**-47.70**

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement, reclassified with regard to the results as at 30/09/2020 of disposal losses for € 45.105 million included in the income statement under the item net gains/losses from sales or repurchases of financial assets at amortised cost and shown on the item net impairment losses. In the last aggregate has been reclassified also € 2.651 million of charges still connected with the disposal transaction and included in the item other operating income/expenses.
In order to standardize the scope of comparison, for the results as at 30/09/2019 the personnel expenses and other operating income have been reclassified, netting them off against the proceeds of the retirement employees fund of € 6.614 million.

RECLASSIFIED CONSOLIDATED QUARTERLY INCOME STATEMENTS

(in million of euro)	Q3 - 2020	Q2 - 2020	Q1 - 2020	Q4 - 2019	Q3 - 2019
Net interest income	129.2	120.9	112.2	119.8	110.5
Dividends and similar income	1.2	2.2	0.7	0.2	0.2
Net fee and commission income	77.4	73.3	78.9	92.2	77.5
Net gains on financial assets	19.2	44.0	-59.1	15.2	58.5
Total income	**226.9**	**240.4**	**132.7**	**227.5**	**246.7**
Net impairment losses	-32.9	-30.8	-64.4	-85.3	-21.6
Net gains form contractual changes without derecognition	-0.4	-0.1	-5.3	-1.1	-0.8
Net financial income	**193.6**	**209.5**	**63.0**	**141.2**	**224.3**
Personnel expenses	-62.6	-59.0	-62.8	-63.0	-61.6
Other administrative expenses	-65.2	-67.1	-78.2	-66.1	-56.7
Other net operating income	18.2	13.1	16.2	18.4	16.2
Net accruals to provisions for risks and charges	-3.2	-4.3	3.8	-3.4	-5.4
Depreciation and amortisation on tangible and intangible assets	-13.8	-13.4	-12.8	-17.8	-15.0
Operating costs	**-126.6**	**-130.7**	**-133.7**	**-131.9**	**-122.4**
Operating result	**67.0**	**78.7**	**-70.7**	**9.3**	**101.9**
Share of profits of investees and net gains on sales of investments	4.9	7.3	6.2	3.9	11.7
Pre-tax profit from continuing operations	**71.9**	**86.1**	**-64.5**	**13.1**	**113.6**
Income taxes	-20.6	-24.4	19.2	1.7	-36.4
Net profit (loss) for the period	**51.3**	**61.6**	**-45.4**	**14.8**	**77.3**
Net (profit) loss of the period attributable to minority interests	-1.3	-0.7	-1.1	-0.6	-1.0
Net profit (loss) for the period attributable to the owners of Parent	**50.0**	**60.9**	**-46.5**	**14.2**	**76.2**

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement, reclassified with regard to the results as at Q2 - 2020 of disposal losses for € 45.1 million included in the income statement under the item net gains/losses from sales or repurchases of financial assets at amortised cost and shown on the item net impairment losses. In the last aggregate, again for the results for Q2 - 2020, has been reclassified also € 2.7 million of charges still connected with the disposal transaction and included in the item other operating income/expenses.

In order to standardize the scope of comparison, for the results for the quarters of the year 2019, the personnel expenses and other operating income have been reclassified, netting them off against the proceeds of the retirement employees fund.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(in thousands of euro)

	ITEMS	30/09/2020	30/09/2019
10.	**Profit (loss) for the period**	**67,566**	**124,691**
	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	67,258	(21,565)
70.	Defined-benefit plans	(1,666)	(12,454)
90.	Share of valuation reserves of equity investments valued at net equity	(32)	(11)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
110.	Exchange differences	(581)	-
140.	Financial assets (other than variable-yield securities) measured at fair value through other comprehensive income	4,706	65,566
160.	Share of valuation reserves of equity investments valued at net equity	(1,699)	4,335
170.	**Total other income items net of income taxes**	**67,986**	**35,871**
180.	**Comprehensive income (Item 10+170)**	**135,552**	**160,562**
190.	Consolidated comprehensive income attributable to minority interests	(3,122)	(1,419)
200.	**Consolidated comprehensive income attributable to the Parent Company**	**132,430**	**159,142**