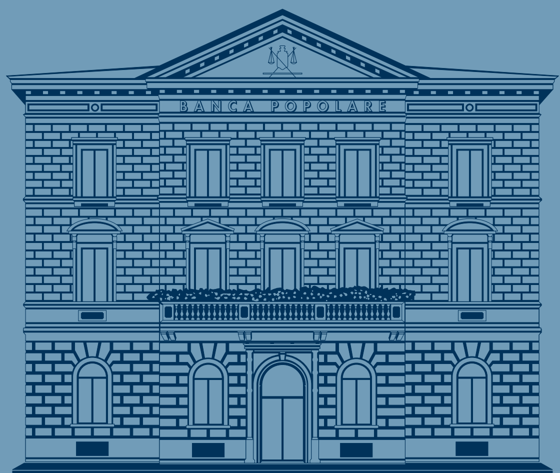
Banca Popolare di Sondrio

150°

1871 2021



CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2021

Banca Popolare di Sondrio

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BANCA POPOLARE

Banca Popolare di Sondrio 150° 1871 2021

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2021

Società cooperativa per azioni
Head office and general management: Piazza Garibaldi 16, 23100 Sondrio, Italy
Tel. 0342 528.111 - Fax 0342 528.204
Websites: https://www.popso.it - https://istituzionale.popso.it
E-mail: info@popso.it - PEC: postacertificata@pec.popso.it

Sondrio Companies Register no. 00053810149 - Official List of Banks no. 842
Cooperative Societies Register no. A160536
Parent Company of the Banca Popolare di Sondrio Group,
Official List of Banking Groups no. 5696.0 - Member of the Interbank Deposits Protection Fund
Fiscal code and VAT number: 00053810149
Share capital: € 1,360,157,331 – Reserves: € 1,253,388,214
(Figures approved by the Shareholders' Meeting of 11 May 2021)

Ratings:

- Ratings given by Fitch Ratings to Banca Popolare di Sondrio scpa on 1 September 2021:
  – Long-term: BB+
  – Short-term: B
  – Viability Rating: bb+
  – Outlook: Stable
  – Long-term Deposit Rating: BBB-
  – Long-term Subordinated Debt: BB-

- Ratings given by DBRS Morningstar to Banca Popolare di Sondrio scpa on 15 November 2021:
  – Long-Term Issuer Rating: BBB (low)
  – Short-Term Issuer Rating: R-2 (middle)
  – Trend (outlook): Stable
  – Long-Term Deposit Rating: BBB
  – Short-Term Deposit Rating: R-2 (high)

- Ratings given by Scope Ratings to Banca Popolare di Sondrio scpa on 31 March 2021:
  – Issuer rating: BBB-
  – Outlook: Stable

BOARD OF DIRECTORS

Chairman	FRANCESCO VENOSTA
Deputy Chairman	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	PAOLO BIGLIOLI ALESSANDRO CARRETTA CECILIA CORRADINI LORETTA CREDARO* DONATELLA DEPPERU FEDERICO FALCK CRISTINA GALBUSERA* ADRIANO PROPERSI ANNALISA RAINOLDI* SERENELLA ROSSI DOMENICO TRIACCA*

BOARD OF STATUTORY AUDITORS

Chairman	SERENELLA ROSSANO
Auditors	MASSIMO DE BUGLIO LAURA VITALI
Alternate Auditors	ALESSANDRO MELLARINI PAOLO VIDO

ADVISORY COMMITTEE

Advisors	ALBERTO CRESPI ANTONIO LA TORRE ANDREA MONORCHIO
Alternate advisors	DIANA BRACCO CESARE MIRABELLI

GENERAL MANAGEMENT

General Manager	MARIO ALBERTO PEDRANZINI
Deputy General Managers	GIOVANNI RUFFINI MARIO ERBA MILO GUSMEROLI CESARE POLETTI

Manager responsible for preparing the Company's accounting documents MAURIZIO BERTOLETTI

* Members of the Chairman's Committee

** Member of the Chairman's Committee and Secretary to the Board of Directors

INTRODUCTION

Legislative Decree 25 of 15 February 2016, which amended the Consolidated Finance Act (CFA), eliminated the obligation for issuers to publish interim reports for the first and third quarters of the year, though Consob can still ask issuers to provide additional periodic financial information.

On the part of our Group, it was decided to prioritise disclosure to the market and therefore, in continuity with the past, we proceeded to prepare this consolidated interim report on operations at 30 September 2021, in accordance with the measurement and recognition criteria provided for by the international accounting standards (IAS/IFRS) adopted by the European Community and currently in force.

This consolidated interim report on operations is not subject to an independent audit.

BASIS OF PREPARATION

The accounting schedules reported in the consolidated interim report on operations comply with the Bank of Italy's Instructions 262 dated 22 December 2005, 6th update of 30 November 2018.

In the period under review, the accounting policies adopted remained substantially unchanged compared with the previous year.

For detailed information on the application of the accounting standards, see the consolidated financial statements at 31 December 2020.

In the accounting schedules the figures are expressed in thousands of euro.

The balance sheet is compared with the balance sheet of the financial statements at 31 December 2020.

The income statement is compared with the income statement at 30 September 2020.

Preparation of the consolidated interim report on operations usually requires a more extensive use of estimates than the annual report, particularly in cases where the accounting presentation does not accurately reflect the accrual principle, with regard to both the balance sheet and the income statement.

BANCA POPOLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group has expanded with the entry of PrestiNuova srl - Agenzia in Attività Finanziaria and is now made up as follows:

Parent bank:

Banca Popolare di Sondrio s.c.p.a. - Sondrio;

Group companies:

Banca Popolare di Sondrio (SUISSE) SA - Lugano (CH).

The Parent Company holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, CHF 180,000,000.

Factorit spa - Milan.

The Parent Company holds 60.5% of the capital of Factorit spa, Euro 85,000,002.

Sinergia Seconda Srl - Milan

The Parent Company holds all the capital of Sinergia Seconda Srl, Euro 60,000,000.

Banca della Nuova Terra spa - Sondrio

The Parent Company holds all the capital of Banca di Nuova Terra spa, Euro 31,315,321.

Popso Covered Bond srl - Conegliano.

The Parent Company holds 60% of the capital of Popso Covered Bond srl, Euro 10,000.

PrestiNuova srl - Agenzia in Attività Finanziaria - Rome

Banca della Nuova Terra spa holds all the capital of PrestiNuova srl - Agenzia in Attività Finanziaria, Euro 100,000.

SCOPE OF CONSOLIDATION AND METHODOLOGY

The interim consolidated report on operations presents the economic and financial position at 30 September 2021 of the Banca Popolare di Sondrio Banking Group, which comprises the Parent Company, Banca Popolare di Sondrio (Suisse) SA, Factorit S.p.a., Sinergia Seconda, Banca della Nuova Terra S.p.a., Popso Covered Bond S.r.l. and PrestiNuova srl - Agenzia in Attività Finanziaria, as well as the entities that are controlled by the Group pursuant to IFRS 10.

The following companies have been consolidated on a line-by-line basis:

FULLY CONSOLIDATED EQUITY INVESTMENTS:

Name	Location	Share capital (in thousands)	% held
Banca Popolare di Sondrio (Suisse) SA	Lugano	(CHF) 180,000	100
Factorit spa	Milan	85,000	60.5
Sinergia Seconda srl	Milan	60,000	100
Banca della Nuova Terra spa	Sondrio	31,315	100
Pirovano Stelvio spa*	Sondrio	2,064	100
Servizi Internazionali e Strutture Integrate 2000 srl*	Milan	75	100
Immobiliare San Paolo srl*	Tirano	10**	100
Immobiliare Borgo Palazzo srl*	Tirano	10**	100
PrestiNuova srl - AAF	Rome	100***	100
Popso Covered Bond srl	Conegliano V.	10	60

* equity investments not included in the banking group
** held by Sinergia Seconda srl
*** held by Banca della Nuova Terra spa

The Parent Company holds 100% of Fondo Immobiliare Centro delle Alpi Real Estate and consolidates it line-by-line.

The scope of consolidation of the companies consolidated on a line-by-line basis has expanded with respect to the previous year following the entry of PrestiNuova srl - Agenzia in Attività Finanziaria, as mentioned previously.

The scope of consolidation also includes the equity investments where the Parent Company exercises a significant influence in that the direct and indirect shareholding is between 20% and 50%; or, if it has a lower interest, if one or more of the following circumstances apply:

a) it has a representative on the Board of Directors or the equivalent body of the affiliate;

b) it takes part in the decision-making process, including decisions regarding dividends;

c) there are significant transactions between the parent company and the affiliate;

d) there is an exchange of managers;

e) essential technical information is being provided.

These holdings are valued using the equity method, except for insignificant interests which are valued at cost.

The equity method involves initial recognition of the investment at cost and its subsequent remeasurement based on the portion of equity held. The portion of the company's net result for the year attributable to the bank is shown in a specific item in the income statement.

Any change in the other components of comprehensive income relating to these subsidiaries is presented as part of the Group's comprehensive income. Furthermore, in the event that an associate or joint venture recognises a change with direct allocation to equity, the Group recognises its share, where applicable, in the statement of changes in equity. Unrealised profits and losses deriving from transactions between the Group and associates or joint ventures are eliminated in proportion to the shareholding in the associates or joint ventures.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not subject to a separate impairment test.

After applying the equity method, the Group assesses whether it is necessary to recognise an impairment loss on its investment in associates or joint ventures. At each reporting date, the Group assesses whether there is objective evidence that the investments in associates or joint ventures have suffered impairment. In this case, the Group calculates the amount of the impairment as the difference between the recoverable value of the associate or joint venture and its carrying amount in its financial statements, recognising this difference in the profit or loss for the year under the heading "portion pertaining to the result of associates and joint ventures".

Any subsequent writebacks cannot exceed the impairment losses recorded previously. Upon the loss of significant influence over an associate or joint control over a joint venture, the Group assesses and recognises the residual investment at fair value. The difference between the carrying amount of the investment at the date of loss of significant influence or joint control and the fair value of the residual investment and the amounts received is recognised in the income statement. The ownership percentages are specified in the following table:

EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD:

Name	Location	Share capital (in thousands)	% held
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Arca Holding spa	Milan	50,000	34.715
Cossi Costruzioni spa	Sondrio	12,598	18.250
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Srgpa	Milan	5,200	19.600
Sofipo sa*	Lugano	(CHF) 2,000	30.000
Rajna Immobiliare srl	Sondrio	20	50.000
Rent2Go Srl	Bolzano	12,050	33.333

* held by Banca Popolare di Sondrio (SUISSE) SA

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

The quarterly situation of Banca Popolare di Sondrio (Suisse) SA is translated into euro at the official period-end exchange rate for balance sheet items, while costs and revenues are translated into euro at the period average exchange rate. Differences arising on translation are booked in the statement of comprehensive income.

SUBSEQUENT EVENTS

No events have taken place between the reference date for this interim consolidated report and the date of its approval by the Board of Directors on 9 November 2021 that would require the adjustment of such approved information, and nothing of significance has occurred that would require changes in the figures or in the disclosures already provided.

THE INTERNATIONAL SITUATION

During the year, the economic recovery gained strength throughout the world, although situations of uncertainty persist in areas where vaccination campaigns have been less efficient, as well as in those affected by the spread of new variants. Growth has consolidated in the United States and the United Kingdom, whereas there have been hints of a slowdown in Japan. China also saw a weakening in its growth trend in the third quarter of the year, partially due to the problems being experienced in the real estate sector, weighed down by the situation of the Evergrande Group, which has created tensions on international financial markets.

The dynamics of international trade have been extremely positive, recovering to the levels seen prior to the pandemic. The results could have been even better if certain critical issues – still unresolved – had not emerged, linked, on the one hand, to the scarcity of certain goods, such as semiconductors, which are indispensable for the production of an ever-increasing number of goods; on the other hand, linked to bottlenecks in transport systems, especially by sea, which negatively affected the distribution of certain products.

The high level of inflation was determined by the prices of energy products, above all gas and oil.

The forecasts of the International Monetary Fund estimate a growth in world GDP at the end of 2021 of around 5.9%, exceeding pre-pandemic levels. Advanced economies will benefit the most, while emerging ones will be delayed by the effects of the health crisis.

The Eurozone saw the sharp growth in economic activity continue in the third quarter of the year, supported by the recovery in consumer spending and capital investment. This trend is common to all the main countries and for once it sees Italy doing better than the others. Germany, on the other hand, has to some extent been slowed down by the shortage of semiconductors, components that are increasingly indispensable for the automotive sector, which plays a central role in that country's production system.

The increase in inflation, which came in at 3.4% at the end of September, was brought about by the energy component in particular. The ECB's forecasts indicate a level of around 2.2% for the end of the year, which should then drop to 1.5% in 2022. Fears of inflation above the Monetary Authority's medium-term target are therefore limited. For the ECB, maintaining favourable financing conditions remains central to giving continuity to the recovery currently underway.

As already mentioned, the Italian economy has confirmed itself to be extremely reactive, so much so that it has exceeded expectations. Growth in GDP in the third quarter was sustained thanks to continued progress in the industrial sector and a marked recovery in services. The determination with which the vaccination campaign was carried out undoubtedly helped to provide a solid foundation for the recovery. The estimates of GDP growth are improving, so much so that by the end of the year the 6% threshold appears to be within reach. In Italy too, inflation has been sustained by the significant increase in energy-related prices, while employment figures have only benefited in part from the positive situation of the economy. There has been an upswing, but it was largely driven by fixed-term contracts.

As the restrictive measures to contain the effects of the pandemic have been relaxed, the economy of the Swiss Confederation has gradually regained strength, especially in those sectors that were particularly penalised. The most dynamic sectors included hotels and restaurants, as well as entertainment and recreational activities. Private consumption turned in significant growth, as did public sector spending, linked in particular to the exceptional efforts to combat the pandemic. Foreign trade is also on the rise, with a significant peak in exports.

The forecasts for the current year indicate growth that should continue, albeit at lower levels than previously expected. By the end of the year, the increase in GDP is being estimated at around 3.2%.

KEY RESULTS

(in millions of euro)

Balance sheet	30/09/2021	31/12/2020	Change %
Loans to customers	30,602	29,380	4.16
Loans and receivables with customers measured at amortised cost	30,155	28,998	3.99
Loans and receivables with customers measured at fair value through profit or loss	446	382	16.90
Loans and receivables with banks	3,700	3,621	2.20
Financial assets that do not constitute loans	13,486	10,553	27.79
Equity investments	328	305	7.42
Total assets	53,334	49,808	7.08
Direct funding from customers	37,415	35,559	5.22
Indirect funding from customers	39,099	34,797	12.36
Direct funding from insurance premiums	1,870	1,717	8.92
Customer assets under administration	78,385	72,074	8.76
Other direct and indirect funding	19,104	16,368	16.71
Equity	3,183	2,998	6.19

Income statement	30/09/2021	30/09/2020	Change %
Net interest income	390	362	7.77
Total income*	755	600	25.77
Profit from continuing operations	286	93	–
Profit (loss) for the period	201	64	–

Capital ratios (%)	30/09/2021	31/12/2020
CET1 Capital ratio	16.53%	16.32%
Total capital ratio	18.33%	18.55%
Free capital	1,907	1,919

Other information on the banking group	30/09/2021	31/12/2020
Number of employees	3,383	3,325
Number of branches	371	369

* Total income is represented as per the reclassification made in the table commenting on the income statement

ALTERNATIVE PERFORMANCE INDICATORS (CONSOLIDATED)

	30/09/2021	31/12/2020
Key ratios		
Equity/Direct funding from customers	8.51%	8.43%
Equity/Loans to customers	10.40%	10.20%
Equity/Financial assets	23.60%	28.40%
Equity/Total assets	5.97%	6.02%
Profitability indicators*		
Cost/Income ratio	53.37%	64.07%
Net interest income/Total income	51.73%	60.37%
Administrative expenses/Total income	53.96%	65.81%
Net interest income/Total assets	0.73%	0.76%
Net financial income/Total assets	1.24%	0.98%
Profit for the period attributable to the parent company/Total assets	0.38%	0.14%
Asset quality indicators		
Texas ratio	29.78%	36.78%
Net bad loans/Equity	10.01%	11.54%
Net bad loans/Loans to customers	1.04%	1.18%
Loans to customers/Direct funding from customers	81.79%	82.62%
Cost of credit	0.40%	0.74%

The indicators were calculated using the figures shown in the summary reclassified income statement.
Cost/Income ratio: the ratio between operating costs and total income
Texas ratio: the ratio between non-performing loans and the difference between equity and intangible assets, as the denominator.
Cost of credit: ratio of Net adjustments/write-backs for impairment of receivables in the income statement to total Loans to customers.
* Comparative figures refer to 30-09-2020

FUNDING

The expansion of bank deposits also continued in the period under review. The main source was the deposits of residents, especially households. Also continuing is the trend that has been underway for some time, based on a clear prevalence of short-term forms of deposits compared with long-term ones. At the same time, the cost of funding has remained at very low levels, favoured by the persistence of the accommodative monetary policy that has been in place for a long time.

As regards our Group, at 30 September 2021, direct customer deposits totalled 37,415 million, +5.22% on the end of 2020 and +12.72% over the last twelve months.

Indirect funding from customers amounted to 39,099 million, +12.36% on the end of 2020. Direct funding from insurance premiums has risen to 1,870 million, +8.92%.

Total funding from customers therefore amounted to 78,385 million, +8.76%.

Amounts due to banks totalled 10,864 million, +10.56%. The aggregate includes the refinancing operations in place with the European Central Bank for 8,874 million. This is explained in the chapter on securities and treasury activities.

Indirect funding from banks came to 8,240 million, +25.97%.

Total deposits from customers and banks came to 97,489 million, +10.23%.

The table "Direct funding from customers" shows the various components in detail. Current accounts in euro and foreign currency amounted to 33,093 million, +5.21%, and make up 88.45% of all direct funding. Bonds increased to 3,252 million, +21.28%, due to new issues, including that of the Parent Company's first Green Bond which was completed on 7 July for 500 million. Savings deposits came to 524 million, -0.47%. Time deposit accounts amounted to 205 million, -58.43%. There have been no repo transactions, in the same way that there are no certificates of deposit. Bank drafts amounted to 154 million, +3.02%. Lease liabilities, recognised in compliance with the provisions of IFRS 16, amounted to 187 million, -6.61%.

With regard to assets under management, reference should be made to the chapter on securities and treasury activities.

DIRECT FUNDING FROM CUSTOMERS

(thousands of euro)	30/09/2021	%	31/12/2020	%	% change
Savings deposits	524,403	1.40	526,899	1.48	-0.47
Certificates of deposit	0	–	471	–	–
Bonds	3,251,539	8.69	2,680,983	7.54	21.28
Repo transactions	0	0.00	55,422	0.16	–
Bank drafts and similar	154,172	0.41	149,657	0.42	3.02
Current accounts	30,096,198	80.44	28,839,649	81.11	4.36
Time deposit accounts	204,517	0.55	491,941	1.38	-58.43
Current accounts in foreign currency	2,997,114	8.01	2,614,046	7.35	14.65
Lease liabilities	187,151	0.50	200,392	0.56	-6.61
Total	**37,415,094**	**100.00**	**35,559,460**	**100.00**	**5.22**

TOTAL FUNDING

(thousands of euro)	30/09/2021	%	31/12/2020	%	% change
Total direct funding from customers	37,415,094	38.38	35,559,460	40.21	5.22
Total indirect funding from customers	39,099,347	40.11	34,797,277	39.34	12.36
Total direct funding from insurance premiums	1,870,287	1.92	1,717,184	1.94	8.92
Total	**78,384,728**	**80.40**	**72,073,921**	**81.49**	**8.76**
Due to banks	10,864,021	11.14	9,826,687	11.11	10.56
Indirect funding from banks	8,239,769	8.45	6,541,248	7.40	25.97
Grand total	**97,488,518**	**100.00**	**88,441,856**	**100.00**	**10.23**

LOANS TO CUSTOMERS

In the third quarter of the year, the rate of disbursement of credit to households consolidated, while that for the production sector appeared to decelerate. The offer conditions remained relaxed. On the credit quality front, the trend towards a significant contraction in bad loans continued.

In terms of loans to customers, it is worth reiterating the considerable support provided to households and businesses in the contingent situation of severe economic and financial crisis caused by the Covid-19 pandemic. Starting last March, the Parent Company promptly activated a series of interventions for the benefit of customers and the territories served in compliance with the government measures introduced mainly by the Cura Italia and Liquidità Decrees, with initiatives promoted by ABI at the banking system level and, lastly, on a voluntary basis for the benefit of certain categories and contractual relationships, mostly without the characteristics to access the two concessions mentioned above. The main initiatives include the granting of moratoria/suspensions on loans granted for the benefit of households and businesses: between March 2020 and 30 September 2021, there have been over 24 cases of forbearance for a residual debt in terms of principal of approximately 4,700 million, mostly attributable to the Cura Italia decree in support of SMEs (58% of residual debt) and to households (18% of residual debt). Most of these cases of forbearance have expired and customers have resumed regular payment of their instalments. Also worth noting in the initial stages of the emergency, the immediate activation of measures to buffer liquidity needs resulting from the limits on business operations imposed by the Authorities. This involved granting short-term personal loans and temporary cash lines to replace unused self-liquidating credit lines, as well as loans and rescheduling payments of sector contributions for professionals enrolled in pension funds that have special agreements with the Parent Company. Then there was our adhesion to the agreement to regulate the granting of advances of the sums due by INPS to workers in the Redundancy Fund as a result of the health emergency. Subsequently, with the introduction in April 2020 of the Liquidità Decree, all types of financing were activated for the benefit of the companies envisaged in art. 13 (Central Guarantee Fund for SMEs) and art. 1 (SACE). Particular emphasis is placed on the substantial numbers relating to the loans referred to in art. 13: overall, at 30 September 2021, there were more than 22 thousand proposals approved for a total of 2,500 million, including loans fully guaranteed by the State for an amount up to 30,000 euro (more than 16,000 cases for around 330 million), also put in place through Confidi, mainly in the province of Sondrio, and ISMEA. In addition, various surveys were carried out to identify the economic sectors worst hit by the crisis, with in-depth analyses at the level of the loan portfolio of individual geographical areas. Assessments were also performed on the quality of the Parent Company's portfolio and the ability of customers to meet their financial commitments in a context of uncertainty. Ordinary lending to cover the financial needs of businesses and households has continued as usual, confirming the focused attention paid to serving our local communities.

For our Group loans totalled 30,602 million, up by 4.16% compared with 31 December 2020 and by 6.10% compared with 30 September 2020, with a trend that fluctuated during the period. The ratio of loans to direct deposits from customers is 81.79% compared with 82.62% in the previous period. Several different technical forms have contributed in varying degrees to the trend in loans. These items are equal to the sum of the loans included in line item "40. financial assets measured at amortised cost - b) loans and receivables with customers" and line item "20. financial assets measured at fair value through profit or loss - c) other financial assets mandatorily measured at fair value". Mortgage loans increased to a certain extent (+4.22%), coming in at 11,671 million; they are the first component of loans to customers with 38.13%. Repos, which are a way of investing temporary cash surpluses with institutional counterparties, rose sharply from 67 million to 729 million, +984.27%. Current accounts increased by 2.19%, from 3,087 million to 3,154 million. The same applies to foreign currency loans, which rose from 889 million to 1,061 million, +19.46%. Advances also increased, +3.72%, from 433 million to 449 million and advances subject to collection from 191 million to 202 million, +6.05%.

LOANS TO CUSTOMERS

(thousands of euro)	30/09/2021	%	31/12/2020	%	% change
Current accounts	3,154,429	10.31	3,086,892	10.51	2.19%
Foreign currency loans	1,061,475	3.47	888,554	3.02	19.46%
Advances	449,145	1.47	433,043	1.47	3.72%
Advances subject to collection	202,053	0.66	190,531	0.65	6.05%
Discounted portfolio	2,010	0.01	2,906	0.01	-30.83%
Artisan loans	95,105	0.31	66,463	0.23	43.09%
Agricultural loans	14,326	0.05	10,561	0.04	35.65%
Personal loans	451,603	1.48	456,956	1.56	-1.17%
Other unsecured loans	9,599,228	31.37	9,545,580	32.49	0.56%
Mortgage loans	11,670,842	38.13	11,198,224	38.12	4.22%
Bad loans	318,568	1.04	345,812	1.18	-7.88%
Repo transactions	729,419	2.38	67,273	0.23	–
Factoring	2,175,679	7.11	2,378,958	8.08	-8.54%
Fixed-yield securities	677,803	2.21	707,971	2.41	-4.26%
Total	**30,601,685**	**100.00**	**29,379,724**	**100.00**	**4.16%**

Other unsecured operations and mortgages increased by 0.56%, from 9,546 million to 9,599 million. Factoring transactions are down, -8.54%, from 2,379 to 2,176 million, as are debt securities, which fell from 708 million to 678 million; they derive from the securitisation of loans to customers made by Banca della Nuova Terra spa and Alba Leasing spa and include the securities issued as part of the two sales of NPLs by the SPVs Diana and POP NPLS 2020 and held by the Parent Company. Personal loans also fell slightly, -1.17%, from 457 million to 452 million.

This aggregate includes loans assigned but not derecognised of 1,385 million in relation to the issue of covered bonds. These loans have not been derecognised because the structure chosen for the operation does not meet the requirements of the international accounting standards.

NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		30/09/2021	31/12/2020*	(+/-)	% change
Non-performing loans	Gross exposure	2,237,877	2,292,319	-54,442	-2.37%
	Adjustments	1,299,103	1,200,209	98,894	8.24%
	Net exposure	**938,774**	**1,092,110**	**-153,336**	**-14.04%**
– Bad loans	Gross exposure	1,104,682	1,078,268	26,414	2.45%
	Adjustments	786,114	732,456	53,658	7.33%
	Net exposure	**318,568**	**345,812**	**-27,244**	**-7.88%**
– Unlikely-to-pay loans	Gross exposure	1,073,670	1,154,066	-80,396	-6.97%
	Adjustments	506,023	459,409	46,614	10.15%
	Net exposure	**567,647**	**694,657**	**-127,010**	**-18.28%**
– Past due and/or overdrawn exposures	Gross exposure	59,525	59,984	-459	-0.77%
	Adjustments	6,966	8,343	-1,377	-16.50%
	Net exposure	**52,559**	**51,641**	**918**	**1.78%**
Performing loans	Gross exposure	29,790,869	28,462,763	1,328,106	4.67%
	Adjustments	127,958	175,148	-47,190	-26.94%
	Net exposure	**29,662,911**	**28,287,615**	**1,375,296**	**4.86%**
Total loans and receivables with customers	Gross exposure	32,028,746	30,755,082	1,273,664	4.14%
	Adjustments	1,427,061	1,375,358	51,703	3.76%
	Net exposure	**30,601,685**	**29,379,724**	**1,221,961**	**4.16%**

* The figures at 31/12/2020 have been restated for comparison purposes.

Total gross non-performing loans have fallen by 2.37% to 2,238 million and represent 6.99% of total gross loans compared with 7.45% at the end of 2020. Net non-performing loans fell to 939 million, -14.04%, compared with 1,092 million at 31 December 2020; in the previous year there was a reduction of 30.61%. The aggregate is 3.07% of loans to customers (3.72% at 31 December 2020). The contraction is also the result of the policy of reinforcing the structures responsible for the disbursement, management and monitoring of credit. The adjustments recorded for non-performing loans total 1,299 million, +8.24%, representing 58.05% of the gross amount compared with 52.36% last year and 57.82% at the end of 2019.

Net bad loans, after write-downs, amount to 319 million, -7.88% (-48.24% at the end of December 2020), representing 1.04% of total loans and receivables with customers, compared with 1.18% at 31 December 2020. Net bad loans stood at percentages comparable to those of the system. As has become customary, the adjustments made in application of prudential valuation criteria have always been consistent, especially on positions backed by real guarantees on properties. The adjustments to cover estimated losses on bad loans went from 786 million, +7.33%, million, representing 71.16% of the gross amount of such loans compared with 67.93% the previous year. The coverage percentage is one of the highest in Italy. Considering the amounts written off in prior years against bad loans that are still tracked by the Bank, in view of possible future recoveries, the coverage of such loans amounts to 86.48%.

Unlikely-to-pay loans are made up of exposures, other than bad loans and for which the debtor is unlikely to settle in full without the bank having to enforce guarantees or similar forms of protection. Net of adjustments, these have decreased to 568 million, -18.28%, equal to 1.85% of total loans to customers, compared with 2.36% the previous year. The related adjustments, with the current coverage ratio of 47.13%, amounted to 506 million, +10.15% on the comparative period, when they amounted to 459 million; the coverage ratio was 39.81% last year. The decrease in unlikely-to-pay loans is due to the transfer to bad loans of the positions at greatest risk, as well as higher collections

Non-performing past due and/or overdrawn exposures, other than those classified as bad loans or unlikely to pay loans, which, at the reporting date, have remained unpaid and/or overdrawn continuously for more than 90 days and which exceed a set materiality threshold, amount to 53 million, +1.78% with a coverage degree of 11.70%, and represent 0.17% of total loans to customers compared with 0.18% the previous year.

Performing loans amount to 29,663 million, +4.86%, and the related provisions totalled 128 million versus 175 million, 0.43% of them compared with 0.62% the previous year. Adjustments totalled 1,427 million overall, +3.76%.

Even if from a technical point of view they are not included in customer loans, but classified as other assets according to the instructions of the Bank of Italy, it is worth highlighting the intense work carried out as part of the acquisition of customer tax credits linked to the various concessions introduced to support the recovery. At 30 September, the financial statements contained tax credits of this nature for a total of 229 million.

TREASURY AND TRADING OPERATIONS

The third quarter of the year saw a slight weakening of the underlying scenario for international financial markets. On the macroeconomic side, some signs of a slowdown in growth have emerged linked to the spread of the Delta variant of the coronavirus at a time when there has been a sudden jump in inflation; on the monetary side, investors have been worried about the potential removal of the expansionary measures adopted up to now by central banks. In this context, stock markets reacted positively at first, but then reduced gains; similarly, fixed income markets experienced an upward phase with subsequent profit-taking.

On 29 September 2021 the Parent Company repaid two T-LTRO III loans in advance for a total of 3,700 million euro and subscribed a new tranche for the same amount in order to extend the maturity. At year end, there were three T-LTRO II loans outstanding with the ECB for a total of 8,874 million. The first was taken out on 24 June 2020 for 4,368 with maturity on 28 June 2023 and with an early redemption option from 29 September 2021. The second one of 806 million ran from 24 March 2021 with maturity on 27 March 2024 and an early repayment option from 30 March 2022. The third was taken out on 29 September 2021 for 3,700 million, maturing on 25 September 2024 and with an early redemption option from 29 June 2022. If the net lending targets assigned by the ECB are met, all of the above transactions will be funded at a rate of -0.50% (the rate is -1% for the period from 24 June 2020 to 23 June 2022).

Liquidity remained particularly abundant, also following participation in the new T-LTRO III refinancing tranche. The exposure to liquidity risk is monitored both in the short term, taking a 3-month view every day, and over the long term with a monthly check. The ratios required by Basel 3, being the short-term Liquidity Coverage Ratio and the structural Net Stable Funding Ratio, are also calculated. Both are higher than the established minimums. The stock of high quality financial assets eligible for refinancing with the ECB, net of haircuts, at 30 September amounted to 16,910 million, of which 7,329 million free and 9,581 million committed.

During the period under review, treasury operations favoured recourse to the Deposit Facility at the ECB, remunerated at -0.50%, to deposit excess liquidity; conversely, the volume of repo activity with institutional counterparties in the screen-traded market (MMF - Money Market Facility), organised via Cassa di Compensazione e Garanzia (the clearing house), has declined steadily.

At 30 September 2021, the portfolio of financial assets comprising financial instruments other than securitisations totals 13,486 million, following an increase of 27.79% since 31 December 2020. The increase in the portfolio of securities mainly reflects the excess liquidity held by the Treasury Department. The increases concerned government and corporate securities, mainly senior preferred financials, partly green and social, mainly in the HTC segment. The following table summarises the various amounts involved and the percentage changes.

FINANCIAL ASSETS (DEBT SECURITIES, VARIABLE-YIELD SECURITIES, MUTUAL FUNDS AND DERIVATIVES) BY PORTFOLIO

(thousands of euro)	30/09/2021	31/12/2020	% change
Financial assets held for trading	191,958	190,545	0.74
of which, derivatives	41,070	59,742	-31.25
Other financial assets mandatorily measured at fair value	676,859	656,257	3.14
Financial assets valued at fair value through other comprehensive income	3,129,168	2,619,939	19.44
Financial assets measured at amortised cost	9,487,840	7,086,361	33.89
Total	**13,485,825**	**10,553,102**	**27.79**

As mentioned previously, the overall portfolio recorded a significant increase compared with the end of 2020 (+27.79%), mainly attributable to financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, in line with the past.

Operations focused on the purchase of floating-rate Italian government securities and, to a lesser extent, on foreign government securities and corporate bonds, in part ESG (Environmental, Social, Governance).

Floating-rate and inflation-indexed government securities total about 5.8 billion.

The duration of the bond portfolio has increased slightly compared with last year and now stands at around 4 years, while the modified duration is decreasing, and coming in at 2.24%.

Financial assets held for trading

The trading portfolio, which represents an insignificant part of the total securities portfolio (1.42%), amounts to 192 million after increasing by 0.74% from 191 million at the end of 2020.

Operations during the period sought to reduce the amount of variable-yield securities in favour of mutual funds, in order to increase the diversification of investments. The exposure to fixed-rate Italian government bonds did not change much.

(thousands of euro)	30/09/2021	31/12/2020	% change
Fixed-rate Italian government securities	24,345	25,440	-4.30
Variable-yield securities	56,723	66,970	-15.30
Mutual funds	69,820	38,393	81.86
Net book value of derivative contracts	41,070	59,742	-31.25
Total	**191,958**	**190,545**	**0.74**

Other financial assets mandatorily measured at fair value

The financial assets mandatorily measured at fair value through profit and loss amount to 677 million after a rise of 3.14% from 656 million at the end of 2020.

This portfolio is essentially unchanged with respect to last year in terms of the financial instruments held and their value. The investments remain strongly concentrated on mutual funds in euro, mainly bond and real estate funds.

(thousands of euro)	30/09/2021	31/12/2020	% change
Bank bonds	6,320	16,009	-60.52
Other bonds	34,410	24,720	39.20
Variable-yield securities	1	1	–
Mutual funds in euro	604,032	585,996	3.08
Mutual funds in foreign currency (USD)	32,096	29,531	8.69
Total	**676,859**	**656,257**	**3.14**

Financial assets measured at fair value through other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income (Held To Collect and Sell) has increased significantly since the end of 2020, rising to 3,129 million (+19.44%).

The change during the period has resulted in greater exposure to floating-rate Italian government securities, which total 1,798 million after rising 72.97% since the end of 2020; accordingly, the weighting of Italian government securities in this portfolio is now 68.44%.

With regard to the other financial instruments held in portfolio, the exposure to fixed-rate Italian government securities and foreign government securities has been decreased slightly in order to increase the exposure to floating-rate securities, which now represent around 57%.

The changes in bank bonds, other bonds and variable-yield securities were not significant in absolute terms.

(thousands of euro)	30/09/2021	31/12/2020	% change
Floating-rate Italian government securities	1,797,857	1,039,429	72.97
Fixed-rate Italian government securities	343,881	431,999	-20.40
Foreign government securities	375,054	479,828	-21.84
Bank bonds	352,726	372,950	-5.42
Other bonds	163,570	191,925	-14.77
Variable-yield securities	96,080	103,808	-7.44
Total	**3,129,168**	**2,619,939**	**19.44**

Financial assets measured at amortised cost

The securities measured at amortised cost that are classified among the financial assets measured at amortised cost (Held To Collect) amount to 9,488 million, following a rise of 33.89% from 7,086 million at the end of 2020.

Analysis of the portfolio reveals increases of 1,718 million in floating-rate Italian government securities (+163.01%), 183 million in foreign government securities (+10.86%), of 221 million in bank bonds (+41.21%), 322 million in other bonds (+81.60%) and 37 million in other public administration bonds (+34.27%). Operations during the period focused mainly on the purchase of floating-rate government securities, in order to increase the overall holding and their weighting in the portfolio; in addition, preference has been given to investments that meet ESG criteria: social bonds, sustainability bonds and green bonds.

(thousands of euro)	30/09/2021	31/12/2020	% change
LOANS AND RECEIVABLES WITH BANKS	**757,574**	**536,485**	**41.21**
Italian bank bonds	542,504	378,270	43.42
Foreign bank bonds	215,070	158,215	35.94
LOANS AND RECEIVABLES WITH CUSTOMERS	**8,730,266**	**6,549,876**	**33.29**
Floating-rate Italian government securities	2,772,383	1,054,114	163.01
Fixed-rate Italian government securities	3,226,156	3,306,303	-2.42
Foreign government securities	1,870,206	1,687,063	10.86
Other public administration bonds	144,201	107,397	34.27
Other bonds	717,320	394,999	81.60
Total	**9,487,840**	**7,086,361**	**33.89**

Asset management

The favourable moment of assets under management continued in the third quarter of the year, benefiting from the good performance of financial markets. It was equity funds that attracted the most deposits, followed by balanced funds, while bond and flexible funds remained negative, albeit with some signs of recovery. There was a growing interest in products with an ESG footprint and the positive trend in retail managed portfolio schemes was confirmed.

Our Group also took advantage of the general market situation: at 30 September 2021, the total assets managed in the various forms amounted to 6,645 million, an increase of 11.30% on the end of 2020, of which 4,798 million, +10.05%, mutual funds and sicavs, including Popso (SUISSE) Investment Fund Sicav, and 1,847 million, +14.68%, the Group's portfolio management schemes.

INFORMATION ON EXPOSURE TO SOVEREIGN DEBT

Consob with communication no. DEM/11070007 of 5 August 2011 invited listed companies to provide in the financial statements information on exposures to sovereign debtors, i.e. bonds issued by central and local governments, government agencies and any loans made to them.

In this regard, the overall exposure of the banking group at 30 September 2021 amounted to 12,635 million and was structured as follows:

a) Italian government securities: 8,165 million;
b) Securities of other issuers: 2,866 million;
c) Loans to local and government administration: 198 million;
d) Loans to state-owned or local government-owned enterprises: 1,220 million;
e) Loans to other public administrations and miscellaneous entities: 186 million.

EQUITY INVESTMENTS

Equity investments amounted to 328 million, up by 23 million. The increase reflects the measurement at equity of these investments.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets came in at 592 million, versus 596 million at the end of 2020. The former totalled 561 million, -1.13%, while the latter amounted to 31 million, +7.88%.

Intangible assets comprise 13 million related to goodwill. The latter are subjected to impairment testing annually in order to check for any permanent loss in value. The test was carried out when preparing the consolidated financial statements at 31 December 2020. At 30 September 2021, it was decided not to repeat the test as there were no significant changes in the reference framework.

OTHER PROVISIONS

These consist of termination indemnities, which have decreased by 2 million to 40 million, and provisions for risks and charges, which totalled 265 million, -9.18% since the end of 2020, a reduction largely attributable to the provision for commitments and guarantees given, which fell by 19 million due to the release of funds.

HUMAN RESOURCES

At 30 September 2021 the Banking Group had 3,383 employees, an increase of 58 persons, made up as follows: 2,855 at the Parent Company, 348 at Banca Popolare di Sondrio (SUISSE) SA, 155 at Factorit spa and 25 at BNT spa. In addition to the Banking Group's staff, there are also the 24 employees of the subsidiary Pirovano Stelvio spa, 21 of whom are employed seasonally.

EQUITY

Shareholders' equity at 30 September 2021, inclusive of valuation reserves and the profit for the period, amounts to 3,183.038 million. Compared with the total at 31 December 2020 of 2,997.571 million, this represents an increase of 185.467 million, +6.19%. The change derives essentially from booking the profit for the period, as well as from the increase in reserves.

The Parent Company's share capital, which consists of 453,385,777 ordinary shares without par value, amounts to 1,360.157 million, unchanged with respect to the comparative period.

The share premium reserve remained unchanged at 79.005 million.

Equity reserves have risen to 1,537.451 million, +6.08%. This increase of 88.901 million reflects allocation of the profit for 2020 and the recognition of capital gains/losses on the sale of variable-yield securities that were previously classified among the valuation reserves. In this regard, the Shareholders' Meeting of the Parent Company held on 11 May 2021 resolved to pay a dividend on 26 May 2021 of 0.06 euro for each of the 453,385,777 shares outstanding at 31 December 2020, having regard for the recommendation made by the ECB.

The valuation reserves, representing the net unrealised gains and losses recorded on financial assets measured at fair value through other comprehensive income (FVOCI) and the net actuarial gains and losses on the defined benefit plans arranged for employees, have a positive net balance of 30.409 million, with a further improvement of 9.23% on the end of 2020, when they were positive for 27.840 million, due to the favourable trend in financial markets. Treasury shares in portfolio changed slightly to 25.456 million.

As regards capital adequacy, new harmonised rules for banks (the Regulation (EU) 575/2013 (CRR) and EU Directive 2013/36 (CRD IV) and subsequent updates) and Circular 285/2013 of the Bank of Italy define the general limits for capital ratios that came to 7% for the CET1 Ratio, 8.50% for the Tier 1 Capital Ratio and 10.50% for the Total Capital Ratio.

Using the information gathered in the context of the prudential review and assessment process, the ECB can set customised capital and/or liquidity coefficients for each intermediary subject to EU supervision. In this regard, the Parent Company was notified in a communication dated 13 December 2019 of the Supervisory Board's decision regarding the new minimum coefficients applicable for 2020 starting from 1 January. At the end of the annual SREP review and prudential assessment process carried out in 2020, these ratios were confirmed and have to be met also in 2021, as revised by the ECB's decision regarding additional Pillar 2 coverage starting from 12 March 2020.

The minimum capital levels now required of our Banking Group are:

– a minimum requirement of Common Equity Tier 1 Ratio of 10%, calculated as the sum of the Pillar 1 regulatory minimum requirement (4.5%), the Capital Conservation Buffer (2.5%), and an additional Pillar 2 requirement (3%);
– Tier 1 Capital ratio of 11.5%, being the sum of the First Pillar regulatory minimum (6%), the Capital Conservation Buffer (2.5%) and an additional Second Pillar requirement (3%);
– a minimum requirement of Total Capital Ratio of 13.5%, calculated as the sum of the Pillar 1 regulatory minimum requirement (8%), the Capital Conservation Buffer (2.5%) and an additional Pillar 2 requirement (3%).

While the first two additions are specified by the prudential regulations and are identical for all banks in a given country, the third is determined by the ECB based on the actual degree of risk faced by the individual bank.

By subsequent communication on 8 April 2020, given the Covid-19 emergency, the ECB said that from 12 March 2020 the additional Pillar 2 requirement had to be met for a minimum of 56.25% from CET1 and 75% from Tier 1. Following the revision of the distribution of this item, the minimum Common Equity Tier 1 Ratio requirement is now 8.69%, the minimum Tier 1 Capital Ratio requirement is 10.75%, while the minimum requirement of Total Capital Ratio remains unchanged at 13.50%.

At the same time, the possibility of operating temporarily under the Capital Conservation Buffer has been foreseen as an additional measure of flexibility.

Since 2017, the ECB has been providing the bank with Pillar 2 Guidance, which acts a guide to the future evolution of the Group's capital. This parameter is confidential, by contrast with the two minimum requirements, and – based on guidelines issued by the ECB – is not deemed relevant for the determination of distributable dividends.

The Parent Company uses the internal rating system (AIRB) to measure the capital requirements for credit risk.

Consolidated own funds for supervisory purposes, including the same share of profit as was taken into consideration at 30 June 2021, amount to 3,384 million.

Consolidated risk-weighted assets amounted to 18,464 million.

In the interests of full disclosure, the Group decided to take advantage of EU Regulation 2017/2395, which granted supervised intermediaries the possibility to include, temporarily, in the calculation of their Tier 1 capital an additional amount aimed at "neutralising" the effects the higher accounting provisions caused by immediate adoption of IFRS 9, which came into force on 1 January 2018. With Regulation (EU) 2020/873 of 24 June 2020, changes were made to these transitional provisions, both with regard to the time frame and the computability percentages. The additional adjustments related to the entry into force of IFRS 9 will continue to be calculated on the basis of the percentages already provided, while for those related to the Covid-19 emergency, they will be applied to the value of CET1 assets taking into account a percentage of declining computability over time, from 100% in 2020 and 2021, to 75% in 2022, 50% in 2023, 25% in 2024, until it reaches zero in 2025.

Together with another 50 banks in the Eurozone, the Banca Popolare di Sondrio Group has been subjected to the 2021 stress test carried out by the ECB, using a similar methodology to that adopted at the same time by the EBA on a sample of 38 of the largest banks. The macro-economic scenarios considered for the baseline and adverse simulations cover a time horizon of 3 years (2021-23). While the first envisages the normal development of business activities, the second envisages an extended and particularly unfavourable phase of economic stagnation compared with the situation at the end of 2020, which was already influenced by the pandemic. Based on the results published on 30 July, the following considerations are relevant. Under the baseline scenario, the Group is not exposed to issues, as it would continue to generate significant profits that would increase its net worth via self-financing, while also remunerating the capital contributed by members and shareholders. Under the adverse scenario, the Group would suffer capital erosion at the end of the three-year period 2021-23 of 610 points, with a CET1 of 10.1%; even in this case, the capital requirements of the Supervisory Authorities would still be amply exceeded.

Group ratios at 30 September 2021 are shown below:

Group's capital ratios	(phased-in)	(fully phased)
CET 1 Ratio	16.53%	16.44%
Tier 1 Capital Ratio	16.57%	16.48%
Total Capital Ratio	18.33%	18.24%

The Leverage Ratio was 5.24% applying the transitional arrangements (Phased-in) and 5.73% according to the criteria to be applied at the end of the transition (Fully Phased).

The following ratios of capital and reserves, including profit for the period, to the principal balance sheet aggregates are presented in comparison with those 31 December 2020:

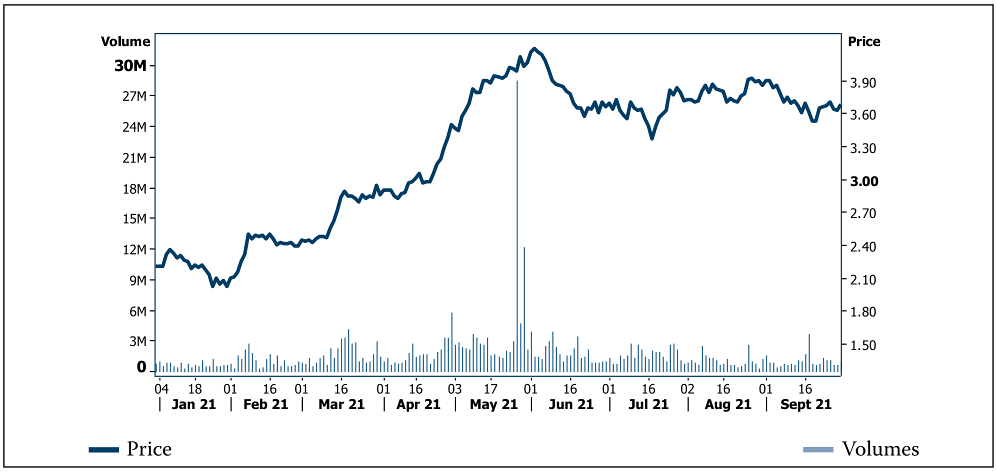
– *capital/direct funding from customers*
  8.51% v. 8.43%
– *capital/customer loans*
  10.40% v. 10.20%
– *capital/financial assets*
  23.60% v. 28.40%
– *capital/total assets*
  5.97% v. 6.02%
– *net bad loans/capital*
  10.01% v. 11.54%

BPS STOCK

BPS stock is listed on Borsa Italiana's MTA Screen-Traded Market, renamed Euronext Milan from 25 October 2021, which forms part of the FTSE Italia All Share Index. The stock closed the first nine months of 2021 with a performance of +67.55%, marking a reference price at 30 September 2021 of 3.658 euro, compared with 2.2 euro at the end of 2020 and an average price of 3.2486 euro. During the period, the stock recorded an intraday low of 2.004 euro on 28 January and a high of 4.276 euro on 26 May. The general FTSE Italia All-Share Index recorded a rise during the same period of 16.45%, while the FTSE Italia All-Share Banks Index progressed by 34.28%.

The average daily volume of securities traded on the MTA market of Borsa Italiana in the first nine months of the year was 1.743 million, up from 1.225 million in the same period of 2020.

BPS STOCK – MTA market of Borsa Italian renamed Euronext Milan from 25 October 2021



Source REFINITIV EIKON

Transactions in treasury shares are carried out in accordance with the specific shareholders' resolution. The Parent Company held 3,650,000 treasury shares at 30 September 2021, unchanged with respect to the end of 2020. There are also 36,372 shares held by Banca Popolare di Sondrio (SUISSE) SA under the share-based compensation plan foreseen in the Group's Compensation Policies. The carrying amount is 25.456 million euro, of which 25.322 million constitute use of the reserve for the purchase of treasury shares of the Parent Company equal to 30 million.

The shareholder base at 30 September 2021 consists of 157,750 members, a decrease of 4,120 members compared with the end of 2020.

RATINGS

The solvency of the Banca Popolare di Sondrio Banking Group, detailed in the table below, has been assessed by the rating agencies Fitch Ratings, DBRS Morningstar and Scope Ratings.

The ratings shown here refer to Fitch Ratings' decision of 1 September 2021, as well as the assessments expressed by DBRS Morningstar and Scope Ratings on 16 November 2020 and 31 March 2021, respectively.

FITCH RATINGS - released on 1 September 2021

	RATING
LONG-TERM It is a measure of the probability of default and expresses the bank's ability to repay medium/long-term loans. It is expressed on a scale from aaa to d, for a total of 11 levels.	**BB+**
SHORT-TERM It measures the ability of the organisation to which the rating is assigned to meet payments due in the short term, i.e. within 13 months. The measurement scale includes seven levels (F1, F2, F3, B, C, RD and D).	**B**
VIABILITY RATING It evaluates what the bank's situation would be if it were completely independent and could not rely on external support. It is expressed on a scale from aaa to d, for a total of 11 levels.	**bb+**
SUPPORT It expresses Fitch's assessment of the likelihood that an external entity will offer support to the bank if the latter needs it. The measurement scale includes five levels from 1 (best) to 5 (worst).	**5**
SUPPORT RATING FLOOR This expresses Fitch's assessment of the minimum level below which it will not lower the issuer's long-term rating in the event of it being in financial difficulty, in consideration of the propensity of potential backers (State or institutional owner) to help the bank in such circumstances. The scale of values associated with it reflects that of the long-term ratings. A further possible score, represented by the "No Floor" (NF) indicates that according to Fitch it is unlikely that help will come from outside (probability of a support intervention less than 40%).	**No Floor**
LONG-TERM DEPOSIT RATING It is a measure that expresses the vulnerability to default of uninsured deposits. It is expressed on a scale similar to that used for the long-term rating (from AAA to D).	**BBB-**

SHORT-TERM DEPOSIT RATING It is a measure that expresses the vulnerability to default of uninsured deposits maturing in the short term. It is expressed on a scale similar to that used for the short-term rating (F1, F2, F3, B, C, RD and D).	**F3**
LONG-TERM SENIOR PREFERRED DEBT It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	**BB+**
LONG-TERM SUBORDINATED DEBT It is a measure of the probability of default of subordinated bonds that is expressed using a scale from AAA to D.	**BB-**
OUTLOOK It is a prospective assessment of the possible evolution of the issuer's ratings over a period of 1 to 2 years.	**Stable**

DBRS Morningstar - released on 16 November 2020

	RATING
LONG-TERM It is a measure of the probability of default and expresses the bank's ability to repay medium/long-term loans. It is expressed on a scale from AAA to D..	**BBB (low)**
SHORT-TERM It measures the ability of the organization to which the rating is assigned to meet payments due in the short term. The measurement scale includes six levels (R-1; R-2; R-3; R-4; R-5 and D).	**R-2 (middle)**
INTRINSIC ASSESSMENT It reflects the opinion of DBRS on the intrinsic fundamentals of the bank assessed on the basis of quantitative and qualitative elements. It is expressed on a scale from AAA to CCC.	**BBB (low)**
SUPPORT ASSESSMENT It reflects the opinion of DBRS on the intrinsic fundamentals of the bank assessed on the basis of quantitative and qualitative elements. It is expressed on a scale from AAA to CCC).	**SA3**
LONG-TERM DEPOSIT RATING It is a measure that expresses the vulnerability to default of medium/long-term uninsured deposits. It is expressed on a scale similar to that used for the long-term rating (from AAA to D).	**BBB**
SHORT-TERM DEPOSIT RATING ÈIt is a measure that expresses the vulnerability to default of short-term uninsured deposits. It is expressed on a scale similar to that used for the short-term rating (R-1; R-2; R-3; R-4; R-5 and D).	**R-2 (high)**
LONG-TERM SENIOR DEBT It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	**BBB (low)**
SHORT-TERM DEBT It is a measure of the probability of default of short-dated bonds that is expressed using a scale from R-1 to D.	**R-2 (middle)**
TREND It is a prospective assessment of the possible evolution of the long-term rating assigned over a period of 1-2 years.	**Negative**

Scope Ratings - released on 31 March 2021

	RATING
ISSUER RATING	
It is a credit rating on a bank's ability to meet its contractual financial commitments in a timely and complete manner. It is expressed on a scale from AAA to D.	**BBB-**
OUTLOOK	
It is a prospective assessment of the possible evolution of the issuer's rating assigned over a period of 12-18 months.	**Stable**

RECONCILIATION OF THE EQUITY AND PROFIT FOR THE PERIOD REPORTED BY THE PARENT COMPANY WITH THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles "profit for the period" and "equity" as shown in the Parent Company's financial statements and the equivalent figures in the consolidated financial statements.

(thousands of euro)	Equity	of which: Profit for the period
Equity of the Parent Company at 30.09.2021	2,782,828	164,544
Consolidation adjustments	-21,315	-21,315
Difference with respect to the carrying amounts of equity investments in:		
– companies consolidated on a line-by-line basis	316,141	32,620
– companies valued using the equity method	105,384	25,623
Balance at 30/09/2021, as reported in the consolidated financial statements	**3,183,038**	**201,472**

INCOME STATEMENT

The post-Covid economic recovery in our country continued in the third quarter of 2021 better than expected. The good performance of the vaccination campaign represented the solid basis on which the expansion of industrial production was founded, with positive effects on exports, and the renewed dynamics of the service sector. On the other hand, the uncertainties that have affected the macroeconomic context – from the decisive inflationary push to the difficulties suffered by companies' supply chains – have not changed the ECB's monetary policy, which is still highly expansionary and likely to continue for as long as it is needed. Targeted longer-term refinancing operations and purchases of securities helped to keep rates low. In turn, the yields on government bonds remained heavily sacrificed, while the rates applied to loans to businesses and individuals remained very limited.

In this context, our Group further improved its already excellent half-year performance, achieving a result for the period of 201.472 million, a marked increase on the 64.450 million earned in the first nine months of

2020. The improvement in net interest income made a significant contribution, as did the strong recovery in the results from security transactions and reduction in loan adjustments.

The comments that follow refer to the figures shown in the "Summary income statement", which have been reclassified compared with those reported in the schedules required by Bank of Italy provision no. 262/2005. A table showing the quarterly evolution of the reclassified consolidated income statement is also provided, highlighting the changes in trend over the nine months of 2021 and the four quarters of 2020.

Net interest income amounted to 390.359 million, compared with 362.212 million in the comparative period. Growth at +7.77% was less pronounced than in the previous quarters of the year: +15.12% as of March and +13.20% as of June. Given the substantial stability of the customer component, the increase in net interest income was brought about essentially by the dynamics of interest on securities, thanks to the greater weight of the securities portfolio and the recognition of approximately 60 million in interest deriving from negative rates applied to longer-term refinancing operations with the ECB. Of these, over 49 million were already collected in September, as they relate to the T-LTRO III operations repaid in advance. This negative interest is recognised when the targets set by the ECB have been practically reached.

Net fee and commission income showed a good trend, coming in at 258.884 million, compared with 229.626 million, +12.74%. The commissions on guarantees given, foreign exchange transactions, services, placement of insurance products and mutual funds, depositary bank activities, collections and payments all made positive contributions. Commissions on loans granted and the acceptance of orders decreased during the period.

Dividends totalling 4.658 million were collected, compared with 4.108 million.

The net profit from securities, foreign exchange and derivatives operations (the sum of income statement line items 80, 90, 100 and 110, reclassified as indicated in the following table) was a profit of 100.688 million, compared with 4.023 million.

Financial markets maintained a positive attitude, having again benefited from the interventions of the monetary and fiscal authorities and from a relaxation of the measures taken to deal with the epidemic, as well as from the expected upswing in the economy. Yields on government bonds, which increased temporarily between April and May, subsequently stayed low following confirmation of the ECB's accommodative approach to monetary policy.

The net result from trading activities, line item 80, was a profit of 44.109 million compared with a loss of 11.128 million twelve months earlier. The net unrealised measurement adjustments on securities for the period were positive, compared with a negative balance in the comparative period. The results from FX and currency activities were also positive, although down on last year.

Gains on sale or repurchase amounted to 31.446 million. The results for the comparative period have been reclassified for consistency and reflect a profit of 22.675 million. They include profits of 18.024 million from financial assets measured at amortised cost, 13.443 million from assets measured at fair value through other comprehensive income and a loss of 21 thousand from financial liabilities. This caption was reclassified in 2020 to remove losses of 45.105 million linked to the bulk sale of NPLs (Diana project). The net result from other financial assets measured at fair value through profit or loss, line item 110, was a profit of 25.098 million compared with a loss of 7.616 million.

The result from hedging activities amounted to 35 thousand.

Income from banking activities therefore rose to 754.589 million, compared with 599,969 million, +25.77%.

Within this aggregate, net interest income contributed 51.73% as opposed to 60.37%.

The trend in the economic situation has shown positive signs, even if elements of uncertainty remain linked to the evolution of the pandemic and the effectiveness of the support policies. When the moratoria terminate, as they inevitably will, it is possible that new bad loans will emerge. At the moment, the Group has identified a slowdown in non-performing loans and a decline in the default rate, although this is not a source of easy optimism and we have not lowered our guard. We have continued to evaluate our exposures to customers based on the current rigorous policies, while trying to meet the needs of businesses and households. Taken together, the activities and processes implemented in order to monitor and check lending to customers at the various stages of issue and management have strengthened the team dedicated to this work, contributing to the containment of NPLs while derisking efforts continue. In this regard, it is worth pointing out that the Group completed two bulk sales of NPLs last year (Diana and Luzzatti) and the Group plans to carry out further bulk sales this year and the next few years on the basis of a strategic plan for the reduction of NPLs. A third sale is currently being structured. The loans expected to be sold are assessed in this light, recording any adjustments in the income statement. For positions falling within this scope, we then used models to estimate the potential recovery value of these receivables and hence formulate a selling price, also taking into account the peculiarities of the market where these assets will probably be sold.

Net adjustments to loans and financial assets totalled 91.236 million, versus 140.557 million at 30 September 2020, -35.09%, a significant increase compared with the second quarter of the year. This increase is in line with the Group's plan and takes into account the effects of the pandemic, while also anticipating the impacts expected from the bulk sales envisaged by the NPL strategy and the regulatory framework. The prior year amount, affected by the marked deterioration in the macroeconomic situation and the reclassification mentioned above, included 45.105 million in losses on the bulk sale of non-performing loans to customers (Diana project) that was completed in June 2020, as well as 2.651 million in charges linked to that disposal.

Out of the total adjustments mentioned above, line item 130 of the income statement, relating to the exposure to customers and banks in the form of loans and securities, is the most significant with a total of 104.847 million, compared with 80.341 million. This total comprises 105.534 million in adjustments relating to financial assets measured at amortised cost, while the net impairment adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income reflect writebacks of 0.687 million, compared with provisions of 1.015 million in the comparative period. The expected loss on performing loans is estimated in accordance with IFRS 9, using a model that adopts various macro-scenarios for calculation purposes, to which a probability of collection is attributed. Line item 140, which is used for the recognition of gains/losses on contractual amendments not resulting in derecognition, arising from modifications to contractual cash flows, was negative for 5.397 million in the reporting period, compared with 5.779 million. Lastly, the provisions for commitments and guarantees given reflect a release of 19.008 million, compared with new provisions of 6.681 million in the comparative period. The ratio of net adjustments to loans to customers to total loans to customers, also known as the cost of credit, has improved from 0.40% to 0.74% at 31 December 2020.

This leads to net financial income of 663.353 million, compared with 459.412 million, +44.39%.

A great deal of attention was paid to holding down operating costs, even though they rose from 384.379 to 402.731 million, +4.77%. They were also affected by the strong and by now habitual regulatory pressures that have significant impacts in terms of maintaining adequate operating structures, skills and personnel.

The ratio of operating costs to total income, otherwise known as the cost/income ratio, has decreased to 53.37%, from 64.07%, while the annualised ratio of operating costs to total assets came to 1.01% from 1.03%.

Looking at costs in more detail, administrative expenses, normalised after excluding the deferral of the proceeds from the post-employment benefits fund, which have a contra-entry of the same amount under operating income/expense, amounted to 407.170 million, +3.12%, of which personnel costs amounted to 191.577 million compared with 184.338 million, +3.93%, while other administrative expenses rose from 210.496 million to 215.593 million, +2.42%. Administrative expenses again posted a high proportion of contributions incurred or expected to be incurred for the Interbank Deposit Guarantee and Single Resolution Funds, which went from 28.676 million to 34.708 million, +21.03%. The increases in software rental and maintenance expenses, interbank network fees, deferred charges and IT costs are significant. Legal expenses and software support costs were lower, while consultancy costs were essentially stable. Net provisions for risks and charges reflect a release of 1.503 thousand compared with a release of 2.999 million previously.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 39.320 million, -1.73%. Other income, stated after the reclassifications reported in the above table and net of other operating expenses, amounted to 45.262 million, -4.65%.

The aggregate profits/losses on equity and other investments shows a positive balance of 25.582 million, compared with 18.414 million, +38.93%. Profit before income taxes therefore came to 286.204 million, compared with 93.447 million. After deducting income taxes of 80.083 million, compared with 25.881 million, and the profit attributable to non-controlling interests of 4.649 million, the net profit for the period amounted to 201.472 million compared with 64.450 million, +212.60%.

The effective tax rate, i.e. the ratio between income taxes and the result of current operations, is 27.98% compared with 27.70% the previous year.

KEY FIGURES OF THE INCOME STATEMENT

(thousands of euro)	30/09/2021	30/09/2020	(+/-)	Change %
Net interest income	390,359	362,212	28,147	7.77
Dividends	4,658	4,108	550	13.39
Net fee and commission income	258,884	229,626	29,258	12.74
Result of financial activities	100,688	4,023	96,665	n.s.
Total income	**754,589**	**599,969**	**154,620**	**25.77**
Net impairment losses [a]	-91,236	-140,557	49,321	-35.09
Net financial income	**663,353**	**459,412**	**203,941**	**44.39**
Personnel expenses [b]	-191,577	-184,338	-7,239	3.93
Other administrative expenses	-215,593	-210,496	-5,097	2.42
Other operating income/expense [b]	45,262	47,468	-2,206	-4.65
Net accruals to provisions for risks and charges [b]	-1,503	2,999	-4,502	n.s.
Adjustments to property, equipment and investment property and intangible assets	-39,320	-40,012	692	-1.73
Operating costs	**-402,731**	**-384,379**	**-18,352**	**4.77**
Operating profit (loss)	**260,622**	**75,033**	**185,589**	**247.34**
Net gains (losses) on equity investments and other investments	25,582	18,414	7,168	38.93
Profit (loss) before tax	**286,204**	**93,447**	**192,757**	**206.27**
Income taxes	-80,083	-25,881	-54,202	209.43
Profit (loss)	**206,121**	**67,566**	**138,555**	**205.07**
(Profit) loss attributable to non-controlling interests	-4,649	-3,116	-1,533	49.20
Profit (loss) attributable to the Parent Company	**201,472**	**64,450**	**137,022**	**212.60**

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.
Net adjustments consist of the sum of items 130 and 140 of the income statement.
The results at 30/09/2021 have been subjected to the following reclassifications:
[a] reclassified net credit risk provisions for commitments and guarantees given for 19.008 million euro initially included in net provisions for risks and charges [a) commitments and guarantees given], showing them under net adjustments. The results at 30/09/2020 have been adjusted on a like-for-like basis with those of 2021;
[b] personnel expenses and other operating income have been reclassified, stating them net of the income generated by the post-employment benefits fund of 8.386 million.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

	2021			2020			
(thousands of euro)	III Quarter	II Quarter	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	126,322	134,899	129,138	127,798	129,154	120,884	112,174
Dividends	452	3,412	794	267	1,158	2,218	732
Net fee and commission income	87,903	86,193	84,788	86,790	77,431	73,269	78,926
Result of financial activities	34,563	33,995	32,130	54,247	19,178	43,979	-59,134
Total income	**249,240**	**258,499**	**246,850**	**269,102**	**226,921**	**240,350**	**132,698**
Net impairment losses [a]	-41,763	-20,582	-28,891	-76,612	-36,388	-38,870	-65,299
Net financial income	**207,477**	**237,917**	**217,959**	**192,490**	**190,533**	**201,480**	**67,399**
Personnel expenses [b]	-66,535	-61,399	-63,643	-62,681	-62,595	-58,968	-62,775
Other administrative expenses	-57,029	-79,104	-79,460	-68,447	-65,182	-67,084	-78,230
Other operating income/expense [b]	15,009	14,966	15,287	15,815	18,183	13,094	16,191
Net accruals to provisions for risks and charges [a]	-1,534	-687	718	-963	-81	3,640	-560
Adjustments to property, equipment and investment property and intangible assets	-13,595	-13,194	-12,531	-20,664	-13,815	-13,447	-12,750
Operating costs	**-123,684**	**-139,418**	**-139,629**	**-136,940**	**-123,490**	**-122,765**	**-138,124**
Operating profit (loss)	**83,793**	**98,499**	**78,330**	**55,550**	**67,043**	**78,715**	**-70,725**
Net gains (losses) on equity investments and other investments	9,504	7,596	8,482	7,930	4,872	7,342	6,200
Profit (loss) before tax	**93,297**	**106,095**	**86,812**	**63,480**	**71,915**	**86,057**	**-64,525**
Income taxes	-26,556	-27,194	-26,333	-21,303	-20,597	-24,445	19,161
Profit (loss)	**66,741**	**78,901**	**60,479**	**42,177**	**51,318**	**61,612**	**-45,364**
(Profit) loss attributable to non-controlling interests	-1,958	-1,471	-1,220	-30	-1,277	-691	-1,148
Profit (loss) attributable to the Parent Company	**64,783**	**77,430**	**59,259**	**42,147**	**50,041**	**60,921**	**-46,512**

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.
Net adjustments consist of the sum of items 130 and 140 of the income statement.
[a], [b] The figures are shown in accordance with the reclassifications presented in the summary of the reclassified consolidated income statement.

DISTRIBUTION BY GEOGRAPHICAL AREA

The Group is active in Italy and in Switzerland, via Banca Popolare di Sondrio (SUISSE) SA.

The latter's contribution to the Group can be summarized in the following data: Suisse accounts for 8.99% of direct customer deposits, 11.99% of loans to customers, 7.50% of net fee and commission income and 11.99% of net interest income.

REFORM OF COOPERATIVE BANKS

In order to provide continuity of information on the evolution of the transformation process regarding Banca Popolare di Sondrio based on Law no. 33 of 24 March 2015 – which intended to force cooperative banks with assets exceeding 8 billion euro to transform themselves into joint stock companies – we would recall that article 27, paragraph 3 bis, of Law no. 120 of 11 September 2020 (conversion with amendments of Decree Law no. 76 of 16 July 2020, containing urgent measures for simplification and digital innovation) extended by one year, i.e. until 31 December 2021, the deadline for the transformation of cooperative banks that exceed the threshold of 8 billion euro in assets into a joint-stock companies. The Shareholders' Meeting will be called to vote on this matter by this deadline.

SUBSEQUENT EVENTS AND OUTLOOK

At the board meeting held on 5 October 2021, having adopted the reasoned opinions of the Appointments Committee and the Board of Statutory Auditors, the Board of Directors of the bank resolved the forfeiture of Luca Frigerio, appointed as an independent director by the Shareholders' Meeting of 11 May 2021 and taken from the minority list, "List no. 2", of the candidates for the election of five directors for the three-year period 2021-23. For further information, please refer to the press release issued on the date of the meeting.

The Group's results in the coming months may still be conditioned by the pandemic and its repercussions on the economy. However, we believe that the progress made by the Group's activities will continue in the last quarter as well, making it possible to achieve better results compared with 30 September by strengthening operations in the various business areas.

Sondrio, 9 November 2021

THE BOARD OF DIRECTORS

Certification of the Manager responsible for preparing the Company's accounting documents

The Manager responsible for preparing the Company's accounting documents, Maurizio Bertoletti, declares, pursuant to art. 154 bis, paragraph 2, of the CFA, that the accounting information contained in this consolidated interim report on operations at 30 September 2021 agrees with the documentary results, books and accounting records.

The Manager responsible for preparing the
Company's accounting documents
Maurizio Bertoletti

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AT 30 SEPTEMBER 2021

CONSOLIDATED BALANCE SHEET

(thousands of euro)

ASSET ITEMS		30/09/2021	31/12/2020
10.	**Cash and cash equivalents**	**4,470,274**	**5,066,606**
20.	**Financial assets measured at fair value through profit or loss**	**1,315,280**	**1,228,733**
	a) financial assets held for trading	191,958	190,545
	c) other financial assets mandatorily measured at fair value	1,123,322	1,038,188
30.	**Financial assets measured at fair value through other comprehensive income**	**3,129,168**	**2,619,939**
40.	**Financial assets measured at amortised cost**	**42,585,604**	**39,168,264**
	a) loans and receivables with banks	3,700,116	3,620,595
	b) loans and receivables with customers	38,885,488	35,547,669
70.	**Equity investments**	**328,107**	**305,444**
90.	**Property, equipment and investment property**	**561,398**	**567,799**
100.	**Intangible assets of which:**	**30,561**	**28,328**
	– goodwill	12,632	12,632
110.	**Tax assets**	**346,673**	**423,785**
	a) current	10,817	46,596
	b) deferred	335,856	377,189
120.	**Non-current assets and disposal groups held for sale**	**-**	**-**
130.	**Other assets**	**567,179**	**398,699**
	TOTAL ASSETS	**53,334,244**	**49,807,597**

	EQUITY AND LIABILITY ITEMS	30/09/2021	31/12/2020
10.	**Financial liabilities measured at amortised cost**	**48,279,115**	**45,386,147**
	a) due to banks	10,864,021	9,826,687
	b) customer deposits	34,009,383	32,728,348
	c) debt securities in issue	3,405,711	2,831,112
20.	**Financial liabilities held for trading**	**41,228**	**33,816**
40.	**Hedging derivatives**	**3,759**	**6,271**
60.	**Tax liabilities**	**38,979**	**37,400**
	a) current	4,151	3,567
	b) deferred	34,828	33,833
80.	**Other liabilities**	**1,379,847**	**914,191**
90.	**Reserve for termination indemnities**	**40,426**	**42,341**
100.	**Provisions for risks and charges**	**264,965**	**291,757**
	a) commitments and guarantees given	39,293	58,520
	b) pension and similar obligations	187,498	189,873
	c) other provisions for risks and charges	38,174	43,364
120.	**Valuation reserves**	**30,409**	**27,840**
150.	**Reserves**	**1,537,451**	**1,449,360**
160.	**Share premium reserve**	**79,005**	**79,005**
170.	**Share capital**	**1,360,157**	**1,360,157**
180.	**Treasury shares (-)**	**(25,456)**	**(25,388)**
190.	**Non-controlling interests (+/-)**	**102,887**	**98,103**
200.	**Profit (loss) for the period (+/-)**	**201,472**	**106,597**
	TOTAL LIABILITIES AND EQUITY	**53,334,244**	**49,807,597**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

	INCOME STATEMENT ITEMS	30/09/2021	30/09/2020
10.	INTEREST AND SIMILAR INCOME	473,500	438,913
	of which: interest income calculated using the effective interest method	467,091	432,930
20.	INTEREST AND SIMILAR EXPENSE	(83,141)	(76,701)
30.	**NET INTEREST INCOME**	**390,359**	**362,212**
40.	FEE AND COMMISSION INCOME	271,687	241,976
50.	FEE AND COMMISSION EXPENSE	(12,803)	(12,350)
60.	**NET FEE AND COMMISSION INCOME**	**258,884**	**229,626**
70.	DIVIDENDS AND SIMILAR INCOME	4,658	4,108
80.	NET TRADING INCOME	44,109	(11,128)
90.	NET TRADING INCOME	35	92
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	31,446	(22,430)
	a) financial assets measured at amortised cost	18,024	(33,980)
	b) financial assets measured at fair value through other comprehensive income	13,443	11,509
	c) financial liabilities	(21)	41
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEAS-URED AT FAIR VALUE THROUGH PROFIT OR LOSS	25,098	(7,616)
	b) other financial assets mandatorily measured at fair value	25,098	(7,616)
120.	**TOTAL INCOME**	**754,589**	**554,864**
130.	NET ADJUSTMENTS FOR CREDIT RISK RELATED TO:	(104,847)	(80,341)
	a) financial assets measured at amortised cost	(105,534)	(79,326)
	b) financial assets measured at fair value through other comprehensive income	687	(1,015)
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	(5,397)	(5,779)
150.	**NET FINANCIAL INCOME**	**644,345**	**468,744**
180.	**BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT**	**644,345**	**468,744**
190.	ADMINISTRATIVE EXPENSES:	(415,556)	(394,834)
	a) personnel expenses	(199,963)	(184,338)
	b) other administrative expenses	(215,593)	(210,496)
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	17,505	(3,682)
	a) commitments and guarantees given	19,008	(6,681)
	b) other net provisions	(1,503)	2,999
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(27,758)	(28,371)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(11,562)	(11,641)
230.	OTHER OPERATING INCOME/EXPENSE	53,648	44,817
240.	**OPERATING COSTS**	**(383,723)**	**(393,711)**
250.	NET GAINS (LOSSES) ON EQUITY INVESTMENTS	25,623	18,923
260.	NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	(320)	(518)
280.	NET GAINS ON SALES OF INVESTMENTS	279	9
290.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**286,204**	**93,447**
300.	INCOME TAXES	(80,083)	(25,881)
310.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**206,121**	**67,566**
330.	**PROFIT (LOSS) FOR THE PERIOD**	**206,121**	**67,566**
340.	PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(4,649)	(3,116)
350.	**PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY**	**201,472**	**64,450**
	BASIC EPS	**0.444**	**0.142**
	DILUTED EPS	**0.444**	**0.142**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (thousands of euro)

ITEMS		30/09/2021	30/09/2020
10.	**Profit (loss) for the period**	**206,121**	**67,566**
	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	(3,718)	67,258
70.	Defined-benefit plans	6,436	(1,666)
90.	Share of valuation reserves of equity investments valued at net equity	316	(32)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
110.	Exchange differences	297	(581)
140.	Financial assets (other than variable-yield securities) measured at fair value through other comprehensive income	(2,194)	4,706
160.	Share of valuation reserves of equity investments valued at net equity	1,568	(1,699)
170.	**Total other income items net of income taxes**	**2,705**	**67,986**
180.	**Other comprehensive income (Items 10+170)**	**208,826**	**135,552**
190.	Consolidated other comprehensive income attributable to non-controlling interests	(4,784)	(3,122)
200.	**Consolidated other comprehensive income attributable to the parent company**	**204,042**	**132,430**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

				Allocation of prior year result			
	Balance at 31/12/2020	Change in opening balances	Opening balance at 1/1/2021	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares
Share capital							
a) ordinary shares	1,393,736	–	1,393,736	–	–	–	–
b) other shares	–	–	–	–	–	–	–
Share premium reserve	**83,363**	**–**	**83,363**	**–**	**–**	**–**	**–**
Reserves							
a) from earnings	1,468,785	–	1,468,785	82,459	–	8,777	–
b) other	37,851	–	37,851	–	–	–	–
Valuation reserves	**27,584**	**–**	**27,584**	–	**–**	–	**–**
Equity instruments							
Treasury shares	**(25,388)**	**–**	**(25,388)**	**–**	**–**	**–**	**–**
Profit for the period	**109,743**	**–**	**109,743**	**(82,459)**	**(27,284)**	**–**	**–**
Equity attributable to the Group	**2,997,571**	**–**	**2,997,571**	**–**	**(27,284)**	**8,777**	**–**
Equity attributable to non-controlling interests	**98,103**	**–**	**98,103**	**–**	**–**	**–**	**–**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

				Allocation of prior year result			
	Balance at 31/12/2019	Change in opening balances	Opening balance at 1/1/2020	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares
Share capital							
a) ordinary shares	1,393,736	–	1,393,736	–	–	–	–
b) other shares	–	–	–	–	–	–	–
Share premium reserve	**83,363**	**–**	**83,363**	**–**	**–**	–	**–**
Reserves							
a) from earnings	1,314,827	–	1,314,827	139,474		(18,044)	–
b) other	37,851	–	37,851	–	–	–	–
Valuation reserves	**(7,056)**	**–**	**(7,056)**	**–**	**–**	**–**	**–**
Equity instruments							
Treasury shares	**(25,374)**	**–**	**(25,374)**	**–**	**–**	**–**	**–**
Profit for the period	**139,474**	**–**	**139,474**	**(139,474)**	**–**	**–**	**–**
Equity attributable to the Group	**2,841,780**	**–**	**2,841,780**	**–**	**–**	**(18,044)**	**–**
Equity attributable to non-controlling interests	**95,041**	**–**	**95,041**	**–**	**–**	**–**	**–**

Changes in the period								
Equity transactions								
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in interests held	Other comprehensive income at 30/09/2021	**Equity of the Group at 30/09/2021**	**Equity attributable to non-controlling interests at 30/09/2021**
–	–	–	–	–	–	–	1,360,157	33,579
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,358**
–	–	–	–	–	–	–	1,501,557	58,464
–	–	–	–	–	–	–	35,894	1,957
–	**–**	**–**	**–**	**–**	**–**	**2,705**	**30,409**	**(120)**
(68)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,456)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**206,121**	**201,472**	**4,649**
(68)	**–**	**–**	**–**	**–**	**–**	**204,042**	**3,183,038**	**–**
–	**–**	**–**	**–**	**–**	**–**	**4,784**	**–**	**102,887**

Changes in the period								
Equity transactions								
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in interests held	Other comprehensive income at 30/09/2020	**Equity of the Group at 30/09/2020**	**Equity attributable to non-controlling interests at 30/09/2020**
–	–	–	–	–	–	–	1,360,157	33,579
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,358**
–	–	–	–	–	–	–	1,380,939	55,318
–	–	–	–	–	–	–	35,894	1,957
–	**–**	**–**	**–**	**–**	**–**	**67,986**	**61,095**	**(165)**
(2)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,376)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**67,566**	**64,450**	**3,116**
(2)	**–**	**–**	**–**	**–**	**–**	**132,430**	**2,956,164**	**–**
–	**–**	**–**	**–**	**–**	**–**	**3,122**	**–**	**98,163**