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 5 February 2021:
approval of preliminary consolidated results as at 31 December 2020

Positive consolidated net result for the period of € 106.6 million
Costs related to the stabilisation of the banking system equal to € 35.3 million
Extraordinary support given to the real economy:
new disbursements equal to around € 5.5 billion, over 50% more than in 2019
CET1 Ratio *fully-phased* at 16.20%, Total Capital Ratio at 18.44%[1]
Expected payment of dividends, in compliance with the limits set by the ECB
Non-performing loans down significantly (-1,440 € million), gross NPE ratio at 7.45%

""In a little less than a month the bank reaches the historic milestone of the 150th anniversary of its foundation and I am proud to be able to say that, as done in this long path always characterised by organic growth, positive results were also achieved in 2020. This is all the more significant because it has been a very tough year in which the Covid-19 global pandemic, in addition to unfortunately causing many victims, undermined the assumptions underlying our economic and social system.

The profits deriving from the core banking activity are up compared to those recorded in 2019 and contribute decisively to the achievement of a good overall profitability, summarized by a ROE close to 4%.

This will allow us to return to the payment of dividends in compliance with the constraints set by the ECB, balancing the right expectations of members and shareholders with the needs of self-financing.

By maintaining a level of capitalization firmly at the top of the Italian banking system, we were able to complete the announced path of realignment towards the sector average of impaired loans, which, following the massive disposals completed in recent months, have today an incidence equal to 7.45% of total loans.

Our business model has always been strongly focused on the needs of families and businesses. On the operational front, we have done our best to put in place adequate provisions to protect the health of both employees and customers. With the usual appreciated commitment of our collaborators, we believe we have been up to par in this year characterized by the known difficulties and restrictions, showing our resilience capacity and keeping the commercial relations alive, also aided by the digital channels developed over the years by the bank. We have never done away with the support for the real economy of the territories in which we are present and the significant disbursements - not only of loans guaranteed by the state - granted during the year are tangible proof of what has been done. In the credit sector we are working, in a longer-term vision, to privilege investments oriented towards sustainability. On the subject of ESG investments, we have long been particularly attentive to offering our clients the possibility of adequately diversifying their portfolios, combining return objectives with ethical, environmental and social values. ".

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

The Board of Directors of Banca Popolare di Sondrio, a joint-stock cooperative company, met today under the chairmanship of Prof. Francesco Venosta to examine and approve the preliminary consolidated economic and financial data for fiscal year 2020.
The macroeconomic context for Italy, as well as for all countries in Europe and in the world, was heavily influenced by the negative fallout from the Covid-19 pandemic. In the first part of the year, when the effects of the arrival of the new disease manifested themselves with extreme rapidity and virulence, a form of national lockdown was introduced with the blocking of all economic activities deemed non-essential and the ban on free movement of people. Starting from the summer, periods of loosening and tightening of restrictions have alternated, with a differentiated approach on a regional basis.
Overall, the limitations on the free development of productive and social activities, which the Government Authorities had to implement in order to contain the spread of infections, have inevitably triggered deep recessive dynamics, only partially cushioned by the numerous measures to support the economy gradually approved at the legislative level.
In spite of the interruptions in production activities and services in the tertiary sector, aggravated by the widespread climate of uncertainty, which have penalized the business, the Banca Popolare di Sondrio Group has achieved positive results, confirming the ability to generate value for shareholders. At consolidated level, a net profit for the period of € 106.6 million was achieved, equal to a ROE of 3.7%.
The capital position is further strengthened, with a fully-phased CET1 Ratio of 16.20% and a Total Capital Ratio of 18.44%[1], well above the regulatory requirements assigned by the Supervisory Authority. The same applies to the main liquidity indicators (LCR and NSFR).

Below are some **brief considerations on the most important aspects**, as well as summary tables showing the main income and balance sheet aggregates in the period:

- The **net result for the period,** positive for € 106.6 million, benefits from the significant performance of the core business (interest margin and commissions) which stood at € 806.4 million (+ 3% compared to 31 December 2019). The result incorporates provisions of € 217.2 million (+ 2% compared to 2019) and significant charges for the stabilization of the banking system of € 35.3 million, as well as a reduced contribution from the financial activity which amounts to € 58.3 million (-50% compared to 2019).
- **Comprehensive consolidated profitability**, calculated considering in addition to the net result for the period also other income components that did not pass through the income statement as they were charged directly to equity, amounted to € 141.3 million, down by 14.4% compared to € 165 million in the reference period.
- **Capital ratios**, which increased further, remained at the top of the banking sector also in the fully-phased version. The CET1 Ratio stands at 16.20%, the Tier 1 Ratio is 16.25%, while the Total Capital Ratio reaches 18.44%[1].

- Confirming the important support provided to the real economy during the current crisis, **new disbursements of loans to households and businesses** amounted to approximately € 5.5 billion (2 billion more than in the reference period) of which approximately € 2 billion attributable to types with the intervention of the state guarantee. In addition, more than 24,000 **moratorium applications** were authorized for a residual principal amount of over € 4.6 billion.
- The **stock of gross impaired loans** fell sharply (to € 2,292 million;-38.6%) as well as their incidence on total gross customer loans (gross NPL ratio at 7.45% from 12.58% at the end of 2019). During the year, two sales of bad loans backed by GACS guarantee were completed for a total of approximately € 1.4 billion.
- **Credit coverage rates** are confirmed at particularly high levels. The coverage of performing credit rises to 0.69% from 0.48% at the end of 2019, with an increase of approximately € 72 million. As a result of the disposals, the coverage of total **non-performing loans** stands at 52.4% (from 57.8% as of December 31, 2019), that referring only to positions classified as bad loans stands at 67.9% (from 70.5% as at 31 December 2019) and that referred to unlikely to pay stood at 39.81% (from 39.41% as at 31 December 2019).
- The **cost of risk**, which stands at 0.74% compared to 0.78% as of 31 December 2019, also takes into account significant provisions due to the repercussions of the negative evolution of the macroeconomic situation. On the other hand, in the previous year, it also reflected the provisions in forecast of massive sales which were finalised in 2020.
- The **Texas ratio**, the ratio between total net impaired loans and tangible equity, is further reduced, reaching 36.8% from 56% at the end of December 2019.
- **Direct customer deposits** amounted to € 35,559 million compared to € 32,622 million at the end of 2019 (+ 9.0%); the indirect one stands at € 34,797 million compared to the € 33,764 million of last year (+3.1%). Insurance deposits amounted to € 1,717 million compared to € 1,608 million at 31 December 2019 (+ 6.8%).
- **Loans to customers** amounted to 29,380 million euros, an increase (+ 7.3%) compared to the 27,387 million euros at the end of 2019.
- The **liquidity indicators**, both short-term (Liquidity Coverage Ratio) and medium-term (Net Stable Funding Ratio), are positioned on absolutely safe values, well above the minimum regulatory requirements. In particular, the Liquidity Coverage Ratio stood at 252% at the end of the year.
- The contribution made to the Group result by the **subsidiaries and associates** was positive.

Accounting data (in millions of euros)

Income statement results	**31/12/2020**	**31/12/2019**	**Change**
Interest margin	490.0	460.4	+6.4%
Net fees and commissions	316.4	322.3	-1.8%
Result of financial activity (*)	58.3	117.1	-50.2%
Operating income (*)	869.1	903.3	-3.8%
Net adjustments to loans and fin. assets(*)(**)	217.2	213.0	+2.0%
Operating costs (*)(**)	521.3	520.6	+0.1%
Result before taxes	156.9	195.0	-19.5%
Net result	106.6	137.4	-22.4%

(*)With regard to the results as at 31/12/2020 the aggregate "Net adjustments on loans and fin. assets " includes the loss of € 49.4 million related to the NPL disposals 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 € 4.0 million of charges, again connected with the sales, shown in other operating income/expenses.
(**) In addition, € 15.1 million of net provisions for credit risk for commitments and guarantees given, initially included in the income statement in the net provisions for risks and charges, were restated showing them among net value adjustments. Similarly, the figure as at 31/12/2019 has been made homogeneous.

Balance sheet results	**31/12/2020**	**31/12/2019**	**Change**
Direct funding from customers	35,559	32,622	+9.0%
Indirect funding from customers	34,797	33,764	+3.1%
Insurance deposits from customers	1,717	1,608	+6.8%
Total funding from customers	72,074	67,993	+6%
Net loans to customers	29,380	27,387	+7.3%

The Group's economic performance

Consolidated net profit at 31 December 2020 amounted to € 106.6 million, down by 22.4% compared to the € 137.4 million of the previous year.

Comprehensive consolidated profitability as at 31 December 2020 amounted to € 141.3 million, down by 14.4% compared to the € 165 million in the comparative period.

The **interest margin** amounted to € 490.0 million, up 6.4% compared to 31 December 2019, thanks above all to the positive volume effect deriving from the significant growth in new installment loans and to the marginality of the funding obtained from refinancing operations with the ECB.

Net commissions from services amounted to € 316.4 million, slightly down (-1.8%) compared to the € 322.3 million in the comparative period. They are penalized in particular by the lower contribution deriving from collection and payment services, from services for factoring operations as well as from the placement of securities. These are only partially offset by the higher fees collected from administered savings and loans.

Dividends collected amounted to € 4.4 million, an increase compared to the € 3.6 million at 31 December 2019. The **result of financial activity** was positive for € 58.3 million, a clear decrease compared to 117.1 million euros recorded in the comparison period.

The **operating income** was therefore equal to € 869.1 million from € 903.3 million in the comparative period (-3.8%).

Net value adjustments amounted to € 217.2 million compared to € 213.0 million in the comparative period (+2.0%). This item includes, following the aforementioned reclassifications, the amount of € 49.4 million relating to losses for the sale of non-performing loans as part of the Diana and POP NPLS 2020 transactions as well as € 4.0 million of charges also related to the same sale transactions. In the same aggregate, a restatement of € 15.1 million of net provisions for credit risk for commitments and guarantees given was also carried out, included in the income statement in the net provisions for risks and charges.
Without the reclassifications, item 130 of the income statement, which relates to exposures to customers and banks in the form of both loans and securities, amounted to € 142.2 million and consists of € 141.4 million of adjustments related to financial assets valued at amortized cost, while the net adjustments for credit risk component relating to financial assets valued at fair value with an impact on comprehensive income recorded provisions of € 0.9 million on debt securities.
Item 140, which records the profits/losses from contractual changes without cancellations resulting from the changes made to the contractual cash flows, in the reference period was negative for € 6.4 million compared to € 3.3 million at 31 December 2019.

The ratio between net adjustments (€ 217.2 million) and net loans to customers (€ 29,380 million), the so-called **cost of credit**, is therefore equal to 0.74% compared to 0.78% as at 31 December 2019.

Net income from financial management amounted to € 651.9 million, down by 5.6% compared with the € 690.3 million of the previous year.

Operating costs amounted to € 521.3 million and were practically stable compared to the € 520.6 million of the comparative period (+ 0.1%), confirming the Group's particular attention to this component. This aggregate includes the significant charges incurred for the stability of the banking system.

With regard to the individual components, administrative expenses, normalised to exclude provisions for the income from the employees pension fund, which are offset by an equal amount in other operating income/expenses, amounted to € 526 million, a slight increase on the € 517 million of the comparative period (+1.7%).
Within the scope: the component of personnel expenses rose to € 247 million from € 245.2 million (+0.7%) in the comparison period, that relating to other administrative expenses increased from € 271.8 million at December 31, 2019 to € 278.9 million at the end of 2020 (+2.6%). The latter aggregate also includes the provisions associated with the contributions paid to the National Resolution Fund and the FITD totaling € 35.3 million (+ €5.3 million compared to 2019).
The item net provisions for risks and charges, restated by allocating the amount of commitments for guarantees issued among value adjustments, showed reversals of € 2 million on the provision for legal disputes, compared to provisions of € 12.3 million in the comparison period. Without taking into account the reclassification, this item would have recorded provisions of € 13 million against € 9.4 million in the comparison period.
Adjustments on tangible and intangible assets amounted to € 60.7 million, an increase compared to the € 59 million of the same period of 2019 (+ 2.8%).
Other operating expenses and income, for which the aforementioned reclassifications have been made, amounted to € 63.3 million compared to the € 67.7 million of the comparative period (-6.5%).
In light of the above, the **cost-income ratio**, calculated as the ratio between operating costs and the operating income, is equal to 59.99% from 57.63% at December 31, 2019.

The **result from operations** therefore reached € 130.6 million (-23.1%).

The item **gains/losses on equity investments and other investments** showed a positive balance of € 26.3 million, an increase compared to the € 25.3 million of the comparison period (+ 4.3%).

The **overall result before taxes** therefore marked € 156.9 million (-19.5%). Finally, after deducting the **income taxes**, equal to € 47.2 million, as well as the profit attributable to non-controlling interests of € 3.1 million, a **net profit for the period** of € 106.6 million is achieved, a decrease compared to to the result of the comparison period (-22.4%)

Balance sheet aggregates

In comparison with the volumes at the end of 2019: **direct deposits** reached € 35,559 million (+ 9.0%), indirect deposits at market values stood at € 34,797 million (+ 3.1%), insurance deposits total € 1,717 million (+ 6.8%). Total customer deposits therefore stand at € 72,074 million (+ 6%).

Net loans to customers, the sum of the volumes measured at amortized cost and the assets measured at fair value with impact on the income statement, amounted to € 29,380 million, an increase compared to the € 27,387 million at the end of 2019 (+ 7.3%).

Net bad loans amounted to € 1,092 million, down compared to € 1,574 million at 31 December 2019 (-30.6%). The incidence of the same on the total net loans is equal to 3.72%, a decrease compared to 5.75% at the end of 2019. The level of coverage is confirmed at particularly high values, equal to 52.36%. In this context, net bad loans amounted to € 346 million (-48.2%), with an incidence on total loans to customers of 1.18% compared to 2.44% at the end of 2019. The level of coverage was equal to 67.93% 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 amounts to 85.16%.

Net unlikely to pay amounts to 695 million euros (-18.2%), with a coverage ratio of 39.81% compared to 39.41% at the end of 2019. The incidence of these on total loans drops to 2.36% compared to 3.10% at the end of 2019. Net past due and/or overdue impaired exposures amounted to € 52 million (-9%) with a coverage ratio that stood at 13.91% compared to 14.23 % at the end of 2019 and an incidence on total loans equal to 0.18%.
The level of coverage of performing loans stood at 0.69% from 0.48% in the previous year, incorporating the strong deterioration recorded by the macroeconomic scenario.

Financial assets, represented by proprietary securities and derivatives, amounted to € 10,553 million, an increase (+831 million; + 8.5%) in comparison with the volumes recorded at the end of the previous year. The volume of the portfolio of financial assets valued at amortized cost increased from € 6,517 million at the end of 2019 to € 7,086 million at 31 December 2020 (+ 8.7%) with an incidence on total financial assets now equal to approximately 67%. There was also a slight increase in the size of the portfolio consisting of financial assets measured at fair value with an impact on overall profitability which went from € 2,591 million at the end of 2019 to € 2,620 million in the current period (+ 1.1%). The portfolio of other financial assets mandatorily valued at fair value grew sharply, passing from 399.8 million euros in the previous year to 656.3 million euros in the reference period (+ 64.2%). The total volume of Italian government bonds instead amounted to € 5,857 million, down (-1.6%) compared to the € 5,951 million at the end of 2019.

Equity investments rise to € 305 million, from € 295 million at 31 December 2019 (+ 3.7%).

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

At 31 December 2020, both short-term (LCR-Liquidity Coverage Ratio) and medium-long term (NSFR-Net Stable Funding Ratio) **liquidity ratios** are well above the minimum required for the current year (100%). In particular, the LCR value stood at 252% at the end of the year.
The Group can always rely on a substantial portfolio of refinanceable assets which, net of the haircuts applied, amounts to € 13,736 million: of these, € 4,980 million (36%) are represented by unencumbered securities.

Consolidated own funds at 31 December 2020 including profit for the period, amounted to € 2,998 million, an increase of € 156 million compared to the value at the end of 2019.

Consolidated supervisory own funds at 31 December 2020 amounted to € 3,374 million compared to the recalculated figure as of December 31, 2019, equal to € 3,260 million (+ 3.5%).

The **capital ratios** for regulatory purposes at 31 December 2020, calculated on the basis of the supervisory own funds as described above[1], were equal to:
- CET 1 ratio: 16.32% (phased-in), 16.20% (fully phased);
- Tier 1 ratio: 16.36% (phased-in), 16.25% (fully phased);
- Total Capital ratio: 18.55% (phased-in), 18.44% (fully phased).

The **Leverage Ratio** at 31 December 2020 is equal, applying the transitional criteria in force for 2020 (phased-in), to 6.34% and, according to the criteria envisaged when fully phased, to 5.45%.

The **staff** of the banking group consisted, as of 31 December 2020, of 3,325 resources. 152 new hires were made in 2020.

The shareholder structure is currently made up of 161,255 members.

It should be noted that the verification activity by the statutory external auditing company EY S.p.A is still in progress.

The Financial Statements for 2020 will be reviewed and approved at the board meeting scheduled for the next 23 March.

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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, 5 febbraio 2021

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.

Note:

1) Capital ratios are show taking into account the portion of the profit for the year that can be allocated to self-financing, the inclusion of which in equity is subject to approval by the Supervisory Authority.

RESULTS IN BRIEF

(in million of euro)			
Balance sheet	**31/12/2020**	**31/12/2019**	**Change %**
Loans to customers	29,380	27,387	7.27
Loans and receivables with customers measured at amortised cost	28,998	27,096	7.02
Loans and receivables with customers measured at fair value through profit or loss	382	291	31.04
Loans and receivables with banks	3,621	1,067	239.18
Financial assets that do not constitute loans	10,553	9,723	8.54
Equity investments	305	295	3.68
Total assets	49,808	41,146	21.05
Direct funding from customers	35,559	32,622	9.01
Indirect funding from customers	34,797	33,764	3.06
Direct funding from insurance premiums	1,717	1,608	6.82
Customer assets under administration	72,074	67,993	6.00
Other direct and indirect funding	16,368	10,068	62.57
Equity	2,998	2,842	5.49
Income statement	**31/12/2020**	**31/12/2019**	**Change %**
Net interest income	490	460	6.44
Total income *	869	903	-3.79
Profit from continuing operations	157	195	-19.52
Profit (loss) for the period	107	137	-22.44
Capital ratios	**31/12/2020**	**31/12/2019**	
CET1 Capital ratio (phased-in)	16.32%	16.04% **	
Total Capital ratio (phased-in)	18.55%	18.93% **	
Free capital	1,919	1,882 **	
Other information on the banking group	**31/12/2020**	**31/12/2019**	
Number of employees	3,325	3,299	
Number of branches	369	365	

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

*** Own funds at 31/12/2019 recalculated on the basis of the decision, recommended by the European Central Bank, to suspend or cancel the payment of dividends*

ALTERNATIVE PERFORMANCE INDICATORS

Key ratios	31/12/2020	31/12/2019
Equity/Direct funding from customers	8.43%	8.71%
Equity/Loans and receivables with customers	10.20%	10.38%
Equity/Financial assets	28.40%	29.23%
Equity/Total assets	6.02%	6.91%
Profitability indicators	**31/12/2020**	**31/12/2019**
Cost/Income ratio *	59.99%	57.63%
Net interest income/Total income *	56.38%	50.97%
Administrative expenses/Total income *	60.52%	57.23%
Net interest income/Total assets	0.98%	1.12%
Net financial income/Total assets *	1.31%	1.67%
Net profit for the year/Total assets	0.21%	0.33%
Asset quality indicators	**31/12/2020**	**31/12/2019**
Texas ratio	36.78%	56.00%
Net non-performing loans/Equity	11.54%	23.51%
Net non-performing loans/Loans and receivables with customers	1.18%	2.44%
Loans and receivables with customers/Direct funding from customers	82.62%	83.95%
Cost of credit *	0.74%	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 31/12/2020

(in thousands of euro)	Gross exposure		Impairment losses	Net exposure		Coverage
Non performing exposures	**(7.45%)**	**2,292,319**	**1,200,209**	**(3.72%)**	**1,092,110**	**52.36%**
of which Bad loans	(3.5%)	1,078,268	732,456	(1.18%)	345,812	67.93%
of which Unlikely to pay	(3.75%)	1,154,066	459,409	(2.36%)	694,657	39.81%
of which Past due	(0.19%)	59,984	8,343	(0.18%)	51,641	13.91%
Performing exposures	**(92.55%)**	**28,483,492**	**195,877**	**(96.28%)**	**28,287,615**	**0.69%**
Total loans to customers	**(100%)**	**30,775,811**	**1,396,086**	**(100%)**	**29,379,724**	**4.54%**

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
31/12/2020

(in thousands of euro)	Phased-in	Fully-phased
Total own funds	**3,373,534**	**3,350,598**
of which Common Equity Tier 1 capital (CET1)	2,967,432	2,944,495
of which Additional Tier 1 capital (AT1)	8,607	8,607
of which Tier 2 capital (T2)	397,495	397,495
RWA	**18,187,330**	**18,174,801**
CET 1 ratio	**16.32%**	**16.20%**
Tier 1 ratio	**16.36%**	**16.25%**
Total capital ratio	**18.55%**	**18.44%**
Leverage ratio	**6.34%**	**5.45%**

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			31/12/2020		31/12/2019
10.	CASH AND CASH EQUIVALENTS		**5,066,606**		**1,826,427**
20.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**1,228,733**		**905,705**
	a) financial assets held for trading	190,545		214,466	
	b) financial assets designed at fair value	-		-	
	c) financial assets mandatorily at fair value through profit or loss	1,038,188		691,239	
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		**2,619,939**		**2,591,229**
40.	FINANCIAL ASSETS AT AMORTISED COST		**39,168,264**		**34,200,066**
	a) loans and receivables with banks	3,620,595		1,067,458	
	b) loans and receivables with customers	35,547,669		33,132,608	
50.	HEDGING DERIVATIVES		**-**		-
60.	FAIR VALUE CHANGE IN HEDGED FINANCIAL ASSETS (+/-)		**-**		-
70.	EQUITY INVESTMENTS		**305,444**		**294,609**
80.	TECHNICAL RESERVES OF REINSURERS		**-**		-
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**567,799**		**584,116**
100.	INTANGIBLE ASSETS		**28,328**		**31,186**
	of which:				
	- goodwill	12,632		12,632	
110.	TAX ASSETS		**423,785**		**419,295**
	a) current	46,596		4,971	
	b) deferred	377,189		414,324	
120.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		**-**		-
130.	OTHER ASSETS		**398,699**		**293,556**
	TOTAL ASSETS		**49,807,597**		**41,146,189**

LIABILITY AND EQUITY			31/12/2020		31/12/2019
10.	FINANCIAL LIABILITIES AT AMORTISED COST		**45,386,147**		**36,949,458**
	a) due to banks	9,826,687		4,327,709	
	b) due to customers	32,728,348		29,816,997	
	c) securities issued	2,831,112		2,804,752	
20.	FINANCIAL LIABILITIES HELD FOR TRADING		**33,816**		**67,019**
30.	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE		-		-
40.	HEDGING DERIVATIVES		**6,271**		**11,320**
50.	FAIR VALUE CHANGE IN HEDGED FINANCIAL LIABILITIES (+/-)		-		-
60.	TAX LIABILITIES		**37,400**		**46,050**
	a) current	3,567		16,843	
	b) deferred	33,833		29,207	
70.	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-		-
80.	OTHER LIABILITIES		**914,191**		**821,434**
90.	PROVISION FOR POST-EMPLOYMENT BENEFITS		**42,341**		**43,789**
100.	PROVISIONS FOR RISKS AND CHARGES:		**291,757**		**270,298**
	a) loans commitments and	58,520		43,411	
	b) pensions and similar	189,873		179,965	
	c) other provisions	43,364		46,922	
110.	TECHNICAL RESERVES		-		-
120.	VALUATION RESERVES		**27,840**		**(6,885)**
121.	OF WHICH RELATED TO DISCONTINUED OPERATIONS		-		-
130.	REDEEMABLE SHARES		-		-
140.	EQUITY INSTRUMENTS		-		-
150.	RESERVES		**1,449,360**		**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 (-)		**(25,388)**		**(25,374)**
190.	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		**98,103**		**95,041**
200.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**106,597**		**137,435**
	TOTAL LIABILITIES AND EQUITY		**49,807,597**		**41,146,189**

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS			31/12/2020		31/12/2019
10.	INTEREST AND SIMILAR INCOME		594,400		573,801
	of which: interest calculated using the effective interest method	586,396		565,590	
20.	INTEREST AND SIMILAR EXPENSE		(104,390)		(113,426)
30.	**NET INTEREST INCOME**		**490,010**		**460,375**
40.	FEE AND COMMISSION INCOME		333,497		343,620
50.	FEE AND COMMISSION EXPENSE		(17,081)		(21,343)
60.	**NET FEE AND COMMISSION INCOME**		**316,416**		**322,277**
70.	DIVIDENDS AND SIMILAR INCOME		4,375		3,554
80.	NET TRADING INCOME		12,473		69,248
90.	NET HEDGING INCOME		(35)		11
100.	NET GAINS FROM SALES OR REPURCHASES OF:		(717)		35,756
	a) financial assets at amortized cost	(25,591)		23,056	
	b) financial assets at fair value through other comprehensive income	24,812		12,286	
	c) financial liabilities	62		414	
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		(2,845)		12,072
	a) financial assets and liabilities designated at fair value	-		-	
	b) other financial assets mandatorily measured at fair value	(2,845)		12,072	
120.	**TOTAL INCOME**		**819,677**		**903,293**
130.	NET IMPAIRMENT LOSSES FOR CREDIT RISK RELATING TO:		(142,247)		(212,537)
	a) financial assets at amortized cost	(141,391)		(214,073)	
	b) financial assets at fair value through other comprehensive income	(856)		1,536	
140.	NET GAINS FORM CONTRACTUAL CHANGES WITHOUT DERECOGNITION		(6,415)		(3,288)
150.	**NET FINANCIAL INCOME**		**671,015**		**687,468**
160.	NET INSURANCE PREMIUMS		-		-
170.	OTHER NET INSURANCE INCOME (EXPENSE)		-		-
180.	**NET FINANCIAL INCOME AND INSURANCE INCOME**		**671,015**		**687,468**
190.	ADMINISTRATIVE EXPENSES:		(529,826)		(525,460)
	a) personnel expenses	(250,883)		(253,689)	
	b) other administrative expenses	(278,943)		(271,771)	
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		(13,042)		(9,439)
	a) commitments for guarantees given	(15,078)		2,834	
	b) other net provisions	2,036		(12,273)	
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(44,015)		(41,104)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(16,661)		(17,916)
230.	OTHER NET OPERATING INCOME		63,112		76,194
240.	**OPERATING COSTS**		**(540,432)**		**(517,725)**
250.	SHARE OF PROFITS OF INVESTEES		26,997		25,529
260.	NET FAIR VALUE LOSSES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED		(707)		(290)
270.	GOODWILL IMPAIRMENT LOSSES		-		-
280.	NET GAINS ON SALES OF INVESTMENTS		54		14
290.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**156,927**		**194,996**
300.	TAXES ON INCOME FOR THE YEAR FOR CONTINUING OPERATIONS		(47,184)		(55,522)
310.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**109,743**		**139,474**
320.	POST-TAX PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		-		-
330.	**NET PROFIT (LOSS) FOR THE PERIOD**		**109,743**		**139,474**
340.	NET (PROFIT) LOSS OF THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS		(3,146)		(2,039)
350.	**NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF PARENT BANK**		**106,597**		**137,435**
	EARNINGS (LOSS) PER SHARE		0.235		0.303
	DILUTED EARNINGS (LOSSES) PER SHARE		0.235		0.303

RECLASSIFIED CONSOLIDATED SUMMARY INCOME STATEMENT

(in thousands of euro)	31/12/2020	31/12/2019	(+/-)	% change
Net interest income	490,010	460,375	29,635	6.44
Dividends and similar income	4,375	3,554	821	23.10
Net fee and commission income	316,416	322,277	-5,861	-1.82
Net gains on financial assets [a]	58,270	117,087	-58,817	-50.23
Total income	**869,071**	**903,293**	**-34,222**	**-3.79**
Net impairment losses [a] [b] [c]	-217,169	-212,991	-4,178	1.96
Net financial income	**651,902**	**690,302**	**-38,400**	**-5.56**
Personnel expenses [d]	-247,019	-245,182	-1,837	0.75
Other administrative expenses	-278,943	-271,771	-7,172	2.64
Other net operating income [b] [d]	63,283	67,687	-4,404	-6.51
Net accruals to provisions for risks and charges [c]	2,036	-12,273	14,309	-
Depreciation and amortisation on tangible and intangible assets	-60,676	-59,020	-1,656	2.81
Operating costs	**-521,319**	**-520,559**	**-760**	**0.15**
Operating result	**130,583**	**169,743**	**-39,160**	**-23.07**
Share of profits of investees and net gains on sales of investments	26,344	25,253	1,091	4.32
Pre-tax profit from continuing operations	**156,927**	**194,996**	**-38,069**	**-19.52**
Income taxes	-47,184	-55,522	8,338	-15.02
Net profit (loss) for the period	**109,743**	**139,474**	**-29,731**	**-21.32**
Net (profit) loss of the period attributable to minority interests	-3,146	-2,039	-1,107	54.29
Net profit (loss) for the period attributable to the owners of Parent	**106,597**	**137,435**	**-30,838**	**-22.44**

Notes:

The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement.
Net impairment losses is made up of the sum of items 130 and 140 in the income statement.

The results at 31/12/2020 have been subject to the following reclassifications:

[a] reclassified losses related to NPL disposals for 49.394 € million initially included in item gains/losses on financial assets valued at amortized cost showing them among net impairment losses;

[b] reclassified charges related to the disposals amounting to 4.035 € million initially included in item other net operating income showing them among net impairment losses;

[c] reclassified net provisions for credit risk for commitments and guarantees issued for 15.078 € million initially included in item net accruals to provisions for risks and charges [a) commitments for guarantees given] showing them among net impairment losses. The results at 31/12/2019 have been made consistent with those of 2020;

[d] a reclassification of personnel expenses and other operating income, netting them off against the proceeds of the retirement employees fund of 3.864 € million. The results at 31/12/2019 have been made consistent with those of 2020.

RECLASSIFIED CONSOLIDATED QUARTERLY INCOME STATEMENTS

(in million of euro)	Q4 - 2020	Q3 - 2020	Q2 - 2020	Q1 - 2020	Q4 - 2019
Net interest income	127.8	129.2	120.9	112.2	119.8
Dividends and similar income	0.3	1.2	2.2	0.7	0.2
Net fee and commission income	86.8	77.4	73.3	78.9	92.2
Net gains on financial assets [a]	54.2	19.2	44.0	-59.1	15.2
Total income	**269.1**	**226.9**	**240.4**	**132.7**	**227.5**
Net impairment losses [a] [b] [c]	-76.6	-36.4	-38.9	-65.3	-84.7
Net financial income	**192.5**	**190.5**	**201.5**	**67.4**	**142.9**
Personnel expenses [d]	-62.7	-62.6	-59.0	-62.8	-63.0
Other administrative expenses	-68.4	-65.2	-67.1	-78.2	-66.1
Other net operating income [b] [d]	15.8	18.2	13.1	16.2	18.4
Net accruals to provisions for risks and charges [c]	-1.0	-0.1	3.6	-0.6	-5.1
Depreciation and amortisation on tangible and intangible assets	-20.7	-13.8	-13.4	-12.8	-17.8
Operating costs	**-136.9**	**-123.5**	**-122.8**	**-138.1**	**-133.6**
Operating result	**55.6**	**67.0**	**78.7**	**-70.7**	**9.3**
Share of profits of investees and net gains on sales of investments	7.9	4.9	7.3	6.2	3.9
Pre-tax profit from continuing operations	**63.5**	**71.9**	**86.1**	**-64.5**	**13.1**
Income taxes	-21.3	-20.6	-24.4	19.2	1.7
Net profit (loss) for the period	**42.2**	**51.3**	**61.6**	**-45.4**	**14.8**
Net (profit) loss of the period attributable to minority interests	0.0	-1.3	-0.7	-1.1	-0.6
Net profit (loss) for the period attributable to the owners of Parent	**42.1**	**50.0**	**60.9**	**-46.5**	**14.2**

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

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(in thousands of euro)

ITEMS		31/12/2020	31/12/2019
10.	**Profit (loss) for the period**	**109,743**	**139,474**
	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	30,366	(17,833)
70.	Defined-benefit plans	(7,358)	(12,303)
90.	Share of valuation reserves of equity investments valued at net equity	(44)	(25)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
110.	Exchange differences	(584)	308
140.	Financial assets (other than variable-yield securities) measured at fair value through other comprehensive income	12,856	53,048
160.	Share of valuation reserves of equity investments valued at net equity	(596)	4,334
170.	**Total other income items net of income taxes**	**34,640**	**27,530**
180.	**Comprehensive income (Item 10+170)**	**144,383**	**167,004**
190.	Consolidated comprehensive income attributable to minority interests	(3,062)	(2,002)
200.	**Consolidated comprehensive income attributable to the Parent Company**	**141,321**	**165,001**