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 € 1,253,388,214
(data approved by the Shareholders' Meeting of 11/5/2021

PRESS RELEASE

Board of Directors meeting of 5 August 2021:

approval of the consolidated half-year financial report as at 30 June 2021

Excellent revenue generation
Consolidated net profit of € 136.7 million for the period
Strong growth in core banking activities (+12.9% y/y)
Stock of moratoria in reduction with limited impact on the credit quality
Capital position further strengthened: CET1 ratio phased-in at 16.71%[1]

"As has been the case for 150 years, the Group confirms its ability to generate profits even in a context of marked difficulty caused by the pandemic emergency and low interest rates. This is thanks to its proven ability to adapt to contingencies, its demonstrated resilience even in adverse situations, as certified by the results of the recent stress test conducted by the ECB, and to the trust of the customers, who have remained loyal thanks to long-term relationships based on fairness and quality of service.

The half-year results are very positive. The net profit, close to €140 million, is the best summary of the work done. Net interest and other banking income increased significantly, while the cost of risk remained low, thanks also to the positive development of the moratoria. The results of these years translate into excellent financial solidity. Our *knowledge of our counterparties, on the one hand, and of the local economy, on the other, has enabled us to accompany our customers in their search for a suitable position in the new competitive and working environment.*

We are pleased to note, albeit with due caution, that the economic recovery has become stronger than expected, with strong investment activity and a gradual recovery in consumption.

The initiatives of the public sector, which through the National Recovery and Resilience Plan is for the first time in many years making available substantial resources, will make it possible, if well managed, to activate the desired structural levers.

The contribution of the banking system, and ours too with reference to the communities where we operate, will be fundamental. Aware of the responsibility of our role, we will continue to provide strong support to families and businesses, while paying constant attention to the balance of equity and economic items and the careful monitoring of risks.

As in the past, we will direct our lending and investments towards environmental sustainability, with a social focus. The success of our recent inaugural issue of a Euro 500 million Green Bond confirms the interest of institutional investors. This interest is shared by our retail clients, to whom we offer an important range of "ESG compliant" opportunities for the allocation of savings.

We believe we are on the right track, backed by the strong and renewed support of our members, shareholders, customers, staff and, more generally, all stakeholders."

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

The Board of Directors of Banca Popolare di Sondrio, a cooperative joint-stock company, met today under the chairmanship of Prof. Avv. Francesco Venosta, has examined and approved, inter alia, the consolidated half-year financial report as at June 30, 2021.

After the severe recession in 2020, the Italian economy has resumed growing at a good pace this year. GDP is forecast to rise by more than 5%, making a return to pre-pandemic overall income levels likely in the second quarter of 2022.

In this context, the Banca Popolare di Sondrio Group confirmed its solid competitive position within the banking system, achieving a consolidated net profit for the period of € 136.7 million.
Below are some **considerations on the most important aspects**, as well as summary tables showing the main income and equity aggregates and performance indicators for the period:

- the **net result for the period**, € 136.7 million, reflects the strong increase in core business (net interest income and commissions) to € 435 million (+12.9% compared to 30 June 2020) and the positive contribution of financial activities (€ 66.1 million compared to € 15.2 million with a negative sign at 30 June 2020). The result includes adjustments to loans of € 49.5 million and significant charges for the stabilisation of the banking system of € 34.7 million.
- **capital ratios**[1], further strengthened, remain at the top of the banking sector even in the fully-phased version. The CET1 Ratio stands at 16.62%,the Tier 1 Ratio is equal to 16.67% while the Total Capital Ratio reaches 18.58% . The excellent capital strength is also confirmed by the results of the recent ECB stress test.
- the important support provided to the real economy to counter the negative effects of the pandemic crisis continued with new disbursements of loans to households and businesses of over € 2.5 billion, compared with over € 2.3 billion granted in the first half of 2020. With regard to the moratoria applied on the basis of the Cura Italia decree and ABI agreements, at 30 June 2021, around € 1.3 billion of residual principal debt remained outstanding compared with around € 4.2 billion at 31 December 2020. Management evidence on the non-payment of loans no longer covered by the moratoria is reassuring and the default rate is particularly low and not dissimilar to the average figure expected for the entire loan portfolio.
- there was a further reduction in **gross impaired loans** as summarised by the gross NPL ratio which stood at 6.98% from 7.45% at the end of 2020 and 9.17% at 30 June 2020.
- **credit coverage rates**, inspired by a policy of provisions characterized by high levels, are further increasing. The coverage of **total non-performing loans** stands at 55% (from 52.4% at 31 December 2020), that of bad loans only stands at 70.9% (from 67.9% at 31 December 2020), and that of unlikely to pay stands at 42.2% (from 39.8% at 31 December 2020). The coverage ratio for **performing loans** falls to 0.55% (from 0.69% at 31 December 2020), partially reducing the overlays previously applied to Stage 2 in light of the actual performance of the positions at that stage.
- the **cost of risk** stood at 0.32% compared to 0.73% at 30 June 2020. In addition to the core component, the figure also reflects releases, mostly related to the better performance of loans under moratorium than previously estimated.
- the **Texas ratio**, the ratio of total net impaired loans to tangible equity, declined further to 32.9% from 36.8% at the end of December 2020.

- **direct customer deposits** amounted to € 36,958 million compared to € 35,559 million at the end of 2020 (+3.9%); **indirect deposits** amounted to € 38,072 million compared to € 34,797 million at the end of last year (+9.4%), of which over € 6,300 million related to assets under management. **Insurance deposits** amounted to € 1,832 million compared to € 1,717 million at 31 December 2020 (+6.7%).
- **loans to customers** stood at €31,046 million, up (+5.7%) from €29,380 million at the end of 2020.
- The **liquidity indicators**, both of short-term (Liquidity Coverage Ratio) and medium term (Net Stable Funding Ratio) are well above the minimum regulatory requirements. In particular, the Liquidity Coverage Ratio stood at 227% at the end of June.
- **subsidiaries and associates** made a positive contribution to the Group result.

Accounting data (in millions of euros)

Income statement results	**30/06/2021**	**30/06/2020**	**Change**
Interest margin	264	233.1	+13.3%
Net fees and commissions income	171,0	152.2	+12.3%
Result on financial activities	66.1	-15.2	n/a
Intermediation margin	505.3	373	+35.5%
Net adjustments to loans and fin. assets *	49.5	104.2	-52.5%
Operating costs *	279,0	260.9	+7%
Result before tax	192.9	21.5	+795.9%
Net result	136.7	14.4	+848.6%

* At June 30, 3021 a restatement was made of € 18.4 million of releases on net provisions for credit risk for commitments and guarantees, which were initially included in the income statement in net provisions for risks and charges showing them under net value adjustments. Similarly, € 3.6 million of net provisions were restated for the results at 30 June 2020. In addition, for the comparative period, the reclassification of the losses on disposal of € 45.1 million included in the aggregate return of financial assets, as well as € 2.7 million of expenses connected with the same disposal transaction included in other costs /operating income, were also reclassified, showing them in the line of value adjustments on loans.

Balance sheet results	**30/06/2021**	**31/12/2020**	**Change**
Direct customers deposits	36,958	35,559	+3.9%
Indirect customers deposits	38,072	34,797	+9.4%
Insurance deposits from customers	1,832	1,717	+6.7%
Total customer deposits	76,862	72,074	+6.6%
Loans to customers	31,046	29,380	+5.7%

Performance indicators	30/06/2021	30/06/2020
Cost-income ratio	55.2%	69.9%
Cost of risk	0.32%	0.73%
Gross NPL ratio	6.98%	9.17%
CET 1 ratio[1] – *phased in*	16.71%	15.69%
Total capital ratio[1] – *phased in*	18.66%	18.23%

The comments that follow refer to the data shown in the attached "Reclassified consolidated income statement summary".

The Group's economic performance

Consolidated net profit was € 136.7 million at 30 June 2021, compared to € 14.4 million in the reference period. This result comes from a consolidated gross profit of € 192.9 million, after deducting minority interests of € 2.7 million and taxes of € 53.5 million, i.e. a tax rate of 27.7%.

Net interest income amounted to € 264 million, an increase of 13.3% compared with 30 June 2020. There was an increase in the contribution from the proprietary securities portfolio, thanks to its greater size, as well as the contribution from funding obtained through refinancing operations with the ECB (TLTRO III); margins from customers were essentially stable.

Net commissions from services amounted to € 171 million, a sharp increase (+12.3%) compared to € 152.2 million in the comparison period. The collection and payment services component was particularly positive, benefiting from the resumption of operations substantially in line with pre-pandemic levels. There was also an increase in commissions from the placement of insurance and asset management products, as well as those relating to the management of current accounts and guarantees issued.

Dividends received amounted to € 4.2 million compared to € 3 million at 30 June 2020. The **result from financial activities**, which reflects the good performance of the financial markets, was a positive € 66.1 million compared with a negative € 15.2 million in the comparison period, which was heavily impacted by the outbreak of the pandemic crisis.

Intermediation margin therefore amounted to € 505.3 million from € 373 million in the comparison period (+35.5%).

Net adjustments to loans and financial amounted to € 49.5 million compared with € 104.2 million in the comparison period (-52.5%). The result was affected by significant releases related to better-than-expected performance on loans under moratoria and

signature loans. For an easier understanding of the amount of net value adjustments, the following should be noted:
- item 130 of the income statement, which relates to exposures to customers and banks in the form of both loans and securities, amounts to € 64.8 million and consists almost entirely of adjustments relating to financial assets valued at amortised cost;
- Item 140, which recognises gains/losses on contractual amendments without cancellations arising from changes to contractual cash flows, was negative by € 3 million during the period;
- The aggregate of the aforementioned items thus amounts to € 67.8 million; if we take into account the € 18.4 million release of net provisions for credit risk for commitments and guarantees, initially included in the profit and loss account under net provisions for risks and charges, we arrive at the € 49.5 million net value adjustments mentioned above.
The annualised ratio between net value adjustments (€ 49.5 million) and net loans to customers (€ 31,046 million), known as the **cost of credit**, was therefore 0.32% compared with 0.73% as at 30 June 2020.

Net income from financial management amounted to € 455.9 million, compared to € 268.9 million at June 30, 2020.

Operating expenses increased (+7.0%) and amounted to € 279 million compared to € 260.9 million in the comparison period. The performance of this aggregate was particularly affected by the significant provisions for the stabilisation of the banking system amounting to € 34.7 million (€ 25.2 million in the comparison period).

With regard to the individual components, administrative expenses, normalised to exclude the provision for the Employees pension fund, which is offset by an equal amount in other operating income/expenses, amounted to € 283.6 million, up from € 267.1 million in the comparison period (+6.2%).
Within this item, staff expenses rose to € 125.0 million from € 121.7 million (+2.7%) in the comparative period, while other administrative expenses increased from € 145.3 million at 30 June 2020 to € 158.6 million at 30 June 2021 (+9.1%). Personnel costs include, among other things, the provisions of the new national collective bargaining agreement for the sector, while other administrative expenses include the aforementioned provisions for contributions to the National Resolution Fund and the FITD.
Net allocations to provisions for risks and charges, restated by allocating the amount of commitments for guarantees issued to value adjustments, were essentially nil (€ 31 thousand), as only limited interventions on the provision for legal disputes were necessary (€3.1 million in releases recognised in the first half of 2020).
Adjustments to property, plant and equipment and intangible assets amounted to €25.7 million, down slightly from €26.2 million in the same period of 2020 (-1.8%).
Other operating income and expenses, for which the aforementioned reclassifications were made, amounted to € 30.3 million compared to € 29.3 million in the comparison period (+3.3%).

In light of the above, the **cost-income ratio**, calculated as the ratio of operating costs to total income, was 55.2% from 69.9% at 30 June 2020.

The **operating result** therefore amounted to € 176.8 million.

Gains/losses on equity investments and other investments showed a positive balance of € 16.1 million, up from € 13.5 million in the comparison period (+18.7%).

The **overall result before tax** therefore amounted to € 192.9 million, compared with € 21.5 million at 30 June 2020. Finally, after deducting **income taxes** of € 53.5 million and profit attributable to minority interests of € 2.7 million, the **net profit for the period** was € 136.7 million, compared with € 14.4 million in the comparison period.

<u>Balance sheet aggregates</u>

Compared to volumes at the end of 2020, **direct deposits** amounted to € 36,958 million (+3.9%), indirect deposits at market values were € 38,072 million (+9.4%), of which over € 6,300 million related to assets under management, and insurance deposits € 1,832 million (+6.7%). Total customer deposits therefore stood at € 76,862 million (+6.6%).

Net loans to customers, the sum of volumes measured at amortized cost and assets measured at fair value with an impact on overall profitability, amounted to € 31,046 million, up from € 29,380 million at the end of 2020 (+5.7%).

Net non-performing loans amounted to € 1,019 million, a decrease compared to € 1,092 million at 31 December 2020 (-6.7%). The incidence of the same on total net loans is equal to 3.28%, a further decrease compared to 3.72% at the end of 2020. The level of coverage, previously at particularly high values, further increases, positioning itself at 55% from 52.36% last year. In this context, net bad loans amounted to € 316 million (-8.6%) with an incidence on total loans to customers of 1.02% compared to 1.18% at the end of 2020. Their level of coverage amounted stood at 70.89% compared to 67.93% at the end of 2020. Taking into account the amounts passed to the income statement in previous years, the coverage of these receivables stands at 86.52%.
Net unlikely to pay amounts to 638 million euros (-8.1%), with a coverage ratio of 42.24% compared to 39.81% at the end of 2020. The incidence of these on total loans drops to 2.06% compared to 2.36% at the end of 2020. Net past due impaired exposures amounted to € 65 million (+ 25.6%) with a coverage ratio of 12.23% compared to 13. 91% at the end of 2020 and an incidence on total loans equal to 0.21% compared to 0.18% last year. The level of coverage of performing loans is reduced to 0.55% from 0.69% at the end of 2020 due, almost exclusively, to the improvement of the macroeconomic and forecasting framework.

Financial assets, represented by proprietary securities and derivatives, amounted to € 12,544 million, an increase (+1,991 million; + 18.9%) 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 € 7,086 million at the end of 2020 to € 8,552 million at 30 June 2021 (+ 20.7%) with an incidence on total financial assets now equal to approximately 68.2%. The size of the portfolio consisting of financial assets measured at fair value with an impact on overall profitability has also grown strongly reaching € 3,133 million in the current period from € 2,620 million at the end of 2020 to (+ 19.6%). The portfolio of other financial assets mandatorily valued at fair value was substantially stable, going from € 656.3 million in the previous year to € 672.5 million in the reference period (+ 2.5%). The total volume of Italian government bonds instead amounted to 7,445 million euros, up (+27.1%) compared to the 5,857 million euros at the end of 2020.

Equity investments rise to € 326 million, from € 305 million at 31 December 2020 (+ 6.8%) mainly as a result of the increase in the valuation of equity of the investee companies.

TLTRO III exposure of the Group to the ECB amounts to € 8,874 million, compared to € 8,068 million as of December 31, 2020. No other forms of financing with the Eurosystem are outstanding.

As of June 30, 2021, both short-term (LCR-Liquidity Coverage Ratio) and medium-long term (NSFR-Net Stable Funding Ratio) **liquidity ratios** are well above the minimum requirement for the current year (100%). In particular, the LCR value stood at 227%.

The Group can always rely on a substantial portfolio of refinanceable assets which, net of the haircuts applied, amount to € 16,020 million: of these, € 6,497 million (41%) are represented by unencumbered securities.

Consolidated own funds, including profit for the period, amounted to € 3,126 million at 30 June 2021, an increase of € 129 million compared to the value at the end of 2020.

Consolidated supervisory own funds[1] (phased-in) at 30 June 2021 amounted to € 3,425 million compared to the figure at 31 December 2020, equal to € 3,374 million (+1.5%).

The **capital ratios**[1] for regulatory purposes as at 30 June 2020, calculated on the basis of the supervisory own funds as described above were equal to:

- CET 1 ratio: 16.71% (phased-in), 16.62% (fully phased);
- Tier 1 ratio: 16.75% (phased-in), 16.67% (fully phased);
- Total Capital ratio: 18.66% (phased-in), 18.58% (fully phased).

The **Leverage Ratio** as at 30 June 2020 is equal, applying the transitional criteria in force for 2021 (phased in), to 5.84% and based on fully phased criteria to 5.30%.

The **staff** of the banking group consisted, as of June 30, 2021, of 3,370 resources. 107 new hires were made in 2021.

To date, the company's **shareholder structure** has 157,750 members.

With regard to the outlook for our Group, it is believed that the conditions exist to achieve in the current financial year higher levels of profitability than those initially communicated, which had a target annual ROE of over 5%.

The consolidated interim report as at 30 June 2021 will be published on the company website https://istituzionale.popso.it/en and deposited on the authorized storage mechanism eMarket Storage "www.emarketstorage.com" and at the bank's head office.

TRANSFORMATION PROCESS INTO A JOINT-STOCK COMPANY

Finally, please note that the Board of Directors approved the draft **Articles of Association** aimed at transforming the Bank into a joint stock company, which will be submitted to the Supervisory Authority.

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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 August 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 reclassified consolidated income statement;
consolidated statement of comprehensive income.

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	**30/06/2021**	**31/12/2020**	**Change %**
Loans to customers	31,046	29,380	5.67
Loans and receivables with customers measured at amortised cost	30,602	28,998	5.53
Loans and receivables with customers measured at fair value through profit or loss	444	382	16.18
Loans and receivables with banks	3,440	3,621	-4.99
Financial assets that do not constitute loans	12,544	10,553	18.87
Equity investments	326	305	6.80
Total assets	52,951	49,808	6.31
Direct funding from customers	36,958	35,559	3.93
Indirect funding from customers	38,072	34,797	9.41
Direct funding from insurance premiums	1,832	1,717	6.68
Customer assets under administration	76,862	72,074	6.64
Other direct and indirect funding	18,497	16,368	13.01
Equity	3,126	2,998	4.30
Income statement	**30/06/2021**	**30/06/2020**	**Change %**
Net interest income	264	233	13.29
Total income	505	373	35.46
Profit from continuing operations	193	22	795.91
Profit (loss) for the period	137	14	848.64
Capital ratios	**30/06/2021**	**31/12/2020**	
CET1 Capital ratio (phased-in)	16.71%	16.32%	
Total Capital ratio (phased-in)	18.66%	18.55%	
Free capital	1,957	1,919	
Other information on the banking group	**30/06/2021**	**31/12/2020**	
Number of employees	3,370	3,325	
Number of branches	370	369	

ALTERNATIVE PERFORMANCE INDICATORS

Key ratios	30/06/2021	31/12/2020
Equity/Direct funding from customers	8.46%	8.43%
Equity/Loans and receivables with customers	10.07%	10.20%
Equity/Financial assets	24.92%	28.40%
Equity/Total assets	5.90%	6.02%
Profitability indicators	**30/06/2021**	**30/06/2020**
Cost/Income ratio *	55.22%	69.93%
Net interest income/Total income *	52.25%	62.47%
Administrative expenses/Total income *	56.12%	71.59%
Net interest income/Total assets	0.50%	0.50%
Net financial income/Total assets *	0.86%	0.58%
Net profit for the year/Total assets	0.26%	0.03%
Asset quality indicators	**30/06/2021**	**31/12/2020**
Texas ratio	32.92%	36.78%
Net non-performing loans/Equity	10.11%	11.54%
Net non-performing loans/Loans and receivables with customers	1.02%	1.18%
Loans and receivables with customers/Direct funding from customers	84.00%	82.62%
Cost of credit *	0.32%	0.74%

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

LOANS TO CUSTOMERS - NON PERFORMING AND PERFORMING EXPOSURES 30/06/2021

(in thousands of euro)	Gross exposure		Impairment losses	Net exposure		Coverage
Non performing exposures	**(6.98%)**	**2,264,578**	**1,245,488**	**(3.28%)**	**1,019,090**	**55.00%**
of which Bad loans	(3.35%)	1,085,980	769,799	(1.02%)	316,181	70.89%
of which Unlikely to pay	(3.4%)	1,104,699	466,649	(2.06%)	638,050	42.24%
of which Past due	(0.23%)	73,899	9,040	(0.21%)	64,859	12.23%
Performing exposures	**(93.02%)**	**30,192,070**	**165,029**	**(96.72%)**	**30,027,041**	**0.55%**
Total loans to customers	**(100%)**	**32,456,648**	**1,410,517**	**(100%)**	**31,046,131**	**4.35%**

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%**

CAPITAL RATIOS
30/06/2021

(in thousands of euro)	Phased-in	Fully-phased
Total own funds	**3,425,313**	**3,408,767**
of which Common Equity Tier 1 capital (CET1)	3,066,344	3,049,798
of which Additional Tier 1 capital (AT1)	8,462	8,462
of which Tier 2 capital (T2)	350,507	350,507
RWA	**18,355,373**	**18,345,312**
CET 1 ratio	**16.71%**	**16.62%**
Tier 1 ratio	**16.75%**	**16.67%**
Total capital ratio	**18.66%**	**18.58%**
Leverage ratio	**5.84%**	**5.31%**

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%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS			30/06/2021		31/12/2020
10.	CASH AND CASH EQUIVALENTS		**4,806,067**		**5,066,606**
20.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**1,303,249**		**1,228,733**
	a) financial assets held for trading	187,043		190,545	
	b) financial assets designed at fair value	-		-	
	c) financial assets mandatorily at fair value through profit or loss	1,116,206		1,038,188	
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		**3,132,664**		**2,619,939**
40.	FINANCIAL ASSETS AT AMORTISED COST		**41,937,372**		**39,168,264**
	a) loans and receivables with banks	3,439,918		3,620,595	
	b) loans and receivables with customers	38,497,454		35,547,669	
50.	HEDGING DERIVATIVES		**-**		**-**
60.	FAIR VALUE CHANGE IN HEDGED FINANCIAL ASSETS (+/-)		**-**		**-**
70.	EQUITY INVESTMENTS		**326,212**		**305,444**
80.	TECHNICAL RESERVES OF REINSURERS		**-**		**-**
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**569,008**		**567,799**
100.	INTANGIBLE ASSETS		**31,103**		**28,328**
	of which:				
	- goodwill	12,632		12,632	
110.	TAX ASSETS		**371,456**		**423,785**
	a) current	24,141		46,596	
	b) deferred	347,315		377,189	
120.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		**-**		**-**
130.	OTHER ASSETS		**473,743**		**398,699**
	TOTAL ASSETS		**52,950,874**		**49,807,597**

LIABILITY AND EQUITY			30/06/2021		31/12/2020
10.	FINANCIAL LIABILITIES AT AMORTISED COST		**47,832,353**		**45,386,147**
	a) due to banks	10,874,758		9,826,687	
	b) due to customers	34,038,291		32,728,348	
	c) securities issued	2,919,304		2,831,112	
20.	FINANCIAL LIABILITIES HELD FOR TRADING		**33,627**		**33,816**
30.	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE		**-**		**-**
40.	HEDGING DERIVATIVES		**4,054**		**6,271**
50.	FAIR VALUE CHANGE IN HEDGED FINANCIAL LIABILITIES (+/-)		**-**		**-**
60.	TAX LIABILITIES		**34,604**		**37,400**
	a) current	2,157		3,567	
	b) deferred	32,447		33,833	
70.	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		**-**		**-**
80.	OTHER LIABILITIES		**1,519,686**		**914,191**
90.	PROVISION FOR POST-EMPLOYMENT BENEFITS		**40,222**		**42,341**
100.	PROVISIONS FOR RISKS AND CHARGES:		**258,921**		**291,757**
	a) loans commitments and	39,965		58,520	
	b) pensions and similar	185,868		189,873	
	c) other provisions	33,088		43,364	
110.	TECHNICAL RESERVES		**-**		**-**
120.	VALUATION RESERVES		**36,322**		**27,840**
121.	OF WHICH RELATED TO DISCONTINUED OPERATIONS		**-**		**-**
130.	REDEEMABLE SHARES		**-**		**-**
140.	EQUITY INSTRUMENTS		**-**		**-**
150.	RESERVES		**1,539,780**		**1,449,360**
155.	OF WHICH INTERIM DIVIDENDS		**-**		**-**
160.	SHARE PREMIUM		**79,005**		**79,005**
170.	SHARE CAPITAL		**1,360,157**		**1,360,157**
180.	TREASURY SHARES (-)		**(25,455)**		**(25,388)**
190.	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		**100,909**		**98,103**
200.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**136,689**		**106,597**
	TOTAL LIABILITIES AND EQUITY		**52,950,874**		**49,807,597**

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS		30/06/2021		30/06/2020	
10.	INTEREST AND SIMILAR INCOME		318,101		282,617
	of which: interest calculated using the effective interest method	313,846		279,002	
20.	INTEREST AND SIMILAR EXPENSE		(54,064)		(49,559)
30.	**NET INTEREST INCOME**		**264,037**		**233,058**
40.	FEE AND COMMISSION INCOME		179,695		160,535
50.	FEE AND COMMISSION EXPENSE		(8,714)		(8,340)
60.	**NET FEE AND COMMISSION INCOME**		**170,981**		**152,195**
70.	DIVIDENDS AND SIMILAR INCOME		4,206		2,950
80.	NET TRADING INCOME		31,299		(18,663)
90.	NET HEDGING INCOME		79		(4)
100.	NET GAINS FROM SALES OR REPURCHASES OF:		22,375		(33,286)
	a) financial assets at amortized cost	13,242		(40,402)	
	b) financial assets at fair value through other comprehensive income	9,154		7,112	
	c) financial liabilities	(21)		4	
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		12,372		(8,307)
	a) financial assets and liabilities designated at fair value	-		-	
	b) other financial assets mandatorily measured at fair value	12,372		(8,307)	
120.	**TOTAL INCOME**		**505,349**		**327,943**
130.	NET IMPAIRMENT LOSSES FOR CREDIT RISK RELATING TO:		(64,847)		(47,437)
	a) financial assets at amortized cost	(65,513)		(42,142)	
	b) financial assets at fair value through other comprehensive income	666		(5,295)	
140.	NET GAINS FORM CONTRACTUAL CHANGES WITHOUT DERECOGNITION		(2,987)		(5,389)
150.	**NET FINANCIAL INCOME**		**437,515**		**275,117**
160.	NET INSURANCE PREMIUMS		-		-
170.	OTHER NET INSURANCE INCOME (EXPENSE)		-		-
180.	**NET FINANCIAL INCOME AND INSURANCE INCOME**		**437,515**		**275,117**
190.	ADMINISTRATIVE EXPENSES:		(290,257)		(267,057)
	a) personnel expenses	(131,693)		(121,743)	
	b) other administrative expenses	(158,564)		(145,314)	
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		18,392		(507)
	a) commitments for guarantees given	18,361		(3,587)	
	b) other net provisions	31		3,080	
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(18,382)		(18,792)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(7,343)		(7,405)
230.	OTHER NET OPERATING INCOME		36,904		26,634
240.	**OPERATING COSTS**		**(260,686)**		**(267,127)**
250.	SHARE OF PROFITS OF INVESTEES		16,230		13,960
260.	NET FAIR VALUE LOSSES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED		(320)		(518)
270.	GOODWILL IMPAIRMENT LOSSES		-		-
280.	NET GAINS ON SALES OF INVESTMENTS		168		100
290.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**192,907**		**21,532**
300.	TAXES ON INCOME FOR THE YEAR FOR CONTINUING OPERATIONS		(53,527)		(5,284)
310.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**139,380**		**16,248**
320.	POST-TAX PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		-		-
330.	**NET PROFIT (LOSS) FOR THE PERIOD**		**139,380**		**16,248**
340.	NET (PROFIT) LOSS OF THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS		(2,691)		(1,839)
350.	**NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF PARENT BANK**		**136,689**		**14,409**
	EARNINGS (LOSS) PER SHARE		0.301		0.032
	DILUTED EARNINGS (LOSSES) PER SHARE		0.301		0.032

RECLASSIFIED CONSOLIDATED SUMMARY INCOME STATEMENT

(in thousands of euro)	30/06/2021	30/06/2020	(+/-)	% change
Net interest income	264,037	233,058	30,979	13.29
Dividends and similar income	4,206	2,950	1,256	42.58
Net fee and commission income	170,981	152,195	18,786	12.34
Net gains on financial assets	66,125	-15,155	81,280	-
Total income	**505,349**	**373,048**	**132,301**	**35.46**
Net impairment losses [a]	-49,473	-104,169	54,696	-52.51
Net financial income	**455,876**	**268,879**	**186,997**	**69.55**
Personnel expenses [b]	-125,042	-121,743	-3,299	2.71
Other administrative expenses	-158,564	-145,314	-13,250	9.12
Other net operating income [b]	30,253	29,285	968	3.30
Net accruals to provisions for risks and charges [a]	31	3,080	-3,049	-98.99
Depreciation and amortisation on tangible and intangible assets	-25,725	-26,197	472	-1.80
Operating costs	**-279,047**	**-260,889**	**-18,158**	**6.96**
Operating result	**176,829**	**7,990**	**168,839**	**2113.13**
Share of profits of investees and net gains on sales of investments	16,078	13,542	2,536	18.73
Pre-tax profit from continuing operations	**192,907**	**21,532**	**171,375**	**795.91**
Income taxes	-53,527	-5,284	-48,243	913.00
Net profit (loss) for the period	**139,380**	**16,248**	**123,132**	**757.83**
Net (profit) loss of the period attributable to minority interests	-2,691	-1,839	-852	46.33
Net profit (loss) for the period attributable to the owners of Parent	**136,689**	**14,409**	**122,280**	**848.64**

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 30/06/2021 have been subject to the following reclassifications:

[a] reclassified net reversals on provisions for credit risk for commitments and guarantees for 18.361 € 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 30/06/2020 have been made consistent with those of 2021;

[b] a reclassification of personnel expenses and other operating income, netting them off against the proceeds of the retirement employees fund of 6.651 € million.

RECLASSIFIED CONSOLIDATED QUARTERLY INCOME STATEMENTS

(in million of euro)	Q2 - 2021	Q1 - 2021	Q4 - 2020	Q3 - 2020	Q2 - 2020
Net interest income	134.9	129.1	127.8	129.2	120.9
Dividends and similar income	3.4	0.8	0.3	1.2	2.2
Net fee and commission income	86.2	84.8	86.8	77.4	73.3
Net gains on financial assets	34.0	32.1	54.2	19.2	44.0
Total income	**258.5**	**246.9**	**269.1**	**226.9**	**240.4**
Net impairment losses [a]	-20.6	-28.9	-76.6	-36.4	-38.9
Net financial income	**237.9**	**218.0**	**192.5**	**190.5**	**201.5**
Personnel expenses [b]	-61.4	-63.6	-62.7	-62.6	-59.0
Other administrative expenses	-79.1	-79.5	-68.4	-65.2	-67.1
Other net operating income [b]	15.0	15.3	15.8	18.2	13.1
Net accruals to provisions for risks and charges [a]	-0.7	0.7	-1.0	-0.1	3.6
Depreciation and amortisation on tangible and intangible assets	-13.2	-12.5	-20.7	-13.8	-13.4
Operating costs	**-139.4**	**-139.6**	**-136.9**	**-123.5**	**-122.8**
Operating result	**98.5**	**78.3**	**55.6**	**67.0**	**78.7**
Share of profits of investees and net gains on sales of investments	7.6	8.5	7.9	4.9	7.3
Pre-tax profit from continuing operations	**106.1**	**86.8**	**63.5**	**71.9**	**86.1**
Income taxes	-27.2	-26.3	-21.3	-20.6	-24.4
Net profit (loss) for the period	**78.9**	**60.5**	**42.2**	**51.3**	**61.6**
Net (profit) loss of the period attributable to minority interests	-1.5	-1.2	0.0	-1.3	-0.7
Net profit (loss) for the period attributable to the owners of Parent	**77.4**	**59.3**	**42.1**	**50.0**	**60.9**

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] 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	30/06/2021	30/06/2020
10.	**Profit (loss) for the period**	**139,380**	**16,248**
	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	6,348	1,248
70.	Defined-benefit plans	6,784	(2,005)
90.	Share of valuation reserves of equity investments valued at net equity	306	(25)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
110.	Exchange differences	137	(421)
140.	Financial assets (other than variable-yield securities) measured at fair value through other comprehensive income	(6,594)	(9,085)
160.	Share of valuation reserves of equity investments valued at net equity	1,616	(1,699)
170.	**Total other income items net of income taxes**	**8,597**	**(11,987)**
180.	**Comprehensive income (Item 10+170)**	**147,977**	**4,261**
190.	Consolidated comprehensive income attributable to minority interests	(2,806)	(1,845)
200.	**Consolidated comprehensive income attributable to the Parent Company**	**145,171**	**2,416**