Banca Popolare di Sondrio

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2021

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 31 MARCH 2021

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BANCA POPOLARE

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Società cooperativa per azioni
Head office and general management: Piazza Garibaldi 16, 23100 Sondrio, Italy
Tel. 0342 528.111 – Fax 0342 528.204
Website: http://www.popso.it – E -mail: info@popso.it – Certified e-mail address: 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 Deposit Protection Fund
Fiscal code and VAT number: 00053810149
Share capital: € 1,360,157,331 – Reserves: € 1,157,414,409
(amounts approved at the shareholders' meeting held on 12 June 2020)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa on 25 September 2020:
  - Long-term: BB+
  - Short-term: B
  - Viability rating: bb+
  - Outlook: Negative
  - Long-term Deposit Rating: BBB-
  - Long-term subordinated debt: BB-

- Rating given by DBRS Morningstar to Banca Popolare di Sondrio scpa on 16 November 2020:
  - Long-Term Issuer Rating: BBB (low)
  - Short-Term Issuer Rating: R-2 (middle)
  - Trend (outlook): negative
  - Long-Term Deposit Rating: BBB
  - Short-Term Deposit Rating: R-2 (high)

- Rating 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 ATTILIO PIERO FERRARI CRISTINA GALBUSERA* ADRIANO PROPERSI ANNALISA RAINOLDI* SERENELLA ROSSI DOMENICO TRIACCA*

BOARD OF STATUTORY AUDITORS

Chairman	PIERGIUSEPPE FORNI
Acting Auditors	LAURA VITALI LUCA ZOANI
Alternate Auditors	BRUNO GARBELLINI DANIELE MORELLI

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 POLETTI RAG. DOTT. CESARE

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 public 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 as of 31 March 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 31 March 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 comprises:

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, 180,000,000 CHF.

Factorit spa - Milano.

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

Sinergia Seconda srl - Milano

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, 31,315,321 euro.

Popso Covered Bond srl - Conegliano.

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

CONSOLIDATION SCOPE AND METHODOLOGY

The consolidated interim report on operations presents the economic and financial position at 31 March 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 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
Popso Covered Bond srl	Conegliano V.	10	60

* equity investments not included in the banking group
** held by Sinergia Seconda srl

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

The scope of the fully consolidated companies remained unchanged compared with the previous year.

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) the Bank 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 10 May 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

In the first few months of the year, thanks to the ongoing vaccination campaigns and government policies in support of the economy, there has been an improvement in global prospects. Despite the uncertainties linked, among other things, to possible variants of the virus, the economic recovery that emerged significantly in the last months of 2020 seems to have consolidated in the first quarter of the current year. It is worth noting the heterogeneity of the improvement seen to very different extents from country to country and from sector to sector. The fastest to start growing again were, above all China, then Japan, the United Kingdom and the United States, the latter two favoured by timely and massive vaccination campaigns, while the service sector everywhere was confirmed as the worst affected by the pandemic.

As a corollary to the above, the recovery in world trade continued and a more sustained trend is expected in that area. As for inflation, there was a certain upswing in the early months of the year. The prices dynamics of oil products best reflected the improvement in global growth prospects.

In the Eurozone, not everything went as it should have: the high incidence of the pandemic substantially extinguished the strong recovery that began in the summer of 2020. The forecasts point to a significant improvement in the months to come, with GDP expected to be up by close to 4% at the year end. For its part, inflation posted an annual increase of around 1.3% in March, a fact linked to oil prices and other occasional factors that should be reabsorbed in the months to come.

In order to maintain favourable financing conditions and counter the rise in inflation, the European Central Bank decided to increase significantly its monthly purchases of securities as part of the purchase programme for the pandemic emergency.

In the last three months of 2020 the Italian economy was affected by the increase vigour of the pandemic which resulted in a drop in GDP of around 1.9%, while in the first quarter of 2021 GDP has probably remained more or less stable, with industry's recovery offset by the continuing weakness of services. Thanks to the significant resources made available to the Government, which has had ample recourse to higher public debt, and to those that will be made available as part of the EU's Next Generation plan, a decisive phase of economic expansion is expected to start from this summer, with growth in GDP estimated at 4%.

In the first quarter of 2021, the Swiss economy had to deal with a situation of exceptional uncertainty caused by the pandemic, which is still underway. Some sectors were impacted more than others and, as is generally the case, the service sector was once again the worst hit. However, epidemiological developments permitting, a strong recovery is expected in the short term, which should already make it possible to overtake the pre-crisis level of GDP towards the end of this year. Comforting signs continued to come from exports, which in the quarter were already above the level recorded before the crisis.

KEY RESULTS

(in millions of euro)

Balance sheet	31/03/2021	31/12/2020	Change %
Loans to customers	29,600	29,380	0.75
Loans and receivables with customers measured at amortised cost	29,203	28,998	0.71
Loans and receivables with customers measured at fair value through profit or loss	397	382	4.05
Loans and receivables with banks	3,304	3,621	-8.76
Financial assets that do not constitute loans	11,492	10,553	8.90
Equity investments	319	305	4.29
Total assets	51,120	49,808	2.64
Direct funding from customers	35,521	35,559	-0.11
Indirect funding from customers	36,223	34,797	4.10
Direct funding from insurance premiums	1,760	1,717	2.47
Customer assets under administration	73,503	72,074	1.98
Other direct and indirect funding	17,846	16,368	9.03
Equity	3,050	2,998	1.76

Income statement	31/03/2021	31/03/2020	Change %
Net interest income	129	112	15.12
Total income*	247	133	86.02
Profit from continuing operations	87	-65	234.54
Profit (loss) for the period	59	-47	227.41

Capital ratios (%)	31/03/2021	31/12/2020
CET1 Capital ratio (phased in)	16.57%	16.32%
Total capital ratio (phased in)	18.70%	18.55%
Free capital	1,901	1,919

Other information on the banking group	31/03/2021	31/12/2020
Number of employees	3,343	3,325
Number of branches	369	369

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

ALTERNATIVE PERFORMANCE INDICATORS	31/03/2021	31/12/2020
Key ratios		
Equity/Direct funding from customers	8.59%	8.43%
Equity/Loans to customers	10.30%	10.20%
Equity/Financial assets	26.54%	28.40%
Equity/Total assets	5.97%	6.02%
Profitability indicators*		
Cost/Income ratio	56.56%	104.09%
Net interest income/Total income	52.31%	84.53%
Administrative expenses/Total income	57.97%	106.26%
Net interest income/Total assets	0.25%	0.27%
Net financial income/Total assets	0.43%	0.15%
Asset quality indicators		
Texas ratio	35.56%	36.78%
Net bad loans/Equity	11.24%	11.54%
Net bad loans/Loans to customers	1.16%	1.18%
Loans to customers/Direct funding from customers	83.33%	82.62%
Cost of credit	0.39%	0.74%

The indicators were calculated using the figures shown in the key figures of the consolidated 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 31-03-2020

FUNDING

Also in the first quarter of the year, bank deposits showed a very positive trend, supported above all by the growth in deposits of households and businesses. In the face of almost zero remuneration, the clear preference for more liquid instruments continued. At the basis of this persistent trend there is clearly a «precautionary» purpose, which on the one hand highlights the fear of many about future prospects; on the other hand, contributes to holding down the level of household consumption and business investment. The persistence of an accommodative monetary policy has helped keep the cost of funding at all-time lows.

As for our Group, at 31 March 2021, direct customer deposits totalled 35,521 million, with a decrease of 0.11% on the end of 2020, while compared with March 2020 the figure was up +11.75%.

Indirect funding from customers amounted to 36,223 million, +4.10% on the end of 2020. Direct funding from insurance premiums rose to 1,760 million, +2.47%.

Total funding from customers therefore amounted to 73,503 million, +1.98%.

Amounts due to banks totalled 10,795 million, +9.85%. 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 7,052 million, +7.80%.

Total deposits from customers and banks therefore came to 91,349 million, +3.29%.

The table «Direct funding from customers» shows the various components in details. Current accounts in euro and foreign currency amounted to € 31,449 million, essentially stable. They are made up 88.54% of all direct deposits. Bonds increased to 2,729 million, +1.81%. Savings deposits totalled 524 million, -0.53%. Time deposit accounts came in at 465 million, -5.53%. There were practically no repo transactions, 2 million, whereas certificates of deposit fell to zero. Bank drafts amounted to 158 million, +5.39%. Lease liabilities, recognised in compliance with the provisions of IFRS 16, amounted to 194 million, -3.24%.

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)	31/03/2021	%	31/12/2020	%	change %
Savings deposits	524,109	1.48	526,899	1.48	-0.53
Certificates of deposit	125	0.00	471	0.00	-73.46
Bonds	2,729,488	7.68	2,680,983	7.54	1.81
Repo transactions	1,500	0.00	55,422	0.16	-97.29
Bank drafts and similar	157,717	0.44	149,657	0.42	5.39
Current accounts	28,735,396	80.90	28,839,649	81.11	-0.36
Time deposit accounts	464,756	1.31	491,941	1.38	-5.53
Current accounts in foreign currency	2,713,795	7.64	2,614,046	7.35	3.82
Lease liabilities	193,904	0.55	200,392	0.56	-3.24
Total	**35,520,790**	**100.00**	**35,559,460**	**100.00**	**-0.11**

TOTAL FUNDING

(thousands of euro)	31/03/2021	%	31/12/2020	%	change %
Direct funding from customers	35,520,790	38.88	35,559,460	40.21	-0.11
Indirect funding from customers	36,222,537	39.65	34,797,277	39.34	4.10
Direct funding from insurance premiums	1,759,550	1.93	1,717,184	1.94	2.47
Total	**73,502,877**	**80.46**	**72,073,921**	**81.49**	**1.98**
Due to banks	10,794,802	11.82	9,826,687	11.11	9.85
Indirect funding from banks	7,051,514	7.72	6,541,248	7.40	7.80
Grand total	**91,349,193**	**100.00**	**88,441,856**	**100.00**	**3.29**

LOANS TO CUSTOMERS

In the first quarter of the year, the dynamic trend in loans to businesses was confirmed, particularly loans guaranteed by the State. Loans to households also grew, thanks to sustained demand for home-purchase mortgage loans. Consumer credit, on the other hand, decreased. The offer conditions remained relaxed. The rate of credit deterioration increased slightly, but still remained fairly low thanks to the measures adopted to support liquidity.

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. The Parent Company rapidly activated a series of benefits for customers and local areas in accordance with both the government measures introduced, primarily by the «Cure Italy» and «Liquidity» Decrees, and the ABI initiatives promoted at banking system level, as well as on a voluntary basis for certain categories of customer and types of contract that, in most cases, did not qualify for the other forms of assistance mentioned above. The main initiatives include the granting of moratoria/suspensions on loans granted to households and businesses: between March 2020 and 31 March 2021, there have been over 24,000 cases of forbearance for a residual debt principle of approximately 4,700 million, mostly attributable to the Cura Italia decree in support of SMEs (59% of residual debt) and to households (17% of residual debt). Also worth noting in the initial stages of the emergency was 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 Liquidity 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 31 March 2021, there were almost 21 thousand proposals approved for a total of 2,294 million, including loans fully guaranteed by the State for an amount up to 30,000 euro (16,000 cases for 320 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 such as the current one. The Parent Company has always continued to provide ordinary credit to support the financial needs of businesses and households, reflecting a continued attention and proximity to the area of operation, even more so in the difficult situation that the country is going through.

For our Group, loans came to a total of 29,600 million, an increase of 0.75%, so the tendency is essentially one of wait-and-see. The ratio of loans to direct deposits from customers is 83.33% compared with 82.62% 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 slightly (+0.75%), coming in at 11,282 million; they are the first component of loans to customers with 38.11%. Repos, which are a way of investing temporary cash surpluses with institutional counterparties, rose sharply from 67 million to 593 million, +781.26%. Current accounts increased by 4.32%, from 3,087 million to 3,220 million. The same applies to foreign currency loans, which rose from 889 million to 1,063 million, +19.61%. Advances increased slightly, +1.91%, from 433 million to 441 million and advances subject to collection from 191 million to 195 million, +2.19%.

LOANS TO CUSTOMERS

(thousands of euro)	31/03/2021	%	31/12/2020	%	change %
Current accounts	3,220,279	10.88	3,086,892	10.51	4.32%
Foreign currency loans	1,062,763	3.59	888,554	3.02	19.61%
Advances	441,305	1.49	433,043	1.47	1.91%
Advances subject to collection	194,695	0.66	190,531	0.65	2.19%
Discounted portfolio	2,666	0.01	2,906	0.01	-8.26%
Artisan loans	70,702	0.24	66,463	0.23	6.38%
Agricultural loans	11,080	0.04	10,561	0.04	4.91%
Personal loans	452,491	1.53	456,956	1.56	-0.98%
Other unsecured loans	9,149,294	30.91	9,545,580	32.49	-4.15%
Mortgage loans	11,281,669	38.11	11,198,224	38.12	0.75%
Bad loans	342,725	1.16	345,812	1.18	-0.89%
Repo transactions	592,853	2.00	67,273	0.23	781.26%
Factoring	2,070,565	6.99	2,378,958	8.08	-12.96%
Fixed-yield securities	707,377	2.39	707,971	2.41	-0.08%
Total	**29,600,464**	**100.00**	**29,379,724**	**100.00**	**0.75%**

Other unsecured operations and mortgages decreased by 4.15%, from 9,546 million to 9,149 million. Factoring transactions also fell, -12.96%, from 2,379 to 2,071 million. Personal loans also fell slightly, -0.98%, from 457 million to 452 million. Fixed-yield securities, amounting to 708 million, remained stable since the end of 2020; 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.

This aggregate includes loans assigned but not derecognised of 1,486 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.

Total gross non-performing loans have fallen by 0.28% to 2,286 million and represent 7.37% of total gross loans compared with 7.45% at the end of 2020. Net non-performing loans fell to 1,074 million, -1.70%, compared with 1,092 million; 2020 saw a reduction of 30.61%. The aggregate is 3.63% (3.72% at 31 December 2020) of loans to customers. 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 1,212 million, +1%, representing 53.03% of the gross amount compared with 52.36% last year and 57.82% at the end of 2019.

NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		31/03/2021	31/12/2020	(+/-)	change %
Non-performing loans	Gross exposure	2,285,852	2,292,319	-6,467	-0.28%
	Adjustments	1,212,257	1,200,209	12,048	1.00%
	Net exposure	**1,073,595**	**1,092,110**	**-18,515**	**-1.70%**
– Bad loans	Gross exposure	1,081,799	1,078,268	3,531	0.33%
	Adjustments	739,074	732,456	6,617	0.90%
	Net exposure	**342,725**	**345,812**	**-3,087**	**-0.89%**
– Unlikely-to-pay loans	Gross exposure	1,130,713	1,154,067	-23,354	-2.02%
	Adjustments	464,285	459,409	4,875	1.06%
	Net exposure	**666,428**	**694,657**	**-28,229**	**-4.06%**
– Past due and/or overdrawn exposures	Gross exposure	73,340	59,984	13,356	22.27%
	Adjustments	8,899	8,343	555	6.66%
	Net exposure	**64,441**	**51,641**	**12,801**	**24.79%**
Performing loans	Gross exposure	28,723,690	28,483,492	240,198	0.84%
	Adjustments	196,821	195,877	944	0.48%
	Net exposure	**28,526,869**	**28,287,615**	**239,254**	**0.85%**
Total loans and receivables with customers	Gross exposure	31,009,542	30,775,811	233,731	0.76%
	Adjustments	1,409,078	1,396,087	12,991	0.93%
	Net exposure	**29,600,464**	**29,379,724**	**220,740**	**0.75%**

Net bad loans, net of writedowns, amount to 343 million, -0.89% (-48.24% in December 2020), corresponding to 1.16% 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 passed from 739 million, +0.90%, million, representing 68.32% 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 85.34%.

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 666 million, -4.06%, corresponding to 2.25% of total loans to customers, compared with 2.36% the previous year. The related adjustments, with the current coverage ratio of 41.06%, amounted to 464 million, +1.06% 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 64 million, +24.79% and a coverage degree of 12.13%, represent 0.22% of total loans to customers compared with 0.18% the previous year.

Performing loans amounted to 28,527 million, +0.85%, while the related provisions totalled 197 million compared with 196 million, representing 0.69%, a percentage similar to that of last year . Adjustments totalled 1,409 million overall, +0.93%.

Financial assets being sold

These are loans and receivables with customers with a gross value of 15.310 million classified as UTP for which the sale contract was formalised for 5.513 million with the subscription of shares issued by the «Illimity Credit & Corporate Turnaround Fund». The operation took effect on 1 April.

TREASURY AND TRADING OPERATIONS

In the first quarter of 2021, the main stock exchanges continued their upward trend, taking advantage of a macroeconomic environment in recovery, also thanks to very loose monetary conditions. Moreover, the signs of an upswing in inflation have exerted pressure on medium/long-term interest rates, with negative repercussions on bond markets.

International stock exchanges benefited from a greater risk appetite on the part of operators. In the United States, also due to the positive progress of the vaccination campaign and the strong support for the economy ensured by the new Biden administration, Wall Street reached new all-time highs. In Japan, the stock market has made significant progress, returning to the highs of 1990. Also in the Eurozone, the main stock exchanges showed growth of between 6% and 10%.

Italian country risk benefited from the constitution of the new Draghi government and from the decisive support of the ECB, with the result that the spread on the Bund was further reduced.

As for our Group, at 31 March 2021, the net interbank position was negative for 7,491 million compared with 6,206 million, also negative, at the end of 2020. Cash and liquid assets total 5,641 million, compared with 5,067 million.

At the end of March, there were four T-LTRO II transactions outstanding with the ECB for a total of 8,874 million. The first operation still outstanding was launched with 1,600 million on 18 December 2019, expiring on 21 December 2022 and with the option of early repayment starting from September 2021. The second was completed on 25 March 2020 for 2,100 million with expiry on 29 March 2023 with the option of voluntary early repayment from September 2021. The third, of 4,368 million, began on 24 June 2020 and expires on 28 June 2023, with an early repayment option from September 2021. The fourth one of 806 million started from 24 March 2021 with expiry on 27 March 2024 with the option of early repayment from 30 March 2022. So, without these T-LTRO III operations, the balance would have been positive for 1,383 million.

Liquidity remained high throughout the period with significant daily deposits with the ECB. 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 operations with the ECB was substantial and, net of the haircuts applied, amounted to 14,240 million, of which 4,724 free and 9,516 used as collateral or pledge.

Operations by the treasury department, which was able to take advantage of the abundant liquidity of the Group combined with the liquidity of the system, which remained high due to the expansionary measures of the ECB, were intense as always, with an increase in the use of the Deposit Facility at the European Central Bank; operations on the money market were also lively compared with the 1st quarter of 2020, although decreasing.

At 31 March 2020, the portfolios of financial assets consisting of securities amounted to a total of 11,492 million, an increase of 8.90%, following the rise of +8.54% recorded in 2020 relating to purchases of government securities and corporate bonds as an investment of part of the high liquidity held by the Bank's treasury department. 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)	31/03/2021	31/12/2020	change %
Financial assets held for trading	228,683	190,545	20.02
of which, derivatives	98,776	59,742	65.34
Other financial assets mandatorily measured at fair value	658,220	656,257	0.30
Financial assets valued at fair value through other comprehensive income	3,145,039	2,619,939	20.04
Financial assets measured at amortised cost	7,460,170	7,086,361	5.28
Total	**11,492,112**	**10,553,102**	**8.90**

As in the past, the portfolio mostly comprises domestic government securities, follow by foreign government securities. The quarter was characterised by an overall increase in trading activities. The duration of the portfolio is approximately three years and eight months, in line with 31 December 2020.

Financial assets held for trading

While remaining at fairly insignificant levels compared with the amount of the securities portfolio, the trading portfolio recorded a normal trading activity on equities, with the generation of a rising trading result compared with the previous year. This portfolio totals 229 million, + 20.02% from 191 million in the comparative period. Note that the trading book's contribution to the income statement is largely positive, whereas in the 1st quarter of 2020 the result was extremely penalised by the volatility of financial markets.

(thousands of euro)	31/03/2021	31/12/2020	change %
Fixed-rate Italian government securities	26,395	25,440	3.75
Variable-yield securities	53,560	66,970	-20.02
Mutual funds	49,952	38,393	30.11
Net book value of derivative contracts	98,776	59,742	65.34
Total	**228,683**	**190,545**	**20.02**

The composition of the trading portfolio is simple and transparent. Purchase/sales of financial assets have continued, especially of government securities which reached 26 million from 25 million in the comparative period (+3.75%) and now represent 11.54% of the portfolio compared with 13.35%. The quantity of equities has decreased to 54 million, -20.02%, whereas the net value of derivative contracts increased: 99 million, +65.34%. Mutual funds went up to 50 million, +30.11%. The persistence of a relaxed climate in financial markets has led to a positive imbalance between capital gains and losses.

Other financial assets mandatorily measured at fair value

Financial assets valued at fair value increased by 0.30% and amounted to 658 million, compared with 656 million. They are mostly made up of mutual funds and sicavs.

(thousands of euro)	31/03/2021	31/12/2020	change %
Bank bonds	13,349	16,009	-16.62
Other bonds	26,824	24,720	8.51
Variable-yield securities	1	1	0.00
Mutual funds in euro	586,971	585,996	0.17
Mutual funds in foreign currency (USD)	31,075	29,531	5.23
Total	**658,220**	**656,257**	**0.30**

Financial assets valued at fair value through other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income (HTCS) totalled 3,145 million, +20.04%, largely attributable to the increase in the fixed-rate Italian government securities. During the period, sales of Italian government securities with a limited duration and negative yields or yields close to zero continued in order to realize the capital gains accrued previously, at the same time purchasing those with a slightly longer duration. Spanish government securities remained more or less stable, while bonds increased for both bank bonds and corporate bonds. During the quarter, the Depobank S.p.a. shares in portfolio were sold, generating a gain of 3.6 million, which was booked to reserves in accordance with IFRS 9.

(thousands of euro)	31/03/2021	31/12/2020	change %
Floating-rate Italian government securities	1,016,759	1,039,429	-2.18
Fixed-rate Italian government securities	936,394	431,999	116.76
Foreign government securities	476,713	479,828	-0.65
Bank bonds	395,409	372,950	6.02
Other bonds	218,947	191,925	14.08
Variable-yield securities	100,817	103,808	-2.88
Total	**3,145,039**	**2,619,939**	**20.04**

Financial assets measured at amortised cost

The securities measured at amortised cost comprise part of the financial assets measured at amortised cost (HTCS) and total 7,460 million, compared with 7,086 million, +5.28%. Following the rise in the comparative period, holdings were further increased as part of a reallocation of the portfolios. The component represented by bank bonds rose, +15.14%, to 618 million, with an internal increase in both the bonds issued by Italian banks, +12.29% to 425 million, and the bonds of foreign banks +21.95% to 193 million. Italian government securities increased overall by 0.63%, a rise which mainly concerned the fixed rate component. Foreign government securities, essentially Spanish and French, also rose to 1,873 million for the purchase of the former. These securities have a total duration of approximately 3 years and 6 months in line with 31 December 2020.

(thousands of euro)	31/03/2021	31/12/2020	change %
LOANS AND RECEIVABLES WITH BANKS	**617,706**	**536,485**	**15.14**
Italian bank bonds	424,756	378,270	12.29
Foreign bank bonds	192,950	158,215	21.95
LOANS AND RECEIVABLES WITH CUSTOMERS	**6,842,464**	**6,549,876**	**4.47**
Floating-rate Italian government securities	1,054,738	1,054,114	0.06
Fixed-rate Italian government securities	3,333,084	3,306,303	0.81
Foreign government securities	1,873,254	1,687,063	11.04
Other public administration bonds	144,114	107,397	34.19
Other bonds	437,274	394,999	10.70
Total	**7,460,170**	**7,086,361**	**5.28**

Asset management

The favourable moment of assets under management continued in the quarter in question, benefiting from the good performance of the financial markets. The equity funds pushed the collection, while the bond and flexible ones encountered some difficulties. The performance of retail management was also positive.

Our Group also took advantage of the general market situation: at 31 March 2021, the total assets managed in the various forms recorded 6,228 million, an increase of 4.33% on the end of 2020, of which 4,514 million,

+3.54%, mutual funds and sicavs, including Popso (SUISSE) Investment Fund Sicav, and 1,714 million, +6.46%, 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 31 March 2021 amounted to 10,525 million and was structured as follows:

a) Italian government securities: 6,367 million;

b) Securities of other issuers: 2,703 million;

c) Loans to local and government administration: 172 million;

d) Loans to state-owned or local government-owned enterprises: 1,039 million;

e) Loans to other public administrations and miscellaneous entities: 244 million.

EQUITY INVESTMENTS

Equity investments amounted to 319 million, up by 13 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 604 million, on 596 million at the end of 2020. The first ones totalled 573 million, +0.85%, the second ones amounted to 31 million, +11.08%.

Intangible assets comprise 12.632 million related to goodwill. Goodwill are subjected to impairment testing annually in order to check for any impairment in value. The test was carried out when preparing the consolidated financial statements at 31 December 2020. As of 31 March 2021, it was decided not to repeat the test, as there were no significant changes in the reference framework.

OTHER PROVISIONS

They consist of the termination indemnities, which remained stable at 42 million, and the provisions for risks and charges, which added up to 284 million, -2.64% on the figure at the end of 2020.

HUMAN RESOURCES

At 31 March 2021 the Banking Group counted 3,343 employees, 18 persons more, broken down as follows: 2,813 at the Parent Company, 348 at Banca Popolare di Sondrio (SUISSE) SA, 160 at Factorit spa and 22 at BNT spa. The Banking Group's personnel also includes 3 employees of the subsidiary Pirovano Stelvio SpA.

Employee safety and business continuity

In order to safeguard the health of employees and to ensure operational continuity, during the period under review the Company maintained the measures adopted at the start of the pandemic, ensuring that employees could work in complete safety.

Remote working has remained active, while all staff who had to work in person were provided with suitable safety devices (masks, sanitising gels for the individual and sanitising products for surfaces). The protective equipment delivered from February 2020 onwards was kept at the branches and offices: plexiglass screens in the front office or in direct contact with the customer and in the offices to separate the workstations of colleagues. Daily cleaning of the rooms has also been strengthened, resorting to sanitation of the premises when necessary.

Customer services were fully guaranteed by offering the possibility of access to branches by customers upon notice or appointment, also by making a request on SCRIGNO Internet Banking using the «Branch requests» function, as well as through the information and instruction functions of the online bank, thus obviating the need to go physically to the branch. Users were promptly notified about these facilities via the information posted at the entrance to branches and on the corporate website.

Training activities for staff were guaranteed and delivered through the use of virtual classrooms in the first quarter.

The Crisis Committee, set up immediately to manage the emergency and coordinate the related actions, periodically sent communications to all employees indicating the steps to put in place in order to protect health and guarantee business operations. It also instructed all collaborators about the company's organisational and operational measures, including government and regional provisions. The Group's subsidiaries have been kept constantly up-to-date with this information.

These internal communications have been maintained also through the publication of a dedicated weekly «bulletin» on the corporate intranet.

These measures helped to contain risk of contagion within the company's population.

EQUITY

Shareholders' equity at 31 March 2021, inclusive of valuation reserves and the profit for the period, amounts to 3,050.215 million. Compared with the total at 31 December 2020 of 2,997.571 million, this represents an increase of 52.644 million, +1.76%. The increase derives from booking the profit for the period under review, as well as from the change in valuation reserves.

The Parent Company's share capital, which consists of 453,385,777 ordinary shares, amounts to 1,360.157 million, which amount has remained unchanged with respect to the comparative period.

The share premium reserve remained unchanged at 79.005 million.

Equity reserves rose to 1,552.841 million, +7.14%; this increase of 103.481 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 to the valuation reserves. In this regard, it is recalled that the Shareholders' Meeting of the Parent Company of 11 May 2021 will have to resolve on the distribution of a dividend of 0.06 per share.

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 24.379 million, a decrease on the end of 2020, when they were positive for 27.840 million; this decrease was mainly due to the sale of shares. Treasury shares in portfolio changed slightly to 25.426 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 285/13 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 «P2R» coverage starting from 12 March 2020.

The minimum capital levels required of our Banking Group are:

– a minimum Common Equity Tier 1 Ratio of 10%, calculated as the sum of the First Pillar regulatory minimum requirement (4.50%), the Capital Conservation Buffer (2.50%) and an additional Second Pillar 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 Total Capital Ratio of 13.50%, being the sum of the First Pillar regulatory minimum (8%), the Capital Conservation Buffer (2.50%) and an additional Second Pillar 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 (P2R) 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 ability to operate temporarily under the Capital Conservation Buffer has been foreseen as an additional measure of flexibility.

«Pillar 2 Guidance», which provides a guide to the future evolution of the Group's capital, was added in 2017. 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, which do not include a portion of the profit at 31 March 2021, amount to 3,322 million.

Consolidated risk-weighted assets amounted to 17,763 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 CET 1 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.

Set out below are the Group's adequacy requirements at 31 March 2021:

Group's capital ratios	(phased-in)	(fully phased)
CET 1 Ratio	16.57%	16.41%
Tier 1 Capital Ratio	16.61%	16.45%
Total capital ratio	18.70%	18.54%

The Leverage Ratio is 6.04% applying the transitional arrangements (Phased in) and 5.25% 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 shown with comparative figures at 31 December 2020:

– *capital/direct funding from customers*
  8.59% versus 8.43%
– *capital/customer loans*
  10.30% versus 10.20%
– *capital/financial assets*
  26.54% versus 28.40%
– *capital/total assets*
  5.97% versus 6.02%
– *net bad loans/capital*
  11.24% versus 11.54%

BPS STOCK

BPS stock is listed on the Screen-Traded Market (MTA) operated by Borsa Italiana and is a component of the FTSE Italia All Share Index. The stock closed the first three months of 2021 with a positive performance of 29.82%, with a reference price at 31 March 2021 of 2.856 euro, compared with 2.20 euro at the end of 2020. During the quarter, the stock recorded an intraday low of 2.004 euro on 28 January and a high of 2.98 euro on 30 March. The general FTSE Italia All-Share index recorded a rise in the period of 10.79% and the FTSE Italia All-Share Banks sector index progressed by 18.06%.

The average daily volume of securities traded on Borsa Italiana's MTA market in the first three months of the year was 1.3 million, down from 1.5 million in the same period of 2020.

BANCA POPOLARE DI SONDRIO SHARE – MTA Market of the Italian Stock Exchange

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 31 March 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 25.426 million euro, of which 25.322 million euro is used in the reserve for the purchase of treasury shares of the Parent Company totalling 30 million euro.

The shareholder base consists of 160,356 members at 31 March 2021, with a decrease of 1,514 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 reported refer to Fitch Ratings' decision of 25 September 2020, 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 25 September 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, 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.	**Negative**

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 DBRS's view on the likelihood and predictability of timely external support for the bank in case of need. The measurement scale includes four levels from SA1 (best) to SA4 (worst).	**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 It 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 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 as of 31.03.2021	2,687,312	48,801
Consolidation adjustments	-7,295	-7,295
Difference with respect to the carrying amounts of equity investments in:		
- companies consolidated on a line-by-line basis	285,281	9,290
- companies valued using the equity method	84,917	8,463
Balance as of 31.03.2021, as reported in the consolidated financial statements	**3,050,215**	**59,259**

INCOME STATEMENT

While the Covid-19 pandemic hit suddenly in the first quarter of 2020, the first quarter of 2021 was conditioned by the «third wave», which profoundly changed the scenario compared with the forecasts made the previous autumn. The economy was more or less stable compared with the end of 2020, with industry strengthening and services still very weak. The recovery is now expected to start in the second quarter, gradually building up in the third and fourth quarters, in parallel with the progress of the vaccination plan and relaxation of the anti-contagion measures.

In a context characterised by huge uncertainties, but also by market conditions that have continued to be relaxed, our Group has been able to achieve a very respectable result. The figures presented show a profit for the period of 59.259 million, compared with a loss of 46.512 million in the first three months of 2020.

The comments on the various items refer to the figures shown in the

«Summary income statement», presented below, which have been reclassified compared with those shown in the schedules required by Bank of Italy provision no. 262/2005. The table showing the quarterly evolution of the reclassified consolidated income statement is also shown.

The positive trend in net interest income was affected, for better or for worse, by the ongoing expansionary monetary policy: it was penalised by the persistence of very low lending rates, but benefited from the interest deriving from the negative rates accrued on the T-LTRO loans received from the ECB, which amounted to 20 million during the quarter.

Net interest income came in at 129.138 million, +15.12%. Net fee and commission income, equal to 84.788 million, +7.43%, increased thanks to the still positive attitude of the financial markets, which led to an increase in those linked to the placement of financial products. The trend in those linked to foreign operations and guarantees given was also favourable.

Dividends amounted to 0.794 million compared with 0.732 million.

The result of financial activities was positive for 32.130 million compared with a negative one of 59.134 million in the comparative period.

While in the first quarter of 2020, after a positive start, stock markets suddenly put an end to the longest bull run in history and fears of an economic slowdown reflected on the bond market, triggering a high volatility of yields, especially on fixed income, in the first three months of 2021 the positive trend already seen in the latter part of the previous year continued. As a consequence, the difference between capital gains and capital losses on securities in the trading book, which in the comparison period was strongly negative, showed a positive result instead.

Income from banking activities amounted to 246.850 million, +86.02%, due to the favourable performance of all its components and, in particular, a positive result again from securities trading. In the comparative period it was heavily influenced by the result of the securities trading, as mentioned previously.

Within this aggregate, the weight of net interest income fell to 52.31% compared with 84.53%.

The high level of uncertainty generated by Covid-19 led to a need to make further adjustments in a prudential sense of the weights to be assigned to the forecast scenarios included in the credit risk quantification procedure at 31 March, in addition to the interventions already carried out during the course of 2020.

Adjustments/write-backs for credit risk on exposures to customers, banks and securities totalled 28.891 million, -55.76%.

In its components, the sub-item adjustments to financial assets valued at amortised cost, given by the exposure to customers and banks in the form of both loans and securities, posted -41.63% after +35.37% in the comparative period. This sub-item amounted to 34.953 million, and mainly refers to loans to customers.

The decrease in adjustments to loans to customers is explained by the fact that in the comparative period the item also included adjustments related to the revision of the realisable values of the loans involved in the NPL sale then in progress; moreover, it was paying for the first negative assessments of the economic context due to the onset of the Covid-19 pandemic.

Sub-item 130b, relating to financial assets valued at fair value through other comprehensive income, was negative for 23 thousand compared with another negative figure of 4.504 million deriving essentially from the increase in the forecast loss on certain bonds.

Line item 140, comprising the gains/losses on contractual amendments without derecognition, which follows changes in the contractual cash flows, reported in the reference period of 1.581 million, compared with 5.306 million.

Provisions for commitments and guarantees given amounted to 7.666 million compared with a release of provisions for 4.390 million in the previous period.

The ratio of net adjustments to customer loans/total customer loans, which is defined as the cost of credit, was 0.39% compared with 0.74%.

Financial income has therefore passed from 67.399 million to 217.959 million, +223.39%.

As always, there has been extreme attention to cost containment in parallel with the efficiency of the structure.

Operating costs amounted to 139.629 million, with and increase of +1.09%.

The ratio of operating costs to income from banking activities, otherwise known as the cost-income ratio, has fallen to 56.56% from 104.09%, while the ratio of operating costs to total assets came in at 1.09% from 1.05% at the year-end. 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 143.103 million, +1.49%; of these, personnel costs went from 62.775 million to 63.643 million, +1.38%, with other administrative expenses up from 78.230 million to 79.460 million, +1.57%. Once again, other significant expenses included use of consultancy, IT costs and contributions to the National Resolution Fund and to the FITD of 20 million.

The item «net accruals to provisions for risks and charges» has, as mentioned above, released funds of 0.718 million, compared with accruals of 0.560 million.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 12.531 million compared with 12.750 million.

Other income net of other operating expenses amounted to 15.287 million, -5.58%.

The aggregate profits/losses on equity and other investments shows a balance of 8.482 million, +36.81%.

Profit before taxes was positive for 86.812 million compared with a negative one for 64.525 million. Income taxes amounted to 26.333 million, while in the comparative period they were positive for 19.161 million, essentially due to the changes in deferred tax assets (DTA). After deducting non-controlling interests of 1.220 million, the profit for the period was 59.259 million, versus a negative result of 46.512 million +227.41%.

KEY FIGURES OF THE CONSOLIDATED INCOME STATEMENT

(thousands of euro)	31/03/2021	31/03/2020	(+/-)	Change %
Net interest income	129,138	112,174	16,964	15.12
Dividends	794	732	62	8.47
Net fee and commission income	84,788	78,926	5,862	7.43
Result of financial activities	32,130	-59,134	91,264	154.33
Total income	**246,850**	**132,698**	**114,152**	**86.02**
Net impairment losses [a]	-28,891	-65,299	36,408	-55.76
Net financial income	**217,959**	**67,399**	**150,560**	**223.39**
Personnel expenses [b]	-63,643	-62,775	-868	1.38
Other administrative expenses	-79,460	-78,230	-1,230	1.57
Other operating income/expense [b]	15,287	16,191	-904	-5.58
Net accruals to provisions for risks and charges [b]	718	-560	1,278	n.s.
Adjustments to property, equipment and investment property and intangible assets	-12,531	-12,750	219	-1.72
Operating costs	**-139,629**	**-138,124**	**-1,505**	**1.09**
Operating profit (loss)	**78,330**	**-70,725**	**149,055**	**210.75**
Net gains (losses) on equity investments and other investments	8,482	6,200	2,282	36.81
Profit (loss) before tax	**86,812**	**-64,525**	**151,337**	**234.54**
Income taxes	-26,333	19,161	-45,494	n.s.
Profit (loss)	**60,479**	**-45,364**	**105,843**	**233.32**
(Profit) loss attributable to non-controlling interests	-1,220	-1,148	-72	6.27
Profit (loss) attributable to the Parent Company	**59,259**	**-46,512**	**105,771**	**227.41**

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 31/03/2021 have been subjected to the following reclassifications:
[a] reclassified net credit risk provisions for commitments and guarantees given for 7.666 million initially included in net provisions for risks and charges [a) commitments and guarantees given], showing them under net adjustments. The results at 31/03/2020 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 3.686 million.

QUARTERLY RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	2021	2020			
(thousands of euro)	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	129,138	127,798	129,154	120,884	112,174
Dividends	794	267	1,158	2,218	732
Net fee and commission income	84,788	86,790	77,431	73,269	78,926
Result of financial activities	32,130	54,247	19,178	43,979	-59,134
Total income	**246,850**	**269,102**	**226,921**	**240,350**	**132,698**
Net impairment losses [a]	-28,891	-76,612	-36,388	-38,870	-65,299
Net financial income	**217,959**	**192,490**	**190,533**	**201,480**	**67,399**
Personnel expenses [b]	-63,643	-62,681	-62,595	-58,968	-62,775
Other administrative expenses	-79,460	-68,447	-65,182	-67,084	-78,230
Other operating income/expense [b]	15,287	15,815	18,183	13,094	16,191
Net accruals to provisions for risks and charges [a]	718	-963	-81	3,640	-560
Adjustments to property, equipment and investment property and intangible assets	-12,531	-20,664	-13,815	-13,447	-12,750
Operating costs	**-139,629**	**-136,940**	**-123,490**	**-122,765**	**-138,124**
Operating profit (loss)	**78,330**	**55,550**	**67,043**	**78,715**	**-70,725**
Net gains (losses) on equity investments and other investments	8,482	7,930	4,872	7,342	6,200
Profit (loss) before tax	**86,812**	**63,480**	**71,915**	**86,057**	**-64,525**
Income taxes	-26,333	-21,303	-20,597	-24,445	19,161
Profit (loss)	**60,479**	**42,177**	**51,318**	**61,612**	**-45,364**
(Profit) loss attributable to non-controlling interests	-1,220	-30	-1,277	-691	-1,148
Profit (loss) attributable to the Parent Company	**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 8.70% of direct customer deposits, 12.34% of loans to customers, 6.55% of net fee and commission income and 11.36% of net interest income.

SUBSEQUENT EVENTS AND OUTLOOK FOR OPERATIONS

As regards the evolution of the transformation of Banca Popolare di Sondrio into a joint-stock company based on Law no. 33 of 24 March 2015, we would remind you that art. 27, paragraph 3 bis, of Law 120 of 11 September 2020 (conversion with amendments of Decree Law 76 of 16 July 2020 containing urgent measures for simplification and digital innovation) has extended by one year, i.e. until 31 December 2021, the deadline for transformation into joint-stock companies of cooperative banks that exceed the threshold of 8 billion euro of assets.

Banca Popolare di Sondrio is awaiting the outcome of the proceedings before the Council of State that follow the appeal by several parties against the so-called «Reform of the Cooperative Banks» and, on the basis of a consequent clear and defined legal framework, will evaluate thoroughly the initiatives to be taken and will implement the necessary formalities, always in compliance with the provisions of the law and within the terms established by it.

The Group's results in the coming months will still be conditioned by the pandemic and its repercussions on the economy. The latter should accelerate in the second half of the year, also due to the good performance of the current vaccination campaign and the relaxation of restrictive measures. The positive trend of the core business, represented by net interest income and fee and commission income, will continue; the result of financial activities will be affected by market trends, while the cost of credit should remain lower than in 2020. Continuity will be given to the action aimed at containing operating costs. It is therefore considered reasonable to confirm the forecasts of a higher result than the previous year.

Sondrio, 10 May 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 31 March 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 31 MARCH 2021

CONSOLIDATED BALANCE SHEET

(thousands of euro)

	ASSET ITEMS		31/03/2021		31/12/2020
10.	CASH AND CASH EQUIVALENTS		**5,641,041**		**5,066,606**
20.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS		**1,284,320**		**1,228,733**
	a) financial assets held for trading	228,683		190,545	
	c) other financial assets mandatorily measured at fair value	1,055,637		1,038,188	
30.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		**3,145,039**		**2,619,939**
40.	FINANCIAL ASSETS MEASURED AT AMORTISED COST		**39,349,116**		**39,168,264**
	a) loans and receivables with banks	3,303,606		3,620,595	
	b) loans and receivables with customers	36,045,510		35,547,669	
70.	EQUITY INVESTMENTS		**318,540**		**305,444**
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**572,604**		**567,799**
100.	INTANGIBLE ASSETS		**31,468**		**28,328**
	OF WHICH:				
	– goodwill	12,632		12,632	
110.	TAX ASSETS		**398,925**		**423,785**
	a) current	32,897		46,596	
	b) deferred	366,028		377,189	
120.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		**5,513**		**-**
130.	OTHER ASSETS		**373,896**		**398,699**
	TOTAL ASSETS		**51,120,462**		**49,807,597**

THE CHAIRMAN
Francesco Venosta

THE BOARD OF STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Laura Vitali - Luca Zoani

EQUITY AND LIABILITY ITEMS			31/03/2021		31/12/2020
10.	FINANCIAL LIABILITIES VALUED AT AMORTISED COST		**46,315,592**		**45,386,147**
	a) due to banks	10,794,802		9,826,687	
	b) customer deposits	32,633,460		32,728,348	
	c) debt securities in issue	2,887,330		2,831,112	
20.	FINANCIAL LIABILITIES HELD FOR TRADING		**27,816**		**33,816**
40.	HEDGING DERIVATIVES		**5,307**		**6,271**
60.	TAX LIABILITIES		**33,842**		**37,400**
	a) current	2,219		3,567	
	b) deferred	31,623		33,833	
80.	OTHER LIABILITIES		**1,261,879**		**914,191**
90.	RESERVE FOR TERMINATION INDEMNITIES		**42,415**		**42,341**
100.	PROVISIONS FOR RISKS AND CHARGES		**284,041**		**291,757**
	a) commitments and guarantees given	50,856		58,520	
	b) pension and similar obligations	192,517		189,873	
	c) other provisions for risks and charges	40,668		43,364	
120.	VALUATION RESERVES		**24,379**		**27,840**
150.	RESERVES		**1,552,841**		**1,449,360**
160.	SHARE PREMIUM RESERVE		**79,005**		**79,005**
170.	SHARE CAPITAL		**1,360,157**		**1,360,157**
180.	TREASURY SHARES (-)		**(25,426)**		**(25,388)**
190.	NON-CONTROLLING INTERESTS (+/-)		**99,355**		**98,103**
200.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**59,259**		**106,597**
	TOTAL LIABILITIES AND EQUITY		**51,120,462**		**49,807,597**

THE MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE MANAGER RESPONSIBLE FOR PREPARING
THE COMPANY'S ACCOUNTING DOCUMENTS
Maurizio Bertoletti

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

	INCOME STATEMENT ITEMS		31/03/2021		31/03/2020
10.	INTEREST AND SIMILAR INCOME		156,193		137,874
	of which: interest income calculated using the effective interest method	154,083		136,042	
20.	INTEREST AND SIMILAR EXPENSE		(27,055)		(25,700)
30.	**NET INTEREST INCOME**		**129,138**		**112,174**
40.	FEE AND COMMISSION INCOME		89,199		83,615
50.	FEE AND COMMISSION EXPENSE		(4,411)		(4,689)
60.	**NET FEE AND COMMISSION INCOME**		**84,788**		**78,926**
70.	DIVIDENDS AND SIMILAR INCOME		794		732
80.	NET TRADING INCOME		18,090		(44,733)
90.	NET RESULT OF HEDGING ACTIVITIES		31		(51)
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:		10,911		2,126
	a) financial assets measured at amortised cost	3,862		176	
	b) financial assets measured al fair value through other comprehensive income	7,075		1,959	
	c) financial liabilities	(26)		(9)	
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS		3,098		(16,476)
	b) Other financial assets mandatorily measured at fair value	3,098		(16,476)	
120.	**TOTAL INCOME**		**246,850**		**132,698**
130.	NET ADJUSTMENTS FOR CREDIT RISK RELATED TO:		(34,976)		(64,383)
	a) financial assets measured at amortised cost	(34,953)		(59,879)	
	b) financial assets measured at fair value through other comprehensive income	(23)		(4,504)	
140.	GAINS/LOSSES ON CONTRACTUAL CHANGES NOT RESULTING IN DERECOGNITION		(1,581)		(5,306)
150.	**NET FINANCIAL INCOME**		**210,293**		**63,009**
180.	**NET FINANCIAL AND INSURANCE INCOME**		**210,293**		**63,009**
190.	ADMINISTRATIVE EXPENSES:		(146,789)		(141,005)
	a) personnel expenses	(67,329)		(62,775)	
	b) Other administrative expenses	(79,460)		(78,230)	
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		8,384		3,830
	a) commitments and guarantees given	7,666		4,390	
	b) other net provisions	718		(560)	
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES/WRITE BACKS ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(9,154)		(9,319)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES/WRITE BACKS ON INTANGIBLE ASSETS		(3,377)		(3,431)
230.	OTHER OPERATING INCOME/EXPENSE		18,973		16,191
240.	**OPERATING COSTS**		**(131,963)**		**(133,734)**
250.	NET GAINS (LOSSES) ON EQUITY INVESTMENTS		8,463		6,200
280.	NET GAINS ON SALES OF INVESTMENTS		19		-
290.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**		**86,812**		**(64,525)**
300.	INCOME TAXES		(26,333)		19,161
310.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**60,479**		**(45,364)**
330.	**PROFIT (LOSS) FOR THE PERIOD**		**60,479**		**(45,364)**
340.	PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(1,220)		(1,148)
350.	**PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY**		**59,259**		**(46,512)**
	BASIC EPS		**0.131**		**(0.103)**
	DILUTED EPS		**0.131**		**(0.103)**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(thousands of euro)

Items		31/03/2021	31/03/2020
10.	**Profit (loss) for the period**	**60,479**	**(45,364)**
	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	(253)	(8,472)
70.	Defined-benefit plans	606	(585)
90.	Share of valuation reserves of equity investments valued at net equity	307	(19)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
110.	Exchange differences	107	(367)
140.	Financial assets (other than variable-yield securities) measured at fair value through other comprehensive income	(5,617)	(34,729)
160.	Share of valuation reserves of equity investments valued at net equity	1,421	(4,592)
170.	**Total other income items net of income taxes**	**(3,429)**	**(48,764)**
180.	**Other comprehensive income (Items 10+170)**	**57,050**	**(94,128)**
190.	Consolidated other comprehensive income attributable to non-controlling interests	(1,252)	(1,148)
200.	**Consolidated other comprehensive income attributable to the Parent Company**	**55,798**	**(95,277)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
(thousands of euro)

				Allocation of prior year result			
	Opening 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	109,743	–	(3,116)	–
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**	**(109,743)**	**–**	**–**	**–**
Equity attributable to the Group	**2,997,571**	**–**	**2,997,571**	**–**	**–**	**(3,116)**	**–**
Equity attributable to non-controlling interests	**98,103**	**–**	**98,103**	**–**	**–**	**–**	**–**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
(thousands of euro)

				Allocation of prior year result			
	Opening 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		10,102	–
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**	**–**	**–**	**10,102**	**–**
Equity attributable to non-controlling interests	**95,041**	**–**	**95,041**	**–**	**–**	**–**	**–**

Changes during 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 31.03.2021	**Equity attributable to the group at 31.03.2021**	**Equity attributable to non-controlling interests 31.03.2021**
–	–	–	–	–	–	–	1,360,157	33,579
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,358**
–	–	–	–	–	–	–	1,516,947	58,465
–	–	–	–	–	–	–	35,894	1,957
–	**–**	**–**	**–**	**–**	**–**	**(3,429)**	**24,379**	**(224)**
(38)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,426)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**60,479**	**59,259**	**1,220**
(38)	**–**	**–**	**–**	**–**	**–**	**55,798**	**3,050,215**	**–**
–	**–**	**–**	**–**	**–**	**–**	**1,252**	**–**	**99,355**

Changes during 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 31.03.2020	**Equity attributable to the group at 31.03.2020**	**Equity attributable to non-controlling interests 31.03.2020**
–	–	–	–	–	–	–	1,360,157	33,579
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,358**
–	–	–	–	–	–	–	1,409,085	55,318
–	–	–	–	–	–	–	35,894	1,957
–	**–**	**–**	**–**	**–**	**–**	**(48,764)**	**(55,649)**	**(171)**
10	**–**	**–**	**–**	**–**	**–**	**–**	**(25,364)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**(45,364)**	**(46,512)**	**1,148**
10	**–**	**–**	**–**	**–**	**–**	**(95,277)**	**2,756,616**	**–**
–	**–**	**–**	**–**	**–**	**–**	**1,148**	**–**	**96,189**