



Banca Popolare di Sondrio

Società cooperativa per azioni - fondata nel 1871
Sede sociale e direzione generale: I - 23100 Sondrio So - Piazza Garibaldi 16
Iscritta al Registro delle Imprese di Sondrio al n. 00053810149
Iscritta all'Albo delle Banche al n. 842
Capogruppo del Gruppo bancario Banca Popolare di Sondrio, iscritto all'Albo dei Gruppi bancari al n. 5696.0
Iscritta all'Albo delle Società Cooperative al n. A160536
Aderente al Fondo Interbancario di Tutela dei Depositi
Codice fiscale e Partita IVA: 00053810149
Al 31/12/2014: Capitale Sociale € 1.360.157.331 - Riserve € 833.958.444
(dati approvati dall'Assemblea dei soci del 18/4/2015)

Board of Directors of 10 November 2015: approval of the Consolidated Interim Report at 30 September 2015.

Consolidated data (in millions of euro):

	30/ 9/ 2015	30/ 9/ 2014	Variation
Net interest income	413	447	-7.53%
Income from banking activities	795	829	-4.04%
Balance of financial management	526	475	+10.67%
Profit on current operations before income taxes	206	171	+20.33%
Net profit	135	94	+42.57%

	30/ 9/ 2015	31/ 12/ 2014	Variation
Direct customer deposits	29,584	29,717	-0.45%
Indirect customer deposits	27,996	28,553	-1.95%
Insurance deposits from customers	1,062	897	+18.32%
Total customer deposits	58,642	59,168	-0.89%
Cash loans to customers	24,390	24,012	+1.58%

	30/ 9/ 2015	30/ 9/ 2014	Variation
Direct customer deposits	29,584	29,253	+1.13%
Indirect customer deposits	27,996	27,617	+1.37%
Insurance deposits from customers	1,062	870	+22.01%
Total customer deposits	58,642	57,740	+1.56%
Cash loans to customers	24,390	25,772	-5.36%

COMPOSITION OF THE BANKING GROUP:

- Banca Popolare di Sondrio, società cooperativa per azioni (Parent Bank);
- Banca Popolare di Sondrio (SUISSE) SA (held 100%);
- Factorit spa (held 60.5%);
- Sinergia Seconda srl (support company, held 100%);
- Popso Covered Bond srl (held 60%).

Today, the Board of Directors of Banca Popolare di Sondrio, società cooperativa per azioni, has reviewed and approved the consolidated interim report at 30 September 2015.

In the period considered – marked by weak economic growth, lower-than-expected inflation and uncertainty at the global level – the Group recorded a satisfactory performance. Operations aimed at achieving dimensional and profit development, while prudently managing risk. The positive outcomes of financial management and the reduction of valuation adjustments (an element which suggests a stronger national economic performance) meant better economic results despite disappointing interest income due to the markedly expansionary monetary policy.

The consolidated **net profit** for the period amounted to € 134.63 mn, + 42.57% compared to 30 September 2014.

Direct deposits amounted to € 29,584 mn, - 0.45% compared to 31 December 2014, + 1.13% year on year. **Indirect deposits**, at market value, amounted to € 27,996 mn, - 1.95% compared to 31 December 2014, + 1.37% year on year; **insurance deposits** totalled € 1,062 mn, + 18.32% compared to 31 December 2014, + 22.01% year on year. **Total customer deposits** therefore amounted at € 58,642 mn, - 0.89% compared to 31 December 2014, + 1.56% year on year.

Loans to customers amounted to € 24,390 mn, + 1.58% compared to 31 December 2014, - 5.36% year on year.

Non performing exposures, € 2,216 mn and + 7.10% compared to 31 December 2014, showed a lower increase compared to 2014 when their growth was 12.56%. They accounted for 9.09% of total customer loans, with a coverage of 45.12%, compared to 43.21% at end-2014.

In particular, net **bad loans** continued to suffer significantly from the crisis, amounting to € 689 mn, + 12.12%, against + 33.39% at end-2014. They accounted for 2.82% of total customer loans, a lower ratio than the average of the banking system. The coverage level of non-performing loans was 62.73%, an increase compared to 61.14% at 31 December 2014. **Unlikely to pay** exposures amounted at € 1,074 mn; - 0.52%, with a coverage ratio of 35.42%, compared to 33.95% at end-2014. **Past-due exposures** amounted to € 454 mn, marking an increase by 20.81%. The annualised cost of lending was 1.37%, a marked decrease compared to 1.80% at 30 September 2014 and to 1.93% year on year. Loans are assessed with prudent criteria.

Financial assets, represented by securities and derivatives, amounted to €8,771 mn, - 3.30% compared to 31 December 2014. **Equity investments** amounted at €152 mn, a decrease by 2.38% which is to attribute to the effect of valuation by the equity method.

With regard to the components of the consolidated income statement, **net interest income** amounted to € 413.22 million, - 7.53% compared with the results for the period ended 30 September 2014, a result which reflects both a decrease in active interests, in particular interest on the securities portfolio, due to the current expansionary monetary policy and the high degree of market competition in attracting retail customers, a situation which makes difficult to proportionally realign imbalances between active and passive interests.

Net commission income from services amounted to € 223.26 mn, + 1.40%. Commissions from guarantees and various forms of asset management performed strongly, commissions on collection and payment services were steady, and commissions on credit were slightly decreasing.

Dividends amounted to € 2.66 mn, which corresponded to a decrease by 18.21%.

The results of the management of the securities portfolio was positive at € 155.93 mn, and was underpinned by strong profit from trading and, to a lesser extent, from the net positive impact of capital gains and losses; at 30 September 2014 this data was positive for € 158.24 mn, due to a stronger effect from securities valuation.

The intermediation margin was at € 795.07 mn, - 4.04%, reflecting a contraction in interest margins.

The net impairment adjustments, implemented according to prudent valuation criteria, amounted to € 269.42 mn, - 23.81%, and highlighted a decrease of the credit component, an inversion of the trend seen in past quarters. Adjustments of loans to customer accounted for € 250.03 mn (€ 348.21 mn at 30 September 2014); € 8.11 mn related to impairments of securities in the AFS portfolio, € 7.67 mn related to impairments of subordinated bond securities held in the HTM portfolio, whereas other adjustments accounted for € 3.61 mn and were related to the imbalance between the release of provisions made in previous years in relation to unsecured credit granted and provisions for the period.

The net result of **financial management** amounted at € 525.65 mn, +10.67%.

Total **operating costs**, calculated as the sum of administrative expenses, provisions, adjustments to property, plant and equipment and intangible assets, plus the balance of "other net operating income", amounted to € 325.32 mn, + 5.63%. **Administrative expenses** totaled € 355.97 mn, + 4.47%, of which € 174.66 mn, + 5.14%, related to staff expenses, and € 181.31 mn, + 3.83%, related to other administrative expenses. The data reflected improvement work underway to strengthen the branch network and the central functions alike.

The *cost/income* ratio was 40.92% compared to 37.17% at 30 September 2014 and 37.66% at end 2014.

Adjustments to property, plant and equipment and intangible assets amounted to € 23.21 mn, + 6.66%; other operating income/ expenses were positive for € 58.47 mn, + 3.98%, net provisions for risks and charges amounted at € 4.61 mn.

Equity investments and other investments produced a profit of € 6.00 mn and included € 3.00 mn arising from an adjustment to the sale price, in accordance with contractual arrangements established in 2010 for the interests previously held in Arca Vita spa and in Arca Assicurazioni spa.

The result of **ordinary operations** amounted to € 206.33 million, + 20.33%.

After deducting **income taxes** of € 66.62 mn, - 2.61%, and the profit attributable to non-controlling interests, € 5.08 mn, the consolidated **net profit** for the period amounted at € 134.63 mn, + 42.57%.

Own funds as shown in the financial statements, including net profit for the period, amounted to € 2,615 mn at 30 September 2015 + 8.63% compared to 31 December 2014. Consolidated own funds for supervisory purposes, including the share of net profit for the period ended 30 June 2015, amounted to € 2,882 mn at 30 September 2015. The **capital ratios** at the latest reporting date were 10.14% CET1 Ratio and 12.06% Total Capital Ratio. On 23 October 2015, following the Voluntary Exchange Program promoted by the bank on its own liabilities, participating debt holders received a Tier II subordinated debt for an overall amount of € 274.149 million. The pro-forma Total Capital Ratio, including the new emissions, amounted at 13.21%.

At 30 September 2015 the short-term (LCR-Liquidity Coverage Ratio) and medium to long term (NSFR-Net Stable Funding Ratio) **liquidity** indicators were well over the minimum requirements that will come into effect in 2015 (60%) and 2019 (100%).

The Group's branch network consisted of 350 branches, having increased at mid-year due to the opening of 2 new branches in Padua and Alba (Cn).

At 30 September 2015, the Banking group had 3,099 employees, an increase of 40 staff units compared to the end of December 2014. Together with the 27-strong staff of Pirovano Stelvio spa, the total number of Group employees amounted at 3,126.

The **shareholder base** consisted of 185.623 shareholders.

As regards the **outlook for future operations**, we anticipate that the monetary policy and low-rate environment will continue to promote economic growth. This situation should benefit financial markets but will further compress net interest margin for banks. The current economic recovery should be reflected in the credit environment and lead to an increase in the level and quality of credit, especially in Italy. It is therefore reasonable to expect that the results 2015 of the Group will be in line with results achieved in the first three quarters of 2015.

The consolidated interim report for the period ending 30 September 2015 will be published on the bank's website "www.popso.it" and deposited at Borsa Italiana e at the Bank's head office.

DECLARATION

The Financial Reporting Officer, Maurizio Bertoletti, certifies pursuant to art. 154 bis, para. 2, of the Consolidated Finance Law, that the accounting information contained in this press release agrees with the underlying documents, registers and accounting entries.

signed: Maurizio Bertoletti, The Financial Reporting Officer

Company contacts:

Paolo Lorenzini, Head of the External Relations Office; telephone 0342.528.212; e-mail paolo.lorenzini@popso.it". Website address "www.popso.it".

Sondrio, 10 November 2015

Appendices:

consolidated balance sheet and income statement.

This English translation is provided solely for information purposes for the benefit of the reader given that, where there is a discrepancy, the Italian version will prevail.