Banca Popolare di Sondrio

Società cooperativa per azioni – founded in 1871
Head office: Piazza Garibaldi 16, 23100 Sondrio, Italy
Sondrio Companies Register no. 00053810149.
Official List of Banks no. 842.
Parent Bank of the Banca Popolare di Sondrio Group - Official List of Banking Groups no. 5696.0.
Official List of Cooperative Banks no. A160536.
Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149
At 31/12/2014: Share capital: € 1,360,157,331 - Reserves: € 833,958,444
(figures approved at the shareholders' meeting held on 18/4/2015)

Board of Directors of 7 August 2015: approval of the condensed Interim Consolidated Financial Statements at 30 June 2015.

Consolidated figures (in millions of euro):

	30/ 6/ 2015	30/ 6/ 2014	Change
Net interest income	277	298	-7.06%
Income from banking activities	558	565	-1.34%
Balance of financial management	357	331	+7.77%
Profit on current operations before income taxes	149	129	+15.54%
Net profit	97	71	+37.03%

	30/ 6/ 2015	31/ 12/ 2014	Change
Direct customer deposits	29,997	29,717	+0.94%
Indirect customer deposits	30,543	28,553	+6.97%
Insurance deposits from customers	1,015	898	+13.14%
Total customer deposits	61,555	59,168	+4.04%
Cash loans to customers	24,733	24,012	+3.00%

	30/ 6/ 2015	30/ 6/ 2014	Change
Direct customer deposits	29,997	26,797	+11.94%
Indirect customer deposits	30,543	27,720	+10.18%
Insurance deposits from customers	1,015	842	+20.59%
Total customer deposits	61,555	55,359	+11.19%
Cash loans to customers	24,733	23,874	+3.60%

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%).

The Board of Directors of Banca Popolare di Sondrio, società cooperativa per azioni, today reviewed and approved the condensed consolidated interim report at 30 June 2015.

The satisfactory results as discussed below - which all the operational components of the Banking group have contributed towards - were driven by dynamic commercial activities, by the Group's competitiveness in its key markets and by careful cost control. The signs of economic recovery have had a limited impact, so far, in terms of containment of impaired positions, which are still rising, albeit at a slower pace, and new productive investments. The Group, however, has continued to provide financial support to deserving households and firms in the course of its traditional and concrete activities that focus on the territories and communities served. A contributory factor to the result was the positive performance of financial markets that was characterised by volatility towards the end of the half year caused by tensions relating to the Greek crisis.

The consolidated **net profit** for the period amounted to € 97.3 million, +37.03% on that for the first half of 2014.

Direct deposits amount to € 29,997 million, +0.94% compared with 31 December 2014, +11.94% year-on-year. **Indirect deposits**, at market value, amount to € 30,543 million, +6.97% on 31 December 2014, 10.18% on an annual basis; **Insurance deposits** total € 1,015 million, +13.14% on 31 December 2014, +20.59% on an annual basis. **Total customer deposits** therefore come to € 61,555 million, +4.04% on 31 December 2014, +11.19% on an annual basis.

Due from customers amount to € 24,733 million, + 3.00% on 31 December 2014, + 3.60% on an annual basis. **Impaired loans**, € 2,192 million, + 5.91% compared with 31 December 2014, showing a lower increase with respect to 2014, which marked a growth of 12.56%. They account for 8.86% of total customer loans, with coverage of 44.77% compared with 43.21% at the end of 2014. As regards impaired loans, net **non-performing loans**, which continue to suffer significantly from the negative economic trends, amount to € 674 million, +9.72%, compared with 33.39% at the end of 2014, representing the 2.73% of amounts due from customers, a level that remains lower than that of the system. The hedge level of non-performing loans is 62.07%, versus 61.14% at 31 December 2014. **Likely defaults** amount to € 1,133 million, +4.95%, with coverage of 35.17%, compared with 33.95% at the end of 2014, while **past due exposures and/or impaired overdrawn accounts** of € 385 million have increased by 2.41%. The annualised cost of lending comes to 1.54%, compared with 1.96% in the first half of 2014 and 1.93%% at the year end. Loans are assessed with particularly prudent criteria.

Financial assets, represented by own securities and derivatives, amount to € 8,963 million, -1.18% on 31 December 2014. **Equity investments** come to € 151 million (-3.29%), with this decrease having been mainly attributable to the effect of the measurement thereof using the equity method.

With regard to the components of the consolidated income statement, compared with the results for the period ended 30 June 2014, **net interest income** amounts to € 276.6 million (-7.06%), reflecting a steady fall in market rates to an all-time low, supported by a particularly expansionary monetary policy, with extensive recourse to targeted refinancing operations and the repurchase of European sovereign debt under a specific programme. **Net commission income from services** amount to € 149.2 million (+1.80%). Dividends received amount to € 2.2 million (- 27.99%). Income from the **securities portfolio,** following on from the positive performance achieved in the first quarter of 2015**,** amounts to € 129.7 million, driven by substantial trading/ disposal gains, whereas there was a notable decrease in the effect arising from the valuation of securities, despite the recognition of substantial exchange differences. In the first half of 2014, income from the securities portfolio amounted to € 118.1 million.

Income from banking activities marks € 557.7 million (- 1.34%). Slight, gradual economic recovery has not led to any significant trend reversal concerning "adjustments to loans and financial assets", which, despite having fallen from € 233.9 million to € 200.6 million (-14.23%), remain high. The component relating to loans fell from € 233.7 million to € 190.7 million (-18.41%); adjustments to securities amount to € 4.9 million, of which € 2.7 million relates to assets available for sale and € 2.2 million relates to assets held to maturity. Adjustments to other financial transactions amount to an expense of € 5.1 million, largely relating to provisions made for interventions approved by the Interbank Deposit Protection Fund.

The net result of **financial management** amounts to € 357.1 million (+7.77%).

Total **operating costs**, being the sum of administrative expenses, provisions, adjustments to property, plant and equipment and intangible assets, plus the balance of "other net operating income", amount to € 213.6 million (+4.36%). **Administrative expenses** total € 241.1 million (+5.99%), of which € 117.5 million (+6.67%) relate to personnel expenses and € 123.6 million (+5.36%) to other administrative expenses. The adjustments to property, plant and equipment and intangible assets come to € 14.6 million (+4.91%); other operating income/ expenses are positive for € 45.9 million (+22.42%), while net provisions for risks and charges come to € 3.8 million compared with € 0.8 million of the comparison period. The **cost/income ratio** stands at 38.29%, compared with 36.20% at 30 June 2014 and 37.66% at the end of 2014.

Equity investments and other investments produced a profit of € 5.2 million and comprise € 3.0 million 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** comes to € 148.7 million (+15.54%).

Lastly, having deducted **income taxes** of € 47.4 million (down by 8.74%) - that have benefited from recent measures regarding the deductibility of adjustments to loans and IRAP - and the profit attributable to non-controlling interests of € 4.0 million, consolidated **net profit** for the period comes to € 97.3 million (+37.03%).

Own funds as shown in the financial statements, including net profit for the period, amount to € 2,517 million at 30 June 2015, +4.55% on 31 December 2014. Consolidated own funds for supervisory purposes, including the share of net profit for the period, amount to € 2,921 million. The **capital ratios** at 30 June 2015, the date of the last report being sent to the Supervisory Authority, come to 10.20% for the CET1 Ratio and 12.23% for the Total Capital Ratio.

At 30 June 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 Banking group's branch network consists of 350 branches, having increased in the half year due to 2 branches having been set up by the parent bank: Padua and Alba (Cn).

At 30 June 2015, the Banking group had 3,076 employees, an increase of 17 employees compared with the end of December 2014, to which should be added 26 employees of the subsidiary Pirovano Stelvio spa, coming to a total of 3,102 employees.

The **shareholder base** currently consists of 185.437 shareholders.

As regards the **outlook for operations**, the general macroeconomic environment shows signs of improvement, which are in need of being confirmed in the coming months. It is hoped that the passing of the most dramatic moment of the Greek crisis - which threatened to turn into a euro crisis - can help reduce tensions and uncertainties, by bringing some calm to the financial markets. As regards the outlook for the Banking group, it is expected that an upturn in the general economic cycle will lead to an improvement in asset quality and, thus, a decrease in adjustments to loans. The trend in net interest income is naturally linked to general trends that seem to indicate that interest rates will remain at an all time low, whereas the weakening of tensions linked to sovereign debt may stabilise the prices of the securities in question. Taking account of a physiological increase in costs, it is reasonable to expect that there will be an improvement in results over the previous year.

The condensed consolidated interim report for the period ended 30 June 2015 will be published on the bank's website "www.popso.it" and will be made available on the authorised storage mechanism "SDIR & STORAGE" at "www.emarketstorage.com" and at the Bank's head office.

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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

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Sondrio, 7 August 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 willprevail.

CONSOLIDATED BALANCE SHEET (in thousands of euro)

ASSET ITEMS		30/06/2015	31/12/2014
10.	Cash and cash equivalents	720,326	264,482
20.	Financial assets held for trading	2,054,375	2,338,630
30.	Financial assets at fair value through profit or loss	95,092	84,702
40.	Available-for-sale financial assets	6,671,993	6,498,605
50.	Held-to-maturity investments	141,860	148,620
60.	Loans and receivables with banks	946,130	1,088,388
70.	Loans and receivables with customers	24,732,876	24,011,925
100.	Equity Investments	150,848	155,986
120.	Property, equipment and investment property	294,032	254,303
130.	INTANGIBLE ASSETS	24,132	21,572
	Of with:		
	- Goodwill	7,847	7,847
140.	TAX ASSETS	425,447	403,851
	a) current	186	10,691
	b) deferred	425,261	393,160
	b1) of which as per Law 214/2011	363,278	346,451
160	OTHER ASSETS	346,497	347,783
	TOTAL ASSETS	**36,603,608**	**35,618,847**

THE CHAIRMAN
Francesco Venosta

THE BOARD OF STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Donatella Depperu – Mario Vitali

EQUITY AND LIABILITY ITEMS		30/06/2015	31/12/2014
10.	DUE TO BANKS	2,614,342	2,314,035
20.	DUE TO CUSTOMERS	26,727,785	26,310,842
30.	SECURITIES ISSUED	3,269,692	3,406,198
40.	FINANCIAL LIABILITIES HELD FROM TRADING	73,408	56,136
60.	HEDGING DERIVATIVES	62,834	45,562
80.	TAX LIABILITIES	66,197	61,778
	a) current	6,960	2,104
	b) deferred	59,237	59,674
100.	OTHER LIABILITIES	981,293	722,835
110.	POST-EMPLOYEMENT BENEFITS	43,584	44,915
120.	PROVISIONS FOR RISKS AND CHARGES	165,410	166,849
	a) pension and similar obligations	118,590	117,043
	b) other provisions	46,820	49,806
140.	VALUATION RESERVES	50,482	47,941
170.	RESERVES	955,037	829,959
180.	SHARE PREMIUM RESERVE	79,005	79,005
190.	SHARE CAPITAL	1,360,157	1,360,157
200.	TREASURY SHARES (-)	(25,322)	(25,031)
210.	MINORITY INTERESTS	82,409	82,463
220.	PROFIT (LOSS) FOR THE PERIOD (+/-)	97,295	115,203
	TOTAL LIABILITIES AND EQUITY	**36,603,608**	**35,618,847**

THE MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS		30/06/2015	30/06/2014
10.	INTEREST AND SIMILAR INCOME	415,683	491,999
20.	INTEREST AND SIMILAR EXPENSE	(139,091)	(194,410)
30.	**NET INTEREST MARGIN**	**276,592**	**297,589**
40.	FEE AND COMMISSION INCOME	159,999	157,232
50.	FEE AND COMMISSION EXPENSE	(10,845)	(10,720)
60.	**NET FEE AND COMMISSION INCOME**	**149,154**	**146,512**
70.	DIVIDENDS AND SIMILAR INCOME	2,197	3,051
80.	NET TRADING INCOME	43,747	69,405
90.	NET HEDGING GAINS (LOSSES)	1,460	(148)
100.	GAINS/LOSSES FROM SALES OR REPURCHASE OF: *b)* available-for-sale financial assets *d)* financial liabilities	77,932 78,611 (679)	46,315 46,577 (262)
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	6,603	2,507
120.	**TOTAL INCOME**	**557,685**	**565,231**
130.	NET IMPAIRMENT LOSSES ON: a) loans and receivables b) available-for-sale financial assets c) held-to-maturity financial assets d) other financial transactions	(200,640) (190,658) (2,724) (2,192) (5,066)	(233,940) (233,667) (1,597) - 1,324
140.	**NET FINANCIAL INCOME**	**357,045**	**331,291**
170.	**BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT**	**357,045**	**331,291**
180.	ADMINISTRATION EXPENSES: *a)* personnel expenses *b)* other administration expenses	(241,063) (117,488) (123,575)	(227,432) (110,145) (117,287)
190.	NET ACCRUALS TO PROVISIONS FOR RISK AND CHARGES	(3,819)	(796)
200.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(8,644)	(8,154)

210.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(5,991)	(5,796)
220.	OTHER OPERATING CHARGES/INCOME	45,964	37,545
230.	**OPERATING COSTS**	**(213,553)**	**(204,633)**
240.	SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	5,690	2,040
250.	NET GAINS (LOSSES) FROM THE FAIR VALUE VALUATION OF TANGIBLE AND INTANGIBLE ASSETS	(458)	-
270.	NET GAINS ON SALES OF INVESTMENTS	3	26
280.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**	**148,727**	**128,724**
290.	INCOME TAXES	(47,466)	(52,011)
300.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**	**101,261**	**76,713**
320.	**PROFIT FOR THE PERIOD**	**101,261**	**76,713**
330.	PROFIT OF THE PERIOD OF MINORITY INTERESTS	(3,966)	(5,712)
340.	**PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT BANK**	**97,295**	**71,001**