Banca Popolare di Sondrio

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2015

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BANCA POPOLARE

Banca Popolare di Sondrio

Founded in 1871

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2015

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

Sondrio Companies Register no. 00053810149 - Official List of Banks no. 842
Official List of Cooperative Banks no. A160536
Parent Bank 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: € 833,958,444 (figures approved by the shareholders' meeting of 18 April 2015)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa on 2 July 2015:
  - Long-term: BBB
  - Short-term: F3
  - Viability rating: bbb
  - Outlook: Stable

- Rating given by Dagong Europe Credit Rating to Banca Popolare di Sondrio scpa on 26 February 2015
  - Long-term: BBB
  - Short-term: A-3
  - Individual Financial Strength Assessment: bbb
  - Outlook: Stable

BOARD OF DIRECTORS

Honorary Chairman	PIERO MELAZZINI*
Chairman	FRANCESCO VENOSTA*
Deputy Chairman	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	PAOLO BIGLIOLI
	LORETTA CREDARO
	FEDERICO FALCK
	ATTILIO PIERO FERRARI
	GIUSEPPE FONTANA
	CRISTINA GALBUSERA*
	PIERO MELAZZINI*
	NICOLO' MELZI DI CUSANO
	ADRIANO PROPERSI
	ANNALISA RAINOLDI
	RENATO SOZZANI*
	DOMENICO TRIACCA*

BOARD OF STATUTORY AUDITORS

Chairman	PIERGIUSEPPE FORNI
Auditors	DONATELLA DEPPERU
	MARIO VITALI
Alternate Auditors	BRUNO GARBELLINI
	DANIELE MORELLI

ADVISORY COMMITTEE

Advisors	ALBERTO CRESPI
	GIUSEPPE GUARINO
	ANDREA MONORCHIO
Alternate advisors	DIANA BRACCO
	ANTONIO LA TORRE

GENERAL MANAGEMENT

General Manager	MARIO ALBERTO PEDRANZINI
Deputy General Managers	GIOVANNI RUFFINI
	MARIO ERBA
	MILO GUSMEROLI
	CESARE POLETTI

Financial Reporting Officer MAURIZIO BERTOLETTI

* Members of the Chairman's Committee

** Member of the Chairman's Committee and Secretary to the Board of Directors

INTRODUCTION

This consolidated interim report on operations for the period ended 30 September 2015 has been prepared in compliance with article 154 ter, paragraph 5 of Legislative Decree no. 58 of 24 February 1998 in accordance with the recognition and measurement criteria required by currently applicable international accounting standards (IAS/IFRS) as adopted by the European Community.

The information is provided in compliance with Decree no. 195 dated 6 November 2007, which adopted Directive 2004/109/EC (the Transparency Directive).

This consolidated interim report on operations has not been audited by the independent auditors.

BASIS OF PREPARATION

The financial statements presented in this consolidated interim report on operations comply with the mandatory reporting formats required for statutory reporting purposes by the Bank of Italy Regulation no. 262 dated 22 December 2005 and subsequent updates.

The accounting policies adopted for the reporting period are consistent with those of the prior year, with the sole exception resulting from the applicability as from 1 January 2015 of the requirements of Regulation (EU) 1361/2014, which adopted certain international accounting standards in compliance with Regulation (EU) 1606/2002 of the European Parliament and of the Council, with regard to IFRS 3 and 13 and IAS 40.

For full details of the accounting policies applied, reference should be made to the disclosure thereof in the consolidated financial statements for the year ended 31 December 2014.

All figures reported in the financial statements are stated in thousands of euro. Balances at 31 December 2014 have been presented as balance sheet comparatives.

Income statement comparatives are the results for the period ended 30 September 2014.

In the preparation of the consolidated interim report on operations, greater use is made of estimates when compared to year end statutory reporting practices, particularly for cases where the accounting treatment does not comply with the accrual basis. This applies to both balance sheet and income statement components.

THE 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 bank holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, 180,000,000 CHF.

Factorit spa - Milan.

The Parent bank holds 60.5% of the capital of Factorit spa, 85,000,002 euro.

Sinergia Seconda Srl – Milan

The Parent bank holds all the capital of Sinergia Seconda Srl, 60,000,000 euro.

Popso Covered Bond srl - Conegliano

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

SCOPE AND METHODS OF CONSOLIDATION

The consolidated interim report on operations presents the financial position as at 30 September 2015 and the results for the period then ended of Banca Popolare di Sondrio Banking Group, which comprises the Parent Bank, Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda Srl and Popso Covered Bond srl, as well as the entities over which the Group exercises control as defined by IFRS 10.

The following companies have been consolidated on a line-by-line basis:

FULLY CONSOLIDATED SHAREHOLDINGS:

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
Pirovano Stelvio spa *	Sondrio	2,064	100
Immobiliare San Paolo srl *	Tirano	10	100
Immobiliare Borgo Palazzo srl *	Tirano	10	100
Popso Covered Bond srl	Conegliano	10	60

* equity investments not included in the banking group

In addition, Fondo Immobiliare Centro delle Alpi Real Estate that is 100% held by the Parent Bank and the special purpose vehicle, Centro delle Alpi RMBS srl, have been consolidated.

The joint venture shown below is valued at equity:

JOINT-VENTURES:

Name	Location	Share capital (in thousands)	% held %
Rajna Immobiliare srl	Sondrio	20	50.000

The scope of consolidation also includes investees over which the Parent Bank exercises a significant influence, that is, where the holding therein, directly or indirectly, is between 20% and 50% or, even in cases where the equity interest is lower, 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) the Bank 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 period pertaining to the bank is shown in a specific item in the income statement.

The ownership percentages are specified in the following table:

Name	Location	Share capital (in thousands)	% held %
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Banca della Nuova Terra spa	Milan	50,000	19.609
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Sgrpa	Milan	5,200	19.600
Sofipo SA *	Lugano	(CHF) 2,000	30.000
Bormio Golf spa	Bormio	599	28.756
Servizi Internazionali e Strutture Integrate 2000 srl	Milan	75	33.333
Acquedotto dello Stelvio srl **	Bormio	21	27.000
Sifas spa **	Bolzano	1,209	21.614

* held by Banca Popolare di Sondrio (SUISSE) SA
** held by Pirovano Stelvio S.p.a.

With line-by-line consolidation, the book value of the investments is eliminated against the related equity and all of the assets and liabilities, guarantees, commitments and other memorandum accounts are included, as are the revenues and costs of the subsidiaries. Insignificant income and charges pertaining to transactions carried out at normal market conditions have not been eliminated. The quarterly reports of the investees have been appropriately reclassified and adjusted, where necessary, to bring them into line with the accounting policies used by the Group.

Companies in which the bank does not have an investment, but for which it has received pledged voting shares are not consolidated, because the pledge is designed to protect the loans granted and not to influence the company's operating policies to obtain economic benefits.

As regards the goodwill recorded in the financial statements, with respect to the assumptions used for the impairment test for the 2014 financial statements, no circumstances have arisen that denote the presence of indicators of impairment.

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

The quarterly report of Banca Popolare di Sondrio (SUISSE) SA is translated into euro using the official period-end exchange rate for balance sheet items, while costs and revenues are translated to euro using the average exchange rate for the period. Differences arising on translation of the financial statements are booked to reserves.

SUBSEQUENT EVENTS

No events have taken place between the reporting date for this consolidated interim report and the date of its approval by the Board of Directors on 10 November 2015 that would require any adjustments thereto, and nothing of significance has occurred that would require the provision of supplementary information.

OTHER INFORMATION

The European Banking Authority issued Implementing Technical Standards (ITS) on 24 July 2014 that have amended the definition of Non-Performing Exposures (NPE).

SUMMARY OF RESULTS

(in millions of euro)	2015	2014*	Change %
Balance sheet			
Loans and receivables with customers	24,390	24,012	1.58
Loans and receivables with banks	972	1,088	-10.68
Financial assets	8,771	9,071	-3.30
Equity investments	152	156	-2.38
Total assets	36,106	35,619	1.37
Direct funding from customers	29,584	29,717	-0.45
Indirect funding from customers	27,996	28,553	-1.95
Direct funding from insurance premiums	1,062	898	18.32
Customer assets under administration	58,642	59,168	-0.89
Other direct and indirect funding	4,571	4,030	13.42
Equity	2,615	2,407	8.63
Income statement			
Net interest income	413	447	-7.53
Total income	795	829	-4.04
Profit from continuing operations	206	171	20.33
Profit for the period	135	94	42.57
Key ratios (%)			
Cost/income	40.92	37.17	
Net interest income/Total assets	1.14	1.24	
Net financial income/Total assets	1.46	1.31	
Net interest income/Total income	51.97	53.94	
Administrative expenses/Total income	44.77	41.13	
Profit for the period/Total assets	0.37	0.26	
Bad loans/Loans and receivables with customers	2.82	2.56	
Loans and receivables with customers/Direct funding from customers	82.45	80.80	
Capital ratios (%)			
CET1 Capital ratio	10.14%	9.75%	
Total Capital ratio	12.06%	11.28%	
Free capital	971	784	
Other information on the banking group			
Number of employees	3,099	3,059	
Number of branches	350	348	

* 2014 figures and capital ratios are at 31 December, while those relating to the income statement refer to 30 September.

On 9 January 2015, the European Commission approved amendments to the definition of impaired financial assets for consistency with the new notions introduced by implementing technical standards for harmonised supervisory reporting purposes established by the European Banking Authority. According to the new definitions, impaired financial assets are categorised as «bad loans», «unlikely to pay loans» and «past due and/or impaired overdrawn exposures»; the sum of these categories corresponds to the total Non-Performing Exposures in the ITS. The watchlist and restructured exposures categories have been eliminated.

Exposures classified as «unlikely to pay» are credit exposures, other than non-performing, for which the bank deems it improbable that the obligor will pay its credit obligations (principal and/or interest) in full without recourse to measures such as the enforcement of guarantees.

Impaired past due and/or overdrawn exposures are exposures, other than non-performing or unlikely to pay, which, at the reporting date, have remained unpaid and/or overdrawn for more than 90 continuous days and which exceed a set materiality threshold. Impaired past due and/or overdrawn exposures may be determined with reference to the position of the individual debtor or, alternatively, solely for exposures to retail customers, with reference to a single transaction.

The new definitions are applicable for supervisory reporting purposes as of 1 January 2015, whereas they have not yet been embodied in the Bank of Italy Regulation no. 262 dated 22 December 2005 and subsequent amendments, which set out the rules that banks must abide by for the preparation of financial statements. However, we considered appropriate to adopt the new classification of impaired loans immediately.

INTERNATIONAL BACKGROUND

Over time, the international situation has been influenced more and more by China; its slowdown threatens to spread to the economies of many other emerging countries - primarily those that are commodity exporters - affected, among other things, by a significant outflow of funds from the local stock and bond markets. Even with these elements of concern, the Federal Reserve postponed any adjustment to interest rates, despite the progress being made by the US economy.

In the Eurozone, the expansionary policy being doggedly pursued by the ECB has provided support for the recovery, which risks being affected by the uncertain international climate. Liquidity has remained abundant and operations carried out by the Monetary Authority have favoured the flow of credit to the private sector. Despite all, the risk of deflation is still present, also because of the downward trend in commodities, including oil.

The signs of recovery in Italy's GDP have gradually strengthened. After years of decline, domestic demand has made a significant contribution, mainly in consumer spending, though there has been a certain recovery in capital expenditure as well. In terms of exports, the pillar that supported the national economy during the darkest days of the crisis, some concern is being caused by the «Volkswagen affair» because of the impact it might have on many Italian companies operating in the components sector. Some improvement has been seen on the employment front.

On the credit scene, worth noting is the progressive easing of the decline in corporate loans, with a further slight reduction in borrowing costs. A more favourable economic climate has led to an improvement in credit quality, although the legacy of the most serious and long-lasting crisis since the last war will take time to be digested.

In Switzerland, the economic performance continued to be heavily influenced by the choice made earlier this year by the Swiss National Bank to abolish the minimum exchange rate against the euro. Although the Swiss franc has devalued substantially in recent months, the local economy has not drawn significant benefits. In fact, the decline in exports has continued. However, thanks to strong domestic demand (bolstered by very low unemployment), growth of around 0.9% is expected at the year-end, while deflation is still a concern at around 1.4%.

FUNDING

The banking system still has difficulties in funding: despite the improvement in the short-term component, funding overall is showing a negative trend, especially in bonds. The persistence of rates at all-time lows, if not in further decline, has favoured the tendency of customers to prefer more liquid types of deposits, on the one hand, and, on the other, it has again rewarded the asset management sector.

Liquidity has continued to be high, thanks to the expansive monetary policy being pushed strongly by the European Central Bank.

As regards our Group, direct funding from customers came to 29,584 million, slightly down (-0.45%) on the end of 2014, +1.13% on an annual basis.

Indirect funding from customers totalled 27,996 million at market values, down by 1.95% since the end of 2014.

Direct funding from insurance premiums came to 1,062 million, +18.32%.

Total funding from customers therefore amounted to 58,642 million (-0.89%).

Amounts due to banks totalled 2,377 million, +2.71%. They include the refinancing operations with the European Central Bank for a total of 1,098 million, as explained in the chapter on «Treasury and trading operations».

Indirect funding from banks amounted to 2,195 million, +27.85%.

Total funding from customers and banks therefore came to 63,213 million, +0.02%.

The following tables summarise the performance of the various components.

DIRECT FUNDING FROM CUSTOMERS

(in thousands of euro)	30-09-2015	%	31-12-2014	%	Change %
Savings deposits	577,578	1.95	551,236	1.85	4.78
Certificates of deposit	6,151	0.02	8,991	0.03	-31.59
Bonds	3,162,381	10.69	3,327,681	11.20	-4.97
Repo transactions	965,297	3.26	383,722	1.29	151.56
Bank drafts and similar	67,581	0.23	69,526	0.23	-2.80
Current accounts	21,442,909	72.49	20,829,606	70.10	2.94
Time deposit accounts	917,833	3.10	2,116,369	7.12	-56.63
Current accounts in foreign currency	2,443,842	8.26	2,429,909	8.18	0.57
Total	**29,583,572**	**100.00**	**29,717,040**	**100.00**	**-0.45**

TOTAL DEPOSITS

(in thousands of euro)	30-09-2015	%	31-12-2014	%	Change %
Total direct funding from customers	29,583,572	46.80	29,717,040	47.02	-0.45
Total indirect funding from customers	27,996,353	44.29	28,553,277	45.18	-1.95
Total direct funding from insurance premiums	1,061,893	1.68	897,468	1.42	18.32
Total	**58,641,818**	**92.77**	**59,167,785**	**93.62**	**-0.89**
Due to banks	2,376,648	3.76	2,314,035	3.66	2.71
Indirect funding from banks	2,194,566	3.47	1,716,455	2.72	27.85
Grand total	**63,213,032**	**100.00**	**63,198,275**	**100.00**	**0.02**

Euro and currency current accounts total 23,887 million, +2.70%, while time deposit accounts have fallen to 918 million, -56.63%. Euro and currency accounts represent 80.75% of total direct funding. Repurchase agreements have made a comeback, 965 million, +151.56%, as have as savings deposits, 578 million, +4.78%. Bonds have contracted, -4.97%, to 3,162 million. Certificates of deposit have dropped to 6 million, -31.59%, and remain entirely marginal. Bank drafts amount to 68 million, -2.80%.

As regards asset management, please see the chapter on treasury and trading activities.

LENDING

The gradual improvement in the credit market has continued, favoured by the measures taken by the Eurosystem, which has helped keep the cost of borrowing at extremely favourable levels, as well as by the albeit modest economic recovery. This has affected various sectors of manufacturing and services, whereas the construction sector is still struggling to emerge, despite some positive signs. The increase in uncertainty about foreign demand, as well as the possible consequences of the «Volkswagen affair», have affected growth prospects.

Signs of improvement have also come from the trend in bad loans, which are slowing significantly.

Against this general background, the Group has confirmed its primary role as a pillar of the local economy in the territories served.

Loans and receivables with customers come to 24,390 million, down by 5.36% on an annual basis but up by 1.58% compared with the 2014 year end figure.

The various types have contributed to total customer loans to a different extent. These items are shown in greater detail in the table «Loans and receivables with customers».

Mortgage loans have risen to 9,199 million, +2.53%, helped by more demand from households, and now represent the largest proportion of total loans and receivables with customers (37.71%). This balance includes loans sold but not derecognised of 1,028 million in relation to a securitisation arranged by the Parent Bank and 660 million relating to the first and only covered bond issue. These loans have not been derecognised because the requirements of IAS 39 are not met. Current account overdrafts, which are the second largest component of loans (22.90%), have decreased by 6.09% to 5,584 million. Other unsecured loans have risen to 4,102 million, +8.86%, as have repos, which are a temporary way of investing surplus liquidity, from 588 to 771 million, +31.24 %. Advances are up by 5.69% to 441 million; the same applies to personal loans, which have risen to 190 million, +5.75%. Foreign currency loans, 1,379 million, have decreased by 2.05%. Factoring loans, granted by Factorit spa, have fallen to 1,533 million, -7.06%, while advances

LOANS AND RECEIVABLES WITH CUSTOMERS

((in thousands of euro)	30-09-2015	%	31-12-2014	%	Change %
Current accounts	5,584,167	22.90	5,946,569	24.76	-6.09
Foreign currency loans	1,379,191	5.65	1,407,998	5.86	-2.05
Advances	440,795	1.81	417,065	1.74	5.69
Advances subject to collection	215,302	0.88	237,070	0.99	-9.18
Discounted portfolio	7,614	0.03	9,066	0.04	-16.02
Artisan loans	37,868	0.16	25,647	0.11	47.65
Agricultural loans	26,900	0.11	31,614	0.13	-14.91
Personal loans	189,507	0.78	179,206	0.75	5.75
Other unsecured loans	4,101,743	16.82	3,767,919	15.69	8.86
Mortgage loans	9,199,131	37.71	8,972,075	37.36	2.53
Net bad loans	689,004	2.82	614,513	2.56	12.12
Repo transactions	771,036	3.16	587,505	2.45	31.24
Fixed-yield securities	214,976	0.88	166,219	0.69	29.33
Factoring	1,533,021	6.29	1,649,459	6.87	-7.06
Totale	**24,390,255**	**100.00**	**24,011,925**	**100.00**	**1.58**

subject to collection have decreased by 9.18% to 215 million. Debt securities amounted to 215 million, +29.33%, and relate to customer loan securitisations carried out by the affiliates Banca della Nuova Terra spa and Alba Leasing spa. The ratio of loans and receivables with customers to amounts due to customers has risen to 82.45% from 80.80% at the end of 2014.

The prolonged recession situation has of course resulted in more of non-performing positions, though there has been a distinct slowdown in the rate at which they have been rising.. Further significant provisions have been made against impaired loans, as in 2014, which reflect the outcome of the Asset Quality Review and Comprehensive Assessment. For details, please see the 2014 Group report on operations.

Doubtful loans have been calculated in accordance with the new definition of non-performing exposures (NPE) developed by the European Banking Authority in its Implementing Technical Standard issued on 24 July 2014 and approved by the European Commission on 9 January 2015. According to the new definition, impaired financial assets are categorised as follows: bad loans; unlikely to pay loans; past due and/or impaired overdrawn exposures. Please read the paragraph «Other information» above.

Impaired loans at 31 December 2014 have been restated for comparison purposes.

Total impaired loans amounted to 2,216 million, +7.10%, representing 9.09% of loans and receivables with customers, compared with 8.62% at the end of 2014. As we said previously, while these loans continue to be affected by the difficulties of the long crisis, they have shown a slowdown in their growth, benefiting from the recent improvement in the economic situation. Writedowns of impaired loans come to a total of 1,822 million, representing 45.12% of the gross amount, compared with 43.21% at the end of 2014. The table gives a overview of impaired and performing loans.

Net bad loans, after writedowns, total 689 million, +12.12%, or 2.82% of total loans and receivables with customers, compared with 2.56% at 31 December 2014 and 2.13% at 30 September 2014. The value of net bad loans, again well up due to the reclassification of loans already booked in some other category of impaired loans, still showed a slowdown compared with the comparative period, which showed an increase of 33.39%. In addition, the growth rate in the third quarter of the year, 2.19%, marks a sharp decline on the previous two, of 6.81% and 2.73% respectively.

Adjustments to cover estimated losses on bad loans have risen to 1,160 million, +19.96% on the comparative period, when the increase was of 34.50%, with coverage of 62.73% compared with 61.14% at the end of 2014. The level of coverage reflects our prudent provisioning policy and positions the Group among those with the highest level of coverage in Italy.

Considering the amounts written off in prior years against bad loans

LOANS AND RECEIVABLES WITH CUSTOMERS - IMPAIRED AND PERFORMING LOANS

(in thousands of euro)		30-09-2015	31-12-2014	(+/-)	Change %
Impaired loans	Gross exposure	4,038,788	3,644,290	394,498	10.83
	Adjustments	1,822,338	1,574,856	247,482	15.71
	Esposizione netta	**2,216,450**	**2,069,434**	**147,016**	**7.10**
– Bad loans	Gross exposure	1,848,752	1,581,305	267,447	16.91
	Adjustments	1,159,748	966,792	192,956	19.96
	Esposizione netta	**689,004**	**614,513**	**74,491**	**12.12**
– Unlikely to pay loans	Gross exposure	1,662,400	1,634,054	28,346	1.73
	Adjustments	588,781	554,787	33,994	6.13
	Esposizione netta	**1,073,619**	**1,079,267**	**-5,648**	**-0.52**
– Past due and/or impaired overdrawn exposures	Gross exposure	527,636	428,931	98,705	23.01
	Adjustments	73,809	53,277	20,532	38.54
	Esposizione netta	**453,827**	**375,654**	**78,173**	**20.81**
Performing loans	Gross exposure	22,335,046	22,088,057	246,989	1.12
	Adjustments	161,241	145,566	15,675	10.77
	Esposizione netta	**22,173,805**	**21,942,491**	**231,314**	**1.05**
Total loans and receivables with customers	Gross exposure	26,373,834	25,732,347	641,487	2.49
	Adjustments	1,983,579	1,720,422	263,157	15.30
	Esposizione netta	**24,390,255**	**24,011,925**	**378,330**	**1.58**

that are still on the books in the hope of future recoveries, the coverage of such loans amounts to 72.20%.

Unlikely to pay loans are credit exposures, other than bad loans, for which it is deemed improbable that the obligor will pay its credit obligations in full without recourse to measures such as the enforcement of guarantees. They have come in at 1,074 million, -0.52%, or 4.40% of total loans and receivables with customers, while the related adjustments amount to 589 million, +6.13%, with a level of coverage of 35.42% compared with 33.95% at the end of 2014.

Past due and/or impaired overdrawn exposures, other than bad 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 454 million, +20.81%, and represent 1.86% of the total compared with 1.56% at the end of 2014.

The performing loans amounted to 22,174 million, +1.05%, and writedowns came to 161 million, corresponding to 0.72% of them.

Total adjustments come to 1,984 million, +15.30%, and fairly reflect the results of the Asset Quality Review carried out in 2014.

In accordance with the terms established by Consob Communication no. DEM/RM11070007 of 5 August 2011, the amount of loans and receivables with customers included loans made to central and local government for 82 million, local and state-owned enterprises for 298 million and various other entities for 85 million.

TREASURY AND PORTFOLIO OF FINANCIAL ASSETS

The expectation that interest rates would remain low for a long time - a hypothesis confirmed by the very prudent attitude of Federal Reserve in changing its monetary policy and by the determination with which the ECB is implementing Quantitative Easing - has contributed to the good performance of financial markets. This took place even though there was no lack of things to worry about: suffice to consider the shocks that have affected the Chinese stock market.

The liquidity in the system remained very high and the Euribor stayed close to its all-time low.

At 30 September 2015, the Group's net interbank borrowing amounts to 1,405 million, up by 179 million from 1,226 million at the end of 2014.

Net of Targeted Longer-Term Refinancing Operations (TLTROs), which the Parent Company has entered into with the ECB and which amount to 1,098 million, the balance would have been a net negative interbank position of 307 million. This reflects the Group's excellent liquidity position in the period. Treasury activity during the quarter shows a growth both in terms of amounts and number of transactions compared with the comparative period. Work focused on lending activities in particular, since the Group continues to be highly liquid in view of the LTROs with the European Central Bank. The Eurosystem's asset purchase programmes have led to a significant improvement in financial market conditions and a sharp decline in yields, which have reached an all-time low for practically all maturities.

With the objective of promoting recovery and facilitating the granting of loans to households and businesses at a time when interest rates were falling, in order to stimulate and support the real economy, the ECB again allocated additional funds as part of its TLTRO lending programme, aimed at providing the banking system with further liquidity. The Parent Bank, which in 2014 was allocated funds totalling 1,098 million, of which 350 in September and 748 in December, decided not to make any further requests as its liquidity position was quite healthy. The latest available short and medium to long term liquidity indicators, respectively the Liquidity Coverage Ratio(LCR) and the Net Stable Funding Ratio (NSFR) came in well over the minimum requirements. In addition, the Group can always rely on a substantial portfolio of assets eligible for refinancing which, net of haircuts, amounts to 8,908 million, down by 2.24% on the end of 2014.

Due to the foregoing liquidity position and with customer loans not being very dynamic, the holding of financial assets remained high at 8,771 million, up by 18.50°% on the 30 September 2014 figure and down by 3.30% on the 2014 year end figure.

There were no transfers of financial assets between portfolios during the period. The following table summarises the various amounts:

FINANCIAL ASSETS

(in thousands of euro)	30-09-2015	31-12-2014	Change%
Financial assets held for trading (HFT)	1,994,296	2,338,630	-14.72
of which, derivatives	85,994	59,908	43.54
Financial assets at fair value through profit or loss (CFV)	90,274	84,702	6.58
Available-for-sale financial assets (AFS)	6,550,337	6,498,605	0.80
Held-to-maturity investments (HTM - Held to Maturity)	136,497	148,620	-8.16
Total	**8,771,404**	**9,070,557**	**-3.30**

The total of all portfolios of financial assets amounts, as we said, to 8,771 million, a decrease of 3.30% compared with the end of 2014 when it came to 9,071 million, whereas there has been an increase of 18.50% compared with 12 months ago.

The decrease is the net result of a series of intense inflows and outflows which mainly affected the HFT and AFS portfolios. Management policies have reflected the consolidated guidelines and, in order to take advantage of the strong market performance, we sold securities, mainly government bonds, resulting in the recognition of substantial trading/disposal gains and the subsequent purchase of newly issued securities. New investments mainly involved BTP and CTZ, which are up by 333 and 387 million respectively, whereas there has been a negative change in CCT and BOT for a total of 961 million. The strength of the US Dollar was conducive to the sale of part of the investments denominated in that currency that had been made last year. The composition of the portfolio remains dominated by government securities, with a duration of just over 4 years, slightly up on the end of 2014.

In accordance with the requirements of Consob Communication no. DEM/RM11070007 of 5 August 2011, we inform you that these portfolios include bonds that form part of the sovereign debt (i.e. issued by local and central governments) totalling 7,650 million, almost entirely relating to issues made by the Italian Government.

Financial assets held for trading

Financial assets held for trading (HFT), details of which are shown in the following table, amount to 1,994 million, down by 14.72% as a result of sales of government securities close to maturity and the criteria used in the allocation to various portfolios of similar securities, but with longer maturities, which replaced the previous ones.

(in thousands of euro)	30-09-2015	31-12-2014	Change %
Floating-rate Italian government securities	789,033	1,039,213	-24.07
Fixed-rate Italian government securities	667,150	892,521	-25.25
Bank bonds	183,772	164,745	11.55
Bonds of other issuers	109,116	52,175	109.13
Securitisations	31,396	37,406	-16.07
Variable-yield securities and mutual funds	127,835	92,662	37.96
Net book value of derivative contracts	85,994	59,908	43.54
Total	**1,994,296**	**2,338,630**	**-14.72**

There have not been any substantial changes in the structure of the HFT portfolio, which has remained quite straightforward. Preference has again been given to Italian government securities: despite the fact that they have decreased as a result of sales, at the end of the period they amounted to 1,456 million, making up 73.01% of the portfolio. Of these securities, 789 million were floating rate, down by 24.07%, and 667 were fixed rate - BOT, BTP and CTZ -, which were also down by 25.25%, given that sales were higher than the replacement of sold securities with new ones. The former account for 39.56% of the portfolio, while the latter account for 33.45%.

The derivatives component has increased from 60 to 86 million, +43.54%.

The corporate bonds held are all of high standing, comprising bank bonds of 184 million, +11.55%, and the bonds of other issuers, which have increased by 109.13% to 109 million. Securities deriving from securitisations have decreased by 16.07% to 31 million and are all classified as senior. The component represented by equities and mutual funds remains marginal with respect to the portfolio as a whole, amounting to 128 million, +37.96%.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (CFV), which entirely consist of units in mutual funds, amount to 90 million, +6.58%, with this increase being mainly attributable to period end measurement.

Available-for-sale financial assets

The portfolio of available-for-sale financial assets (AFS) - in which certain securities are classified with the objective of containing, at least in part, the impact on the income statement of any volatility affecting the securities portfolio as a result of turbulence in financial markets - rose by 6,499 million to 6,550 million, +0.80%. The slight increase is the result of different trends in the various components of the portfolio in terms of both purchases and sales; the movements in government bonds were particularly intensive as we decided to realise part of the capital gains that had accrued, taking advantage of the rally in prices.

Available-for-sale financial assets were also comprised of Italian Government securities amounting to 5,817 million, +4.18%; funds and sicavs of 296 million, -25.73%; bonds in foreign currency of 268 million, -40.64%; bonds of other issuers of 7 million, +1.26%; equities of 162 million, +183.98%. The substantial increase in this last item is essentially due to the revaluation of the investments held in ICBPI spa, Cartasì spa and Arca Sgr Spa. For the first two companies, the value was based on an appraisal made in connection with the sale of ICBPI spa, currently in progress, by the current shareholders that are part of the shareholders' agreement in which Banca Popolare di Sondrio does not participate, whereas for the third company the value was determined on the basis of the withdrawal price paid to member banks that left the shareholder structure.

Impairment writedowns were recognised for 8.111 million, of which 7.124 million on listed and unlisted securities and 0.987 million on funds.

(in thousands of euro)	30-09-2015	31-12-2014	Change %
Floating-rate Italian government securities	1,448,581	1,586,065	-8.67
Fixed-rate Italian government securities	4,368,437	3,997,549	9.28
Other bonds	6,810	6,725	1.26
Other bonds in foreign currency (USD)	268,419	452,182	-40.64
Variable-yield securities	161,603	56,906	183.98
Mutual funds in euro	193,057	178,542	8.13
Mutual funds in foreign currency (USD)	103,430	220,636	-53.12
Total	**6,550,337**	**6,498,605**	**0.80**

Held-to-maturity investments

The HTM portfolio, comprising solely fixed-yield securities, has decreased to 136 million, -8.16%, as a result of redemptions and for the recognition, as a result of impairment testing, of a writedown on a bond of 7.665 million. Unrealised gains at the end of September amount to 15 million.

Asset management

Public interest in the asset management sector remained very high during the period under review. This is partly due to the performance of financial markets and partly to the persistence of all-time low interest rates. At the end of September, the various forms of asset management amounted to 4,561 million, +4.17% on December 2014.

EQUITY INVESTMENTS

Equity investments were down by 4 million to 152 million. The decrease was attributable to the measurement thereof under the equity method. The interest in Bormio Golf Spa, 0.250 million, has been included in the portfolio as a result of the increase in the share held, following its transfer from the AFS portfolio.

PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets total 350 million, up 26.73%. The former rose to 326 million, +28.14%, mainly attributable to the investments made by the Fondo Immobiliare Centro delle Alpi Real Estate. The second category, totalling 24 million, has increased by 10.09% and includes goodwill of 8 million. Goodwill is subjected to annual impairment testing to check for any loss of value. The most recent test was performed when preparing the consolidated financial statements at 31 December 2014. It was not deemed necessary to repeat the procedure at 30 September 2015.

PROVISIONS

These comprise post-employment benefits of 45 million, +0.65%, and provisions for risks and charges totalling 169 million, +1.17%.

HUMAN RESOURCES

At 30 September 2015 the Banking group had 3,099 employees compared with 3,059 at the prior year end, to which should be added 27 employees of the subsidiary Pirovano Stelvio spa, almost all of which are hired as seasonal workers.

CAPITAL AND RESERVES

Consolidated shareholders' equity at 30 September 2015, inclusive of valuation reserves and the profit for the period, amounts to 2,615 million, being an increase of 208 million, +8.63%.

The Parent Bank's share capital, which consists of 453,385,777 ordinary shares with a par value of 3 euro, amounts to 1,360.157 million, which amount has remained unchanged with respect to the comparative period, during which there had been a capital increase through a combined bonus and rights issue.

The share premium reserve remained unchanged at 79.005 million.

Reserves increased to 940.693 million +13.34%, primarily due to the allocation of a significant amount of profit for 2014 and the impact of the Swiss franc's revaluation on the equity of the Swiss subsidiary. In this regard, note that the Parent Bank's Shareholders' Meeting of 18 April 2015 approved the result for 2014 and the proposed distribution of a dividend of 0.06 euro for each of the 453,385,777 outstanding shares at 31 December 2014.

The valuation reserves, representing the net unrealised gains and losses recorded on AFS financial assets and the net actuarial gains and losses on the defined benefit plans arranged for employees, have a net positive balance of 125.850 million, up from the positive balance of 47.941 million reported at the end of 2014 (+162.51%). The significant increase that has taken place - despite the negative changes resulting from reversals to the income statement after the sale of securities in the AFS portfolio - is due to a capital gain of 84.344 million, net of the tax effect, resulting from the revaluation of investments held by the Parent Bank in ICBPI spa, Cartasì spa and Arca Sgr Spa. For the first two companies, the value was based on an appraisal made in connection with the sale of ICBPI spa, currently in progress, by the current shareholders that are part of the shareholders' agreement in which Banca Popolare di Sondrio does not participate, whereas for the third company the value was determined on the basis of the withdrawal price paid to member banks that left the shareholder structure.

Transactions in treasury shares are carried out in accordance with the specific shareholders' resolution. The Parent Bank held 3,650,000 treasury shares with a carrying amount of 25.322 million, compared with 25.031 million at the end of 2014. Purchases were made using the specific provision shown in the financial statements under reserves.

During the first nine months of the year, trading included purchases of 100,000 shares, for a total of 300,000 euro at par (0.022% of the share capital). The total amount paid for these purchases was 0.291 million.

The price for BPS stock, which is listed in the Blue Chips segment of the MTA, the screen-based market of the Italian Stock Exchange, rose by 32.24% during the period, benefiting from renewed investor interest in the banking sector.

The number of members also increased to 185,437, up by 128 since the end of 2014.

Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda srl and Popso Covered Bond srl did not carry out any transactions in their own shares or those of the Parent Bank. The other consolidated companies did not carry out any transactions in their own or the Parent Bank's shares either. There are no cross-holdings among the companies included within the scope of consolidation.

As regards capital adequacy, as of 1 January 2014 new harmonised rules for banks and investment firms came into force as implemented by Regulation (EU) no. 575/2013 (CRR) and by EU Directive 2013/36 (CRD IV). Based on this, Bank of Italy Circular 285/13 introduced new limits for capital ratios of 8% for CET1 Ratio, of 8.50% for Tier 1 Capital Ratio and of 10.50% for Total Capital Ratio. As empowered to do so, on 20 February 2015 the European Central Bank increased the level of capital needed to ensure adequate coverage of the Group's risks, by setting a minimum Common Equity Ratio of 9% and a Total Capital Ratio of 11%.

Consolidated own funds for supervisory purposes, including the share of profit at 30 June 2015, amount to 2,882 million.

Set out below are the Group's adequacy requirements at 30 September 2015 and the minimum requirements:

	Group's capital ratios	Minimum capital ratio requirement
CET 1 Ratio	10.14%	9%
Tier 1 Capital Ratio	10.15%	9%
Total Capital Ratio	12.06%	11%

The following ratios of capital and reserves, including profit for the period, to the principal balance sheet aggregates are presented in comparison with those 31 December 2014:

– *capital/direct funding from customers*
  8.84% v. 8.10%

– *capital/loans and receivables with customers*
  10.72% v. 10.03%

– *capital/financial assets*
  29.81% v. 26.54%

– *capital/total assets*
  7.24% v. 6.76%

– *net bad loans/capital*
  26.35% v. 25.53%

RATINGS

The solvency of the Banca Popolare di Sondrio Banking Group, as shown is greater detail in the following tables, has been assessed by the rating agencies Fitch Ratings and Dagong Europe Credit Rating. These ratings refer, respectively, to the date of first release on 26 February 2015 of the assessments by Dagong Europe Credit Rating and to the periodic review on 2 July 2015 of those by Fitch Ratings. As part of this update, the London-based rating agency, which has been assessing the bank's creditworthiness since April 1993, took steps to confirm the opinions previously attributed, upgrading the outlook from negative to stable.

FITCH RATINGS – issued on 2 july 2015

	RATING
LONG – TERM It is a measure of the probability of default and reflects 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.	**BBB**
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 the next 12 months. The scale includes seven levels (F1. F2. F3. B. C. RD e D).	**F3**
VIABILITY RATING It aims to assess 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.	**bbb**
SUPPORT It reflects Fitch's assessment of the probability that an external body would provide support to the bank, if it needed it. The scale has five levels from 1 (best) to 5 (worst).	**5**
SUPPORT RATING FLOOR It reflects Fitch's assessment of the minimum level below which it will not lower the long-term rating of the issuer in the event that it found itself in financial difficulty, given the propensity of potential supporters (government or institutional owner) to help the bank in such circumstances. The scale of values associated with this assessment reflects that of a long-term rating. A further possible score, represented by the «No Floor» (NF), indicates that according to Fitch it is unlikely that aid could come from an external source (probability of support lower than 40%)	**No Floor**
OUTLOOK It is a prospective evaluation regarding possible changes in the long-term rating over a period of 1-2 years. It can be «positive», «stable» or «negative»	**Stable**

DAGONG EUROPE CREDIT RATING - issued on 26 February 2015

	RATING
LONG – TERM It is a measure of the probability of default and reflects the bank's ability to meet its financial obligations. It is expressed on a scale from AAA to D, for a total of 10 levels.	**BBB**
SHORT – TERM It measures the ability of the organisation to which the rating is assigned to meet payments due in the short-term. The scale includes six levels (A-1, A-2, A-3, B, C and D).	**A-3**

INDIVIDUAL FINANCIAL STRENGHT ASSESSMENT

It aims to assess 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 10 levels	**bbb**

OUTLOOK

It is a prospective evaluation regarding possible changes in the long-term rating over a period of 1-2 years. It can be «positive», «stable» or «negative».	**Stable**

RECONCILIATION OF THE EQUITY AND PROFIT FOR THE PERIOD REPORTED BY THE PARENT BANK WITH THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles «profit for the period» and «equity» as shown in the Parent Bank's financial statements and the equivalent figures in the consolidated financial statements.

(in thousands of euro)

	Patrimonio Equity	of which: Profit for the period
Equity of the Parent Bank as of 30.9.2015	2,392,445	120,542
Consolidation adjustments	(10,893)	(10,893)
Difference with respect to carrying values of equity investments in:		
– companies consolidated on a line-by-line basis	212,297	21,525
– companies valued using the equity method	21,162	3,454
Balance as of 30.9.2015, as reported in the consolidated financial statements	**2,615,011**	**134,628**

INCOME STATEMENT

Lower-than-expected inflation, still frail domestic growth and numerous signs of difficulties around the world (slowdown in emerging markets, drop in commodity prices, financial turbulence) have characterised the first nine months of the year. The Group has operated in this context bearing in mind the objectives of development in terms of size and earnings, but equally determined to manage the various risk profiles as carefully as possible.

This made it possible to achieve a profit of 134.628 million, up 42.57% on the comparative period, when it amounted to 94.432 million. This satisfactory result reflects the trends already observed in the previous quarters and, in spite of a negative trend in net interest income, it was determined by the progress made in securities trading and in net fee and commission income, helped by the significant decline in net adjustments to loans.

Net interest income, which still showed a downward trend, fell from 446.888 million to 413.217 million, -7.53%, with a decline in the interest spread. This performance was affected by the average reduction in loans and receivables with customers and the rate curve now at historic lows, with Euribor even negative on some short-term maturities. These are the effects of an expansionary monetary policy that is being carried out with targeted refinancing operations and the programme to buy securities of the Eurosystem. Companies and households have benefited from the fall in the cost of credit as a result. There was a particularly marked reduction in income for the interest component on the securities portfolio, consisting mainly of Italian government bonds. The decline in the contribution margin from customers was also brought about by the high level of competition in the retail funding market, which slowed the falling trend in funding costs.

Net fee and commission income have risen from 220.182 million to 223.264 million, +1.40%, with a reasonably good performance on the part of those earned on guarantees given, the various forms of asset management and foreign currency/foreign exchange trading. Those earned on collections and payments have been stable; those on loans are slightly down.

Dividends collected amounted to 2.663 million, -18.21%.

Income from financial activities, including that from the securities portfolio, foreign exchange and derivatives, came to 155.930 million, -1.46% compared with 158.240 million in the comparative period. The drop is mainly due to net trading income (income statement item 80), which recorded a significant decline in both trading profits and in the balance between capital gains, capital losses and exchange differences. This decline has been tempered by the gains on disposal of the portfolio of available-for-sale assets, which turned in a good increase, having taken advantage of the positive trend in securities markets, above all bond markets, particularly in the first half of the year. There was also a strong improvement in exchange gains.

Among the financial activities, the net trading income associated with the HFT portfolio contributed 60.696 million compared with 84.180 million in the comparative period. The contribution made by available-for-sale financial assets, held-to-maturity investments and financial liabilities amounted to 93.095 million, as against 69.985 million. Lastly, the result from assets at fair value through profit or loss was 2.277 million, compared with 4.124 million, while net hedging losses amounted to 0.138 million, compared with 0.049 million in the comparative period.

Despite the substantial stability in financial results and a reasonable performance by net fee and commission income, total income fell to 795.074 million, -4.04%, due to the decline in net interest income. The trend during the year went from +17.51% in March - with a particularly good result in trading operations, not replicable later in the year - to -1.34% in June, then -4 .04% at 30 September, mainly because of the trend in net interest income, as mentioned previously. Within this aggregate, the weighting of net interest income decreased from 53.94% to 51.97%.

Despite the signs of economic recovery, the system-wide difficulties of the credit market continued, but with an uneven trend depending on sector and size. Nonetheless, our Group, which continued its extremely rigorous assessment of loans and receivables with customers, taking into account the indications of the Supervisory Authority, posted an improvement in the quality of loans granted, certainly tied to the commitment and care devoted to the granting and management of loans to customers. Net adjustments to loans and financial assets, while still high, fell from 353.611 million to 269.418 million, -23.81%. The decrease remains significant even if we eliminate from the comparative period the substantial adjustment of the loans due from Alitalia CAI spa, following the restructuring of that company's debt to the banking system. In particular, the loans element fell from 348.213 million to 250.034 million, -28.20%.

The ratio of net adjustments to loans and receivables with customers (the so-called «annualised cost of lending») shows a significant decrease, even if it remains high. In particular, the ratio has improved from 1.80% at 30 September 2014 and from 1.93% at the year end to 1.37%.

The impairment adjustments on securities in the portfolio of available-for-sale financial assets rose from 6.913 million to 8.111 million, of which 7.124 million relating to certain equities and 0.987 million relating to mutual funds. In addition, there is a figure of 7.665 million relating to a subordinated bond held in the HTM portfolio.

Adjustments to other financial transactions, that in the comparative period saw the release of 1.515 million for excess provisions made in previous years for the impairment of guarantees given, presented a balance of 3.608 million for net provisions, resulting from the difference between provisions for the period - of which 5.300 million for expected charges in relation to the actions approved by the Interbank Deposit Protection Fund - and the use of funds.

The profit from financial management was therefore 525.656 million, +10.67%.

Operating costs, which have always been kept under strict control, amounted to 325.326 million, compared with 308 million, +5.63%. The incidence of operating costs on total income, the «cost/income ratio», has risen to 40.92% from 37.17% in the comparative period and 37.66% at the end of 2014.

Considering the individual components, administrative expenses amount to 355.973 million, +4.47%, and consist of personnel expenses, which rose by 5.14% to 174.664 million, an increase that, apart from the effect of the euro/Swiss franc exchange rate, is in part due to the increases imposed by the collective agreement for the Parent Bank, as well as an increase in staff, and other administrative expenses, which rose by 3.83% to 181.309 million.

the latter increase reflects the cost of routine activities and expansion of the branch network, as well as the need to invest in innovation and technology; legal and IT costs posted significant growth.

Net accruals to provisions for risks and charges, which presented a balance of 1.711 million in the comparative period, now have a balance of 4.608 million, +169.32%.

The depreciation of property, equipment and investment property and amortisation of software amounted to 23.215 million, +6.66%.

Other operating income, net of other operating expenses, totalled 58.470 million, +3.98%.

Profits from equity investments and other investments, 6.003 million compared with 4.513 million, +33.02%, include 3.002 million relating to the Parent Bank, on the basis of contractual agreements, to integrate the price for the sale of the subsidiaries Arca Vita spa and Arca Assicurazioni spa, which took place in 2010.

SUMMARY CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	30/09/2015	30/09/2014	(+/-)	Change %
Net interest income	413,217	446,888	-33,671	-7.53
Dividends	2,663	3,256	-593	-18.21
Net fee and commission income	223,264	220,182	3,082	1.40
Result of financial activities	155,930	158,240	-2,310	-1.46
Total income	**795,074**	**828,566**	**-33,492**	**-4.04**
Net adjustments to loans and financial assets	-269,418	-353,611	84,193	-23.81
Net financial income	**525,656**	**474,955**	**50,701**	**10.67**
Personnel costs	-174,664	-166,132	-8,532	5.14
Other administrative expenses	-181,309	-174,625	-6,684	3.83
Other operating income/expense	58,470	56,233	2,237	3.98
Net accruals to provisions for risks and charges	-4,608	-1,711	-2,897	
Adjustments to property, equipment and investment property and intangible assets	-23,215	-21,765	-1,450	6.66
Operating costs	**-325,326**	**-308,000**	**-17,326**	**5.63**
Operating profit (loss)	**200,330**	**166,955**	**33,375**	**19.99**
Net losses on equity investments and other investments	6,003	4,513	1,490	33.02
Profit (loss) before tax	**206,333**	**171,468**	**34,865**	**20.33**
Income taxes	-66,626	-68,412	1,786	-2.61
Profit (loss)	**139,707**	**103,056**	**36,651**	**35.56**
Profit pertaining to minority interests	-5,079	-8,624	3,545	-41.11
Profit pertaining to the Parent Bank	**134,628**	**94,432**	**40,196**	**42.57**

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement, The profit from continuing operations, gross of income taxes, was 206.333 million, +20.33%.

Income taxes, which amount to 66.626 million, have decreased by 2.61% and benefited from the measures in force during the year in respect of IRAP and the deductibility of loan writedowns and losses. As a result, the tax rate (provision for taxes/profit from continuing operations) has fallen to 32.29% from 39.90% in the comparative period. After deducting the profit attributable to minority interests of 5.079 million, the profit for the period was 134.628 million, compared with 94.432 million in the third quarter of 2014, +42.57%.

DISTRIBUTION BY GEOGRAPHICAL AREA

The Group is active in Italy and in Switzerland, through Banca Popolare di Sondrio (SUISSE) SA.

The contribution made to the Group by this subsidiary is summarised by the following statistics: the «Suisse» holds 9.57% of direct funding from customers and 13.37% of loans and receivables with customers, generating 10.77% of net fee and commission income and 10.08% of net interest income.

SUBSEQUENT EVENTS AND OUTLOOK FOR OPERATIONS

With regard to significant events after the end of the quarter, note that from 8 September inspectors from the European Central Bank began an audit at the Parent Bank on the «management of credit and counterparty risk and of the system of risk control (including the management of non-performing exposures (NPE) and the process of allocation)».

The voluntary exchange offer of Tier II subordinated bonds issued by the Parent Bank in 2014 for a total of 350 million euro ended on 23 October 2015; this was promoted to optimise the composition of the Bank's Class 2 liabilities (Tier II), given the new regulatory framework introduced by EU Regulation no. 575/2013 (CRR). As part of the exchange transaction, securities for a total of over 274 million euro have been transferred, i.e. a 78.32% subscription.

Again in October, there was the early closure of the «Centro delle Alpi» securitisation, carried out in April 2012 and, consequently, repayment of the related securities for the residual amount of 1,031 million.

As for the outlook, the probable continuation of a monetary policy aimed at economic recovery suggests that rates will continue at current low levels. The effects for financial markets are positive, while a further compression of banks' interest margins has to be taken into account. The current economic recovery, especially in Italy, should have an impact on the performance of the credit market, in terms of new loans and a further gradual improvement in credit quality.

In light of these general trends, it is reasonable for our Group to expect a consolidation of the results achieved in the first nine months of the year.

Sondrio. 10 November 2015

THE BOARD OF DIRECTORS

Certification of the Financial Reporting Officer

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 consolidated interim report for the period ended 30 September 2015 agrees with the underlying documents, registers and accounting entries.

The Financial Reporting Officer
Maurizio Bertoletti

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AT 30 SEPTEMBER 2015

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSETS			30-09-2015		31-12-2014
10.	CASH AND CASH EQUIVALENTS		**745,920**		**264,482**
20.	FINANCIAL ASSETS HELD FOR TRADING		**1,994,296**		**2,338,630**
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**90,274**		**84,702**
40.	AVAILABLE-FOR-SALE FINANCIAL ASSETS		**6,550,337**		**6,498,605**
50.	HELD-TO-MATURITY INVESTMENTS		**136,497**		**148,620**
60.	LOANS AND RECEIVABLES WITH BANKS		**972,129**		**1,088,388**
70.	LOANS AND RECEIVABLES WITH CUSTOMERS		**24,390,255**		**24,011,925**
100.	EQUITY INVESTMENTS		**152,268**		**155,986**
120.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**325,863**		**254,303**
130.	INTANGIBLE ASSETS		**23,749**		**21,572**
	of which:				
	- goodwill	7,847		7,847	
140.	TAX ASSETS		**421,329**		**403,851**
	a) current	1		10,691	
	b) deferred	421,328		393,160	
	b1) of which as per Law 214/2011	368,221		346,451	
160.	OTHER ASSETS		**303,405**		**347,783**
	TOTAL ASSETS		**36,106,322**		**35,618,847**

THE CHAIRMAN
Francesco Venosta

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

EQUITY AND LIABILITIES			30-09-2015		31-12-2014
10.	DUE TO BANKS		**2,376,648**		**2,314,035**
20.	DUE TO CUSTOMERS		**26,347,460**		**26,310,842**
30.	SECURITIES ISSUED		**3,236,112**		**3,406,198**
40.	FINANCIAL LIABILITIES HELD FOR TRADING		**53,533**		**56,136**
60.	HEDGING DERIVATIVES		**58,749**		**45,562**
80.	TAX LIABILITIES		**97,666**		**61,778**
	a) current	30,828		2,104	
	b) deferred	66,838		59,674	
100.	OTHER LIABILITIES		**1,023,625**		**722,835**
110.	POST-EMPLOYMENT BENEFITS		**45,207**		**44,915**
120.	PROVISIONS FOR RISKS AND CHARGES:		**168,798**		**166,849**
	a) pension and similar obligations	118,504		117,043	
	b) other provisions	50,294		49,806	
140.	VALUATION RESERVES		**125,850**		**47,941**
170.	RESERVES		**940,693**		**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		**83,513**		**82,463**
220.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**134,628**		**115,203**
	TOTAL LIABILITIES AND EQUITY		**36,106,322**		**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			30-09-2015		30-09-2014
10.	INTEREST AND SIMILAR INCOME		610,612		730,647
20.	INTEREST AND SIMILAR EXPENSE		(197,395)		(283,759)
30.	**NET INTEREST INCOME**		**413,217**		**446,888**
40.	FEE AND COMMISSION INCOME		239,155		236,246
50.	FEE AND COMMISSION EXPENSE		(15,891)		(16,064)
60.	**NET FEE AND COMMISSION INCOME**		**223,264**		**220,182**
70.	DIVIDENDS AND SIMILAR INCOME		2,663		3,256
80.	NET TRADING INCOME		60,696		84,180
90.	NET HEDGING GAINS (LOSSES)		(138)		(49)
100.	GAINS/LOSSES FROM SALES OR REPURCHASES OF:		93,095		69,985
	b) available-for-sale financial assets	94,052		71,362	
	d) financial liabilities	(957)		(1,377)	
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		2,277		4,124
120.	**TOTAL INCOME**		**795,074**		**828,566**
130.	NET IMPAIRMENT LOSSES ON:		(269,418)		(353,611)
	a) loans and receivables	(250,034)		(348,213)	
	b) available-for-sale financial assets	(8,111)		(6,913)	
	c) held-to-maturity investmentsa	(7,665)		–	
	d) other financial transactions	(3,608)		1,515	
140.	**NET FINANCIAL INCOME**		**525,656**		**474,955**
170.	**NET FINANCIAL AND INSURANCE INCOME**		**525,656**		**474,955**
180.	ADMINISTRATIVE EXPENSES:		(355,973)		(340,757)
	a) personnel expenses	(174,664)		(166,132)	
	b) other administrative expenses	(181,309)		(174,625)	
190.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		(4,608)		(1,711)
200.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(13,382)		(12,596)
210.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(9,833)		(9,169)
220.	OTHER OPERATING INCOME/EXPENSE		58,470		56,233
230.	**OPERATING COSTS**		**(325,326)**		**(308,000)**
240.	NET LOSSES ON EQUITY INVESTMENTS		6,455		4,484
250.	NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS		(458)		-
270.	NET GAINS ON SALES OF INVESTMENTS		6		29
280.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**206,333**		**171,468**
290.	INCOME TAXES		(66,626)		(68,412)
300.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**139,707**		**103,056**
320.	PROFIT (LOSS) FOR THE PERIOD		139,707		103,056
330.	PROFIT (LOSS) FOR THE PERIOD OF MINORITY INTERESTS		(5,079)		(8,624)
340.	**PROFIT (LOSS) FOR THE PERIOD OF THE PARENT BANK**		**134,628**		**94,432**
	BASIC EPS		**0.297**		**0.264**
	DILUTED EPS		**0.297**		**0.256**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items		30/09/2015	30/09/2014
10.	**Profit (loss) for the period**	**139,707**	**103,056**
	Other income items net of income taxes that will not be reclassified to profit or loss		
40.	Defined-benefit plans	–	(3,540)
60.	Share of valuation reserves of equity investments valued at net equity	(30)	191
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
100.	Available-for-sale financial assets	77,859	43,088
120.	Share of valuation reserves of equity investments valued at net equity	80	2,490
130.	**Total other income items net of income taxes**	**77,909**	**42,229**
140.	**Comprehensive income (Item 10+130)**	**217,616**	**145,285**
150.	Consolidated comprehensive income pertaining to minority interests	(5,079)	(8,624)
160.	**Consolidated comprehensive income pertaining to the Parent Bank**	**212,537**	**136,661**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2014	Change in opening balances	Opening balance at 1.1.2015	Allocation of prior year result: Reserves	Allocation of prior year result: Dividends and other allocations	Changes in reserves
Share capital						
a) ordinary shares	1,393,746	–	1,393,746	–	–	–
c) other shares	–	–	–	–	–	–
Share premium reserve	**83,365**	**–**	**83,365**	**–**	**–**	**–**
Reserves						
a) from earnings	859,315	–	859,315	94,169	–	22,615
c) other	5,186	–	5,186	–	–	–
Valuation reserves	**47,834**	**–**	**47,834**	**–**	**–**	**–**
Equity instruments	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares	**(25,031)**	**–**	**(25,031)**	**–**	**–**	**–**
Profit for the period	**125,282**	**–**	**125,282**	**(94,169)**	**(31,113)**	**–**
Equity attributable to the group	**2,407,234**	**–**	**2,407,234**	**–**	**(27,084)**	**22,615**
Equity attributable to minority interests	**82,463**	**–**	**82,463**	**–**	**(4,029)**	**–**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2013	Change in opening balances	Opening balance at 1.1.2014	Allocation of prior year result: Reserves	Allocation of prior year result: Dividends and other allocations	Changes in reserves
Share capital						
a) ordinary shares	958,019	10	958,029	–	–	–
c) other shares	–	–	–	–	–	–
Share premium reserve	**175,807**	**2**	**175,809**	**–**	**–**	**–**
Reserves	**–**	**–**	**–**	**–**	**–**	**–**
a) from earnings	819,511	–	819,511	42,369	–	(3,257)
c) other	5,186	–	5,186	–	–	–
Valuation reserves	**16,728**	**–**	**16,728**	**–**	**–**	**(4)**
Equity instruments	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares	**(24,316)**	**–**	**(24,316)**	**–**	**–**	**–**
Profit for the period	**60,677**	**–**	**60,677**	**(42,369)**	**(18,308)**	**–**
Equity attributable to the group	**1,936,174**	**–**	**1,936,174**	**–**	**(15,286)**	**(3,261)**
Equity attributable to minority interests	**75,438**	**12**	**75,450**	**–**	**(3,022)**	**–**

Changes during the period								
Equity transactions								
Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	**Equity attributable to the group at 30.09.2015**	**Equity pertaining to minority interests at 30.09.2015**
–	–	–	–	–	–	–	**1,360,157**	**33,589**
–	–	–	–	–	–	–	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,360**
–	–	–	–	–	–	–	**937,464**	**38,635**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**77,909**	**125,850**	**(107)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**(291)**	**–**	**–**	**–**	**–**	**–**	**(25,322)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**139,707**	**134,628**	**5,079**
–	**(291)**	**–**	**–**	**–**	**–**	**212,537**	**2,615,011**	**–**
–	**–**	**–**	**–**	**–**	**–**	**5,079**	**–**	**83,513**

Changes during the period								
Equity transactions								
Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	**Equity attributable to the group at 30.09.2014**	**Equity pertaining to minority interests at 30.09.2014**
435,717	–	–	–	–	–	–	**1,360,157**	**33,589**
–	–	–	–	–	–	–	–	–
(92,444)	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,360**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	**826,038**	**32,585**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**42,229**	**59,011**	**(58)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**(115)**	**–**	**–**	**–**	**–**	**–**	**(24,431)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**103,056**	**94,432**	**8,624**
343,268	**(115)**	**–**	**–**	**–**	**–**	**136,661**	**2,397,441**	**–**
5	**–**	**–**	**–**	**–**	**–**	**8,624**	**–**	**81,057**