



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
Capitale Sociale € 1.360.157.331 - Riserve € 942.59.617
(dati approvati dall'Assemblea dei soci del 23/4/2016)

Press release

Board of Directors of March 17, 2017: approval of consolidated and parent company financial statements for the year 2016; dividend proposal; calling of the Annual Shareholders' General Meeting.

CONSOLIDATED FINANCIAL STATEMENTS of Banca Popolare di Sondrio banking Group, year 2016

The Board of Directors of Banca Popolare di Sondrio, today examined and approved the consolidated and the parent company financial statements for the year 2016. The consolidated preliminary data, approved and published with the press release of February 9, 2017, are entirely confirmed.

- **Net profit of € 98.599 million. The result stems from ordinary business and is heavily penalized by contributions and other charges related to the stabilization of the banking system, which amounted to € 58.852 million. Such a result is therefore 23.74% lower than that of 2015. Excluding the aforementioned charges, the net profit would be around € 138 million.**
- **Direct deposits stood at € 30,934 million, plus 4.76%.**
- **Total net loans to customers amounted to € 25,313 million, plus 5.49%.**
- **New loans to households and businesses beyond the short term exceeded 2.3 billion euro.**
- **Net adjustments to loans for impairment down in the exercise 35.86%.**
- **The cost of credit stood at 0.99% (from 1.63%).**
- **Further increase in the degree of coverage of non-performing loans: 46.17% (up from 44.47%). The coverage of bad loans stood at 63.43% (up from 61.89%).**

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- Capital ratios further improved and well above regulatory requirements:
 - CET1 ratio stood at 11.09% (from 10.49%);
 - Total Capital Ratio stood at 13.58% (from 13.44%).
 - Texas ratio: 92.92%.
 - Moderate level of leverage: Leverage Ratio 6.21%.
 - Opening of 5 new branches in Lombardy, Liguria and Veneto.
 - Staff keeps growing: 128 new hires.
 - Proven capability of autonomous growth.

**FINANCIAL STATEMENTS of parent company Banca Popolare di Sondrio
scpa, year 2016**

- Net profit € 80.048 million. The result stems from ordinary business and is heavily penalized by contributions and other charges related to the stabilization of the banking system, which amounted to € 58.852 million gross of the fiscal component. Such a result is therefore 20% lower than that of 2015.
- Dividend per share of € 0.06.
- Direct deposits stood at € 28,002 million, plus 5.16%.
- Total net loans to customers stood at € 21,332 million, plus 6.55%.
- New loans to households and businesses beyond the short term exceeded 1.8 billion euro.
- Significant reduction of new inflows into the non-performing loans category.
- Net adjustments to loans for impairment down in the exercise 39.13%.
- The cost of credit stood at 1.09% (from 1.90%).
- Further increase in the degree of coverage of non-performing loans: 46.20% (up from 44.00%). The coverage of bad loans stood at 62.77% (up from 61.05%).
- Texas Ratio: 98.60%.

In the year under review economy began to show the first signs of the long-awaited recovery, though unevenly and without conviction. In this context, the bank has continued to work with commitment and seriousness, privileging the relationship with the economies of the territories, small and medium-sized

enterprises, households, knowing that this is the mission that has always distinguished us.

Thanks to the efforts made, the institute has achieved satisfactory results: **net profit** amounted to € 80.048 million, 20.00% less compared to 2015. The result stems from ordinary business and does not benefit from positive extraordinary items.

This result could have been even more significant if the parent company had not been penalized by the accounting of ordinary contributions (€ 11.170 million) and extraordinary ones (€ 26.355 million) to the National Resolution Fund - the latter in relation to the measures made necessary by the well-known rescue of the 4 resolved banks, to which the ordinary contributions to the Deposit Guarantee Scheme (€ 6.370 million) have also to be added.

Furthermore, the parent company opted for the impairment (€ 13.950 million) of the participation in the Fondo Atlante – fund set up to rescue lenders resolved or distressed – and that in the intervention in FITD – Voluntary Scheme in favour of Cassa di Risparmio di Cesena – equal to € 1.007 million. The total amount stood therefore at € 58.852 million, gross of the fiscal component, which weighed on the financial statement and which go along with those already incurred in 2015. Excluding the aforementioned charges, the net profit would be around € 119 million.

Direct deposits stood at € 28,002 million, plus 5.16% on 31 December 2015. It is worth noting that if the data on time of year-end reports a solid increase, the average annual trend in funding has been fluctuating; mainly in contraction in the first part of the year and on the rise especially in the last quarter. **Indirect deposits** amounted, at market value, to € 26.888 million, plus 0.95%. **Insurance premiums** amounted to 1,266 million, plus 15.11%. The **total customer deposits** stood therefore at € 56,156 million, plus 3.30%.

Net loans to customers totaled € 21,332 million, plus 6.55% on 31 December 2015. The new loans to households and businesses exceeded € 1.8 billion. **Non performing exposures** amounted to € 2,288 billion, minus 0.44%, and account for 10.73% of total loans, with a coverage of 46.20% compared to 44.00% at 31 December 2015. Within the category of NPEs, net **bad loans** stood at € 764 million, plus 4.59%, and account for 3.58% of loans to customers. The level of bad loans coverage ratio is 62.77%, compared to 61.05% as of 31 December 2015. This coverage ratio remains among the highest at the system level.

Financial assets, mainly consisting of proprietary securities, amounted to € 7,938 million, minus 6.12% compared to 31st of December 2015.

With regard to the components of the consolidated statement of income, compared with the year 2015 results, the **interest margin** stood at € 415.20 million, minus 13.40%.

Net commissions from services add up € 249.511 million, minus 0.11%.

Income from securities and foreign exchange stood at € 92.908 million, minus 51.59%.

Gross operating income stood at € 775.810 million, minus 17.24%.

Net adjustments for impairment, made confirming the prudential assessment criteria, amounted to € 260.808 million, minus 34.88%, of which € 232.177 million relating to loans to customers, minus 39.13%. Consequently, the cost of credit showed a significant drop from 1.90% to 1.09%.

The net result from **financial operations** amounted to € 515.002 million, minus 4.09%.

Total operating costs amounted to € 407.813 million, plus 3.65%. The component of **administrative expenses** amounted to € 443.81 million, plus 2.11%, of which € 182.024 million, plus 0.45%, related to personnel expenses and € 261.785 million, plus 3.29%, relative to other administrative expenses.

The **Cost/Income Ratio** stood at 52.57%.

Gains from equity investments and other investments were negative for € 1.67 million.

The **current operating income** amounted to € 105.519 million, minus 26.77%. After deducting the **income taxes**, amounting to € 25.471 million, the **consolidated net profit** for 2016 stood at € 80.048 million, as already mentioned.

The **parent company own funds**, including profit for the year, are essentially stable compared to the 31st of December 2015 (plus € 0.272 million).

The **consolidated own funds**, including profit for the year, amounted to € 2,588 billion at 31st December 2016, plus 0.97% on December 31st, 2015.

Consolidated own funds for supervisory purposes benefit from self-financing and stood at € 3,151 million as of 31st December 2016, plus 0.79% on the 31st December 2015. Such amount includes the share of profits referring to the period ended on the 31st December 2016.

Consolidated capital ratios as of 31st December 2016, calculated on the basis of own funds as set out above, are significantly higher than the minimum levels set by the Supervisory Authority for the Banking Group Banca Popolare di Sondrio. More specifically, the CET1 ratio, the Tier 1 Ratio and Total Capital Ratio stood at (on a Phased in basis) 11.09%, 11.12% and 13.58% respectively. For the time being the bank does not use advanced internal rating models (IRBs) for the quantification of credit risk.

The **Texas Ratio** calculated as the ratio of total net impaired loans and tangible equity stood at 98.6%.

Last December the European Central Bank on the basis of the evidence collected as part of the review process and prudential assessment (Supervisory Review and Evaluation Process - SREP), set the minimum capital levels required to the Group, integrating them starting from this year, with a "Guideline of the second pillar" ("Pillar 2 Guidance") as an indication for prospective evolution of the Group's capital:

- Minimum requirement for **Common Equity Tier 1 ratio of 7.25%**, calculated as the sum of the regulatory minimum requirement of Pillar 1 (4.50%), plus the Capital Preservation Buffer (1.25%), and an additional Second Pillar requirement (1.50%);
- Minimum requirement of **Total Capital Ratio of 10.75%**, calculated as the sum of the regulatory minimum requirement of Pillar 1 (8%), plus the Capital Preservation Buffer (1.25%) and an additional requirement of Pillar 2 (1.50%).

The consolidated **Leverage Ratio** as of 31st December 2016 stood at 6.21%, by applying the transitional criteria in force for 2016 (Phased in) and 6.20% depending on the criteria provided on a Fully Phased basis. These values are among the best in comparison with the major Italian and European banking groups.

As of 31st December 2016, the short-term **liquidity indicators** (LCR - Liquidity Coverage Ratio) and medium to long term (NSFR - Net Stable Funding Ratio) stood at values significantly higher than the minimum requirements for 2016 (70%) and for 2019 (100%). The net liquidity position, on the 3-month bucket, at the same date, stood at € 7,607 billion.

In 2016 the **branches network expansion** continued with the opening of 5 new branches: the agencies of Cologno Monzese (MI), Vicenza, Treviso, Varazze (SV) and Busalla (GE). The development was adequately supported by hiring new employees.

The **headcount** of the Group has increased from 3,115 to 3,156 units.

With regard to the business outlook, forecasts for the Italian economy point to a consolidation of growth for the current year, albeit at levels significantly lower than those of the main European Union partners. Consequently, it appears to be limited possibilities to bring the phenomenon of unemployment within more tolerable levels than the current ones.

The national situation is also exposed to all the uncertainties of an international framework within which there are still unsolved trouble spots, while it seems still difficult to assess the actual impact of the approach of the new American administration to the issues related to international trade, and more generally, to the process of globalization

In this context, it is believed that the bank will continue its independent development path, with positive economic results. For 2017, persisting the current environment of historically low interest rates, it will be recorded some pressure, although lower, on net interest income. The brightening of the overall economic situation, with effects on the quality of the credit and, therefore, the extent of related adjustments, will have positive effects on corporate profitability. The contribution of the commissions component is expected to improve, whereas the action to contain costs will continue. Profits in trading activities will be affected by market performance.

Proposal of gross dividend per share Banca Popolare di Sondrio scpa

The Board of Directors has resolved to propose to the Shareholders' General Meeting the distribution of a gross dividend of € 0.060 compared to € 0.070 paid on the exercise 2015. The payment of the dividend, coupon no. 39, in compliance with current regulations and considered the fact that the ex-date is set on the 22nd of next May, will take place on May 24, 2017. The share of the profit which is going to be distributed amounts to € 27.2 million. The dividend is subject to taxation fixed by law; in particular, dividends paid to individuals are subject to a withholding tax of 26%. For the remaining part of the profit it will be proposed the destination to reserves for € 52.74 million and to the charity fund for € 0.1 million.

The shareholding base comprised, at year end, 182,797 members, showing a decrease of 2,682 units compared to December 2015,.

Calling of the Ordinary Shareholders' Meeting of Banca Popolare di Sondrio scpa

The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio scpa, will take place in first call on the 28th April 2017 at 10.00 am, at the head office in Sondrio, Piazza Garibaldi 16, and in second call on Saturday, April 29, 2017, at 10:30 am, in Bormio (So), at the multipurpose center "Pentagono", via Manzoni 22.

DECLARATION

The Financial Reporting Officer, Maurizio Bertoletti, certifies, pursuant to paragraph 2 of Article 154 bis 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, manager responsible for preparing corporate accounting documents

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Sondrio, 17th March 2017

Appendices:

Consolidated statement of financial position and income statement.

The 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.

CONSOLIDATED ACCOUNTING REPORTS AS AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Assets	31/12/2016	31/12/2015
10. Cash and cash equivalents	789,612	766,097
20. Financial assets held for trading	1,019,712	1,859,435
30. Financial assets at fair value through profit or loss	96,303	94,495
40. Available-for-sale financial assets	6,644,437	6,321,023
50. Held-to-maturity investments	117,023	125,777
60. Loans and receivables with banks	1,786,732	980,339
70. Loans and receivables with customers	25,313,464	23,996,543
80. Hedging derivatives	-	-
100. Equity investments	208,575	198,176
120. Property, equipment and investment property	320,922	324,180
130. Intangible assets	23,869	22,246
of which:		
- goodwill	7,847	7,847
140. Tax assets	484,698	491,938
a) current	73,251	64,592
b) deferred	411,447	427,346
b1) of which as per Law 214/2011	360,592	379,570
160. Other assets	390,978	357,399
Total assets	37,196,325	35,537,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Liability and Equity	31/12/2016	31/12/2015
10. Due to banks	2,504,510	2,302,136
20. Due to customers	27,702,353	26,347,209
30. Securities issued	3,231,782	3,181,186
40. Financial liabilities held for trading	73,016	48,709
60. Hedging derivatives	38,734	53,483
80. Tax liabilities	45,636	68,208
a) current	2,963	4,059
b) deferred	42,673	64,149
100. Other liabilities	701,529	678,166
110. Post-employment benefits	44,805	43,374
120. Provisions for risks and charges:	181,552	165,725
a) pensions and similar obligations	130,874	117,912
b) other provisions	50,678	47,813
140. Valuation reserves	41,927	89,416
170. Reserves	1,033,417	930,273
180. Share premium	79,005	79,005
190. Share capital	1,360,157	1,360,157
200. Treasury shares (-)	(25,349)	(25,322)
210. Equity attributable to minority interests	84,652	86,623
220. Profit for the period	98,599	129,300
Total liabilities and equity	37,196,325	35,537,648

CONSOLIDATED INCOME STATEMENT
(in thousands of euro)

Items	31/12/2016	31/12/2015
10. Interest and similar income	663,566	796,812
20. Interest and similar expense	(189,316)	(253,441)
30. Net interest income	474,250	543,371
40. Fee and commission income	311,875	324,504
50. Fee and commission expense	(18,778)	(21,036)
60. Net fee and commission income	293,097	303,468
70. Dividends and similar income	7,209	2,860
80. Net trading income	31,545	65,714
90. Net hedging income	262	(495)
100. Net gains from sales or repurchases of:	76,011	140,034
a) loans and receivables	-	-
b) available-for-sale financial assets	76,331	139,926
c) held-to-maturity instruments	-	-
d) financial liabilities	(320)	108
110. Net gains on financial assets and liabilities at fair value through profit or loss	2,309	6,731
120. Total income	884,683	1,061,683
130. Net impairment losses on:	(278,545)	(409,135)
a) loans and receivables	(250,121)	(389,983)
b) available-for-sale financial assets	(25,189)	(8,203)
c) held-to-maturity instruments	-	(9,965)
d) other financial transactions	(3,235)	(984)
140. Net financial income	606,138	652,548
150. Net insurance premiums	-	-
160. Other net insurance income (expense)	-	-
170. Net financial income and insurance income	606,138	652,548
180. Administrative expenses:	(525,961)	(517,805)
a) personnel expenses	(236,834)	(235,800)
b) other administrative expenses	(289,127)	(282,005)
190. Net accruals to provisions for risks and charges	(2,439)	982
200. Depreciation and net impairment losses on property, equipment and investment property	(18,606)	(18,117)
210. Amortisation and net impairment losses on intangible assets	(14,969)	(13,926)
220. Other net operating income	72,640	80,533
230. Operating costs	(489,335)	(468,333)
240. Share of profits of investees	12,973	13,719
250. Net fair value losses on property, equipment and intangible assets measured at fair value	130	(1,496)
260. Goodwill impairment losses	-	-
270. Net gains on sales of investments	63	7
280. Pre-tax profit from continuing operations	129,969	196,445
290. Income taxes	(30,094)	(58,945)
300. Post-tax profit from continuing operations	99,875	137,500
310. Post-tax profit (loss) from discontinued operations	-	-
320. Net profit (loss) for the period	99,875	137,500
330. Net profit (loss) of the period attributable to minority interests	(1,276)	(8,200)
340. Net profit (loss) for the period attributable to the owners of Parent bank	98,599	129,300

PARENT COMPANY ACCOUNTING REPORTS AS AT 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION (in euro)

Assets	31/12/2016	31/12/2015
10. Cash and cash equivalents	96,466,584	96,965,094
20. Financial assets held for trading	1,014,376,806	1,851,494,461
30. Financial assets at fair value through profit or loss	163,116,546	158,697,872
40. Available-for-sale financial assets	6,643,534,743	6,319,477,580
50. Held-to-maturity investments	117,022,971	125,776,716
60. Loans and receivables with banks	2,759,906,193	2,001,898,271
70. Loans and receivables with customers	21,331,910,550	20,021,406,321
100. Equity investments	487,346,548	488,595,257
110. Property, equipment and investment property	170,969,964	170,965,705
120. Intangible assets	14,313,189	12,959,574
130. Tax assets	437,950,534	447,243,565
a) current	64,074,927	61,750,270
b) deferred	373,875,607	385,493,295
b1) of which as per Law 214/2011	335,353,219	353,003,389
150. Other assets	350,831,386	322,957,663
Total assets	33,587,746,014	32,018,438,079

STATEMENT OF FINANCIAL POSITION (in euro)

Liability and Equity	31/12/2016	31/12/2015
10. Due to banks	2,249,796,181	2,077,164,130
20. Due to customers	24,913,251,427	23,614,087,733
30. Securities issued	3,089,135,232	3,013,032,938
40. Financial liabilities held for trading	87,615,749	97,310,098
80. Tax liabilities	30,470,573	48,309,394
b) deferred	30,470,573	48,309,394
100. Other liabilities	666,090,044	633,552,831
110. Post-employment benefits	42,271,279	40,864,317
120. Provisions for risks and charges:	174,329,787	159,602,686
a) pensions and similar obligations	130,873,531	117,912,386
b) other provisions	43,456,256	41,690,300
130. Valuation reserves	37,356,524	85,111,584
160. Reserves	803,540,688	735,497,376
170. Share premium	79,005,128	79,005,128
180. Share capital	1,360,157,331	1,360,157,331
190. Treasury shares (-)	(25,321,549)	(25,321,549)
200. Profit for the period	80,047,620	100,064,082
Total liabilities and equity	33,587,746,014	32,018,438,079

INCOME STATEMENT
(in euro)

Items	31/12/2016	31/12/2015
10. Interest and similar income	579,229,241	704,049,473
20. Interest and similar expense	(164,028,900)	(224,584,075)
30. Net interest income	415,200,341	479,465,398
40. Fee and commission income	263,785,646	264,627,405
50. Fee and commission expense	(14,274,152)	(14,837,612)
60. Net fee and commission income	249,511,494	249,789,793
70. Dividends and similar income	18,191,127	16,272,895
80. Net trading income	12,589,330	45,584,573
100. Net gains from sales or repurchases of:	76,011,011	140,033,949
a) loans and receivables	(79)	(91)
b) available-for-sale financial assets	76,330,683	139,926,360
d) financial liabilities	(319,593)	107,680
110. Net gains on financial assets and liabilities at fair value through profit or loss	4,307,436	6,293,949
120. Total income	775,810,739	937,440,557
130. Net impairment losses on:	(260,808,124)	(400,487,707)
a) loans and receivables	(232,177,373)	(381,403,319)
b) available-for-sale financial assets	(25,188,829)	(8,202,923)
c) held-to-maturity instruments	-	(9,965,039)
d) other financial transactions	(3,441,922)	(916,426)
140. Net financial income	515,002,615	536,952,850
150. Administrative expenses:	(443,810,412)	(434,650,707)
a) personnel expenses	(182,024,478)	(181,209,011)
b) other administrative expenses	(261,785,934)	(253,441,696)
160. Net accruals to provisions for risks and charges	(1,279,781)	(2,134,105)
170. Depreciation and net impairment losses on property, equipment and investment property	(14,190,987)	(13,548,252)
180. Amortisation and net impairment losses on intangible assets	(13,433,218)	(12,317,392)
190. Other net operating income	64,901,082	69,211,415
200. Operating costs	(407,813,316)	(393,439,041)
210. Share of profits of investees	(1,680,491)	577,727
240. Net gains on sales of investments	10,374	7,080
250. Pre-tax profit from continuing operations	105,519,182	144,098,616
260. Income taxes	(25,471,562)	(44,034,534)
270. Post-tax profit from continuing operations	80,047,620	100,064,082
290. Net profit (loss) for the period	80,047,620	100,064,082