



Banca Popolare di Sondrio

Società cooperativa per azioni – founded in 1871
Head office: Piazza Garibaldi 16, 23100 Sondrio, Italy
Sondrio Companies Register no. 00053810149.
Official List of Banks no. 842.
Parent Bank of the Banca Popolare di Sondrio Group - Official List of Banking Groups no. 5696.0.
Official List of Cooperative Banks no. A160536.
Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149
At 31/12/2015: Share capital: € 1,360,157,331 - Reserves: € 942,519,617
(figures approved at the shareholders' meeting held on 23/4/2016)

BOARD OF DIRECTORS OF 09 AUGUST 2016: APPROVAL OF THE CONSOLIDATED RESULTS AS AT 30th JUNE 2016.

Good profitability. Non performing exposures growth stops and the level of coverage increases.

Good level of profitability, in a context marked by the contraction of interest margin, expansion of credit to households and corporate clients and significant contraction of non-performing exposures dynamics.

Consolidated net profit of € 46.398 million, minus 52.31%, resulting solely from ordinary activities, affected, in comparison with the same period of 2015, by the negative performance of the stock and financial markets and by the ordinary contribution to the Single Resolution Fund for 11.170 million.

The net impairment losses on loans fell by more than a third (minus 35.04%). The cost of credit considerably coming down, year on year, from 1.54% to 1%.

The growth of non performing exposures stopped and the relative coverage increased reaching 44.89% whereas the coverage ratio of bad loans stood at 61.72%, one of the highest at the system level.

New loans to households and businesses exceeded € 1,300 million.

A continuous improvement of the capital base through self-financing:

- **CET1 Ratio: 10.75%**
- **Total Capital Ratio: 13.38%**

and a very solid liquidity position:

- **LCR and NSFR well above 100%**

moderate level of leverage:

- **Leverage Ratio stood at 6.41%.**

Increase in staff: 58 people hired in the last 12 months.

Today, the Board of Directors of Banca Popolare di Sondrio, società cooperativa per azioni, has reviewed and approved the consolidated interim report as at 30th June 2016.

The **consolidated net profit** for the period amounted to € 46.398 million, minus 52.31% compared to 30th June 2015. The decrease is explained by the fact that the first half of 2015 was characterized by an extremely favorable situation of financial and stock markets, which enabled the achievement of substantial profits from trading/ sale of securities. The result for the period is also penalized by the expenses related to the annual contribution to the Resolution Fund which amounted to € 11.170 million and by € 2.8 million for the expected contribution to the Deposit Guarantee Scheme.

Direct deposits stood at € 29,144 million, minus 1.30% compared to 31st December 2015, minus 2.85% year-on-year. **Indirect deposits**, at market value, amounted to € 26,799 million, minus 5.09% on 31st December 2015, **insurance deposits** totaled € 1,248 million, plus 13.48% on 31st December 2015. **Total customer deposits** therefore amounted to € 57,191 million, minus 2.84%.

Loans to customers amounted to € 24,706 million, minus 0.11% year-on-year, plus 2.96% compared to € 23,997 million as at 31st December 2015. **Non-performing exposures**, virtually unchanged, amounted to € 2,364 million, plus 0.07%, and account for 9.57% of total loans, with a coverage of 44.89% compared to 44.47% as at 31st December 2015. The trend of growth of non-performing loans showed a significant contraction and is now close to zero, confirming the tendency already seen in the previous quarter. **Net bad loans** stood at € 754 million, plus 2.56%, and constituted 3.05% of total customer loans compared to 3.06% as at 31st December 2015. The level of bad loans coverage ratio is 61.72% compared to 61.89% as at 31st December 2015. This degree of coverage is confirmed among the highest at the system level. Unlikely to pay exposures amounted to 1,326 million, plus 9.66%, with a coverage ratio of 33.33%, while past-due exposures amounted to 284 million, minus 32.09%.

Financial assets, represented by securities and derivatives, amounted to € 8,092 million, minus 3.68% compared to 31st December 2015. Equity investments amounted to € 200 million, plus 1.09%, which is to attribute to the effect of valuation by the equity method.

At 30th June 2016 the short-term **liquidity** indicator (*LCR-Liquidity Coverage Ratio*) and the medium to long term (*NSFR-Net Stable Funding Ratio*) stood at values above the minimum requirements which are equals to 70% for the 2016 and 100% for the 2019.

With regard to the components of the consolidated income statement, compared with the results as at 30th June 2015, the **net interest income** stood at € 246.984 million, minus 10.70%, affected by the narrowing of the interest rate spread.

Net commission income from services totaled € 143.190 million, minus 4%.

The results of the **management of securities portfolio and foreign exchange** amounted to € 21.594 million, minus 83.36%. As already mentioned, the same period of last year benefited from a very strong performance of stock and financial markets which enabled to achieve substantial profits and gains.

The **dividends** amounted to € 5.969 million, plus 171.69%.

Total operating income amounted to € 417.737 million, minus 25.09%.

Net adjustments for impairment, implemented according to prudent valuation criteria, amounted to € 125.417 million, minus 37.49%.

Adjustments to loans to customers fell from € 190.658 to € 123.856 million, minus 35.04%. Consequently, the cost of credit showed a strong improvement, falling to 1% (down from 1.54% of 30th June 2015 and from 1.63% at the end of 2015).

The net results from **financial operations** amounted to € 292.320 million, minus 18.13%.

Total operating costs, calculated as the sum of administrative expenses, provisions, depreciation on tangible and intangible assets, plus the balance of “other net operating income” amounted to € 234.254 million, plus 9.69%. **Administrative expenses** totaled € 252.981 million, plus 4.94%, of which € 115.516 million, minus 1.68%, related to staff expenses, and € 137.465 million, plus 11.24%, related to other administrative expenses, whose increase was affected by the contribution to the Single Resolution Fund mentioned above.

Gains from equity investments and other investments amounted to € 6.470 million, compared to € 5.235 million.

The **current operating income** amounted therefore to € 64.536 million, minus 56.61%. After deducting **income taxes**, amounting to € 16.777 million, minus 64.65%, and the profit attributable to minority interests, € 1.361 million, the **consolidated net profit** for the period stood at € 46.398 million, minus 52.31%.

The **consolidated shareholders' equity**, including the profit for the period as at 30th June 2016, amounted to € 2,547 million, minus 0.61% compared to 31st December 2015.

Consolidated own funds for supervisory purposes as at 30th June 2016 amounted to € 3,132 million; including the share of profit for the period.

The **capital ratios** as at 30th June 2016, calculated on the basis of the own funds as set out above, strengthened. More specifically, the CET1 ratio, the Tier 1 Ratio and Total Capital Ratio stood (on a Phased-in basis) at 10.75%, 10.78% and 13.38% respectively. These ratios do not benefit from the validation of internal rating models for credit risk.

By applying the transitional criteria in force for 2016 (Phased-in), the Leverage Ratio as at 30th June 2016 stood at 6.41%, in line with the average values at the system level.

The Group's **branch network** consists of 354 branches.

At 30th June 2016, the Banking group had 3,124 employees, an increase of 12 staff units compared to the end of December 2015 and of 48 in the last 12 months. Adding the 27 employees of the subsidiary Pirovano Stelvio spa, of which 24 seasonal, the total number of Group employees reached 3,151.

The **shareholding base** is now composed of 184,191 members.

As far as the outlook is concerned, the economic recovery, albeit weak, is continuing sustained by domestic demand, while exports have stalled. Growth prospects appear more uncertain after the unexpected outcome of the referendum in the UK. In this

situation, the ECB appears geared to maintaining a very expansionary monetary policy, with the goal of promoting the growth of the real economy. With regard to our banking group, there is the expectation that the faint dynamics of the general economic situation could strengthen the tendency towards an improvement in the credit quality, thus benefiting the income results. The interest margin, linked to the general dynamics mentioned above, with interest rates forecasted at very low level for the foreseeable future, is expected to contract further. The easing of tensions in the financial markets is expected to reduce the volatility of securities prices. For the second half of the year, while taking into account the physiological increase in costs, it can reasonably be expected, in absence of external shocks at present not foreseeable, a better result than that of the first half.

The consolidated half-year financial report at 30th June 2016 will be published on the company website www.popso.it and deposited on the storage mechanism authorized eMarket Storage www.emarketstorage.com and at the head office of the bank.

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, 9th August 2016

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 30th JUNE 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Assets	30/06/2016	31/12/2015
10. Cash and cash equivalents	746,492	766,097
20. Financial assets held for trading	1,568,335	1,859,435
30. Financial assets at fair value through profit or loss	90,404	94,495
40. Available-for-sale financial assets	6,327,358	6,321,023
50. Held-to-maturity investments	105,845	125,777
60. Loans and receivables with banks	695,079	980,339
70. Loans and receivables with customers	24,706,327	23,996,543
80. Hedging derivatives	-	-
100. Equity investments	200,338	198,176
120. Property, equipment and investment property	320,560	324,180
130. Intangible assets	24,129	22,246
of which:		
- goodwill	7,847	7,847
140. Tax assets	444,121	491,938
a) current	24,246	64,592
b) deferred	419,875	427,346
b1) of which as per Law 214/ 2011	370,081	379,570
160. Other assets	393,712	357,399
Total assets	35,622,700	35,537,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Liability and Equity	30/06/2016	31/12/2015
10. Due to banks	2,426,745	2,302,136
20. Due to customers	25,641,113	26,347,209
30. Securities issued	3,502,824	3,181,186
40. Financial liabilities held for trading	82,460	48,709
60. Hedging derivatives	54,498	53,483
80. Tax liabilities	58,338	68,208
a) current	3,253	4,059
b) deferred	55,085	64,149
100. Other liabilities	1,006,031	678,166
110. Post-employment benefits	46,228	43,374
120. Provisions for risks and charges:	172,452	165,725
a) pensions and similar obligations	129,703	117,912
b) other provisions	42,749	47,813
140. Valuation reserves	59,110	89,416
170. Reserves	1,027,986	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	84,704	86,623
220. Profit for the period	46,398	129,300
Total liabilities and equity	35,622,700	35,537,648

CONSOLIDATED INCOME STATEMENT
(in thousands of euro)

Items	30/06/2016	30/06/2015
10. Interest and similar income	341,988	415,683
20. Interest and similar expense	(95,004)	(139,091)
30. Net interest income	246,984	276,592
40. Fee and commission income	152,445	159,999
50. Fee and commission expense	(9,255)	(10,845)
60. Net fee and commission income	143,190	149,154
70. Dividends and similar income	5,969	2,197
80. Net trading income	(19,954)	43,747
90. Net hedging income	710	1,460
100. Net gains from sales or repurchases of:	44,931	77,932
a) loans and receivables	-	-
b) available-for-sale financial assets	45,442	78,611
c) held-to-maturity instruments	-	-
d) financial liabilities	(511)	(679)
110. Net gains on financial assets and liabilities at fair value through profit or loss	(4,093)	6,603
120. Total income	417,737	557,685
130. Net impairment losses on:	(125,417)	(200,640)
a) loans and receivables	(123,856)	(190,658)
b) available-for-sale financial assets	(2,273)	(2,724)
c) held-to-maturity instruments	-	(2,192)
d) other financial transactions	712	(5,066)
140. Net financial income	292,320	357,045
150. Net insurance premiums	-	-
160. Other net insurance income (expense)	-	-
170. Net financial income and insurance income	292,320	357,045
180. Administrative expenses:	(252,981)	(241,063)
a) personnel expenses	(115,516)	(117,488)
b) other administrative expenses	(137,465)	(123,575)
190. Net accruals to provisions for risks and charges	(1,575)	(3,819)
200. Depreciation and net impairment losses on property, equipment and investment property	(8,917)	(8,644)
210. Amortisation and net impairment losses on intangible assets	(6,208)	(5,991)
220. Other net operating income	35,427	45,964
230. Operating costs	(234,254)	(213,553)
240. Share of profits of investees	6,275	5,690
250. Net fair value losses on property, equipment and intangible assets measured at fair value	160	(458)
260. Goodwill impairment losses	-	-
270. Net gains on sales of investments	35	3
280. Pre-tax profit from continuing operations	64,536	148,727
290. Income taxes	(16,777)	(47,466)
300. Post-tax profit from continuing operations	47,759	101,261
310. Post-tax profit (loss) from discontinued operations	-	-
320. Net profit (loss) for the period	47,759	101,261
330. Net profit (loss) of the period attributable to minority interests	(1,361)	(3,966)
340. Net profit (loss) for the period attributable to the owners of parent bank	46,398	97,295