

SUPPLEMENT DATED 24 SEPTEMBER 2018

TO THE BASE PROSPECTUS DATED 15 JANUARY 2018 AS SUPPLEMENTED ON 19 JULY 2018



**Banca Popolare  
di Sondrio**

Fondata nel 1871

*BANCA POPOLARE DI SONDRIO S.C.p.A.*

*(incorporated as joint stock co-operative society in the Republic of Italy)*

€5,000,000,000

Euro Medium Term Note Programme

IN ACCORDANCE WITH ARTICLE 7, PARAGRAPH 7, OF THE LUXEMBOURG LAW (AS DEFINED BELOW), THE *COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER* ("CSSF") GIVES NO UNDERTAKING AS TO THE ECONOMIC OR FINANCIAL OPPORTUNENESS OF THE TRANSACTION OR THE QUALITY AND SOLVENCY OF THE ISSUER.

This supplement (the "**Supplement**") constitutes a supplement to the base prospectus dated 15 January 2018 as supplemented on 19 July 2018 (the "**Base Prospectus**"), for the purposes of Article 16 of Directive 2003/71/EC as amended (the "**Prospectus Directive**") and Article 13, paragraph 1, of the Luxembourg Law on Prospectuses for Securities dated 10 July 2005 (the "**Luxembourg Law**").

This Supplement constitutes a supplement to, and should be read in conjunction with, the Base Prospectus.

Capitalized terms used in this Supplement and not otherwise defined herein shall have the same meaning ascribed to them in the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Prospectus Directive and the Luxembourg Law, as a supplement issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg in order to (i) update the section of the Base Prospectus entitled "*Risk Factors*", (ii) incorporate by reference in the Base Prospectus the Issuer's interim financial report as at and for the period ended on 30 June 2018 ("**Issuer's Interim Financial Report**"); (iii) incorporate by reference in the Base Prospectus the press release headed "*Banca Popolare di Sondrio communicates the acquisition of 100% of the social capital of Prestinuova S.P.A.*" published by the Issuer on 23 July 2018 (the "**Press Release**"); and (iv) update the sections entitled "*Description of the Issuer*" and "*General Information*" included in the Base Prospectus in order to take into account certain recent developments in respect of the Issuer.

Save as disclosed in this Supplement, there has been no other significant new factor and there are no material mistakes or inaccuracies relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus. To the extent that there is any inconsistency between (i) any statement in this Supplement and (ii) any statement in or incorporated by reference into the Base Prospectus, the statements in this Supplement will prevail.

**Copies of this Supplement and all documents incorporated by reference in this Supplement can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and will be available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).**

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## RISK FACTORS

On page 46 of the Base Prospectus, the paragraph headed “*Regulatory classification of the Notes*”, is deleted and replaced as follows:

*“The intention of BPS is for Subordinated Notes to qualify on issue as “Tier 2 capital” for regulatory capital purposes of both the Issuer and the BPS Group. Current regulatory practice by the Bank of Italy (acting as lead regulator) does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.*

*Although it is BPS’ expectation that the Subordinated Notes qualify on issue as “Tier 2 capital” of both the Issuer and the BPS Group, there can be no representation that this is or will remain the case during the life of such Notes. If there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from “Tier 2 capital” of the Issuer and/or the Group in whole or in part and, in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Competent Authority (as defined in Condition 5.14 (Conditions to Early Redemption and Purchase of Subordinated Notes)) considers such a change to be reasonably certain and (ii) BPS demonstrates to the satisfaction of the Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by BPS as at the date of the issue of the relevant Subordinated Notes, BPS will (if so specified in the form of Final Terms) have the right to redeem the Subordinated Notes in accordance with Condition 5.3 (Redemption for regulatory reasons (Regulatory Call)), subject to, inter alia, the prior approval of the relevant Competent Authority and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation. There can be no assurance that holders of such Subordinated Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be. In addition, the occurrence of such event could result in a decrease in the market price of the Notes.”*

\* \* \*

## DOCUMENTS INCORPORATED BY REFERENCE

### Issuer's Interim Financial Report

By virtue of this Supplement, the English language version of the Issuer's Interim Financial Report, which has previously been published and has been filed with the CSSF, is incorporated by reference in, and form part of, the Base Prospectus.

The Issuer's Interim Financial Report is available both in its original version in Italian and translated into English on the website of the Issuer ([www.popso.it/cm/pages/ServeBLOB.php/L/EN/IDPagina/2310](http://www.popso.it/cm/pages/ServeBLOB.php/L/EN/IDPagina/2310)) and, free of charge, during usual business hours on any weekday (except for Saturdays, Sundays and public holidays in Italy) at the registered office of the Issuer. The English language version represents an accurate and direct translation from the Italian language document, and where there is a discrepancy between the Italian and the English version, the former shall prevail.

On page 54 of the Base Prospectus, under letter (m) of the section headed "*Documents Incorporated by Reference*" the following new letter (n) is added:

*"(n) the Issuer's interim financial report as at and for the period ended on 30 June 2018 including the information set out at the following pages in particular*

<i>Consolidated Balance Sheet</i>	<i>Pages 52-53</i>
<i>Consolidated Income Statement</i>	<i>Page 54</i>
<i>Statement of Consolidated Comprehensive Income</i>	<i>Page 55</i>
<i>Statement of Changes in Consolidated Equity</i>	<i>Pages 56-57</i>
<i>Consolidated Cash Flow Statement</i>	<i>Pages 58-59</i>
<i>Explanatory Notes</i>	<i>Pages 61-142</i>
<i>Review report on the interim condensed consolidated financial statements</i>	<i>Pages 144-145</i>

*The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004;"*

\* \* \*

In addition, the following document which has previously been published and has been filed with the CSSF shall be incorporated, by virtue of this Supplement, by reference in, and forms part of, the Base Prospectus:

On page 54 of the Base Prospectus, immediately after the new letter (n) of the section headed “*Documents Incorporated by Reference*” the following new letter (o) is added:

“(o) *Press release “Banca Popolare di Sondrio communicates the acquisition of 100% of the social capital of Prestinuova S.P.A.”*

*Entire Document*

*The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004,”*

\* \* \*

## DESCRIPTION OF THE ISSUER

On page 131 of the Base Prospectus, under the paragraph headed “*Disclosure in respect of business segments*” the second subparagraph is deleted and replaced as follows:

*“As of 30 June 2018, the BPS Group had a total of 363 branches”*

\* \* \*

On page 131 of the Base Prospectus, under the paragraph headed “*Disclosure in respect of business segments*” the fifth subparagraph is deleted and replaced as follows:

‘Distribution of the BPS Group's branches as of 30 June 2018:

	<i>No. of branches</i>	<i>%</i>
BPS	343	94.49
Banca Popolare di Sondrio (SUISSE)	20	5.51
Total	363	100

\* \* \*

On page 141 of the Base Prospectus, at the end of the paragraph headed “*Regulatory Capital*”, the following new subparagraph is added:

*“As at 30 June 2018, the BPS Group’s capital ratios, were as follows: Common Equity Tier 1 ratio of 11.74 per cent., Tier 1 ratio of 11.79 per cent. and a Total Capital ratio of 13.56 per cent.*

*On a fully loaded basis as of 30th June 2018 BPS Group’s capital ratios were as follows: Common Equity Tier 1 ratio of 11.63 per cent., Tier 1 ratio of 11.67 per cent. and a Total Capital ratio of 13.39 per cent.”*

\* \* \*

On page 143 of the Base Prospectus, at the end of the paragraph headed “*Recent Developments*”, the following new subparagraph is added:

*“On 23 July 2018, BPS announced the closing of the purchase by BPS of 100% of the share capital of PrestiNuova S.p.A. from Banca Popolare di Vicenza S.p.A. in Administrative Compulsory Liquidation.”*

\* \* \*

Further to the incorporation of certain sections of the Issuer’s Interim Financial Report the Base Prospectus contains some alternative performance measures, as defined by the European Securities and Markets Authority’s Guidelines on Alternative Performance Measures (ESMA/2015/1415).

For such purposes, on page 148 of the Base Prospectus, at the end of the paragraph headed “*Measures of profitability*”, the following new subparagraphs are added:

*“Cost to income ratio*

*Cost/Income ratio is a ratio of operating costs to total income derived from the income statement of the Issuer. Cost/income ratio is one of the primary indicators of efficiency of the Issuer. The higher the ratio is, the lower the profitability.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. Operating costs</i>	<i>(255,022)</i>	<i>(480,894)</i>	<i>(489,335)</i>
<i>B. Total income</i>	<i>433,219</i>	<i>961,854</i>	<i>884,683</i>
<b>Cost to income ratio (A/B)</b>		<b>55.00%</b>	<b>55.31%</b>

*Net interest income to total assets*

*The ratio shows the profitability of the lending activity.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>30/06/2017</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
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A. Net interest income	249,702	238,819	489,922	474,250
B. Total assets	41,553,082	40,581,084	41,624,654	37,196,325
<b>Net interest income to total assets (A/B)</b>	<b>0.60%</b>	<b>0.59%</b>	<b>1.18%</b>	<b>1.27%</b>

*Net financial income to total assets*

*The ratio shows the incidence of lending activity on total assets.*

	30/06/201	30/06/201	31/12/201	31/12/201
<i>(in €/thousands)</i>	<b>8</b>	<b>7</b>	<b>7</b>	<b>6</b>
A. Net financial income	346,962	318,570	687,525	606,138
B. Total assets	41,533,082	40,581,084	41,624,654	37,196,325
<b>Net financial income to total assets (A/B)</b>		<b>0.79%</b>	<b>1.65%</b>	<b>1.63%</b>

*Net interest income to total income*

*The ratio shows the profitability of lending activity compared to the interest rate risk.*

<i>(in €/thousands)</i>	30/06/2018	31/12/2017	31/12/2016
A. Net interest income	249,702	489,922	474,250
B. Total income	433,219	961,854	884,683
<b>Net interest income to total incomes (A/B)</b>	<b>57.64%</b>	<b>50.94%</b>	<b>53.61%</b>

*Administrative expenses to total income*

*The ratio shows in percentage the weight of administrative costs on net interest and other banking income.*

<i>(in €/thousands)</i>	30/06/2018	31/12/2017	31/12/2016
A. Administrative expenses	(271,334)	(522,300)	(525,961)
B. Total income	433,219	961,854	884,683
<b>Administrative expenses to total income (A/B)</b>	<b>62.63%</b>	<b>54.30%</b>	<b>59.45%</b>

*Profit to total assets*

*The return on assets (ROA) shows the percentage of how profitable a company's assets are in generating revenue.*

<i>(in €/thousands)</i>	30/06/2018	30/06/2017	31/12/2017	31/12/2016
A. Profit for the period	74,154	56,332	159,210	98,599
B. Total assets	41,533,082	40,581,084	41,624,654	37,196,325



**Profit to total assets (A/B)      0.18%              0.14%              0.38%              0.27%**

*Texas ratio*

*Texas ratio is a ratio of net non- performing loans to net tangible equity minus intangible assets. Texas ratio, represents the capability of the Issuer to support loan losses.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. Net non-performing loans</i>	1,936,267	2,070,758	2,382,391
<i>B. Equity</i>	2,599,329	2,678,920	2,587,756
<i>C. Intangible assets</i>	25,062	23,720	23,869
<b>Texas ratio (A/(B-C))</b>	<b>75.22%</b>	<b>77.99%</b>	<b>92.92%</b>

*Capital to direct funding from customers*

*The ratio shows in percentage the weight of net the equity on direct customer deposits.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. Equity</i>	2,599,329	2,678,920	2,587,756
<i>B. Direct funding from customers</i>	31,192,688	31,634,284	30,934,135
<b>Capital to direct funding from customers (A/B)</b>	<b>8.33%</b>	<b>8.47%</b>	<b>8.37%</b>

*Capital to customer loans*

*The ratio shows in percentage the weight of the net equity on loans and receivables with customers.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. Equity</i>	2,599,329	2,678,920	2,587,756
<i>B. Loans with customers</i>	26,017,092	25,755,836	25,313,464
<b>Capital to customer loans (A/B)</b>		<b>10.40%</b>	<b>10.22%</b>

*Capital to financial assets*

*The ratio shows in percentage the weight of net the equity on financial assets.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. Equity</i>	2,599,329	2,678,920	2,587,756
<i>B. Financial assets</i>	12,176,536	11,893,159	7,877,475
<b>Capital to financial assets (A/B)</b>	<b>21.35%</b>	<b>22.52%</b>	<b>32.85%</b>

### Capital to total assets

The ratio shows in percentage the weight of net the equity on total assets and it is a financial independence index.

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
A. Equity	2,599,329	2,678,920	2,587,756
B. Total assets	41,553,082	41,624,654	37,196,325
<b>Capital to total assets (A/B)</b>	<b>6.26%</b>	<b>6.44%</b>	<b>6.96%</b>

### Net bad loans to capital

The ratio shows in percentage the weight of the net bad loans on net equity and it is an asset quality index.

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
A. Bad loans with customers	760,710	779,625	767,900
B. Equity	2,599,329	2,678,920	2,587,756
<b>Net bad loans to capital (A/B)</b>	<b>29.27%</b>	<b>29.10%</b>	<b>29.67%</b>

### Non-performing loans to loans and receivables with customer

The ratio shows in percentage the weight of Non-performing loans on loans and receivables with customers and it is an asset quality index.

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
A. Bad loans with customers	760,710	779,625	767,900
B. Loans with customers	26,017,092	25,755,836	25,313,464
<b>Non-performing loans to L&amp;R with customers (A/B)</b>	<b>2.92%</b>	<b>3.03%</b>	<b>3.03%</b>

### Loans and receivables with customers to Direct funding from customers

The ratio shows in percentage the weight of direct customer deposits on loans and receivables with customers.

<i>(in €/thousands)</i>	<b>30/06/201</b>	<b>31/12/201</b>	<b>31/12/201</b>
A. Loans with customers	8	7	6
B. Direct funding from customers	31,192,688	31,634,284	30,934,135
<b>L&amp;R with custom. to Direct funding from custom. (A/B)</b>	<b>83.41%</b>	<b>81.42%</b>	<b>81.83%</b>

*The cost of credit (annualized)*

*The ratio of net adjustments to customer loans to total customer loans.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. Net adjustment to customer loans</i>	<i>(91,132)</i>	<i>(231,732)</i>	<i>(250,121)</i>
<i>B. Fattore di annualizzazione</i>	<i>2</i>	<i>1</i>	<i>1</i>
<i>C. Loans with customers</i>	<i>26,017,092</i>	<i>25,755,836</i>	<i>25,313,464</i>
<b>Cost of credit (A/C*B)</b>	<b>0.70%</b>	<b>0.90%</b>	<b>0.99%</b>

*Leverage ratio*

*The ratio of Tier 1 to total on- and off-balance sheet assets.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. Tier 1 (phased-in)</i>	<i>2,617,702</i>	<i>2,644,512</i>	<i>2,579,899</i>
<i>B. Exposure</i>	<i>45,579,607</i>	<i>45,843,147</i>	<i>41,574,366</i>
<b>Leverage ratio (A/B)</b>	<b>5.74%</b>	<b>5.77%</b>	<b>6.21%</b>

*RWA DENSITY*

*The ratio shows in percentage the incidence of RWA on total assets.*

<i>(in €/thousands)</i>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<i>A. RWA</i>	<i>22,208,160</i>	<i>22,737,670</i>	<i>23,207,691</i>
<i>B. Total assets</i>	<i>41,553,082</i>	<i>41,624,654</i>	<i>37,196,325</i>
<b>RWA DENSITY (A/B)</b>	<b>53.45%</b>	<b>54.63%</b>	<b>62.39%</b>

\* \* \*

## GENERAL INFORMATION

On page 166 of the Base Prospectus, the paragraph headed “*Documents Available*” shall be deleted and replaced as follows:

*“For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:*

- (a) the constitutional documents (with an English translation thereof) of the Issuer;*
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 31 December 2017 (with an English translation thereof). The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis;*
- (c) the auditors’ report on audited consolidated annual financial statements for the financial year ended on 31 December 2016 and December 2017 (with an English translation thereof) of the Issuer;*
- (d) the interim consolidated report of the Issuer and the relevant auditor’s limited review report as at and for the six month ended on 30 June 2018 (with an English translation thereof);*
- (e) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated and non-consolidated interim accounts on a semi-annual basis;*
- (f) the unaudited interim consolidated report on operations at 30 September 2017;*
- (g) the press release headed “28.04.2018: Ordinary and Extraordinary Shareholders’ Meeting of 28 April 2018”, published by the Issuer on 28 April 2018*
- (h) the press release headed “11 May 2018: Board of Directors’ approval of the Consolidated Interim Financial report as of March 31, 2018” published by the Issuer on 11 May 2018;*
- (i) the press release headed “Banca Popolare di Sondrio communicates the acquisition of 100% of the social capital of Prestinuova S.P.A.” published by the Issuer on 23 July 2018;*
- (l) the Trust Deed, Supplemental Trust Deed and the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;*
- (m) a copy of this Base Prospectus; and*

(n) *any future Base Prospectus, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.*

\* \* \*

On page 167 of the Base Prospectus, the paragraph headed "*Significant or Material Adverse Change*" is deleted in its entirety and replaced with the text set out below:

***"Significant or Material Adverse Change***

*There has been no significant change in the financial position of the Group since 30 June 2018 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2017.*

\* \* \*