



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
Al 31/12/2013: Capitale Sociale € 924.443.955 - Riserve €833.815.944
(dati approvati dall'Assemblea dei soci del 26 aprile 2014)

Banca Popolare di Sondrio: the *Comprehensive Assessment* outcomes certify Group's capital adequacy.

Banca Popolare di Sondrio, a cooperative stock company, acknowledges *Comprehensive Assessment* outcomes published today by European Central Bank (ECB) and European Banking Authority (EBA). The results certify Group's capitalization level adequacy and its capability to absorb impacts arising from a potential further strong deterioration of the current macroeconomic and market situation, supposing an adverse context scenario.

Comprehensive Assessment exercise, which was initially focused on 2013 year-end asset quality review (*Asset Quality Review - AQR*) conducted by ECB with Bank of Italy cooperation, examined bank's total assets, through on site inspection as well as file review approach, focusing on the most significant credit portfolios in terms of size and risk which cover 69% of the Group's risk weighted assets. The related results cannot be therefore generally extended to overall balance sheet.

The following phase, the stress test exercise, developed jointly by ECB and EBA, was aimed to assess bank capital resilience during a three year period (2014-2016), in the event of the occurrence of two different scenarios prospective. The first one, called baseline scenario, refers to macroeconomic and financial forecast expressed and published from European Commission on February, 2014 (*winter 2014 forecast*); the second one, specified by ECB and ESRB (*European Systemic Risk Board*), assumes the occurrence of an exceptional negative situation, especially adverse for banking business.

Differently from similar tests carried out in the past, AQR findings lead to adjustments (*Join-up*) in forward-looking projections over the stress test horizon; moreover AQR findings still refer to a phase of the economic cycle markedly negative.

According to above guidelines, *Comprehensive Assessment* is an exercise with implications predominantly conservative based on the application of prudential criteria. ECB standards don't replace the international accounting principles.

Capital adequacy level is recognized as the ratio between primary quality capital and risk weighted assets (*Common Equity Tier 1 ratio* - CET1 Ratio) coherently with European directives on prudential supervision (CRR/CRD IV). Within *Comprehensive Assessment* scope this ratio must be higher than the 4,5% regulatory minimum threshold; in details, it should be at least 8% for AQR and stress test baseline scenario and 5,5% for adverse scenario. The impact on the capital base is primarily determined by calculating the maximum difference between the aforementioned threshold values and the post AQR, stress test baseline scenario or stress test adverse scenario observed values. Possible capital shortfalls, defined in this way, are then compared with the amount of the strengthening capital measures implemented by September of this year in order to establish the possible needs for further intervention.

Bank notifies that, according to the exercise, CET1 shortfalls arising from AQR additional provisions amount to € 148,1 million (equivalent to 63 basis points), those relating to the stress test baseline scenario amount to € 183,2 million (equivalent to 76 basis points), whereas those relating to the stress test adverse scenario to € 317,6 million (equivalent to 130 basis points) and stand for the maximum CET1 shortfall.

Given the above and taking account of the € 343,3 million capital increase ended successfully in the month of July 2014, which enabled an equity strengthening, the bank doesn't show additional capital measures needs. That's because new capital availability, as deduced from the summary table below, covers maximum CET1 need, amounting to € 317,6 million observed in 2016 according to above adverse scenario.

With regard to individual exposures subject to audit during AQR, the bank, even in the absence of specific evidences referred to each exposures reviewed, reasonably believes to have already accounted provisions during 2014 to cover a significant share of the examined sample. In addition, current year expected profitability should allow a satisfactory strengthening of the capital base in continuity with company's tradition.

Analytical results are available on the bank website "www.popso.it" under the section "About us" and "Reports and papers". The system results are available on the competent Authorities' websites (ECB: "www.ecb.europa.eu" - EBA: "www.eba.europa.eu" - Bank of Italy: "www.bancaditalia.it").

Results of the Comprehensive Assessment									
Results disclosed by the ECB						Excess/ Shortfall after the AQR, including main capital strengthening measures	Results including other capital strengthening measures		
Excess/ Shortfall after the AQR	Excess/ Shortfall after the ST baseline	Excess/ Shortfall after the ST adverse	Min Excess/Max Shortfall	Main capital strengthening measures *	Excess/ Shortfall, including main capital strengthening measures		Other capital strengthening measures	Final Excess/ Shortfall, including all capital strengthening measures	
A	B	C	D = min(A,B,C)	E	F = D+E	G = A+E	H	I = D+E+H	
Euro millions	-148	-183	-318	-318	343	26	195	0	26

* Capital increase completed in July, 2014

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Sondrio, 26th October 2014

This English translation is provided solely for information purposes for the benefit of the reader given that, where there is a discrepancy, the Italian version will prevail.