



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 € 942.519.617
(dati approvati dall'Assemblea dei soci del 23/4/2016)

Press release

Board of Directors of February 9, 2017: approval of the preliminary consolidated results for the year 2016.

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 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%.

Customer loans amounted to € 25,313 million, plus 5.49%.

New loans to households and businesses beyond the short term exceeded 2.3 billion euro.

Significant decrease of new positions entering into the NPLs category.

Net adjustments to loans for impairment down in the exercise 35.86%. The cost of credit stood at 0.99% (from 1.63%).

In further increase the degree of coverage of non-performing loans: 46.18% (up from 44.47%). The coverage of bad loans stood at 63.43% (up from 61.89%).

Texas ratio: 92.9%.

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%).

Moderate level of leverage: Leverage Ratio 6.20%.

Opening of 5 new branches in Lombardia, Liguria and Veneto.

Staff again increases: 128 new hires.

Proven capability of autonomous growth.

The Board of Directors of Banca Popolare di Sondrio, cooperative joint-stock company, today examined and approved the consolidated preliminary data, income and balance sheet as of 31st of December 2016, which can be considered satisfactory given the context in which they were accomplished, characterized by heavy burdens for the stabilization of the banking system which weighed on the income statement.

Consolidated net income amounted to € 98.599 million, -23.74% 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 resolute banks, to which the ordinary contributions to the Deposit Guarantee Scheme (€ 6.370 million) have also to be added.

Furthermore, it has to be taken into account the write-down of the investment into Fondo Atlante, fund created for the rescue of lenders resolute or in difficulties amounted to € 13.950 million and the contribution of € 1.007 million for the intervention of FITD - voluntary scheme in favor of the Cassa di Risparmio di Cesena. A total of € 58.852 million which weighed on the income statement and that go along with those already incurred in 2015. Excluding the aforementioned charges, the net profit would have been around € 138 million.

Direct deposits stood at € 30,934 million, plus 4.76% on 31st of 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 and on the rise especially in the last quarter. **Indirect deposits** amounted, at market value, to € 28,409 million, plus 0.61%. **Insurance premiums** amounted to 1,266 million, plus 15.11%. The **total customer deposits** stood then at € 60,609 million, plus 2.96%.

Customer loans add up € 25,313 million, plus 5.49% on 31st of December 2015. The new loans to households and businesses beyond the short term exceeded 2.3 billion euro. **Non-performing loans** amounted to € 2,382 million, plus 0.84%, and account for 9.41% of total loans, with a coverage of 46.18% compared to 44.47% as of 31st of December 2015. Among NPLs, net **bad loans** stood at € 768 million, plus 4.52%, and accounted for 3.03% of loans to customers. The coverage of bad loans reached 63.43% compared to 61.89% as of 31st of December 2015. This coverage ratio remains among the highest at the system level.

Financial assets, mainly consisting of proprietary securities, amounted to € 7,877 million, minus 6.23% compared to 31st of December 2015.

As of 31st of December 2016, the short-term liquidity indicators (LCR - Liquidity Coverage Ratio) and medium to long term (NSFR - Net Stable Funding Ratio)

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stood at values significantly higher than the minimum requirements for 2016 (70%) and for 2019 (100%). The net liquidity position, on the 3-months bucket, at the same date, stood at € 7,607 million.

With regard to the components of the consolidated statement of income, compared with the year 2015 results, the interest margin stood at € 474.250 million, minus 12.72%.

Net commissions from services add up € 293.097 million, minus 3.42%.

Income from securities and foreign exchange was € 110.127 million, minus 48.05%.

Gross operating income stood at € 884.683 million, minus 16.67%.

Net adjustments for impairment, made confirming the prudential assessment criteria, amounted to € 278.545 million, minus 31.92%, of which € 250.121 million relating to loans to customers, minus 35,86%. Consequently, the cost of credit showed a significant drop from 1,63% to 0.99%.

The net result from **financial operations** amounted to € 606.138 million, minus 7.11%.

Total operating costs amounted to € 489.335 million, plus 4.48%. The component of administrative expenses amounted to € 525.961 million, plus 1.58%, of which € 236.834 million, plus 0.44%, related to personnel expenses and € 289.127 million, plus 2.53%, relative to other administrative expenses.

The cost/income ratio stood at 55.31%.

Gains from equity investments and other investments amounted to € 13.166 million, compared to € 12.230 million at the end of 2015.

The **current operating income** amounted to € 129.969 million, minus 33.84%. After deducting **income taxes**, amounting to € 30.094 million, and profit attributable to minority interests amounting to € 1.276 million, the above mentioned **consolidated net profit** for 2016 stood at € 98.599 million.

The **consolidated own funds**, including profit for the year, amounted at 31st December 2016 to € 2,588 million, 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 of December 2016, plus 0.79% on the 31st of December 2015. Such amount includes the share of profits referring to the period ended on the 31st of December 2016.

Capital ratios as of 31st of 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 time being the bank does not use advanced internal rating models (IRBs) to quantify credit risk. The Texas Ratio calculated as the ratio of total net impaired loans and tangible equity stood at 92.90%.

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 leverage ratio as of 31st of December 2016 stood at 6.22%, 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.

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.

In conclusion, the reaffirmed profitability and capital strength give account of the capacity of the Banca Popolare di Sondrio Banking Group to pursue, even for the future, a virtuous growth path, serving customers and territories.

The financial statements for 2016 will be reviewed and approved at the Board meeting scheduled on the 17th of March 2017.

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 February 2017

Appendices:

Consolidated statement of financial position and income statement.

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