



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 31/12/2014: Capitale Sociale € 1.360.157.331 - Riserve € 833.958.444

(dati approvati dall'Assemblea dei soci del 18/4/2015)

Press Release

10 February 2016: the Board of Directors approves preliminary results for the year ended 31 December 2015.

Consolidated net profit for the period totals € 129.300 million, +12.24% compared to 2014. This result is driven by income from core business operations, with no significant impact from positive extraordinary items, and is instead impacted by the contributions paid to the Resolution Fund.

Over € 2 bn in new mid- and long-term loans granted to households and corporates.

Net loans and receivables impairment losses lowered by 15.97%.

Tight control on costs: cost-to-income ratio 44.11%.

Network expansion with the opening of 6 new branches.

Increased headcount: + 53 people.

Stronger capital ratios:

- CET1 Ratio at 10.49% from 9.75%
- Total Capital Ratio at 13.44% from 11.28%

Strong Leverage Ratio: 6.22%.

Demonstrated ability to sustain a standalone growth.

Today, the Board of Directors of Banca Popolare di Sondrio, società cooperativa per azioni, has reviewed and approved the preliminary consolidated results for the year ended 31 December 2015. Results are satisfactory.

The consolidated **net profit** amounts to € 129.300 mn, + 12.24% compared to 2014. Led by core business results, it does not benefit significantly from positive extraordinary items. Rather, the result is impacted by the extraordinary contribution to the national Resolution Fund of the value of € 27.4 mn paid by the Group in relation to the resolution procedures regarding four Italian banks. Moreover, the Group paid ordinary contributions to the same Resolution Fund and to the Interbank Deposit Protection Fund for a total amount of € 12 mn.

At 31 December 2015, **direct deposits** amounted to € 29,528 mn, - 0.63% compared to 31 December 2014. While end-year data show a slight decrease year on year, the yearly average has satisfactorily improved. **Indirect deposits** at market value amounted to € 28,237 mn, -1.11% compared to 31 December 2014. **Insurance deposits** totalled € 1,100 mn, + 22.54%. **Total customer deposits** therefore amounted to € 58,865 mn, - 0.51%.

Loans and receivable with customers amounted to € 23,997 mn, - 0.06% compared to 31 December 2014. New mid- and long-term loan volumes to households and corporates accounted for more than € 2 bn. **Non-performing exposures** (NPE) amounted to € 2,362 mn, + 14.15%. They represent 9.84% of total loans, with a coverage ratio of 44.47%, compared to 43.21% at end-2014. Within NPE, **net bad loans** amounted to € 735 mn, + 19.56%. They accounted for 3.06% of total customer loans. The coverage ratio of bad loans was 61.89%, one of the strongest in the banking system and further improved from the 31 December 2014 ratio of 61.14%.

Financial assets, mainly constituted of securities owned, amounted to €8,401 mn, - 7.38% compared to 31 December 2014.

At 31 December 2015 the short-term (Liquidity Coverage Ratio) and medium to long term (Net Stable Funding Ratio) **liquidity indicators** were well above the minimum requirements for 2015 (60%) and 2019 (100%). At the same date, the net three-month liquidity position amounted to € 6,003 mn.

With regard to the consolidated income statement compared to the previous year, **net interest income** amounts to € 543.371 million, - 8.05%.

Net fee and commission income amount to € 303.468 mn, + 1.15%.

Results from securities and foreign exchange operations are € 211.984 mn, + 6.37%.

Total income is at € 1,061.683 mn, - 2.93%.

Net **impairment adjustments**, implemented according to prudent valuation criteria, amount to € 409.135 mn (- 15.10%), of which impairments of customer loans and receivables are € 389.983 mn (- 15.97%). Therefore, the cost of credit has significantly decreased from 1.93% to 1.63%.

The net **financial income** amounts to € 652.548 mn, +6.65%.

Total **operating costs** amount to € 486.333 mn, + 13.71%, of which € 517.805 mn of **administrative expenses** (+ 13.24%). Within administrative expenses, € 235.800 mn (+ 5.68%) relate to staff expenses, € 282.005 mn (+ 20.44%) relate to other expenses

including the onerous contributions mentioned above, in particular the contribution to the national Resolution Fund.

Equity investments and other investments produced a profit of € 12.230 mn, compared to € 5.630 mn at end-2014.

Pre-tax profit from continuing operations therefore amounts to € 196.445 million, - 4.46%. After deducting **income taxes** (€ 58.945 mn) and profit attributable to minority interests (€ 8.200 mn), the consolidated **net profit** for 2015 amounts to € 129.300 mn.

At 31 December 2015, **total equity** including net profit for the period amounted to € 2.563 mn, + 6.46% compared to 31 December 2014.

Consolidated own funds benefit from self-financing and include a share of net profit for the period. At 31 December 2015, they amounted to € 3,126 mn (+ 15.79% compared to 31 December 2014).

At 31 December 2015, the **capital ratios** calculated on the basis of own funds as reported above, are significantly higher than the minimum requirements established by Banca Popolare di Sondrio Group's Supervisory Authority. More specifically, phased-in Common Equity Tier 1 Ratio (CET1 Ratio), Tier1 Ratio and Total Capital Ratio are respectively 10.49%, 10.50% and 13.44%. These ratios are calculated using a standardized approach, therefore they do not result from a validated internal rating model-based calculation.

In the course of the year the European Central Bank completed the Supervisory Review and Evaluation Process (SREP) and determined a minimum CET1 ratio requirement of 9.25%.

At 31 December 2015, the leverage ratio amounted to 6.22% calculated on the basis of transitional requirements applicable in 2015 (phased-in) and 6.14% calculated on a fully-loaded basis. This is among the strongest values in the Italian and European banking community.

In 2015, the Group's branch network continued its development with the opening of 6 new branches: one in Alba (Cuneo province), one in Padua, two in Milan (branch 37 in corso Vercelli and branch 38 in the Università Cattolica del Sacro Cuore), one in Abbiategrasso (Milan province), and one in Rapallo (Genoa province). Such development was supported by an increase in headcount. Group staff increased from 3,062 to 3,115.

In conclusion, 2015 results confirm a strong performance from both a profitability and a capital perspective, and reflect the ability of Banca Popolare di Sondrio Group to continue operating on a standalone basis in the future, and to further develop its products and offerings to the customers and the regions it serves.

The 2015 annual report will be discussed and approved during the March 2016 meeting of the Board of Directors.

DECLARATION

Pursuant to art. 154 bis, para. 2, of the Consolidated Finance Law, the Financial Reporting Officer Mr Maurizio Bertoletti certifies that the accounting information contained in this press release accurately reflects the underlying documents, registers and accounting entries.

signed: Maurizio Bertoletti, Financial Reporting Officer

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Sondrio, 10 February 2016

Appendices:

Statement of financial position and income statement.

This translation of the original Italian press release is provided for convenience only. In case of discrepancy, the Italian version prevails.

CONSOLIDATED ACCOUNTING REPORTS AS AT 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Assets	31/12/2015	31/12/2014
10. Cash and cash equivalents	766.097	264.482
20. Financial assets held for trading	1.859.435	2.338.630
30. Financial assets at fair value through profit or loss	94.495	84.702
40. Available-for-sale financial assets	6.321.023	6.498.605
50. Held-to-maturity investments	125.777	148.620
60. Loans and receivables with banks	980.339	1.088.388
70. Loans and receivables with customers	23.996.543	24.011.925
80. Hedging derivatives	-	-
100. Equity investments	198.176	155.986
120. Property, equipment and investment property	324.180	254.303
130. Intangible assets	22.246	21.572
of which:		
- goodwill	7.847	7.847
140. Tax assets	491.938	403.851
a) current	64.592	10.691
b) deferred	427.346	393.160
b1) of which as per Law 214/2011	379.570	346.451
160. Other assets	357.399	347.783
Total assets	35.537.648	35.618.847

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

Liability and Equity	31/12/2015	31/12/2014
10. Due to banks	2.302.136	2.314.035
20. Due to customers	26.347.209	26.310.842
30. Securities issued	3.181.186	3.406.198
40. Financial liabilities held for trading	48.709	56.136
60. Hedging derivatives	53.483	45.562
80. Tax liabilities	68.208	61.778
a) current	4.059	2.104
b) deferred	64.149	59.674
100. Other liabilities	678.166	722.835
110. Post-employment benefits	43.374	44.915
120. Provisions for risks and charges:	165.725	166.849
a) pensions and similar obligations	117.912	117.043
b) other provisions	47.813	49.806
140. Valuation reserves	89.416	47.941
170. Reserves	930.273	829.959
180. Share premium	79.005	79.005
190. Share capital	1.360.157	1.360.157
200. Treasury shares (-)	(25.322)	(25.031)
210. Equity attributable to minority interests	86.623	82.463
220. Profit for the period	129.300	115.203
Total liabilities and equity	35.537.648	35.618.847

CONSOLIDATED INCOME STATEMENT
(in thousands of euro)

Items	31/12/2015	31/12/2014
10. Interest and similar income	796.812	959.077
20. Interest and similar expense	(253.441)	(368.154)
30. Net interest income	543.371	590.923
40. Fee and commission income	324.504	322.022
50. Fee and commission expense	(21.036)	(22.001)
60. Net fee and commission income	303.468	300.021
70. Dividends and similar income	2.860	3.524
80. Net trading income	65.714	99.818
90. Net hedging income	(495)	129
100. Net gains from sales or repurchases of:	140.034	94.154
a) loans and receivables	-	-
b) available-for-sale financial assets	139.926	95.505
c) held-to-maturity instruments	-	-
d) financial liabilities	108	(1.351)
110. Net gains on financial assets and liabilities at fair value through profit or loss	6.731	5.187
120. Total income	1.061.683	1.093.756
130. Net impairment losses on:	(409.135)	(481.895)
a) loans and receivables	(389.983)	(464.084)
b) available-for-sale financial assets	(8.203)	(19.308)
c) held-to-maturity instruments	(9.965)	-
d) other financial transactions	(984)	1.497
140. Net financial income	652.548	611.861
150. Net insurance premiums	-	-
160. Other net insurance income (expense)	-	-
170. Net financial income and insurance income	652.548	611.861
180. Administrative expenses:	(517.805)	(457.273)
a) personnel expenses	(235.800)	(223.125)
b) other administrative expenses	(282.005)	(234.148)
190. Net accruals to provisions for risks and charges	982	1.934
200. Depreciation and net impairment losses on property, equipment and investment property	(18.117)	(17.037)
210. Amortisation and net impairment losses on intangible assets	(13.926)	(13.357)
220. Other net operating income	80.533	73.849
230. Operating costs	(468.333)	(411.884)
240. Share of profits of investees	13.719	6.715
250. Net fair value losses on property, equipment and intangible assets measured at fair value	(1.496)	-
260. Goodwill impairment losses	-	(1.112)
270. Net gains on sales of investments	7	27
280. Pre-tax profit from continuing operations	196.445	205.607
290. Income taxes	(58.945)	(80.325)
300. Post-tax profit from continuing operations	137.500	125.282
310. Post-tax profit (loss) from discontinued operations	-	-
320. Net profit (loss) for the period	137.500	125.282
330. Net profit (loss) of the period attributable to minority interests	(8.200)	(10.079)
340. Net profit (loss) for the period attributable to the owners of parent bank	129.300	115.203