



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 €947.325.264
(dati approvati dall'Assemblea dei soci del 29/4/2017)

Press release

Board of Directors of May 11, 2017: approval of the consolidated interim results as at March 31, 2017.

UNCEASING EFFORT OF BPS IN FAVOUR OF REAL ECONOMIC ACTIVITIES IN THE TERRITORIES

- **Net profit of € 29.502 million, stemming solely from ordinary business, plus 33.42% compared to the same period of last year. The net result would have amounted to around € 42 million (+42.3%) without considering the by this time recurrent contributions and other charges related to the stabilization of the banking system equal to, in the first quarter of 2017, € 18.877 million, gross of the fiscal component.**
- **Direct deposits totaled € 29.745 billion, minus 3.84%.**
- **Net customer loans stood at € 26.568 billion, plus 5.03%.**
- **New loans to households and businesses beyond the short term exceeded € 1.2 billion.**
- **Internationalization: further increased the support given to companies seeking new business opportunities abroad.**
- **Reduction of new inflows into non-performing loans in the 1st quarter of 2017 confirmed.**
- **Net adjustments to loans for impairment down in the period 14.84%.**
- **The cost of credit dropped to 0.77% (from 0.99%).**
- **In further increase the degree of coverage of non-performing exposures as a whole which reached 46.91% (from 46.17%) and also of the bad loans component, now at 63.85% (from 63.43%).**

- **Levels of non-performing exposures very good: net bad loans relative to net total customer loans down to 2.93% (from 3.03% of the end of 2016). Total gross non-performing exposures relative to total gross customer loans down to 15.49% (from 16.10% of the end of 2016).**
- **Capital ratios largely above the regulatory requirements:**
 - **CET1 Ratio stood at 10.82%;**
 - **Total Capital Ratio stood at 13.13%.**
- **Texas ratio: 92.31%.**
- **Modest level of leverage: Leverage Ratio of 5.80%.**
- **Human resources: 45 new hires.**
- **Ability of autonomous growth by diversifying activities.**

The following is a summary table of the most significant data and the information on the composition of the banking group:

	31/03/2017	31/03/2016	Change
Interest margin	118	128	-7.76%
Intermediation margin	226	208	+8.53%
Net result of financial activity	168	146	+14.88%
Gross operating profit	46	31	+50.02%
Net profit	30	22	+33.42%

	31/03/2017	31/12/2016	Change
Customer deposits	29,745	30,934	-3.84%
Indirect customer deposits	29,145	28,409	+2.59%
Insurance deposits	1,281	1,266	+1.18%
Total customer deposits	60,171	60,609	-0.72%
Total customer loans	26,586	25,313	+5.03%

	31/03/2017	31/03/2016	Change
Direct deposits	29,745	28,051	+6.04%
Indirect deposits	29,145	26,424	+10.30%
Insurance deposits	1,281	1,190	+7.61%
Total customer deposits	60,171	55,665	+8.10%
Cash loans to customers	26,586	23,962	+10.95%

Composition of the banking Group:

- Banca Popolare di Sondrio, cooperative joint-stock company (parent company);
- Banca Popolare di Sondrio (SUISSE) SA (100% owned subsidiary);
- Factorit spa (60,5% owned subsidiary);
- Sinergia Seconda srl (100% owned instrumental company);
- Popso Covered Bond srl (60% owned)

Today, the Board of Directors of Banca Popolare di Sondrio, cooperative joint stock company, has reviewed and approved the consolidated interim financial report as at March 31, 2017.

Consolidated net profit for the period amounted to € 29.502 million, up 33.42%, compared to March 31, 2016. A result made possible also by the consolidation of the current economic recovery, which is reflected in the quality of credit, as well as by the more favorable situation of the financial markets.

Direct deposits stood at € 29,745 million, down 3.84% on 31 December 2016, plus 6.04% on an annual basis. **Indirect deposits** at market values amounted to € 29,145 million, up 2.59% on December 31, 2016, while the **insurance deposits** amounted to € 1,281 million, up 1.18% on December 31, 2016. **Total customer deposits** stood therefore at € 60,171 million, down 0.72%.

Loans to customers totaled € 26,568 million, up 5.03% from the end of 2016 and 10.95% on an annual basis. **Net non-performing exposures** amounted to € 2,370 million, down 0.54%, accounting for 8.91% of total loans, with a 46.91% coverage, up from 46.17% as at 31 December 2016. Among the non-performing exposures, **net bad loans** amounted to € 780 million, slightly up (1.54%), while the percentage on the total customer loans decreases to 2.93% , compared to 3.03% on 31 December, 2016. The level of coverage of bad loans stood at 63.85% compared to 63.43% at December 31, 2016. This level of coverage is confirmed among the highest at system level. Unlikely to pay exposures amounted to € 1,354 million, plus 2.36%, with a coverage rate of 33.35%, while past due loans and/or overdraft exposures amounted to 236 million, minus 19.11%.

Financial assets, represented by property and derivative securities, amounted to € 9,486 million, plus 20.42% on 31 December 2016. Equity investments totaled € 212 million, plus 1.82%, an increase substantially attributable to the effect of net equity revaluations.

As of March 31, 2017, the short-term **liquidity** indicators (LCR - Liquidity Coverage Ratio) and medium to long term (NSFR - Net Stable Funding Ratio) stood at values higher than the minimum requirements for 2017 (80%) and for 2019 (100%).

With regard to the components of the consolidated income statement, compared with the results as of March 31, 2016, the **net interest margin** stood at € 117.616 million, down 7.76%.

Net commissions for services amounted to € 73.494 million, plus 2.81%.

In the field of **foreign activities**, operations on behalf of customers - both in the goods and in the services sector - showed increased volumes with particularly satisfactory earnings. Moreover, through the proposal of numerous and diversified initiatives, it has been further strengthened the support to companies that in different ways seek new business opportunities abroad. Particular efforts have been made in the

organization of seminars on various foreign trade issues and, through a dedicated structure in Brussels, on the main European funding programs.

The result of securities and foreign exchange transactions is positive for € 34.485 million, plus 277.34%. This result, as mentioned above, reflects a more favorable situation on the financial markets than in the same period of last year. The write-down component for impairment of securities amounted to € 7.656 million, mainly due to a further devaluation of the shares held in the Atlante Fund.

The **intermediation margin** was € 226.038 million, plus 8.53%.

Net adjustments for impairment, made confirming the prudential assessment criteria, amounted to € 58.188 million, minus 6.39%, of which € 50.938 million relating to loans to customers (from € 59.812 million), minus 14.84%. Consequently, the cost of credit showed a significant drop to 0.77%, from 1.00% as at March 31, 2016 and 0.99% as at December 31, 2016.

The net result from **financial operations** amounted to € 167.850 million, plus 14.88%.

The **total operating costs**, deriving from the sum of administrative expenses, provisions, value adjustments on tangible and intangible assets, plus the balance between "other charges and operating income", totaled € 125.364 million, plus 5.39%. The **administrative expenditures** component, for which a reclassification was made for the provision of employees retirement benefits, which are reflected in the other income / expenses component, amounted to € 133.925 million, plus 3.82% of which € 58.853 million, plus 3.04%, related to personnel expenses, and € 75.072 million, plus 4.44%, related to other administrative expenses; the latter include an estimate of the contributions to be paid to the Resolution and Deposit Guarantee funds of € 12.5 million. The component other operating expenses / income amounted to € 15.419 million, down 10.79%, while value adjustments to fixed assets amounted to € 7.358 million, plus 3.55%, and the net provisions for risks and charges recorded a release of exceeding funds of € 0.5 million.

Gains from equity investments and other investments amounted to € 3.596 million, plus 1.07%.

The **current operating income** thus amounted to € 46.082 million, plus 50.02%. After deducting **income taxes**, amounting to € 15.023 million, plus 96.20%, and profit attributable to minority interests amounting to € 1.557 million, the already mentioned **consolidated net profit** stood at € 29.502 million, plus 33.42%.

The **consolidated own funds**, including profit of the period, amounted at 31st March 2017 to € 2.592 billion, plus 0.15% on December 31st, 2016.

Consolidated own funds for supervisory purposes as of 31st of March 2017, stood at € 3.127 billion, such amount includes the share of profits referring to the period ended on the 31st of March 2017.

Capital ratios as of 31st of March 2017, 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) 10.82%, 10.85% and 13.13% respectively. Such ratios do not benefit from the validation of advanced internal rating models (IRBs) for the quantification of credit risk.

The **Leverage Ratio** as of 31st of March 2017 stood at 5.80%, by applying the transitional criteria in force for 2017 (Phased in) and 5.78% 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.

The **branches network** of the banking Group comprises 357 branches.

Employees of the banking Group were, at 31st of March, 2017, 3,164, an increase of 11 units compared to the end of December 2016 and adding 3 employees of the subsidiary Pirovano Stelvio spa, the total headcount reached 3,167.

The **shareholders base** is to this day formed by 177,511 members.

With regard to the foreseeable evolution, the persistence of a monetary policy aimed at boosting the economic recovery suggests that rates will continue to be at minimum levels, negatively affecting the interest margin. However, the gradual improvement of the general economic situation should favor a stabilization of financial markets and also an improvement in credit quality. Overall, it is therefore reasonable to show a cautious optimism on the earnings trend of the exercise.

The consolidated interim management report at March 31, 2017 is published on a voluntary basis on the corporate website "www.popso.it" and is deposited on the authorised storage mechanism 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

Company Contacts:

Paolo Lorenzini, Head of the External Relations Office
phone ++39/0342/528212;
e-mail paolo.lorenzini@popso.it;
Website address www.popso.it.

Sondrio, 11th May 2017

Appendices:

Consolidated statement of financial position and income statement.

The English translation is provided only for the convenience of the reader. In the event of discrepancies the Italian original text shall prevail.

CONSOLIDATED ACCOUNTING REPORTS AS AT 31 MARCH 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Assets	31/03/2017	31/12/2016
10. Cash and cash equivalents	1,333,484	789,612
20. Financial assets held for trading	895,310	1,019,712
30. Financial assets at fair value through profit or loss	101,951	96,303
40. Available-for-sale financial assets	8,393,188	6,644,437
50. Held-to-maturity investments	95,916	117,023
60. Loans and receivables with banks	989,738	1,786,732
70. Loans and receivables with customers	26,586,050	25,313,464
80. Hedging derivatives	-	-
100. Equity investments	212,361	208,575
120. Property, equipment and investment property	321,360	320,922
130. Intangible assets	24,744	23,869
of which:		
- goodwill	7,847	7,847
140. Tax assets	478,062	484,698
a) current	68,179	73,251
b) deferred	409,883	411,447
b1) of which as per Law 214/2011	353,000	360,592
160. Other assets	431,710	390,978
Total assets	39,863,874	37,196,325

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

Liability and Equity	31/03/2017	31/12/2016
10. Due to banks	6,032,638	2,504,510
20. Due to customers	26,685,301	27,702,353
30. Securities issued	3,059,668	3,231,782
40. Financial liabilities held for trading	48,510	73,016
60. Hedging derivatives	36,242	38,734
80. Tax liabilities	35,065	45,636
a) current	1,560	2,963
b) deferred	33,505	42,673
100. Other liabilities	1,058,036	701,529
110. Post-employment benefits	44,731	44,805
120. Provisions for risks and charges:	185,817	181,552
a) pensions and similar obligations	132,732	130,874
b) other provisions	53,085	50,678
140. Valuation reserves	14,532	41,927
170. Reserves	1,133,833	1,033,417
180. Share premium	79,005	79,005
190. Share capital	1,360,157	1,360,157
200. Treasury shares (-)	(25,372)	(25,349)
210. Equity attributable to minority interests	86,209	84,652
220. Profit for the period	29,502	98,599
Total liabilities and equity	39,863,874	37,196,325

CONSOLIDATED INCOME STATEMENT
(in thousands of euro)

Items	31/03/2017	31/03/2016
10. Interest and similar income	153,297	176,734
20. Interest and similar expense	(35,681)	(49,229)
30. Net interest income	117,616	127,505
40. Fee and commission income	78,094	75,898
50. Fee and commission expense	(4,600)	(4,412)
60. Net fee and commission income	73,494	71,486
70. Dividends and similar income	443	142
80. Net trading income	22,519	(14,639)
90. Net hedging income	(50)	(285)
100. Net gains from sales or repurchases of:	5,916	28,531
a) loans and receivables	-	-
b) available-for-sale financial assets	5,958	28,859
c) held-to-maturity instruments	-	-
d) financial liabilities	(42)	(328)
110. Net gains on financial assets and liabilities at fair value through profit or loss	6,100	(4,468)
120. Total income	226,038	208,272
130. Net impairment losses on:	(58,188)	(62,158)
a) loans and receivables	(50,938)	(59,812)
b) available-for-sale financial assets	(7,656)	(2,069)
c) held-to-maturity instruments	-	-
d) other financial transactions	406	(277)
140. Net financial income	167,850	146,114
150. Net insurance premiums	-	-
160. Other net insurance income (expense)	-	-
170. Net financial income and insurance income	167,850	146,114
180. Administrative expenses:	(136,044)	(129,109)
a) personnel expenses	(60,972)	(57,230)
b) other administrative expenses	(75,072)	(71,879)
190. Net accruals to provisions for risks and charges	500	(136)
200. Depreciation and net impairment losses on property, equipment and investment property	(4,358)	(4,358)
210. Amortisation and net impairment losses on intangible assets	(3,000)	(2,748)
220. Other net operating income	17,538	17,396
230. Operating costs	(125,364)	(118,955)
240. Share of profits of investees	3,594	3,536
250. Net fair value losses on property, equipment and intangible assets measured at fair value	-	-
260. Goodwill impairment losses	-	-
270. Net gains on sales of investments	2	22
280. Pre-tax profit from continuing operations	46,082	30,717
290. Income taxes	(15,023)	(7,657)
300. Post-tax profit from continuing operations	31,059	23,060
310. Post-tax profit (loss) from discontinued operations	-	-
320. Net profit (loss) for the period	31,059	23,060
330. Net profit (loss) of the period attributable to minority interests	(1,557)	(948)
340. Net profit (loss) for the period attributable to the owners of Parent bank	29,502	22,112
Basic earnings per share	0.065	0.049
Diluted earnings per share	0.065	0.049