Banca Popolare di Sondrio

Società cooperativa per azioni – Established 1871
Head office: I - 23100 Sondrio SO - Piazza Garibaldi 16
Sondrio Company Register no. 00053810149
Official List of Banks no. 842
Parent Bank of Banca Popolare di Sondrio Banking Group, Official List of Baking Groups no. 5696.0
Official List of Cooperative Banks no. A160536
Member of Interbank Deposit Protection Fund
Tax code and VAT number IT00053810149
At 30 September 2014: share capital € 1,360,157,331; reserves € 775,072,375

Board of directors' meeting of 10 November 2014: approval of the consolidated interim report on operations at 30 September 2014.

Accounting data (in million euro):

	30/9/2014	30/9/2013	Change
Interest margin	447	408	+ 9.60%
Intermediation margin	829	713	+ 16.13%
Net result from financial operations	475	410	+ 15.97%
Operating profit before tax	171	118	+ 45.70%
Net profit	94	52	+ 81.93%

	30/9/2014	31/12/2013	Change
Direct deposits from customers	29,253	26,675	+ 9.66%
Indirect deposits from customers	27,617	27,341	+ 1.01%
Insurance premia from customers	870	719	+ 21.08%
Overall deposits from customers	57,740	54,735	+ 5.49%
Cash loan to customers	25,772	23,905	+ 7.81%

	30/9/2014	30/9/2013	Change
Direct deposits from customers	29,253	26,479	+ 10.48%
Indirect deposits from customers	27,617	24,702	+ 11.80%
Insurance premia from customers	870	708	+ 22.96%
Overall deposits from customers	57,740	51,889	+ 11.28%
Cash loan to customers	25,772	24,529	+ 5.07%

The Banking Group is comprised of:

- Banca Popolare di Sondrio, *società cooperativa per azioni* (parent company);
- Banca Popolare di Sondrio (SUISSE) SA (100% owned);
- Factorit spa (60.5% owned);
- Sinergia Seconda srl (instrumental, 100%);
- Popso Covered Bond srl (60% owned).

The Board of Directors of Banca Popolare di Sondrio, *società cooperative per azioni*, today reviewed and approved the consolidated interim report on operations at 30 September 2014.

The consolidated balance sheet and income statement results for the first nine months of the year were more than satisfactory, also in view of the continued complexity of the economic scenario in general. Significant profit growth was recorded in the period, thanks to the good performance of interest margin and securities trading, in spite of the further significant growth of net credit adjustments. Lending and deposits were also up.

Net consolidated profit for the period added up to € 94 million, up 81.93% from 30 September 2013.

Direct customer deposits amounted to € 29,253 million, up 9.66% from 31 December 2013, up 10.48% on a yearly basis; in the month of August the aggregate benefited, *inter alia,* from the first covered bond issue per € 500 million, with a five year maturity. **Wholesale deposits** at market values stood at € 27,617 million, up 1.01% from 31 December 2013, up 11.80% on a yearly basis; **insurance premium income** added up to € 870 million, up 21.08% from 31 December 2013, up 22.96% on a yearly basis. **Total deposits from customers** therefore amounted to € 57,740 million, up 5.49% from 31 December 2013, up 11.28% on a yearly basis.

Dues from customers added up to € 25,772 million, up 7.81% from 31 December 2013, up 5.07% yearly, of which € 1,720 million relating to repo transactions made with Cassa Depositi e Prestiti. In view of the continued worsening of credit quality, the Group continued to support businesses and families who deserved it. **Impaired loans** added up to € 1,995 million, up 8,54% compared with 31 December 2013, and accounted for 7.74% of total loans, with a 43.41% coverage.
Within the framework of impaired loans, **net NPLs**, which continue suffering from the negative economic climate, posted a € 550 million increase, up 19.29% over 31 December 2013 and accounted for 2.13% of dues from customers, a level which is significantly lower than the system figure. NPLs coverage level is 62.85%. **Substandard loans amounted to** € 979 million, up 8.90%, with a 35.33% coverage level; **restructured loans** totalled € 81 million, up 89.92%, mainly due to the transfer from other categories of impaired loans, while **past due** loans were down 11.56% to € 385 million. The annualised **cost of credit** stood at 1.80%, compared with 1.58% at 30 September 2013 and 1.94% at the end of 2013. After deducting the aforementioned repo transactions from the denominator, the ratio is equal to 1.93%. Credit valuation is made with very prudential criteria; provisions are deemed to be adequate also in view of the valuations of the positions analysed during the *Asset Quality Review* carried out by the Supervisory Authority.

Endorsement guarantees added up to € 3,814 million, down 9.93% compared with 31 December 2013.

Financial assets, represented by own securities and derivatives, totalled € 7.402 million, up 8.94% from 31 December 2013. Equity investments added up to € 154 million, down 1.46%, a fall substantially due to the impact of net equity valuations.

With regard to consolidated income statement items, compared with the 30 September 2013 figures, the **interest margin** posted € 447 million, up 9.60%, a good performance which, in spite of the drop in interest income from customers, benefited from an increase in the size of securities portfolios, even with decreasing returns. **Net service commissions** added up to € 220 million, up 6.48%. **Dividends** received totalled € 3 million, up 25.33%. **Securities portfolio management** showed a positive € 158 million, also thanks to sizeable profits from trading/sale activities and the posting of high net capital gains; at 30 September 2013 the same figure amounted to € 96 million. **Intermediation margin** posted € 829 million, up 16.13%. **Net adjustments** due to deterioration, made in line with prudential valuation criteria, stood at € 353.6 million, up 16.35%, still suffering from the critical economic environment. This item is comprised of € 348.2 million in adjustments on due from customers; € 6,9 million for securities available for sale subject to impairment, while the adjustments on other transactions item posted provisions for € 1,5 million made in previous years with regard to endorsement guarantees granted. The net result of financial operations came to € 475 million, up 15.97%.

Total **operating costs**, resulting from the summation of administrative expenses, provisions, value adjustments on tangible and intangible assets, as well as the balance of «other operating income and charges », amounted to € 308 million, up 4,57%. The **administrative expenses** item was equal to € 341 million, up 3,12%, of which € 166 million, up 0.52%, relating to cost of staff, and € 175 million, up 5,71%, arising from other administrative expenses. Value adjustments on tangible and intangible fixed assets amounted to € 22 million, up 3.07%; the other operating income/charges were positive for € 56 million, up 3.88%, while net provisions for risks and charges added up to € 2 million. The ***cost/income*** stood at 37.17%, compared with 41.28% at 30 September 2013 and 39.45% at the end of 2013. Equity and other investments marked a € 5 million profit. The result of **current operations** stood at € 171 million, up 45,70%. After deducting **income tax**, amounting to € 68 million and profit attributable to minorities, amounting to € 9 million, the consolidated net profit for the period stood € 94 million.

Consolidated **own funds**, including the profit for the period, at 30 September 2014 amounted to € 2,397 million, up 23.82% from 31 December 2013, an increase mainly derived from the over € 343 million capital increase, completed with the full subscription of the new shares offered for a fee. **Capital ratios** at 30 September 2014, the most recent reporting submitted to the Supervisory Authority, amounted to 10.12% for the CET1 Ratio and 13.08% for the Total Capital Ratio.

In this regard, and with reference to the press release issued on 26 October 2014, the Banking Group highlighted the positive outcome of the ***Comprehensive Assessment*** carried out by the European Central Bank and the European Banking Authority, in agreement with the Bank of Italy, preliminary to the start of the single supervisory mechanism, therefore the bank does not need any additional capital strengthening.

In the period, the Group benefited from a good **liquidity** position. The most recent LCR (*Liquidity Coverage Ratio*) and NSFR (*Net Stable Funding Ratio*) ratios, as calculated by the Supervisory Authority, are well above the required targets.

The **territorial network** of the Banking Group includes 343 branches, with a 5 unit increase during the year: the parent company opened branches in Trezzo sull'Adda (Mi), Domodossola (Vb), Rome branch 36 and Santa Margherita Ligure (Ge); the subsidiary BPS (SUISSE) opened a branch in Neuchâtel. Next the bank will open branch 35 in Milan (piazzale Loreto on the corner of viale Brianza) and a branch in Chiari (Bs).

The Banking Group **employs** 3,054 people, 4 units less than in December 2013, to which the 29 employees of the Pirovano Stelvio spa subsidiary should be added, thus totalling 3,083 units.

The Board of Directors took stock of the continued increase in the number of **shareholders, today totalling** 184,605, 3,388 more compared with 31 December 2013.

The consolidated interim report on operations at 30 September 2014 is published on the bank's internet site www.popso.it, is filed with Borsa Italiana and is available at the head office of the bank.

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STATEMENT

The executive in charge of preparing the bank's accounting documents, Mr Maurizio Bertoletti, represents that pursuant to article 154 *bis* , paragraph 2 of the Finance Consolidated Act, the accounting information set out herein match the data entered in the books and the accounts.

Signed by: Maurizio Bertoletti, Executive responsible for preparing the bank's accounting documents

Company contacts:

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Sondrio, 10 November 2014

Attachments:
Consolidated Balance Sheet and Income Statement.

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.

CONSOLIDATED BALANCE SHEET (in euro thousands)

Item	ASSETS	30/9/2014	31/12/2013
10.	Cash and cash on hand	196,881	196,517
20.	Financial assets held for trading	2,204,657	3,154,594
30.	Financial assets carried at fair value	84,639	79,226
40.	Financial assets held for sale	4,954,733	3,375,500
50.	Financial assets held to maturity	158,036	182,621
60.	Loans to banks	1,638,931	733,954
70.	Loans to customers	25,771,967	23,904,559
80.	Hedging derivatives	-	2,923
100.	Investments	154,123	156,404
120.	Tangible assets	250,737	245,962
130.	Intangible assets of which: Goodwill	22,261 8,959	21,865 8,959
140.	TAX ASSETS *a)* current *b)* anticipated *b1)* of which as per Law 214/2011	366,556 10 366,546 323,781	342,310 33,478 308,832 269,858
160	OTHER ASSETS	338,282	373,493
	TOTAL ASSETS	**36,141,803**	**32,769,928**

THE CHAIRMAN
Francesco Venosta

THE STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Pio Bersani - Mario Vitali

Item	LIABILITIES AND SHAREHOLDERS’ EQUITY	30/9/2014	31/12/2013
10.	DUE TO BANKS	3,012,657	3,067,978
20.	DUE TO CUSTOMERS	25,829,187	23,710,352
30.	DEBT SECURITIES IN ISSUE	3,424,045	2,964,974
40.	FINANCIAL LIABILITIES FROM TRADING	64,437	36,550
60.	HEDGING DERIVATIVES	41,146	27,580
80.	TAX LIABILITIES of which:	115,128	36,889
	c) current	56,773	662
	d) deferred	58,355	36,227
100.	OTHER LIABILITIES	977,481	720,873
110.	SEVERANCE INDEMNITY PROVISION	42,377	40,527
120.	PROVISIONS FOR RISKS AND CHARGES	156,847	152,593
	a) post-employment benefits	105,864	100,539
	b) other provisions	50,983	52,054
140.	VALUATION RESERVES	59,011	16,782
170.	RESERVES	829,267	794,781
180.	SHARE PREMIUM RESERVE	79,005	171,450
190.	SHARE CAPITAL	1,360,157	924,444
200.	TREASURY STOCKS (-)	(24,431)	(24,316)
210.	MINORITY INTERESTS	81,057	75,438
220.	PROFIT (LOSS) FOR THE PERIOD (+/-)	94,432	53,033
	TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**36,141,803**	**32,769,928**

THE MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

CONSOLIDATED INCOME STATEMENT

(in euro thousands)

Item		30/9/2014	30/09/2013
10.	INTEREST INCOME AND SIMILAR REVENUES	730,647	763,015
20.	INTEREST EXPENSES AND SIMILAR CHARGES	(283,759)	(355,263)
30.	INTEREST MARGIN	446,888	407,752
40.	COMMISSION INCOME	236,246	222,304
50.	COMMISSION EXPENSES	(16,064)	(15,513)
60.	NET COMMISSIONS	220,182	206,791
70.	DIVIDENDS AND SIMILAR INCOME	3,256	2,598
80.	NET TRADING INCOME	84,180	60,842
90.	NET HEDGING GAINS (LOSSES)	(49)	271
100.	PROFIT (LOSS) FROM TRANSFER OR REPURCHASE OF:	69,985	31,309
	b) financial assets available for sale	71,362	30,948
	c) financial assets held to maturity	-	55
	d) financial liabilities	(1,377)	306
110.	NET RESULT OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE	4,124	3,906
120.	INTERMEDIATION MARGIN	828,566	713,469
130.	NET IMPAIRMENT ADJUSTMENTS TO:	(353,611)	(303,911)
	a) loans	(348,213)	(291,502)
	b) financial assets available for sale	(6,913)	(3,155)
	d) other financial transactions	1,515	(9,254)
140.	NET RESULT OF FINANCIAL OPERATIONS	474,955	409,558
170.	NET RESULT OF FINANCIAL AND INSURANCE OPERATIONS	474,955	409,558
180.	ADMINISTRATION EXPENSES:	(340,757)	(330,456)
	a) staff costs	(166,132)	(165,271)
	b) other administration expenses	(174,625)	(165,185)
190.	NET PROVISIONS FOR RISK AND CHARGES	(1,711)	2,891

200.	NET ADJUSTMENTS TO TANGIBLE ASSETS	(12,596)	(12,633)
210.	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(9,169)	(8,483)
220.	OTHER OPERATING INCOME/CHARGES	56,233	54,132
230.	OPERATING COSTS	(308,000)	(294,549)
240.	PROFIT (LOSS) FROM EQUITY INVESTMENTS	4,484	2,669
270.	PROFIT (LOSS) FROM DIVESTITURES	29	9
280.	PROFIT (LOSS) FROM CURRENT OPERATIONS, GROSS OF TAXES	171,468	117,687
290.	INCOME TAX FOR THE YEAR FROM CURRENT OPERATIONS	(68,412)	(60,921)
300.	PROFIT (LOSS) FROM CURRENT OPERATIONS, NET OF TAX	103,056	56,766
320.	PROFIT (LOSS) FOR THE PERIOD	103,056	56,766
330.	PROFIT (LOSS) FOR THE PERIOD PERTAINING TO MINORITY INTERESTS	(8,624)	(4,859)
340.	PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE PARENT BANK	94,432	51,907
	BASIC EARNINGS PER SHARE(in euro)	**0.264**	**0.168**
	DILUTED EARNINGS PER SHARE (in euro)	**0.256**	**0.168**