



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 31/12/2015: 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 12 May 2016: approval of the Consolidated Interim Financial report as at 31 March 2016.

Consolidated net profit € 22.112 million.

The result for the period is among other things affected by the ordinary contribution to the Single Resolution Fund and reflects, in comparison with the 1st quarter of 2015, -73.30%, the fact that the start of 2015 was characterized by a strong performance of the stock and financial markets, which had enabled the achievement of substantial profits from trading/sale of securities.

The net impairment losses on loans fell by 46.18%.

Non performing exposures abated and the relative coverage increased reaching 45.61%.

**Bad loans fell by 2.01% and the relative degree of coverage rises to 63.28%.
New loans to households and businesses beyond the short-term exceeded € 500 million.**

Staff: 35 people hired.

Adequate level of capitalization:

- **CET1 Ratio: 10.50%**
- **Total Capital Ratio: 13.23%**

Moderate level of leverage: Leverage Ratio stands at 6.38%.

Today, the Board of Directors of Banca Popolare di Sondrio, società cooperativa per azioni, has reviewed and approved the consolidated interim report as at 31 March 2016.

The consolidated net profit for the period amounted to € 22.112 million, -73.30% compared to 31 March 2015. The decrease is explained by the fact that the first quarter of 2015 was characterized by an extremely favourable situation of financial and stock markets, which enabled the achievement of substantial profits from trading/ sale of securities. The result for the period is also penalized by the expenses related to the annual contribution to the Resolution Fund which amounted to € 11.216 million.

Direct deposits stood at € 28.051 million, - 5.00% compared to 31 December 2015, - 5.68% year-on-year. Indirect deposits, at market value, amounted to € 26,424 million, - 6.42% on 31 December 2015, insurance deposits totalled € 1,190 million, plus 8.23% on 31 December 2015. Total customer deposits therefore amounted to € 55,665 million, -5.44%.

Loans to customers amounted to € 23,962 million, - 2.28% year-on-year and - 0.14% compared to € 23,997 million registered at the end of 2015. Non-performing exposures amounted to € 2,340 million, - 0.95%, and account for 9.76% of total loans, with a coverage of 45.61% compared to 44.47% as at 31 December 2015. As part of impaired loans, net bad loans stood at € 720 million, - 2.01%, and constituted 3% of total customer loans compared to 3.06% as at 31 December 2015. The level of bad loans coverage ratio is 63.28% compared to 61.89% as at 31 December 2015. This degree of coverage is confirmed among the highest at the system level. Unlikely to pay exposures amounted to 1,288 million, + 6.48%, with a coverage ratio of 34.10%, while past-due exposures amounted to 332 million, -20.60%.

Financial assets, represented by securities and derivatives, amounted to € 7,983 million, -4.97% compared to 31 December 2015. Equity investments amounted to € 203 million, +2.39%, which is to attribute to the effect of valuation by the equity method.

At 31 March 2016 the short-term liquidity indicator (LCR-Liquidity Coverage Ratio) and the medium to long term (NSFR-Net Stable Funding Ratio) stood at values well above the minimum requirements for 2016 (70%) and the 2019 (100%).

With regard to the components of the consolidated statement of income, compared with the results as at 31 March 2015, the net interest income stood at € 127.505 million, -9.05%.

Net commission income from services totaled € 71.486 million, -3.47%.

The results of the management of securities portfolio and foreign exchange amounted to € 9.139 million, -93.18%. As already mentioned, the same period of last year benefited from a very strong performance of stock and financial markets which enabled to achieve substantial profits and gains.

Total income amounted to € 208.272 million, -40.25%.

Net adjustments for impairment, implemented according to prudent valuation criteria, amounted to € 62.158 million, -44.28%, adjustments to loans to customers fell from € 111.139 to € 59.812 million, -46.18%. Consequently, the cost of credit showed a strong improvement, falling to 1% (down from 1.80% of 31 March 2015 and from 1.63% at the end of 2015).

The net financial income amounted to € 146.114 million, -38.36%.

Total operating costs, calculated as the sum of administrative expenses, provisions, depreciation on tangible and intangible assets, plus the balance of “other net operating income” amounted to € 118.955 million, + 11.29%. Administrative expenses totaled € 129.109 million, + 6.13%, of which € 57.230 million, - 3.81%, related to staff expenses, and € 71.879 million, plus 15.64%, related to other administrative expenses, whose increase was affected by the contribution to the Single Resolution Fund mentioned above.

Gains from equity investments and other investments amounted to € 3.558 million, compared to a loss of 0.216 million.

The current operating income amounted therefore to € 30.717 million, - 76.36%. After deducting income taxes, amounting to € 7.657 million, - 82.94%, and the profit attributable to minority interests, € 0.948 million, the consolidated net profit for the period stood at € 22.112 million, -73.30%.

The consolidated shareholders' equity, including the profit for the period to 31 March 2016 amounted to € 2,567 million, + 0.17% compared to 31 December 2015.

Consolidated own funds for supervisory purposes as at 31 March 2016 amounted to € 3.071 million; including the share of net profit for the period ended 31 March 2016.

The capital ratios as at 31 March 2016, calculated on the basis of the 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 (on a Phased In basis) at 10.50%, 10.51% and 13.23% respectively. These ratios do not benefit from the validation of internal rating models for credit risk.

The leverage ratio as at 31 March 2016 stood at 6.38%, by applying the transitional criteria in force for 2016 (phased in) and to 6.32% if the criteria Fully Phased are applied. The latter is among the best values when compared to the main Italian and European banking groups.

The Group's branch network consists of 354 branches.

At 31 March 2016, the Banking group had 3,121 employees, an increase of 9 staff units compared to the end of December 2015. Adding the 3 employees of the subsidiary Pirovano Stelvio spa, the total number of Group employees reaches 3,124.

The shareholding base is now composed of 184,631 members.

With regard to the future operations, the still in place expansionary monetary policy aimed at helping the economic recovery suggests that rates will continue to remain at minimum levels, thus negatively impacting net interest income. The extreme volatility of financial markets will also weigh unfavorably. The signs of an economic upturn albeit modest - especially in Italy - should have repercussions on the performance of the credit market, both in terms of new loans and of a further gradual improvement in the credit quality. Overall, it is therefore reasonable to expect for our Group an improvement in profit compared with the first quarter.

The consolidated interim report for the period ending 31 March 2016 is published on the company website "www.popso.it" and deposited at Borsa Italiana and at the Bank's head office.

Please note that, following the recent changes to the Decree. n. 58/ 1998 - the Consolidated Finance Act - in force since March and waiting for any regulatory measures taken by Consob, the publication of data and information at 31 March 2016 is carried out on a voluntary basis on the company website www.popso.it.

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, 12 May 2016

Appendices:

Consolidated statement of financial position and income statement.

The 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 ACCOUNTING REPORTS AS AT 31 MARCH 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Assets	31/03/2016	31/12/2015
10. Cash and cash equivalents	729,887	766,097
20. Financial assets held for trading	1,798,489	1,859,435
30. Financial assets at fair value through profit or loss	90,028	94,495
40. Available-for-sale financial assets	5,981,835	6,321,023
50. Held-to-maturity investments	112,692	125,777
60. Loans and receivables with banks	607,749	980,339
70. Loans and receivables with customers	23,962,239	23,996,543
80. Hedging derivatives	-	-
100. Equity investments	202,922	198,176
120. Property, equipment and investment property	321,668	324,180
130. Intangible assets	23,260	22,246
of which:		
- goodwill	7,847	7,847
140. Tax assets	484,525	491,938
a) current	61,187	64,592
b) deferred	423,338	427,346
b1) of which as per Law 214/ 2011	374,826	379,570
160. Other assets	323,607	357,399
Total assets	34,638,901	35,537,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

Liability and Equity	31/03/2016	31/12/2015
10. Due to banks	2,614,797	2,302,136
20. Due to customers	24,965,872	26,347,209
30. Securities issued	3,085,327	3,181,186
40. Financial liabilities held for trading	68,118	48,709
60. Hedging derivatives	55,263	53,483
80. Tax liabilities	61,993	68,208
a) current	3,500	4,059
b) deferred	58,493	64,149
100. Other liabilities	923,285	678,166
110. Post-employment benefits	43,591	43,374
120. Provisions for risks and charges:	169,118	165,725
a) pensions and similar obligations	117,854	117,912
b) other provisions	51,264	47,813
140. Valuation reserves	78,602	89,416
170. Reserves	1,052,635	930,273
180. Share premium	79,005	79,005
190. Share capital	1,360,157	1,360,157
200. Treasury shares (-)	(25,322)	(25,322)
210. Equity attributable to minority interests	84,348	86,623
220. Profit for the period	22,112	129,300
Total liabilities and equity	34,638,901	35,537,648

CONSOLIDATED INCOME STATEMENT
(in thousands of euro)

Items	31/03/2016	31/03/2015
10. Interest and similar income	176,734	213,530
20. Interest and similar expense	(49,229)	(73,331)
30. Net interest income	127,505	140,199
40. Fee and commission income	75,898	79,385
50. Fee and commission expense	(4,412)	(5,333)
60. Net fee and commission income	71,486	74,052
70. Dividends and similar income	142	345
80. Net trading income	(14,639)	64,598
90. Net hedging income	(285)	1,339
100. Net gains from sales or repurchases of:	28,531	59,617
a) loans and receivables	-	-
b) available-for-sale financial assets	28,859	59,680
c) held-to-maturity instruments	-	-
d) financial liabilities	(328)	(63)
110. Net gains on financial assets and liabilities at fair value through profit or loss	(4,468)	8,433
120. Total income	208,272	348,583
130. Net impairment losses on:	(62,158)	(111,553)
a) loans and receivables	(59,812)	(111,139)
b) available-for-sale financial assets	(2,069)	(691)
c) held-to-maturity instruments	-	-
d) other financial transactions	(277)	277
140. Net financial income	146,114	237,030
150. Net insurance premiums	-	-
160. Other net insurance income (expense)	-	-
170. Net financial income and insurance income	146,114	237,030
180. Administrative expenses:	(129,109)	(121,654)
a) personnel expenses	(57,230)	(59,497)
b) other administrative expenses	(71,879)	(62,157)
190. Net accruals to provisions for risks and charges	(136)	(6,084)
200. Depreciation and net impairment losses on property, equipment and investment property	(4,358)	(4,179)
210. Amortisation and net impairment losses on intangible assets	(2,748)	(2,688)
220. Other net operating income	17,396	27,720
230. Operating costs	(118,955)	(106,885)
240. Share of profits of investees	3,536	(217)
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	22	1
280. Pre-tax profit from continuing operations	30,717	129,929
290. Income taxes	(7,657)	(44,893)
300. Post-tax profit from continuing operations	23,060	85,036
310. Post-tax profit (loss) from discontinued operations	-	-
320. Net profit (loss) for the period	23,060	85,036
330. Net profit (loss) of the period attributable to minority interests	(948)	(2,213)
340. Net profit (loss) for the period attributable to the owners of parent bank	22,112	82,823