Banca Popolare di Sondrio

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2018

Banca Popolare di Sondrio

CONSOLIDATED INTERIM FINANCIAL REPORT AT 30 SEPTEMBER 2018

Banca Popolare di Sondrio

Founded in 1871

CONSOLIDATED INTERIM FINANCIAL REPORT AT 30 SEPTEMBER 2018

Società cooperativa per azioni
Head office and general management: Piazza Garibaldi 16, 23100 Sondrio, Italy
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Website: http://www.popso.it - E-mail: info@popso.it

Sondrio Companies Register no. 00053810149 - Official List of Banks no. 842
Official List of Cooperative Banks no. A160536
Parent Company of the Banca Popolare di Sondrio Group -
Official List of Banking Groups no. 5696.0 - Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149
Share capital: € 1,360,157,331 – Reserves: € 1,034,954,284 (Figures approved at the shareholders’ meeting of 28 April 2018)

Rating:

- Rating given by Fitch Ratings to Banca Popolare di Sondrio scpa on 13 June 2018:
  - Long-term: BBB-
  - Short-term: F3
  - Viability rating: bbb-
  - Outlook: Stable

- Rating given by Dagong Europe Credit Rating to Banca Popolare di Sondrio scpa on 7 February 2018:
  - Long-term: BBB
  - Short-term: A-3
  - Individual Financial Strength Assessment: bbb
  - Outlook: Stable

BOARD OF DIRECTORS

Chairman	FRANCESCO VENOSTA
Deputy Chairman	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	PAOLO BIGLIOLI ALESSANDRO CARRETTA CECILIA CORRADINI LORETTA CREDARO* DONATELLA DEPPERU FEDERICO FALCK ATTILIO PIERO FERRARI CRISTINA GALBUSERA * ADRIANO PROPERSI ANNALISA RAINOLDI* SERENELLA ROSSI DOMENICO TRIACCA*

BOARD OF STATUTORY AUDITORS

Chairman	PIERGIUSEPPE FORNI
Auditors	LAURA VITALI LUCA ZOANI
Alternate Auditors	BRUNO GARBELLINI DANIELE MORELLI

ADVISORY COMMITTEE

Advisors	ALBERTO CRESPI GIUSEPPE GUARINO ANDREA MONORCHIO
Alternate advisors	DIANA BRACCO ANTONIO LA TORRE

GENERAL MANAGEMENT

General Manager	MARIO ALBERTO PEDRANZINI
Deputy General Managers	GIOVANNI RUFFINI MARIO ERBA MILO GUSMEROLI CESARE POLETTI

Manager responsible for preparing the Company's accounting documents MAURIZIO BERTOLETTI

* Members of the Chairman's Committee

** Member of the Chairman's Committee and Secretary to the Board of Directors

INTRODUCTION

Legislative Decree 25 of 15 February 2016 was passed to amend the Consolidated Finance Act by cancelling the disclosure requirements for the first and third quarter of the year, which issuers had to comply with, unless Consob obliged issuers to provide additional periodic financial information.

As in the past, our Group prefers full disclosure to the market, so we have prepared this interim financial report at 30 September 2018 in accordance with the recognition and measurement criteria of the International Accounting Standards (IAS/IFRS) adopted by the European Community and currently in force.

This consolidated interim report on operations has not been audited by the independent auditors.

BASIS OF PREPARATION

The financial statements presented in this consolidated interim report on operations comply with the mandatory reporting formats required for statutory reporting purposes by the Bank of Italy Regulation no. 262 dated 22 December 2005, 5th update of 22 December 2017.

The accounting policies adopted for the period are consistent with those of the prior year, except for the adoption as from 1 January 2018 of the International Financial Reporting Standards IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers).

Please refer to the consolidated interim financial report at 30 June 2018 for detailed information on the application of accounting standards.

IFRS 9 introduced significant changes in the areas of «classification and measurement», «impairment» and «hedge accounting» of financial instruments.

With regard to the first area, new rules for the classification and measurement of financial instruments are provided through:

- the introduction of the concepts of «Business Model» and «SPPI Test» (Solely Payments of Principal and Interest Test), an assessment aimed at analysing the contractual characteristics of the instruments' cash flows; combining these elements provides guidance on how to classify the assets correctly;
- the identification of three new accounting categories: assets measured at amortised cost, assets measured at fair value and recognised through profit or loss, assets measured at fair value and recognised in equity.

With reference to the impairment model for the quantification of value adjustments on loans valued at amortised cost, the approach to the calculation of write-downs has changed, going from the criterion of «incurred losses» (as required by the previous IAS 39) to «expected losses» (so based on reasonably available prospective information).

Another important change concerns the time horizon for determining the Expected Credit Loss, also linked to identification of the so-called «significant increase in credit risk»: specifically, if the credit quality of an instrument has not undergone a «significant» deterioration with respect to its initial measurement, the new standard requires an estimate of expected losses over a time horizon of only twelve months; or if there is objective evidence of impairment, the calculation has to refer to the entire residual life of the instrument.

This distinction introduces a new model of segmentation of the portfolio of financial instruments into different «stages», based on the credit quality observed from time to time:

- Stage 1: this includes the assets that did not show a significant increase in credit risk from the time of their initial recognition or that present a low credit risk at the reference date;
- Stage 2: this includes the instruments that showed a significant increase in credit risk since their initial recognition, but that do not present objective evidence of impairment at the reference date;
- Stage 3: this includes the assets that show objective evidence of impairment at the reference date.

As regards hedge accounting, the regulatory changes concern the so-called «General Hedge» and are linked to the possibility of adopting the new IFRS 9 or, alternatively, continuing to follow the rules laid down in IAS 39.

The main accounting classifications introduced by the adoption of IFRS 9 are:

1) Financial assets measured at fair value through profit or loss comprise financial assets held for trading, financial assets designated at fair value under the fair value option and financial assets mandatorily measured at fair value; the latter include assets that do not meet the requirements for classification at amortised cost or at fair value through other comprehensive income given that they do not pass the contractual cash flow characteristics test (SPPI test), as well as variable-yield securities and mutual funds (that are not held for trading) and debt instruments held within a fair value business model. Such assets are recognised at fair value and are subsequently measured at the reporting date at fair value;
2) financial assets measured at fair value through other comprehensive income include fixed-yield securities and loans held within a collect & sell business model that pass the SPPI test and variable-yield securities on recognition of which the fair value through other comprehensive income option has been irrevocably exercised. Such assets are initially recognised at fair value. At each reporting date, fixed-yield securities are subject to impairment testing based on an impairment calculation framework similar to that designed for financial instruments measured at amortised cost, while this

is not necessary for variable-yield securities, the change in fair value of which is recognised in the «Valuation reserve»;

3) Financial assets measured at amortised cost include financial assets held within a held to collect model that have passed the SPPI test. They consist of amounts due from banks and from customers. These assets are recognised at fair value on their settlement date and are subsequently measured at amortised cost using the effective interest method. For measurement purposes, financial assets carried at amortised cost are classified in one or more stages and are measured based on expected losses. Financial assets measured at amortised cost are subject to impairment testing at the reporting date. To this end, upon initial recognition, the assets are classified in one of 3 different stages that reflect the extent of deterioration in credit quality and, at each reporting date, the entity assesses whether there has been a significant change in credit risk subsequent to initial recognition (such a case would result in a transfer between stages). The measurement of financial assets carried at amortised cost is based on a computation of expected losses;
4) financial liabilities measured at amortised cost include amounts due to banks and due to customers other than those recognised in «Financial liabilities held for trading» and «Financial liabilities designated at fair value». These assets are recognised at fair value and are subsequently measured at amortised cost using the effective interest method;
5) financial liabilities held for trading continue to be included in derivative instruments, except for hedging instruments with a negative fair value.

Endorsement loans consist of all secured and unsecured guarantees given for third-party obligations and are measured based on the riskiness of this particular category of exposure, taking into account the creditworthiness of the borrower. Impairment losses, and subsequent reversals, are booked to the income statement under «net provisions for risks and charges» with a contra-entry to «Provisions for risks and charges - a) Commitments and guarantees given».

IFRS 15, published on 28 May 2014, introduces a new model for the recognition of revenues deriving from contracts with customers, and replaces the current standards on the subject, being IAS 18, IAS 11 and the related interpretations. Entities are required to recognise revenues based on the remuneration expected from the products or services provided, which is calculated in five steps: identification of the contract, identification of the individual obligations arising under the contract, determination of the price of the transaction, allocation of the price to each of the individual obligations and recognition of the revenue when control over the product or service is transferred to the customer.

The impact of the FTA of the new standard is not significant in terms of the impact on the carrying amount of equity, as is also the case thereafter, and relates mainly to the recognition of liabilities reflecting the impact of certain contractual clauses on revenue.

All figures reported in the financial statements are stated in thousands of euro.

The balance sheet comparatives consist of amounts presented by the balance sheet included in the financial statements for the year ended 31 December 2017 restated to comply with the new format required by the 5th update to Law 262/2005 of 22 December 2017.

The income statement comparatives consist of amounts presented by the income statement for the period ended 30 September 2017 restated to comply with the new format required by the 5th update to Law 262/2005.

As far as the balance sheet and income statement are concerned, no restatement has been made of comparative amounts to apply the requirements of IFRS 9 as permitted by paragraph 7.2.15 thereof. Accordingly, the 2017 comparative amounts coincide with those approved and have been presented using the new financial statement format required by the 5th update to Law 262/2005.

For details on the restatement of the financial position at 31 December 2017 (as per IAS 39) using new line items (as per IFRS 9) and the reconciliation between them and the new balances at 1 January 2018 (as per IFRS 9), please refer to the notes to the consolidated interim financial report at 30 June 2018.

In the preparation of the consolidated interim report on operations, greater use is made of estimates when compared to year end statutory reporting practices, particularly for cases where the accounting treatment does not comply with the accrual basis. This applies to both balance sheet and income statement components.

THE BANCA POPOPLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent Company:

Banca Popolare di Sondrio s.c.p.a. - Sondrio;

Group companies:

Banca Popolare di Sondrio (SUISSE) SA – Lugano (CH).

The Parent Company holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, 180,000,000 CHF.

Factorit spa - Milan.

The Parent Company holds 60.5% of the capital of Factorit spa, Euro 85,000,002.

Sinergia Seconda Srl – Milan

The Parent Company holds all the capital of Sinergia Seconda Srl, Euro 60,000,000.

Banca della Nuova Terra spa – Sondrio

The Parent Company holds all the capital of Banca della Nuova Terra spa, Euro 31,315,321.

PrestiNuova spa – Rome

The Parent Company holds all the capital of Prestinuova spa, Euro 25,263,160.

Popso Covered Bond srl – Conegliano.

The Parent Company holds 60% of the capital of Popso Covered Bond srl, Euro 10,000.

SCOPE AND METHODS OF CONSOLIDATION

The consolidated interim report on operations presents the financial position as at 30 September 2018 and the results for the period then ended of Banca Popolare di Sondrio Banking Group, which comprises the Parent Company, Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda Srl, Banca della Nuova Terra spa, Prestinuova spa and Popso Covered Bond srl, as well as the entities over which the Group exercises control as defined by IFRS 10. Prestinuova spa was acquired by the Parent Company on 23 July and is active in the sector of granting loans for the transfer of one fifth of salary or pension.

The acquisition took place at a price of 53.370 million. The company's latest approved financial statements at 31 December 2017 showed total assets of 304.944 million and net equity of 37.717 million, including profit for the year of 2.566 million. We made a provisional recognition of goodwill amounting to 13.796 million euro, subject to the fair value measurement of assets and liabilities as required by IFRS 3.

THE FOLLOWING COMPANIES HAVE BEEN CONSOLIDATED ON A LINE-BY-LINE BASIS:

Name	Head office	Share capital (in thousands)	% held
Banca Popolare di Sondrio (SUISSE) SA	Lugano	(CHF) 180,000	100
Factorit spa	Milan	85,000	60.5
Sinergia Seconda srl	Milan	60,000	100
Banca della Nuova Terra spa	Sondrio	31,315	100
PrestiNuova spa	Roma	25,263	100
Pirovano Stelvio spa *	Sondrio	2,064	100
Servizi Internazionali e Strutture Integrate 2000 srl *	Milan	75	100
Immobiliare San Paolo srl *	Tirano	10 **	100
Immobiliare Borgo Palazzo srl *	Tirano	10 **	100
Popso Covered Bond srl	Conegliano	10	60

* equity investments not included in the banking group
** held by Sinergia Seconda S.r.l.

In addition, Fondo Immobiliare Centro delle Alpi Real Estate, which is 100% held by the Parent Company, and Adriano SVP Srl, which carried out a securitisation of loans transferred by PrestiNuova spa, have been consolidated in compliance with the definition of control laid down in IFRS 10.

The scope of consolidation also includes the equity investments where the Parent Company exercises a significant influence in that the shareholding is between 20% and 50%; or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

a) the Bank has a representative on the Board of Directors or the equivalent body of the affiliate;

b) the Bank takes part in the decision-making process, including decisions regarding dividends;

c) there are significant transactions between the parent company and the affiliate;

d) there is an exchange of managers;
e) essential technical information is being provided.

These investments are valued using the equity method, except for insignificant interests which are valued at cost.

The equity method involves initial recognition of the investment at cost and its subsequent remeasurement based on the portion of equity held. The portion of the company's net result for the year attributable to the group is shown in a specific item in the income statement.

The ownership percentages are specified in the following table:

Name	Head office	Share capital (in thousands)	% held
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Arca Holding spa	Milan	50,000	21.137
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Sgrpa	Milan	5,200	19.600
Sofipo SA *	Lugano	(CHF) 2,000	30.000
Bormio Golf spa	Bormio	317	25.237
Lago di Como Gal Scrl	Canzo	22	28.953
Acquedotto dello Stelvio srl **	Bormio	21	27.000
Sifas spa **	Bolzano	1,209	21.614
Rent2Go srl	Bolzano	3,300	33.333
Rajna Immobiliare srl	Sondrio	20	50.000

* held by Banca Popolare di Sondrio (Suisse) SA.
** held by Pirovano Stelvio S.p.a.

With line-by-line consolidation, the book value of the investments is eliminated against the related equity and all of the assets and liabilities, guarantees, commitments and other memorandum accounts are included, as are the revenues and costs of the subsidiaries. Insignificant amounts of income and charges pertaining to transactions carried out at normal market conditions have not been eliminated. The quarterly reports of the investees have been appropriately reclassified and adjusted, where necessary, to bring them into line with the accounting policies used by the Group.

Companies in which the bank does not have an investment, but for which it has received pledged voting shares are not consolidated, because the pledge is designed to protect the loans granted and not to influence the company's operating policies to obtain economic benefits.

As regards the goodwill recorded in the financial statements, with respect to the assumptions used for the impairment test for the 2017 financial statements, no circumstances have arisen that denote the presence of impairment indicators.

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

The quarterly report of Banca Popolare di Sondrio (SUISSE) SA is translated into euro using the official period-end exchange rate for balance sheet items, while costs and revenues are translated into euro using the average exchange rate for the period. Differences arising on translation of the financial statements are booked to «reserves».

SUBSEQUENT EVENTS

No events have taken place between the reporting date for this consolidated interim report and the date of its approval by the Board of Directors on 12 November 2018 that would require any adjustments thereto, and nothing of significance has occurred that would require the provision of supplementary information.

INTERNATIONAL BACKGROUND

According to the latest information available, the world's major economies continued to expand in the third quarter of the year, with particularly strong growth in the United States, thanks in particular to domestic demand, both public and private, boosted by the increase in employment. A certain slowdown has been recorded in the Euro-zone, on the other hand, mainly due to a deceleration in Germany, weighed down by a number of problems in the car sector, only partially offset by good progress in France and Spain. All of this accompanied by a monetary policy that is still highly accommodating.

Japan and the United Kingdom also slowed, the latter afflicted by the problems related to Brexit.

Among emerging countries, economic growth strengthened in India and remained strong in China, but there are signs of a deceleration there as well. The positive trend in oil prices benefited Russia, while Brazil was affected by an increase in political uncertainty.

A positive picture overall, but one in which the risks related to a possible accentuation of the tensions increase - linked, among other things, to a tightening of financial conditions in emerging countries following the progressively less expansive US monetary policy - and to the emergence of repercussions resulting from protectionist measures, implemented or even threatened, which hinder free trade.

Inflation remained moderate in the main economic areas, despite the flare-up by oil prices.

As regards Italy, there was a slowdown in the economic trend during the summer months, caused, among other things, by a stagnation on the part of industrial production and a tendency for capital investment to decline.

SUMMARY OF RESULTS

(in millions of euro)

Balance sheet	30/09/2018	01/01/2018	% Change
Loans to customers	25,957	25,696	1.02
Loans and receivables with customers measured at amortised cost	25,722	25,570	0.59
Loans and receivables with customers measured at fair value through profit or loss	236	126	87.00
Loans and receivables with banks	1,239	1,920	-35.47
Financial assets that do not constitute loans	11,404	11,889	-4.08
Equity investments	216	218	-0.71
Total assets	41,662	41,586	0.18
Direct funding from customers	31,312	31,634	-1.02
Indirect funding from customers	30,979	30,119	2.85
Direct funding from insurance premiums	1,403	1,336	4.99
Customer assets under administration	63,693	63,089	0.96
Other direct and indirect funding	10,937	10,164	7.61
Equity	2,580	2,634	-2.03
Income statement	**30/09/2018**	**30/09/2017***	**% Change**
Net interest income	372	358	3.90
Total income	620	665	-6.69
Profit from continuing operations	108	169	-36.24
Profit for the period	78	112	-30.18
Key ratios (%)			
Cost/income ratio	61.01	52.59	
Net interest income/Total assets	0.89	0.89	
Net financial income/Total assets	1.13	1.25	
Net interest income/Total income	59.91	53.81	
Administrative expenses/Total income	63.68	57.74	
Profit for the period/Total assets	0.19	0.28	
Non-performing loans/Loans and receivables with customers	3.06	3.03	
Loans to customers/Direct funding from customers	82.90	81.42	
Capital ratios			
CET1 Capital ratio	11.71%	11.60%	
Total Capital ratio	13.42%	13.66%	
Free capital	1,183	1,287	
Other information on the banking group			
Number of employees	3,255	3,196	
Number of branches	363	363	

* The comparative figures are shown as follows: balance sheet figures are at 1 January 2018 are shown after applying IFRS 9; income statement figures at 30 September 2017 have been calculated in accordance with IAS 39, as are the ratios, so they are not fully comparable.

Inflation rose to 1.7% in the third quarter due to the rise in energy prices.

The banking sector continued to benefit from improved credit quality. The main sources of worry are the loss in value of government securities in portfolio, a decline that intensified during the autumn, and the rise in the spread with respect to German Bunds.

According to current indications, the economic recovery in Switzerland continued during the summer months, albeit with some signs of slowing down, with domestic demand weakening in particular.

FUNDING

During the period under review the monetary situation was characterised by an abundance of liquidity and a «large degree of monetary accommodation»; a situation which everyone hopes is destined to last, despite the fact that the ECB has begun a progressive reduction in its net purchases of financial assets.

On the other hand, the premium requested on Italy's sovereign debt has started to feel the effects of the tensions that were more and more pronounced at the beginning of the autumn, as evidenced by the widening of the spread between Italian and German government bonds.

At system level, funding underwent an adjustment, confirming the divergence between the positive trend in deposits and the still marked contraction in bonds.

As for our Group, direct funding from customers at 30 September 2018, which consists of amounts due to customers (line item 10 b) and debt securities in issue (line item 10 c), amounted to 31,312 million, down by 1.02% on the 2017 year-end and up by 3.23% on September 2017. The containment of funding costs, which was driven by the situation concerning interest rates explained earlier, has made it possible to leverage the considerable amount of liquidity injected into the system.

Indirect funding from customers totalled 30,978 million at market values, +2.85% since the end of 2017.

Direct funding from insurance premiums came to 1,403 million, +5.02%.

Total funding from customers therefore amounted to 63,693 million, +0.96%.

Amounts due to banks total 6,536 million, +5.34%. They include the refinancing operations with the European Central Bank for a total of 4,600 million, as explained in the chapter on «Treasury and trading operations».

Indirect deposits from banks amount to 4,401 million, +11.15%.

Total funding from customers and banks therefore came to 74,630 million, +1.88%.

Considering the individual components, current accounts in euro and foreign currency amounted to 26,947 million, +0.58%, and make up 86.07% of all direct funding. Bonds declined to 2,635 million, -3.26%, in line with market trend already seen in previous periods, as did savings deposits, 528 million, -0.65%. Time deposit accounts amounted to 1,046 million, -6.87%.

Repo transactions fell sharply to 2 million, -99.41%. Certificates of deposit amounted to 1 million, and remain entirely marginal. Bank drafts amount to 153 million, +42.93%.

As regards asset management, please see the chapter on treasury and trading activities.

DIRECT FUNDING FROM CUSTOMERS

(in thousands of euro)	30-09-2018	% of total	01-01-2018	% of total	% Change
Savings deposits	527,814	1.69	531,271	1.68	-0.65
Certificates of deposit	1,430	–	2,101	0.01	-31.94
Bonds	2,635,100	8.41	2,723,980	8.61	-3.26
Repo transactions	2,100	0.01	356,725	1.13	-99.41
Bank drafts and similar	153,336	0.48	107,277	0.34	42.93
Current accounts	24,500,609	78.26	24,451,274	77.29	0.20
Time deposit accounts	1,045,321	3.34	1,122,442	3.55	-6.87
Current accounts in foreign currency	2,446,306	7.81	2,339,214	7.39	4.58
Total	**31,312,016**	**100.00**	**31,634,284**	**100.00**	**-1.02**

TOTAL FUNDING

(in thousands of euro)	30-09-2018	% of total	01-01-2018	% of total	% Change
Total direct funding from customers	31,312,016	41.95	31,634,284	43.18	-1.02
Total indirect funding from customers	30,978,513	41.51	30,119,036	41.12	2.85
Total direct funding from insurance premiums	1,402,627	1.88	1,335,569	1.82	5.02
Total	**63,693,156**	**85.34**	**63,088,889**	**86.12**	**0.96**
Due to banks	6,536,275	8.76	6,204,835	8.47	5.34
Indirect funding from banks	4,401,159	5.90	3,959,663	5.41	11.15
Grand total	**74,630,590**	**100.00**	**73,253,387**	**100.00**	**1.88**

LOANS TO CUSTOMERS

The slowdown in the economic cycle did not stop the trend in bank loans, while the improvement in credit quality continued. Overall, supply conditions have remained flat, even if the first timid signs of a slight increase in interest rates have been seen, after years at all-time lows.

The long-standing function of supporting the economy of the territories that we serve has been at the heart of our Group's activities, which we have done according to a rigorous and professional selection of borrowers.

Loans to customers, as shown in the table below, constitute a restatement of the balances reported in the balance sheet and consist solely of loans, with the exclusion of securities, except for those that do not constitute a financial investment because of their nature. They equate to the sum of loans included in line item «40. financial assets measured at amortised cost - b) loans and receivables with customers» and line item «20 financial assets measured at fair value through profit or loss - c) other financial assets mandatorily measured at fair value».

Total loans to customers amounted to 25,957 million, +1.02% on the figure for the end of 2017, adjusted on FTA of IFRS 9, which did not include the loans to customers of PrestiNuova spa, which joined the Banking Group last July. The comparative figure differs from the amount of loans and receivables with customers at 31 December 2017 by 59.775 million, consisting of negative adjustments recognised on the FTA of IFRS 9.

The various types have contributed to total customer loans to a different extent.

The main component is mortgage loans, which posted an increase of 3.51% to 9,842 million, representing 37.92% of total loans. This line item includes loans assigned but not derecognised in relation to the issue of covered bonds. These loans were not derecognised because the requirements of IAS 39 were not met. Repo transactions, representing the temporary employment of liquidity with institutional counterparties, passed from 1,222 to 1,505 million, +23.17 %. Other transactions and unsecured loans have fallen by 2.83% to 5,212 million, corresponding to 20.06% of total loans and receivables with customers. Current accounts also decreased, 4,170 million, -4.32%, as did currency loans, 689 million, -22.95%, and factoring transactions, 1,985 million, -12.80%. Advances show a very positive trend, +45.09% to 652 million, as do advances subject to collection, which doubled to 496 as a result of the consolidation of PrestiNuova spa, which became part of the Group in July and operates in the assignment of a fifth of salary or pension. Advances subject to collection are up to 222 million, +5.21%. Debt securities amounted to 288 million, -14.59%, and relate to customer loan securitisations carried out by Banca della Nuova Terra spa, a subsidiary, and by Alba Leasing spa, an affiliate. The ratio of loans to customers to amounts due to customers has risen to 82.90% from 81.23%.

As already mentioned, the asset quality and the trend in non-performing loans continued to benefit from the general economic cycle. In any case, further substantial provisions have been made against impaired loans and the overall level of coverage has been increased.

Total net impaired loans - consisting of non-performing loans, unlikely-to-pay loans and past due and/or impaired overdrawn exposures - amounted to 1,948 million, -4.36%, representing 7.50% of loans and receivables with customers, compared with 7.93% at the end of 2017, as restated to reflect the negative adjustments recognised on FTA of IFRS 9. Writedowns of impaired loans come to a total of 2,270 million, representing 53.82% of the gross amount, compared with 51.79%. The table provides an overview of impaired and performing loans, with comparative amounts at 31 December 2017, as restated to reflect adjustments recognised on FTA of IFRS 9.

Net non-performing loans, after write-downs, total 794 million, +6.30%, come to 3.06% of total customer loans compared with 2.90% at 31 December 2017.

To cover estimated losses on non-performing loans, adjustments rose to 1,734 million, +11.54% compared with the comparative figure, providing coverage of 68.61%, compared with 67.57%. The level of coverage reflects our prudent provisioning policy and positions the Group among those with the highest level of coverage in Italy.

Considering the amounts written off in prior years against non-performing loans that are still on the books in the hope of future recoveries, the coverage of such loans amounts to 77.06%.

Unlikely to pay loans are credit exposures, other than non-performing loans, for which it is deemed improbable that the obligor will pay its credit obligations in full without recourse to measures such as the enforcement of guarantees. They have come in at 1,038 million, -10.14%, or 4% of total loans and receivables with customers, compared with 4.50%, while the related adjustments amount to 523 million, -14.72%, with a level of coverage of 33.50% compared with 34.67%.

LOANS TO CUSTOMERS

(in thousands of euro)	30-09-2018	%	01-01-2018	%	% Change
Current accounts	4,170,347	16.07	4,358,569	16.96	-4.32%
Foreign currency loans	689,263	2.66	894,508	3.48	-22.95%
Advances	651,824	2.51	449,264	1.75	45.09%
Advances subject to collection	221,582	0.85	210,606	0.82	5.21%
Discounted portfolio	20,601	0.08	17,376	0.07	18.56%
Artisan loans	58,507	0.23	47,743	0.19	22.55%
Agricultural loans	23,094	0.09	23,746	0.09	-2.75%
Personal loans	495,795	1.91	239,096	0.93	107.36%
Other unsecured loans	5,212,358	20.06	5,364,321	20.89	-2.83%
Mortgage loans	9,842,312	37.92	9,508,459	37.00	3.51%
Non-performing loans	793,430	3.06	746,407	2.90	6.30%
Repo transactions	1,504,581	5.80	1,221,596	4.75	23.17%
Factoring	1,985,450	7.65	2,276,836	8.86	-12.80%
Fixed-yield securities	288,299	1.11	337,534	1.31	-14.59%
Total	**25,957,443**	**100.00**	**25,696,061**	**100.00**	**1.02%**

Past due exposures and/or impaired overdrawn accounts, other than non-performing loans or unlikely-to-pay loans, which, at the reporting date, have remained unpaid and/or overdrawn for more than 90 continuous days and which exceed a set materiality threshold, amount to 116 million, -13.90%, with a coverage of 9.54%, and represent 0.45% of the total compared with 0.53% at the end of 2017.

Performing loans amounted to 24,010 million, +1.48%, with writedowns of 124 million, corresponding to 0.51% of them, compared with 0.54%.

Total adjustments come to 2,394 million, +3.36%.

LOANS TO CUSTOMERS - IMPAIRED AND PERFORMING LOANS

(in thousands of euro)		30-09-2018	01-01-2018	(+/-)	% Change
Impaired loans	Gross exposure	4,217,546	4,224,890	-7,344	-0.17%
	Adjustments	2,269,677	2,188,132	81,545	3.73%
	Net exposure	**1,947,869**	**2,036,758**	**-88,889**	**-4.36%**
– Non-performing loans	Gross exposure	2,527,912	2,301,388	226,524	9.84%
	Adjustments	1,734,482	1,554,981	179,501	11.54%
	Net exposure	**793,430**	**746,407**	**47,023**	**6.30%**
– Unlikely-to-pay loans	Gross exposure	1,561,151	1,768,596	-207,445	-11.73%
	Adjustments	522,934	613,228	-90,294	-14.72%
	Net exposure	**1,038,217**	**1,155,368**	**-117,151**	**-10.14%**
– Past due and/or impaired overdrawn exposures	Gross exposure	128,483	154,906	-26,423	-17.06%
	Adjustments	12,261	19,923	-7,662	-38.46%
	Net exposure	**116,222**	**134,983**	**-18,761**	**-13.90%**
Performing loans	Gross exposure	24,133,915	23,787,359	346,556	1.46%
	Adjustments	124,343	128,056	-3,713	-2.90%
	Net exposure	**24,009,572**	**23,659,303**	**350,269**	**1.48%**
Total loans and receivables with customers	Gross exposure	28,351,463	28,012,249	339,214	1.21%
	Adjustments	2,394,020	2,316,188	77,832	3.36%
	Net exposure	**25,957,443**	**25,696,061**	**261,382**	**1.02%**

TREASURY AND TRADING OPERATIONS

Volatility on financial markets increased steadily in the third quarter of the year. Among the causes, the growing uncertainties related to international trade, also due to the tariffs applied or threatened by the American administration, and fears for the situation of certain emerging countries exposed to the rising cost of financing their foreign deficit. As far as Italy is concerned, towards the end of September there was a significant widening of the yield differential between Italian and German government securities. This is due to concerns about Italy's public finance policy.

The liquidity present in the system remained abundant thanks to the ECB's expansive interventions, both through the long-term refinancing auctions (T-LTRO II) carried out in previous years and continuing purchases of government securities, albeit at lower levels.

At 30 September 2018, interbank borrowing, net of the Group's securities portfolio, amounted to 5,276 million, up by 992 million from 4,284 million at the end of 2017.

At 30 September 2018, there were two TLTRO II transactions outstanding with the ECB, totalling 4,600 million, the first one was stipulated for 1,100 million on 23 June 2016 and maturing on 24 June 2020, with an early redemption option from 27 June 2018. The second was stipulated in March

2017, for 3,500 million in order to take part in the last operation aimed at refinancing the TLTRO II programme by the ECB with maturity on 24 March 2021, with the target of stimulating the real economy, guaranteeing further liquidity to the banking system.

Net of the aforementioned operations, arranged by the Parent Company with the ECB totalling 4,600 million, net interbank borrowing would have been 676 million. The Group remained highly liquid throughout the first nine months of the year, having drawn on the refinancing operations referred to above and thanks to direct funding from customers far in excess of the loans to customers. Treasury activity remained intensive throughout the period, albeit with a significant decrease in volumes, with a preference for lending transactions over funding transactions.

The exposure to liquidity risk is monitored both in the short term, taking a three-month view every day, and over the long term with a monthly check.

The latest available short and medium to long term liquidity indicators, respectively the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) came in well over the minimum requirements. In addition, the Group can always rely on a substantial portfolio of assets eligible for refinancing which, net of haircuts, amounts to 12,446 million, down by 0.94% on the end of 2017, of which 7,358 million available and 5,088 million committed.

Following the entry into force of IFRS 9 on financial instruments, the Group has applied the new requirements from 1 January 2018. The decisions taken have not led to any significant reclassifications in the composition of the portfolio of financial instruments based on their accounting categories. The bulk of the portfolio measured at amortised cost continues to be accounted for in this way, whereas a marginal portion of financial instruments («Held to maturity» and «Loans and receivables») has been subjected to a change in accounting treatment, from amortised cost to «fair value through profit or loss».

More specifically, the mutual funds, closed-end funds and open-end funds, if not «held for trading», have been reclassified as financial assets that have to be measured at fair value through profit or loss, also as a result of in-depth analyses and accounting interpretations made at national and international level.

Within the securities portfolio, the debt instruments previously classified as «held to maturity» have been traced back to the portfolio of financial assets valued at amortised cost, with the exception of those securities which, not passing the SPPI test, have been traced back to the portfolio of financial assets that have to be measured at fair value through profit or loss.

Debt securities previously classified as «available for sale» have been transferred to the «held to collect and sell» business model and included in the portfolio of financial assets measured at fair value through other comprehensive income, except for certain bonds that are included in the portfolio measured at amortised cost.

The portfolio of financial assets measured at fair value through other comprehensive income also includes the majority of debt securities previously classified in the «held-for-trading» portfolio, again subject to passing the SPPI test. For most of the variable-yield securities already classified in the AFS portfolio, the «Fair Value OCI Option» was chosen.

Held-for-trading financial assets include debt securities denominated in foreign currencies, as well as variable-yield securities and mutual funds held for trading.

The portfolio of financial assets measured at fair value according to IAS 39 was entirely reclassified, given that the new standard limits the cases and possibilities for exercising the «Fair Value Option», it was decided not to exercise it for now.

The portfolio of financial assets that have to be measured at fair value through profit or loss includes some securitisations, in addition to the financial assets already mentioned previously and the debt instruments that have not passed the SPPI test.

For further details, see the consolidated interim financial report at 30 June 2018, which provides a reconciliation between the balance sheet at 31 December 2017 (in accordance of IAS 39) and the new balance sheet items (as per IFRS 9) accompanied by explanatory notes.

Total financial assets consisting of securities held in portfolio amounted to 11,404 million at 30 September 2018, down by 4.11% compared with the balance of 11,893 million at the end of 2017 and -4.08% on the same amount restated to reflect adjustments and reclassifications made on FTA of IFRS 9.

Overall, the portfolio featured by a moderate increase in the first two quarters, after the substantial increases seen in 2017, whereas in the third quarter disposals prevailed over purchases.

No transfers of financial assets between portfolios were made during the period. The following table summarises the amounts contained in the individual portfolios.

The composition of the portfolio remains dominated by government securities, with a duration of about three years and six months, down on the end of 2017.

FINANCIAL ASSETS (DEBT SECURITIES, VARIABLE-YIELD SECURITIES, MUTUAL FUNDS AND DERIVATIVES) BY PORTFOLIO

(in thousands of euro)	**30-09-2018**	**01-01-2018**	Change %
Financial assets held for trading	269,668	372,590	-27.62
of which, derivatives	*35,053*	*97,983*	*-64.23*
Other financial assets mandatorily measured at fair value	363,411	390,209	-6.87
Financial assets measured at fair value through other comprehensive income	4,898,282	6,886,971	-28.88
Financial assets measured at amortised cost	5,872,717	4,239,671	38.52
Total	**11,404,078**	**11,889,441**	**-4.08**

There are no longer any assets designated at fair value following the decisions made regarding the recomposition of the securities portfolio at the time of FTA.

Financial assets held for trading

Financial assets held for trading, which had already decreased significantly in 2017 compared with 2016 (-32.20%) due to reformulation of the portfolios, have again decreased. Following the reclassifications made on the FTA of IFRS 9, the portfolio fell from 691 million at 31 December 2017 to 373 million. During the period under review, it decreased further as a result of disposals, falling to 270 million, but also including government bonds and bank bonds as a result of purchases.

The following table shows the composition of this portfolio.

(in thousands of euro)	30-09-2018	01-01-2018	% Change
Floating-rate Italian government securities	52,963	–	–
Fixed-rate Italian government securities	57,770	–	–
Foreign government securities designated in foreign currencies	–	83,232	–
Bank bonds	11,032	–	–
Bonds of other issuers	2,006	–	–
Variable-yield securities	93,961	151,870	–38.13
Mutual funds	16,883	39,505	–57.26
Net book value of derivative contracts	35,053	97,983	–64.23
Total	**269,668**	**372,590**	**–27.62**

Other financial assets mandatorily measured at fair value

Other financial assets mandatorily measured at fair value include the financial assets shown below, as decided by management or because they consist of assets that did not pass the SPPI test.

They amount to 363 million, compared with 390 million, a decrease of 6.87%.

The following table shows the composition thereof, a feature of which is the prevalence of mutual funds.

(in thousands of euro)	30-09-2018	01-01-2018	% Change
Bank bonds	10,235	49,790	–79.44
Other bonds	31,853	54,100	–41.12
Variable-yield securities	–	820	–
Mutual funds in euro	297,818	262,215	13.58
Mutual funds in foreign currency (USD)	23,505	23,284	0.95
Total	**363,411**	**390,209**	**–6.87**

Financial assets measured at fair value trough other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income (line item 30) amounted to 4,898 million compared with 6,887 million at the end of 2017 after FTA of IFRS 9, -28.88%. Included in this portfolio are fixed-yield securities, consisting mostly of government bonds, which were previously classified in the portfolio of «Available for sale financial assets».

This portfolio, which under IFRS 9 corresponds to «Held to collect and sell», includes fixed-yield securities that give rise to cash flows that are solely payments of principal and interest and that are held for treasury management purposes, or for sale. The decrease is the result of significant sales of fixed-rate Italian government securities.

Financial assets measured at fair value through other comprehensive income include Italian government bonds for a total of 3,967 million, -27.31% in the period; foreign government bonds amounting to 272 million, -65.33%; bank bonds amounting to 479 million, +2.73%; bonds of other issuers amounting to 76 million, -2.74%; equities amounting to 104 million, +4%.

(in thousands of euro)	30-09-2018	01-01-2018	% Change
Floating-rate Italian government securities	580,388	788,044	–26.35
Fixed-rate Italian government securities	3,386,554	4,669,642	–27.48
Foreign government securities	271,981	784,532	–65.33
Bank bonds	478,678	465,939	2.73
Other bonds	76,307	78,458	–2.74
Variable-yield securities	104,374	100,356	4.00
Total	**4,898,282**	**6,886,971**	**–28.88**

Financial assets measured at amortised cost

Securities measured at amortised cost form part of the «Financial assets measured at amortised cost» that include loans and receivables with banks and customers, consisting of securities and loans classified as held to collect (HTC) under IFRS 9. The balance consists almost entirely of loans and receivables with customers (5,852 million) with just a small amount of loans and receivables with banks (21 million).

These consist of Italian government bonds, mainly fixed-rate, for 4,384 million. They include foreign bonds of 1,420 million, other bonds of 48 million and bank bonds of 21 million. They total 5,873 million, compared with 4,240 million at the end of 2017 after FTA of IFRS 9, with an increase of 38.52%.

The following table shows the composition of this portfolio.

(in thousands of euro)	30-09-2018	01-01-2018	% Change
LOANS AND RECEIVABLES WITH BANKS	**20,902**	**6,829**	**206.08**
Italian bank bonds	5,952	6,829	–12.84
Foreign bank bonds	14,950	–	–
LOANS AND RECEIVABLES WITH CUSTOMERS	**5,851,815**	**4,232,842**	**38.25**
Floating-rate Italian government securities	811,317	400,624	102.51
Fixed-rate Italian government securities	3,572,628	2,804,936	27.37
Foreign government securities	1,419,966	980,398	44.84
Other bonds	47,904	46,884	2.18
Total	**5,872,717**	**4,239,671**	**38.52**

ASSET MANAGEMENT

The difficulties that had already emerged in the second quarter of 2018 continued to be seen on domestic financial markets during the summer, because of operators' mistrust of the government's economic policy guidelines.

Because of the rise in interest rates, there has been a gradual disaffection with products with predominantly bond content, in favour of equity-based and flexible products.

Our Group has been able to contain the negative effects of this difficult context, helped by the wide diversification of our commercial products and services on offer.

At the end of September, the Group various forms of asset management amounted to 5,633 million, +3.58% on December 2017.

INFORMATION ON EXPOSURE TO SOVEREIGN DEBT

CONSOB with communication no. DEM/11070007 of 05/08/2011, and more recently with communication of 31/10/2018, invited listed companies to provide in the financial statements information on exposures to sovereign debtors, i.e. bonds issued by central and local governments, government agencies and any loans made to them.

In this regard we communicate that the overall exposure of the Group as at 30 September 2018 amounted to € 10,789 million and was structured as follows::

a) Loans and securities to public administrations: 10,194 million.

b) Loans and securities to local administrations; 2 million;

c) Loans and securities to state-owned or local government-owned enterprises: 491million;

d) Loans and securities to other public administrations and miscellaneous entities: 102 million.

Note that the exposure to sovereign debtors consists mainly of Italian government securities held by the Parent Company.

EQUITY INVESTMENTS

Equity investments are slightly down, going from 218 million to 216 million. The change derives from the effect of their valuation at equity and from the acquisition of the interest in Rent2Go srl for 1.8 million.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets total 360 million, +2.43%. The former totalled 322 million, -1.80%, the second category amounted to 38 million, +60.85% and includes goodwill of 21.643 million. The increase of 13.796 million is linked to the acquisition of PrestiNuova spa. On 23 July, the Parent Company acquired 100% of this company, which operates in the granting of loans repayable by assigning a fifth of one's salary or pension. The acquisition took place on payment of a consideration of 53.370 million. The company's equity on acquisition amounted to 39.574 million with a difference of 13.796 million. This amount has been recorded in intangible assets as provisional goodwill in accordance with IFRS 3. In application of the purchase method, the allocation of the identifiable assets and liabilities acquired will take place with reference to the acquisition date. The difference between the acquisition price and the fair value of the assets and liabilities has to be recognised as goodwill and allocated to the CGU concerned. The difference between the acquisition price and the fair value of the assets and liabilities is particularly significant, but only the residual portion of the cost that cannot be allocated to specific assets or liabilities will be recognised as goodwill. For this reason, the standard makes it possible to book goodwill on a provisional basis by the end of the year in which the combination takes place. A definitive value then has to be booked within 12 months of the acquisition date. In light of the above, as the fair value measurement activities are currently in progress, the Parent Company has provisionally recognised the amount of Euro 13.796 milion (i.e. the difference between the price paid and the net book value at the acquisition date) with the right to finalise the fair value of the assets and liabilities within 12 months of the acquisition date.

Goodwill booked in the financial statements is subjected to annual impairment testing to check for any loss of value. The most recent test was performed when preparing the consolidated financial statements at 31 December 2017 and it was not deemed necessary to repeat it.

PROVISIONS

These comprise employee severance indemnities of 44.300 million, -2.62%, and the provisions for risks and charges totalling 246.157 million, +5% compared with the figure at the end of 2017, which has been restated on a comparable basis.

HUMAN RESOURCES

At 30 September 2018 the Banking group had 3,255 employees with an increase of 59 compared with 3,196 on the end of 2017, to whom should be added 29 employees of the subsidiary Pirovano Stelvio spa, of whom 26 are hired as seasonal workers.

EQUITY

Consolidated shareholders' equity at 30 September 2018, inclusive of valuation reserves and the profit for the period of 78.434 million, amounts to 2,580.233 million.

Following the entry into force of IFRS 9 on 1 January 2018, equity at 31 December 2017, which amounted to 2,678.920 million, was adjusted on the FTA of IFRS 9 via the recognition of a negative FTA reserve of 45.118 million. Accordingly, on a comparable basis, equity decreased in the period January-September 2018 by 53.569 million.

The Parent Company's share capital, which consists of 453,385,777 ordinary shares without par value, amounts to 1,360.157 million, unchanged with respect to the comparative period.

The share premium reserve remained unchanged at 79.005 million, whereas the line item Treasury Shares rose slightly to 25.388 million.

Reserves increased to 1,159.282 million; the increase is mostly attributable to the significant share of the 2017 profit that was retained, together with the negative reserve of 52.876 million recognised on FTA of IFRS 9, net of the provisional tax effect.

The valuation reserves, representing the net unrealised gains and losses recorded on financial assets measured at fair value through other comprehensive income and the net actuarial gains and losses on the defined benefit plans arranged for employees, have a negative net balance of 71.257 million compared with a positive balance of 28.478 million at the end of 2017. It was negatively impacted by the trend in government bond prices, more so in the third quarter, due to the resurgence in Italy's sovereign risk and the resulting increase in interest rates. A positive effect of 7.758 million was also recorded on FTA of IFRS 9.

As regards capital adequacy, as of 1 January 2014 new harmonised rules for banks and investment firms came into force pursuant to Regulation (EU) no. 575/2013 (CRR) and EU Directive 2013/36 (CRD IV). Based on this, Bank of Italy Circular 285/13 introduced new limits for capital ratios that, when fully implemented (January 2019), will be 7% for the CET1 Ratio, 8.50% for the Tier 1 Capital Ratio and 10.50% for the Total Capital Ratio. These ratios are expected to be lower in 2018, which is still part of the transition phase. Using the information gathered during the prudential review and assessment process, the ECB has the authority to set customised capital and/or liquidity coefficients for each intermediary subject to EU supervision. In this regard, the Parent Company was informed of the decision made on 28 November 2017 by the Supervisory Board regarding the new minimum coefficients applicable from 28 January for 2018.

The new minimum capital ratios to be met by the Banking Group are indicated below:

– a minimum requirement of Common Equity Tier 1 ratio of 8.375%, calculated as the sum of the First Pillar regulatory minimum requirement

(4.50%), the Capital Conservation Buffer (1.875%), and an additional Second Pillar requirement (2%);

– Total Capital ratio of 11.875%, being the sum of the Pillar 1 regulatory minimum (8%), the Capital Conservation Buffer (1.875%) and an additional Pillar 2 requirement (2%).

While the first two additions are specified by the prudential regulations and are identical for all banks in a given country, the third is determined by the ECB based on the actual degree of risk faced by the individual bank.

A «Pillar 2 Guidance», which aims to offer a guideline to the prospective evolution of the Group's capital, is added to the two ratios. The latter parameter assumes a confidential nature and, unlike the two minimum requirements, is not publicly announced, as it is an element which, also according to the ECB's approach, is not relevant for the calculation of distributable dividends.

Consolidated own funds for supervisory purposes, including the share of profit for the period, amount to 2,930 million at 30 September 2018. Risk-weighted assets totalled 21,837 million.

Set out below are the Group's adequacy requirements at 30 September 2018 and the minimum requirements for the current year required by the EBC:

	Group's capital ratios	Minimum capital ratio requirement
CET 1 Ratio	11.71%	8.375%
Tier 1 Capital ratio	11.75%	8.375%
Total Capital ratio	13.42%	11.875%

The implementation of these new requirements and the reclassification of financial instruments have given rise to the recognition of a consolidated negative equity reserve of 45.118 million, net of the tax effect and with an impact on the CET 1 ratio of approximately 29 basis points.

In the interests of full disclosure, the Group decided to take advantage of EU Regulation 2017/2395, which granted supervised intermediaries the possibility to include, temporarily, in the calculation of their class 1 primary capital an additional amount aimed at «neutralising» the effects the higher accounting provisions caused by immediate adoption of the new standard. This additional amount will be applied to CET1 capital at a decreasing percentage each year, from 95% in 2018 to 25% in 2022, until it is completely eliminated in 2023. The expected impact on capital ratios calculated under the transitional (or «phased in») rules is therefore more limited.

The leverage ratio at 30 September 2018, taking account of the attributable portion of profit in Tier 1 and applying the phased in transitional criteria in force for 2018, comes to 5.62% and to 5.56% fully phased.

The Texas ratio is 76.63%.

The following ratios of capital (and reserves, including profit for the period) to the principal balance sheet aggregates are shown with comparative figures at 31 December 2017:

– *capital/direct funding from customers*
  8.24% v. 8.47%

– capital/customer loans
  9.94% v. 10.40%

– capital/financial assets
  22.62% v. 22.52%

– capital/total assets
  6.19% v. 6.44%

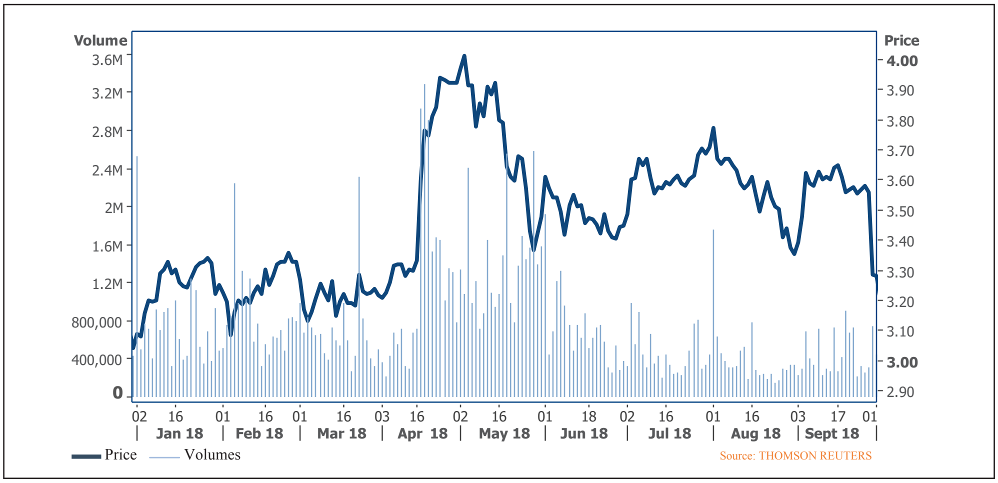
– net non-performing loans/capital
  30.75% v. 29.10%

BPS STOCK

The BPS stock is listed on the Screen-Traded Market (MTA) operated by Borsa Italiana and is a component of the FTSE Italia All Share Index. The shares closed the first nine months of 2018 with a performance of +7.95%, posting a reference price at 28 September 2018 of 3.286 euro, compared with 3.044 Euros at the end of 2017. The general FTSE Italia All-Share index recorded a decrease in the period of 5.27% and the FTSE Italia All-Share Banks sector index declined by 15.20%.

The average daily volume of securities traded on the MTA market of Borsa Italiana in the first nine months of the year was 765 thousand,

BANCA POPOLARE DI SONDRIO stock - MTA segment of Borsa Italiana



compared with 692 thousand in the same period of 2017.

The Parent Company holds 3,650,000 treasury shares, which is unchanged since the end of 2017 and with respect to one year ago. There are also 19,953 shares held by Banca Popolare di Sondrio (SUISSE) SA under the share-based compensation plan foreseen in the Group Remuneration Policies. A total of 25.322 million has been drawn from the reserve for the purchase of treasury shares in the Parent Company, out of the 30,000,000 euro available.

The shareholder base at 30 September 2018 consists of 172,774 members, a decrease of 2,773 members compared with the end of 2017.

Applications for admission as a member received during the period were examined by the Board of Directors in accordance with the law and the articles of association (as per art. 2528, last para., of the Italian Civil Code). In particular, art. 9 of the articles of association states that: «the Board of Directors decides on applications for admission as a member by adopting a suitably-reasoned resolution, having regard for the interests of the bank, the spirit of the cooperative movement and the requirements of the articles of association», taking into account the guidelines laid down by the Board.

RATINGS

The solvency of the Banca Popolare di Sondrio Banking Group, as shown is greater detail in the following tables, has been assessed by the rating agencies Fitch Ratings and Dagong Europe Credit Rating.

These ratings, unchanged with respect to those of last year, refer to the date of the update of the assessments by Dagong Europe Credit Rating on 7 February 2018 and to the periodic review by Fitch Ratings on 13 June 2018.

FITCH RATINGS – issued on 13 June 2018

	RATING
LONG-TERM	
It is a measure of the probability of default and reflects the bank's ability to repay medium/long-term loans. It is expressed on a scale from AAA to D, for a total of 11 levels.	**BBB-**
SHORT – TERM	
It measures the ability of the organisation to which the rating is assigned to meet payments due in the short term, i.e. within the next 13 months. The scale includes seven levels (F1, F2, F3, B, C, RD and D).	**F3**
VIABILITY RATING	
It aims to assess what the bank's situation would be if it were completely independent and could not rely on external support. It is expressed on a scale from aaa to d, for a total of 11 levels.	**bbb-**
SUPPORT	
It reflects Fitch's assessment of the probability that an external body would provide support to the bank, if it needed it. The scale has five levels from 1 (best) to 5 (worst).	**5**

SUPPORT RATING FLOOR It reflects Fitch's assessment of the minimum level below which it will not lower the long-term rating of the issuer in the event that it found itself in financial difficulty, given the propensity of potential supporters (government or institutional owner) to help the bank in such circumstances. The scale of values associated with this assessment reflects that of a long-term rating. A further possible score, represented by «No Floor» (NF), indicates that according to Fitch it is unlikely that aid could come from an external source (probability of support lower than 40%).	**No Floor**
OUTLOOK It is a prospective evaluation regarding possible changes in the long-term rating over a period of 1-2 years. It can be «positive», «stable» or «negative».	**Stable**

DAGONG EUROPE CREDIT RATING – issued on 7 February 2018

	RATING
LONG – TERM It is a measure of the probability of default and reflects the bank's ability to meet its financial obligations. It is expressed on a scale from AAA to D, for a total of 10 levels.	**BBB**
SHORT – TERM It measures the ability of the organisation to which the rating is assigned to meet payments due in the short-term. The scale includes six levels (A-1, A-2, A-3, B, C and D).	**A-3**
INDIVIDUAL FINANCIAL STRENGTH ASSESSMENT It aims to assess what the bank's situation would be if it were completely independent and could not rely on external support. It is expressed on a scale from aaa to d, for a total of 10 levels.	**bbb**
OUTLOOK It is a prospective evaluation regarding possible changes in the long-term rating over a period of 1-2 years. It can be «positive», «stable» or «negative».	**Stable**

RECONCILIATION OF THE EQUITY AND PROFIT FOR THE PERIOD REPORTED BY THE PARENT COMPANY WITH THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles «profit for the period» and «equity» as shown in the Parent Company's financial statements and the equivalent figures in the consolidated financial statements

	Equity	of which: Profit of the period
Equity of the Parent Company as of 30/09/2018	2,305,606	61,394
Consolidation adjustments	-16,569	-16,569
Difference with respect to carrying values of equity investments in:		
– companies consolidated on a line-by-line basis	247,409	19,623
– companies valued using the equity method	43,787	13,986
Balance as of 30/09/2018, as reported in the consolidated financial statements	**2,580,233**	**78,434**

INCOME STATEMENT

The economic growth recorded in the euro area in the first half of the year also continued during the period under review, albeit at a slower pace. Italy in particular saw a marked slowdown, while uncertainties about the public finances caused volatility in financial markets. After the first signs of trouble in June, the situation became more tense at the end of September, with a significant increase in the spread between Italian government bonds and German Bunds, with heavy repercussions on prices of the former.

In this difficult context, our Group was able to contain the negative consequences on the result for the period, which came in at 78.434 million, 30.18% down on 112.341 million in the first nine months of 2017.

With respect to the comments provided on the various income statement items and the changes in them that have been impacted by the entry into force of IFRS 9 and IFRS 15, it should be borne in mind that the amounts for the period ended 30 September 2017 have not been made comparable. However, if the amounts involved are significant, reclassifications have been made.

Looking at the various components, it is worth noting how net interest income has slightly improved. Although declining, interest payable to customers was not sufficient to offset the decrease in interest receivable from customers and, consequently, the interest spread has also fallen slightly, but this was met with an increased return on financial assets. The income statement, in fact, benefited from the negative interest accrued on the funds received from the ECB as part of TLTRO II, which was not accounted for last year as it was not yet certain that it was due. On the other hand, continuation of the ECB's policy of buying securities, which is expected to continue in the coming months, albeit at a slower pace, and targeted longer-term refinancing operations have kept interest rates at all-time lows. Government bond yields suffered for most of the period under review, before rising due to the tensions in financial markets. Lastly, reduced margins continued to be applied to loans granted to businesses and individuals due to increased competition among banks. Net interest income therefore came in at 371.543 million, compared with 357.608 million, +3.90%.

The new rules for the recognition of interest accrued on impaired financial assets included in stage 3 have had a limited impact on net interest income.

Net fee and commission income has shown a positive trend, coming in at 228.017 million, +2.90%, due, in particular, to the positive trend in fees and commissions on the sale of asset management and insurance products, as well as those related to current accounts, loans and collections and payments. On the other hand, there has been a decline in commission income on guarantees given.

Dividends totalling 3.992 million were collected, compared with 5.043 million.

The results of financial activities, relating to the securities portfolio and currency and derivative transactions and loans and receivable measured at fair value (the sum of the line items 80, 90, 100 and 110 of the income statement), amounted to 16.628 million -79.32% from 80.404 million, especially due to the lower contribution of trading and selling activities. The favourable result from securities trading in 2017 was possible due to the realisation of previously unrealised gains.

Analysing the individual portfolios, the trading one showed a result of 21.749 million, with a decrease of 58.79%, mainly due to the negative imbalance between writedowns and valuations of securities. Gains on sale amounted to 8.048 million, of which those from financial assets measured at amortised cost came to 2.240 million and gains from financial assets measured at fair value through other comprehensive income to 5.849 million, whereas a loss was recognised on financial liabilities of 0.041 million. Lastly, the result from hedging activities resulted in a net loss of 5 thousand euro. The net loss on other financial assets measured at fair value through profit or loss amounted to 13.164 million compared to a gain of 7.966 million.

Income from banking activities therefore fell to 620.180 million, compared with 664.637 million, -6.69%.

Within this aggregate, the weighting of net interest income was 59.91% compared with 53.81%.

The economic situation has reflected favourably on the trend in impaired loans, which is decelerating, and in the related adjustments. This has also benefited our Group, which on the one hand has made significant investments in instruments and resources to strengthen the processes of credit management and monitoring, while continuing to assess exposures to customers according to the existing rigorous policies.

Net adjustments for credit risk (income statement line item 130) amounted to 147.951 million, compared with 161.002 million, -8.11%. Net adjustments for credit risk relating to financial assets measured at amortised cost, consisting of exposures to customers and banks in the form of loans and securities, amounted to 151.867. This figure, if compared with the prior year balance of loans to customers, despite not being comparable due to differences in recognition methods between IFRS 9 and IAS 39, highlights an increase in adjustments, as the new impairment model for loans measured at amortised cost and the approach for the computation of adjustments are both more conservative under the new accounting regime. The widespread improvement in the quality of the portfolio was penalised by substantial adjustments that affected just a few positions relating to large customers. Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income consisted of reversals of 3.916 million relating to fixed-yield securities, while in the comparative period, impairment adjustments to available for sale financial assets amounted to 31.871 million, of which 26.022 million related to writedowns of units in Fondo Atlante.

The ratio of net adjustments to loans to customers to total loans to customers, which also takes into account adjustments to loans to customers valued at fair value, also known as the cost of credit, has improved strongly to 0.83% from 0.90% at 31 December 2017.

Line item 140, which is used for the recognition of gains/losses on

SUMMARY CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	30/09/2018	30/09/2017	(+/-)	% Change
Net interest income	371,543	357,608	13,935	3.90
Dividends	3,992	5,043	-1,051	-20.84
Net fee and commission income	228,017	221,582	6,435	2.90
Results of financial activities	16,628	80,404	-63,776	-79.32
Total income	**620,180**	**664,637**	**-44,457**	**-6.69**
Net adjustments to loans and financial assets	-147,951	-161,002	13,051	-8.11
Gains/losses on contractual amendments not resulting in derecognition	-684	–	–	–
Net financial income	**471,545**	**503,635**	**-32,090**	**-6.37**
Personnel costs	-176,778	-176,185	-593	0.34
Other administrative expenses	-214,955	-199,741	-15,214	7.62
Other operating income/expense	45,487	46,580	-1,093	-2.35
Net accruals to provisions for risks and charges	-7,992	4,233	-12,225	–
Adjustments to property, equipment and investment property and intangible assets	-24,121	-24,606	485	-1.97
Operating costs	**-378,359**	**-349,719**	**-28,640**	**8.19**
Operating profit (loss)	**93,186**	**153,916**	**-60,730**	**-39.46**
Net gains (losses) on equity investments and other investments	14,444	14,880	-436	-2.93
Profit (loss) before tax	**107,630**	**168,796**	**-61,166**	**-36.24**
Income taxes	-26,670	-50,593	23,923	-47.29
Profit (loss)	**80,960**	**118,203**	**-37,243**	**-31.51**
Profit pertaining to minority interests	-2,526	-5,862	3,336	-56.91
Profit attributable to the Parent Company	**78,434**	**112,341**	**-33,907**	**-30.18**

Notes: The result of financial activities is made up of the sum of items 80-90-100 and 110 in the income statement. Personnel expenses and other operating income have been reclassified, netting them off against the proceeds of the post-employment benefits fund of € 3,220 million.

contractual amendments not resulting in derecognition, arising from modifications to contractual cash flows, reported a loss for the period just ended of 0.684 million.

This leads to net financial income of 471.545 million, compared with 503.635 million (-6.37%).

Operating costs came to 378.359 million, +8.19%, an increase that is partly for physiological reasons, but which also suffers from a strong increase in contributions to the guarantee institutions for the stability of the banking system; in addition, there was the accrual to net provisions for risks and charges for commitments and guarantees issued, which were allocated to item 130 of the income statement in previous accounting schedules. The ratio of operating costs/income from banking activities, known as the «cost income ratio», is 61.01% compared with 50% at the end of 2017 and 52.62% at 30 September 2017.

Analysing each item, after reclassifying the deferral of income earned by the fund for post-employment benefits, administrative expenses were 4.2% higher at 391.733 million; personnel expenses have remained stable at 176.778 million, +0.34%, representing 45.13% of the total. In turn, other administrative expenses went from 199.741 million to 214.955 million, +7.62%, the increase is largely attributable to paid or estimated charges related to ordinary contributions to pay to National Resolution Fund and the Interbank Deposit Protection Fund of 25.924 million compared with 16.323 million of the comparison period. The recurring increases in consulting fees, in searches and information, property and furniture maintenance, as well as IT costs relating to constantly changing regulations also had an impact.

As mentioned above, net accruals to provisions for risks and charges showed net accruals of 7.992 million, compared with a release of 4.233 million. This now includes provisions for credit risk relating to commitments and guarantees given (which had previously been allocated to income statement line item 130).

Depreciation and amortisation amounted to 24.121 million, -1.97%.

Other operating income, net of charges, comes to 45.487 million, a reduction of 2.35%.

The operating profit therefore came to 93.186 million, -39.46%.

Net profits on equity and other investments amounted to 14.444 million, compared with 14.880 million, -2.93%.

Profit before income taxes therefore totalled 107.630 million, -36.24%.

After deducting income taxes of 26.670 million, -47.29%, and the non-controlling interest of 2.526 million, the profit for the year comes to 78.434 million, -30.18%.

The effective tax rate, i.e. the ratio between income taxes and the result of current operations, is 24.78% compared with 29.97% in the comparative period.

DISTRIBUTION BY GEOGRAPHICAL AREA

The Group is active in Italy and in Switzerland, via Banca Popolare di Sondrio (SUISSE) SA.

The contribution made to the Group by this subsidiary is summarised by the following statistics: the «Suisse» holds 8.56% of direct funding from customers and 11.70% of loans and receivables with customers, as per the line item in the balance sheet, generating 6.46% of net fee and commission income and 10.91% of net interest income.

SUBSEQUENT EVENTS AND OUTLOOK FOR OPERATIONS

As announced in the press release of 30 October, to which reference should be made, the Parent Company has signed an agreement with Fondazione Cassa di Risparmio di Cento and Holding CR Cento S.p.A., a subsidiary of the former, for the acquisition of a majority interest in Cassa di Risparmio di Cento spa.

By order published on 26 October and as announced by the General Secretariat of Administrative Justice in a press release on the same date, the Council of State decided to formulate five different questions to the Court of Justice of the European Union regarding the legislation that regulates the transformation of cooperative banks into joint-stock companies. Pending the decision of the EU Court of Justice, the precautionary measures granted previously remain in place.

As regards the outlook for operations, despite the interruption in the expansive trend seen during the third quarter, with the consequent lowering of the estimated trend rate in GDP for our country, the economic situation remains positive.

On the other hand, the market uncertainty that arose during the second quarter has not yet been reabsorbed, making the prospects of short-term profitability more uncertain for all financial operators.

As far as our Banking Group is concerned, we expect the current year to end with a positive return on capital, thanks above all to the resilience shown up to now by the results of the core banking activity, namely net interest income and net fee and commission income from services.

This, of course, without forgetting the possibility - currently unforeseeable - of further turbulence on financial markets, which could in turn affect the result of securities trading.

Sondrio, 12 November 2018

THE BOARD OF DIRECTORS

Certification of the Manager responsible for preparing the company's accounting documents

The Manager responsible for preparing the company's accounting documents, Maurizio Bertoletti, certifies pursuant to art. 154 bis, para. 2, of the Consolidated Finance Law, that the accounting information contained in this consolidated interim report for the period ended 30 September 2018 agrees with the underlying documents, registers and accounting entries.

The Financial Reporting Officer
Maurizio Bertoletti

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AT 30 SEPTEMBER 2018

PRESENTATION OF COMPARATIVE AMOUNTS

The Group has exercised its right not to recalculate the comparative amounts on a like-for-like basis in the first year of application of IFRS9; this means that the 2017 figures are not fully comparable, as they were calculated according to IAS 39.

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

	ASSET ITEMS		30-09-2018		31-12-2017
10.	CASH AND CASH EQUIVALENTS		**1,749,259**		**699,379**
20.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS		**868,698**		**895,330**
	a) Financial assets held for trading	269,668		372,590	
	c) Other financial assets mandatorily measured at fair value	599,030		522,740	
30.	FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS WITH AN IMPACT ON COMPREHENSIVE INCOME		**4,898,282**		**6,886,971**
40.	FINANCIAL ASSETS VALUED AT AMORTISED COST		**32,833,568**		**31,787,014**
	a) Loans and receivables with banks	1,259,929		1,927,176	
	b) Loans and receivables with customers	31,573,639		29,859,838	
70.	EQUITY INVESTMENTS		**216,098**		**217,634**
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**321,602**		**327,490**
100.	INTANGIBLE ASSETS		**38,155**		**23,720**
	of which:				
	- goodwill	21,643		7,847	
110.	TAX ASSETS		**474,212**		**435,064**
	a) current	50,423		49,618	
	b) deferred	423,789		385,446	
130.	OTHER ASSETS		**262,080**		**352,052**
	TOTAL ASSETS		**41,661,954**		**41,624,654**

THE CHAIRMAN
Francesco Venosta

THE BOARD OF STATUTORY AUDITORS
Piergiuseppe Forni, Chairman
Laura Vitali - Luca Zoani

	EQUITY AND LIABILITY ITEMS		30-09-2018		31-12-2017
10.	FINANCIAL LIABILITIES VALUED AT AMORTISED COST		**37,848,291**		**37,839,119**
	a) Due to banks	6,536,275		6,204,835	
	b) Due to customers	28,581,061		28,800,925	
	c) Debt securities in issue	2,730,955		2,833,359	
20.	FINANCIAL LIABILITIES HELD FOR TRADING		**73,032**		**31,259**
40.	HEDGING DERIVATIVES		**17,745**		**22,468**
60.	TAX LIABILITIES		**22,758**		**38,855**
	a) current	2,219		2,705	
	b) deferred	20,539		36,150	
80.	OTHER LIABILITIES		**737,034**		**643,520**
90.	POST-EMPLOYMENT BENEFITS		**44,300**		**45,491**
100.	PROVISIONS FOR RISKS AND CHARGES		**246,157**		**234,429**
	a) commitments and guarantees given	42,788		30,152	
	b) pension and similar obligations	164,427		160,799	
	c) other provisions for risks and charges	38,942		43,478	
120.	VALUATION RESERVES		**(71,257)**		**28,478**
150.	RESERVES		**1,159,282**		**1,077,440**
160.	SHARE PREMIUM RESERVE		**79,005**		**79,005**
170.	SHARE CAPITAL		**1,360,157**		**1,360,157**
180.	TREASURY SHARES (-)		**(25,388)**		**(25,370)**
190.	MINORITY INTERESTS (+/-)		**92,404**		**90,593**
200.	PROFIT (LOSS) FOR THE PERIOD (+/-)		**78,434**		**159,210**
	TOTAL LIABILITIES AND EQUITY		**41,661,954**		**41,624,654**

THE MANAGING DIRECTOR AND GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	ITEMS		30-09-2018		30-09-2017
10.	INTEREST AND SIMILAR INCOME		458,199		463,602
20.	INTEREST AND SIMILAR EXPENSE		(86,656)		(105,994)
30.	**NET INTEREST INCOME**		**371,543**		**357,608**
40.	FEE AND COMMISSION INCOME		243,004		235,400
50.	FEE AND COMMISSION EXPENSE		(14,987)		(13,818)
60.	**NET FEE AND COMMISSION INCOME**		**228,017**		**221,582**
70.	DIVIDENDS AND SIMILAR INCOME		3,992		5,043
80.	NET TRADING INCOME		21,749		52,772
90.	NET HEDGING GAINS (LOSSES)		(5)		(11)
100.	GAINS/LOSSES FROM SALES OR REPURCHASES OF:		8,048		19,677
	a) financial assets valued at amortised cost	2,240		-	
	b) financial assets valued at fair value through profit or loss with an impact on comprehensive income	5,849		19,693	
	c) financial liabilities	(41)		(16)	
110.	NET GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS		(13,164)		7,966
	a) financial assets and liabilities designated at fair value	-		7,966	
	b) other financial assets mandatorily measured at fair value through profit and loss	(13,164)		-	
120.	**TOTAL INCOME**		**620,180**		**664,637**
130.	NET ADJUSTMENTS FOR CREDIT RISK RELATING TO:		(147,951)		(161,002)
	a) financial assets valued at amortised cost	(151,867)		(129,131)	
	b) financial assets valued at fair value through profit or loss with an impact on comprehensive income	3,916		(31,871)	
140.	GAINS/LOSSES ON CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION		(684)		-
150.	**NET FINANCIAL INCOME**		**471,545**		**503,635**
190.	ADMINISTRATIVE EXPENSES:		(394,953)		(383,771)
	a) personnel expenses	(179,998)		(184,030)	
	b) other administrative expense	(214,955)		(199,741)	
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		(7,992)		4,233
	a) commitments for guarantees given	(8,652)		(208)	
	b) other net provisions	660		4,441	
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(12,957)		(13,658)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(11,164)		(10,948)
230.	OTHER OPERATING INCOME/EXPENSE		48,707		54,425
240.	**OPERATING COSTS**		**(378,359)**		**(349,719)**
250.	NET GAINS (LOSSES) ON EQUITY INVESTMENTS		14,787		14,876
260.	NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS		(352)		(5)
280.	NET GAINS ON SALES OF INVESTMENTS		9		9
290.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**107,630**		**168,796**
300.	INCOME TAXES		(26,670)		(50,593)
310.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**80,960**		**118,203**
330.	**PROFIT (LOSS) FOR THE PERIOD**		**80,960**		**118,203**
340.	PROFIT (LOSS) FOR THE PERIOD OF MINORITY INTERESTS		(2,526)		(5,862)
350.	**PROFIT (LOSS) FOR THE PERIOD OF THE PARENT COMPANY**		**78,434**		**112,341**
	BASIC EPS		**0.173**		**0.248**
	DILUTED EPS		**0.173**		**0.248**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items		30/09/2018	30/09/2017
10.	Profit for the year	80,960	118,203
	Other income items net of income taxes that will not be reclassified to profit or loss		
20.	Variable-yield securities measured at fair value through other comprehensive income	2,871	5,090
70.	Defined-benefit plans	(1,191)	1,359
90.	Share of valuation reserves of equity investments valued at net equity	(56)	(1)
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
120.	Cash-flow hedges	19	–
140.	Financial assets (other than variable-yield securities) measured at fair value through other comprehensive income	(105,183)	23,775
160.	Share of valuation reserves of equity investments valued at net equity	(3,936)	(696)
170.	**Total other income items net of income taxes**	**(107,476)**	**29,527**
180.	**Comprehensive income (Items 10+170)**	**(26,516)**	**147,730**
190.	Consolidated comprehensive income attributable to minority interests	(2,541)	(5,868)
200.	**Consolidated comprehensive income attributable to the Parent Company**	**(29,057)**	**141,862**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2017	Change in opening balances	Opening balance at 1.1.2018	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes in reserves	Issue of new shares
Share capital							
a) ordinary shares	1,393,736	–	1,393,736	–	–	–	10
c) other shares	–	–	–	–	–	–	–
Share premium reserve	**83,363**	**–**	**83,363**	**–**	**–**	**–**	**–**
Reserves							
a) from earnings	1,119,099	(51,266)	1,067,833	131,267	–	7,074	–
c) other	5,186	–	5,186	–	–	–	–
Valuation reserves	**28,315**	**7,757**	**36,072**	**–**	**–**	**–**	**–**
Equity instruments							
Treasury shares	**(25,370)**	**–**	**(25,370)**	**–**	**–**	**–**	**–**
Profit for the period	**165,184**	**–**	**165,184**	**(131,267)**	**(33,917)**	**–**	**–**
Equity attributable to the group	**2,678,920**	**(45,119)**	**2,633,801**	**–**	**(31,567)**	**7,074**	**–**
Equity attributable to non-controlling interests	**90,593**	**1,610**	**92,203**	**–**	**(2,350)**	**–**	**10**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Opening balance at 31.12.2016	Change in opening balances	Opening balance at 1.1.2017	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes in reserves	Issue of new shares
Share capital							
a) ordinary shares	1,393,736	–	1,393,736	–	–	–	–
c) other shares	–	–	–	–	–	–	–
Share premium reserve	**83,363**	**–**	**83,363**	**–**	**–**	**–**	**–**
Reserves							
a) from earnings	1,073,800	–	1,073,800	72,791	–	(20,844)	–
c) other	5,186	–	5,186	–	–	–	–
Valuation reserves	**41,797**	**–**	**41,797**	**–**	**–**	**–**	**–**
Equity instruments							
Treasury shares	**(25,349)**	**–**	**(25,349)**	**–**	**–**	**–**	**–**
Profit for the period	**99,875**	**–**	**99,875**	**(72,791)**	**(27,084)**	**–**	**–**
Equity attributable to the group	**2,587,756**	**–**	**2,587,756**	**–**	**(27,084)**	**(20,844)**	**–**
Equity attributable to non-controlling interests	**84,652**	**–**	**84,652**	**–**	**–**	**–**	**–**

Changes during the period								
Equity transactions								
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	% Change in interest held	Comprehensive income	**Equity attributable to the group at 30.09.2018**	**Equity pertaining to minority interests at 30.09.2018**
–	–	–	–	–	–	–	**1,360,157**	**33,589**
–	–	–	–	–	–	–	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,358**
–	–	–	–	–	–	–	**1,156,053**	**50,121**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**(107,476)**	**(71,257)**	**(147)**
(18)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,388)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**80,960**	**78,434**	**2,526**
(18)	**–**	**–**	**–**	**–**	**–**	**(29,057)**	**2,580,233**	**–**
						2,541		**92,404**

Changes during the period								
Equity transactions								
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	% Change in interest held	Comprehensive income	**Equity attributable to the group at 30.09.2017**	**Equity pertaining to minority interests at 30.09.2017**
–	–	–	–	–	–	–	**1,360,157**	**33,579**
–	–	–	–	–	–	–	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**79,005**	**4,358**
–	–	–	–	–	–	–	**1,080,859**	**44,888**
–	–	–	–	–	–	–	**3,229**	**1,957**
–	**–**	**–**	**–**	**–**	**–**	**29,527**	**71,448**	**(124)**
(29)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,378)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**118,203**	**112,341**	**5,862**
(29)	**–**	**–**	**–**	**–**	**–**	**141,862**	**2,681,661**	**–**
–	**–**	**–**	**–**	**–**	**–**	**5,868**	**–**	**90,520**