



**Banca Popolare
di Sondrio**



COMMUNICATION ON PROGRESS 2010

“As someone of authority once said, «Large banks can also be judged by the way in which they organise their activities on the territory». This affirmation has always been true, but it has been made particularly topical by the recent vicissitudes in the world of international finance. The experience of recent years is there to demonstrate that **the relationship with the territory** is one of the elements thanks to which the Italian banking system has been sheltered from the more serious consequences of this financial turbulence.

An affirmation that is also valid for our Bank, even if it is not large in terms of size. Remaining **close to the areas that we serve** has always been for us the secret of successful growth. The relationship with the local economies has allowed us to put down strong roots, gaining ideas and stimulus from the priority desire to satisfy the needs of the various communities, above all households and businesses. Concrete, effective work, a thousand miles distant from that creative finance which, with the mirage of immediate profits, in the end only created risks, debts and losses.

To offer customers the products and services that they really need; to show clearly the risk/return ratio of all our investment instruments; to grant loans within the limits and according to the criteria of **responsibility and credit worthiness**, are the guidelines followed by our branches.

The branch network, which is the primary source of our work, anchors our operations to the healthy productive system of the areas that we serve.

From them we receive deposits, a bank's raw material, which we transform into loans. **A mutually advantageous exchange, which allows us to grow by helping our customers to grow**. The branches focus the Bank's efforts on the territory, but in the awareness that to facilitate its development, we have to have a vision of the whole, extended even to international trends. It is precisely the attention that we give simultaneously to local and global situations - the new dimension of the economy for which the term «**glocal**» was coined - which allows us to fulfil our mission: to support entrepreneurs in the places where we operate, protecting their specific nature and role in an increasingly vast and competitive market.

Work to win the trust of customers, because a good harvest depends on the sowing. This could be a way of summarising how the Bank again operated during the last twelve months. (From Annual Report 2010, page 22/25).

The commitment of Banca Popolare di Sondrio to sustain the Millenium Development Goals is well shown in the words our its Chairman to the shareholders: a bank working with social responsibility towards its clients and stakeholders and with a particular attention to the persons in difficulty.

The world economic and social crisis has called all actors to do the possible: "The crisis, which was born financial but is still economic, naturally involved businesses, which were heavily conditioned by the world recession. The impact on the banking system was immediate and the consequences for the quality of credit inevitable. In this scenario, we were forced to pay a great deal of attention and use maximum prudence in disbursing financial resources, but we can fairly say (along with Corrado Faissola, the President of ABI) that Italian banks «did not pull in their oars, waiting for the cycle to recommence. They worked to combat the recession». In this regard, it is sufficient to recall the principal **measures taken on behalf of companies and households**: thanks to the Common Notice, SMEs were able to suspend loan principal repayments; on the other hand, the suspension of mortgage payments was also a help for thousands of households.

This is the true core of the matter: there is only one way to run a bank and to run it properly: «to recognise a deserving business even when the figures are not in its favour». In other words, it's precisely in the middle of a crisis - and the one that is still underway is undoubtedly important in terms of gravity and duration - that banks are called upon to perform in the best way possible their function of selecting economic initiatives, granting trust to those that deserve it, despite the adverse state of the economy.

That's what we have done, directing our lending activity according to criteria of **responsibility and prudence**, in the awareness that this is the road to run in the higher interest of the Bank and of the economies that we serve, for which fair and professional disbursement of credit is vital for healthy, long-lasting growth. It is also worth recalling that bank credit ought to be marginal if, as is necessary, it has to be based on the reasonable certainty that it will be repaid". (From Annual Report 2010, page 28/29).

In accordance with the provisions of art. 2545 of the Italian Civil Code, the following are the criteria followed by management to achieve the Bank's mutualistic goals. In this matter, points 1 and 2 of our Articles of Association are fundamental points of reference for us; they read: «The company's activities are based on the principles of **mutuality and cooperation**» and «As part of institutional work to facilitate the development of all productive activities, the company, in consideration of its specific objectives as a cooperative bank, intends to provide specific support for the smaller enterprises and cooperatives present in the territories served; in addition, it will take all appropriate steps to spread and encourage saving...This is an expression of our contribution to economic development: a transversal movement that involves all subjects in the area, safeguarding their identity and fostering their potential. It is also a function that we are called upon to do by our status as a cooperative, allowing us to become a point of reference for households and business in geographical areas that are getting wider and wider. As regards businesses, our focus is particularly on small and medium sized enterprises (SMEs). In this way we helped provide support at a time of

widespread crisis to those who form the basic structure of the economies that we serve.

We also made every effort to make various forms of financing available to households, the main ones being home purchase loans, loans for families with small babies and loans to pay for children's schooling. We would also mention the initiatives promoted together with the institutions to provide advances in favour of those awaiting redundancy benefits and the «Prestito della Speranza» (Hope Loan), following the agreement between the CEI and ABI.

Supporting local communities also means helping to direct initiatives towards forms of sustainable economic development. Among others, we would recall the loans that aim to spread the use of renewable energy sources and to implement rural development plans. **Social responsibility** was also a feature of our funding activity. The protection of savings took concrete form in our offer of investment products and tools based on clarity and transparency. Equally important, the diffusion of an adequate financial culture among all categories of customers, even the smallest, is designed to raise the level of awareness in investment decisions, thereby offering greater protection against risk. Our catalogue also includes instruments of **ethical finance**, the expression

of an ecosustainable economy, and supplementary pension products, which are fundamental to guarantee adequate retirement conditions, especially for the young". (From Annual Report 2010, page 77/78)

"Culture, art, history and traditions appear to be a long way away from the institutional activity of a bank. But if we recognise as part of our mission the promotion of the territory as a whole, we have to dedicate care and interest to its tangible and intangible values, i.e. those that we perceive with our senses and those that we perceive with our intellect.

This commitment is **a conscious assumption of responsibility in favour of the growth of the communities that we serve**; and not only economic growth. This all goes to the benefit of our relationship with local communities and, of course, the formation and preservation of a cultural heritage that everyone can now enjoy, at least in part, thanks to modern means that make it accessible at any time and at any distance". (From Annual Report, page 64).

Among the **cultural initiatives**, we would like to quote:

- A cycle of public conferences at the presence of very important people of the economic, cultural, religious Italian life.
- The publishing activity, which has its point of strength in the quarterly magazine "Notiziario", can boast among its best works "Adventure in Valtellina" by Mario Soldati, published in 1985 and reissued in 2006 to mark the centenary of the birth of this great writer. It was donated to the shareholders who attended the AGM in Bormio on 27 March 2010 as part of an attractive booklet that also contained a piece written by Professor Marco Vitale. «Adventure in Valtellina» was also a source of inspiration for film director Ermanno Olmi. He used it as the leitmotiv of his admirable documentary film «Rupi del Vino» (Wine Rocks), produced on our initiative based on an idea of Marco Vitale, as part of the activities to have Valtellina's terraced vineyards recognised by UNESCO as part of the world heritage of humanity.

- The management of a public library in the city of Sondrio, making available to the general public our significant heritage of books and documents, also establishing fruitful contacts with the world of education.
- The organization of many sporting, religious and cultural events, such as arts exhibitions.
- The traditional celebration of World Savings Day.

In the field of **Human Solidarity**, we have been involved in important initiatives of solidarity, as well as targeted charitable donations:

- for the population of Haiti, hit by a very bad earthquake on 12 January 2010, and for the population of Pakistan hit by serious flooding in July 2010, we promoted fund-raising together with the UN's World Food Programme and, in particular, its Italian Committee;
- the funds raised on behalf of the earthquake victims in Abruzzo, almost 400,000 euro, were handed over to the Civil Protection Department and helped to finance construction of a multifunctional centre for university students in the Pile district of L'Aquila;
- the bank personnel was involved in a voluntary pay-roll giving in favour of populations in Pakistan, through WFP Italian Committee;
- through the Solidarity Current Account we make significant donations each year to UNICEF, AIRC, AVIS, ADMO and AISLA";
- regular contributions paid in favour of public and private entities, universities, hospitals and institutions to which we provide treasury services;
- donations, from the amount allocated for this purpose at the shareholders' meeting, to support entities and associations that carry out cultural, sporting or voluntary work;
- promotion of a tender launched by the European Commission for activities aimed at educating and helping immigrants in their social inclusion.

Banca Popolare di Sondrio also obtained in 2010 the regional recognition, as part of the project launched by the Lombard Chambers of Commerce entitled "**Good CSR practices by Lombard businesses**".

As far as the relationship with Global Compact offices is concerned, we obtained the authorization to use GC logo in our publications regarding our commitment in the project.

Furthermore, we sent a contribution to Global Compact Network Italy for their publication about Italian GC group.

Sondrio, 30th November 2011